Emadlangeni Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Nature of business and principal activities	The main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The main type of services rendered by the municipality includes the provision of electricity and disposal of waste and the construction and maintenance of infrastructure within the area.
Mayoral committee	
Executive Mayor	Cllr ML Buthelezi
12	Cllr PF Chongo
	Cllr PX Qwabe (Speaker)
Councillors	Cllr SM Khoza (Whip of Council)
	Cllr VC Ndlovu
	Cllr NM Dekker (MPAC chairperson)
	Cllr MJ Mthethwa
	Cllr N Nkosi
	Cllr NA Madida
	Cllr MR Khumalo
	Cllr KV Sibisi
Grading of local authority	Grade 1
Accounting Officer	G.N Mavundla
Chief Finance Officer (CFO)	PP. Sithole
Registered office	34 Voor Street Utrecht Kwa Zulu Natal 2980
Postal address	P.O. Box 11 Utrecht Kwa Zulu Natal 2980
Bankers	Standard Bank First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Mdledle Incorporated Nompumelelo Hadebe Inc

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

Abbreviations used:

MFMA	Municipal Finance Management Act
GRAP	Generally Recognised Accounting Practice
VAT	Value added tax
EPWP	Expanded public works programme
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
FMG	Financial Management Grant

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 was given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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.

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

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

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Accounting Officer
Designation

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2025.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 8 number of meetings were held.

Name of member	Number of meetings attended
Buhle Dlamini (Chairperson)	8
Adv Jabulani Mhlongo	7
Ms Thandeka Ndlovu	8
Mr Velaphi M Kubeka	8

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

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

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

Internal audit

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

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

Chairperson of the Audit Committee

Audit Committee Report

Date: ______________________________

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in the main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community and to promote the social and economic development of the community. The main type of services rendered by the municipality includes the provision of electricity and water,collection,purifying and disposal of waste water and the construction and maintenance of roads and provision of parks,sport and recreation facilities. and operates in South Africa].

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

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 134 569 910 and that the municipality's total assets exceed its assets by R 134 569 910.

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

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

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

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
G. Mavundla	South African

The annual financial statements set out on page 7-84 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

Accounting Officer
Designation

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	9&11	20 219 558	22 578 509
Receivables from non-exchange transactions	10&11	32 065 408	26 390 744
Prepayments	12	174 840	148 654
Cash and cash equivalents	13	3 568 075	17 013 333
		56 027 881	**66 131 240**
Non-Current Assets			
Investment property	5	38 197 041	38 614 685
Property, plant and equipment	6	138 241 334	108 465 801
Intangible assets	7	-	3 440
Heritage assets	8	1 190 581	1 190 581
		177 628 956	**148 274 507**
Total Assets		**233 656 837**	**214 405 747**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	64 036 651	40 804 575
Payables from non-exchange transactions	15	2 841 075	2 719 490
Consumer deposits	17	189 584	185 684
Employee benefit obligation	18	3 028 227	2 971 745
Unspent conditional grants and receipts	19	823 683	25 815 387
		70 919 220	**72 496 881**
Non-Current Liabilities			
Employee benefit obligation	18	1 410 121	1 636 000
Provisions	20	26 757 586	26 044 934
		28 167 707	**27 680 934**
Total Liabilities		**99 086 927**	**100 177 815**
Net Assets		**134 569 910**	**114 227 932**
Accumulated surplus		134 569 910	114 227 932
Total Net Assets		**134 569 910**	**114 227 932**

* See Note 49

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	22	482 616	321 901
Service charges	23	21 523 392	17 292 837
Construction contracts	24	19 580 870	26 278 507
Operational Income	25	723 778	619 542
Rental of facilities and equipment	26	1 410 999	1 495 217
Interest received	27	1 111 916	1 454 352
Licences and permits	28	2 510 293	2 307 035
Actuarial gains/losses	42	426 223	-
Penalties and Interest- Exchange Transactions	29	2 323 550	1 918 044
Total revenue from exchange transactions		**50 093 637**	**51 687 435**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	43 789 767	37 400 183
Property rates - penalties imposed	30	7 280 295	4 374 114
Transfer revenue			
Government grants & subsidies	31	87 084 219	63 295 523
Fines, Penalties and Forfeits	32	1 102 428	1 003 831
Donations	60	3 449 269	-
Total revenue from non-exchange transactions		**142 705 978**	**106 073 651**
Total revenue	21	**192 799 615**	**157 761 086**
Expenditure			
Employee related costs	33	(53 291 962)	(50 905 705)
Employee costs - Remuneration of councillors	34	(4 904 567)	(4 701 594)
Depreciation and amortisation	35	(9 167 188)	(13 350 011)
Finance costs	36	(1 165 631)	(307 054)
Lease rentals on operating lease	37	(167 382)	(171 987)
Debt Impairment	38	(21 196 569)	(15 248 453)
Bulk purchases	39	(24 125 970)	(19 297 998)
Contracted Services	40	(21 780 225)	(18 288 826)
Construction expenses	41	(19 580 870)	(26 278 507)
Actuarial gains/losses	42	-	(84 150)
Donation	43	-	(5 747 830)
General Expenses	44	(15 313 890)	(13 322 736)
Total expenditure		**(170 694 254)**	**(167 704 851)**
Surplus (deficit) for the year from continuing operations		**22 105 361**	**(9 943 765)**
Loss on disposal		(1 763 385)	(302 943)
Surplus (deficit) for the year		**20 341 976**	**(10 246 708)**

* See Note 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**124 474 640**	**124 474 640**
Changes in net assets		
Surplus for the year	(10 246 708)	(10 246 708)
Total changes	(10 246 708)	(10 246 708)
Restated* Balance at 01 July 2024	**114 227 934**	**114 227 934**
Changes in net assets		
Surplus for the year	20 341 976	20 341 976
Total changes	20 341 976	20 341 976
Balance at 30 June 2025	**134 569 910**	**134 569 910**

Note(s)

* See Note 49

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		41 946 205	38 882 742
Property rates		28 929 731	44 806 766
Fines		57 624	79 421
Interest income		1 111 916	1 454 352
Other receipts		5 127 685	4 743 695
VAT		7 448 977	16 104 275
Grants		58 589 149	63 295 523
		143 211 287	169 366 774
Payments			
Employee costs		(58 088 043)	(54 378 667)
Suppliers		(63 247 023)	(83 097 092)
Finance costs		(1 149 025)	(182 504)
		(122 484 091)	(137 658 263)
Net cash flows from operating activities	45	**20 727 196**	**31 708 511**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(34 176 353)	(17 629 551)
Net cash flows from investing activities		**(34 176 353)**	**(17 629 551)**
Cash flows from financing activities			
Consumer Deposits		3 900	10 190
Net cash flows from financing activities		**3 900**	**10 190**
Net increase/(decrease) in cash and cash equivalents		**(13 445 257)**	**14 089 150**
Cash and cash equivalents at the beginning of the year		17 013 333	2 924 181
Cash and cash equivalents at the end of the year	13	**3 568 076**	**17 013 331**

* See Note 49

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other revenue	331 200	(61 854)	**269 346**	482 616	**213 270**	79%
Service charges	23 300 462	(2 320 448)	**20 980 014**	21 523 392	**543 378**	3%
Construction contracts	13 493 913	6 086 956	**19 580 869**	19 580 870	**1**	0%
Operational revenue	850 058	(779 557)	**70 501**	723 778	**653 277**	927%
Rental of facilities and equipment	1 726 126	(643 345)	**1 082 781**	1 410 999	**328 218**	30%
Interest received	1 169 101	498 385	**1 667 486**	1 111 916	**(555 570)**	-33%
Licences and permits	2 066 351	525 048	**2 591 399**	2 510 293	**(81 106)**	-3%
Penalties and interest- exchange transactions	3 549 000	(1 660 000)	**1 889 000**	2 323 550	**434 550**	100%
Total revenue from exchange transactions	**46 486 211**	**1 645 185**	**48 131 396**	**49 667 414**	**1 536 018**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	47 566 650	2 113 166	**49 679 816**	43 789 767	**(5 890 049)**	-12%
Property rates - penalties imposed	3 549 000	2 624 323	**6 173 323**	7 280 295	**1 106 972**	18%
Transfer revenue						
Government grants & subsidies	46 303 000	6 938 320	**53 241 320**	87 084 219	**33 842 899**	64%
Fines, Penalties and Forfeits	1 004 033	(300 747)	**703 286**	1 102 428	**399 142**	57%
Donation	-	-	**-**	3 449 269	**3 449 269**	100%
Total revenue from non-exchange transactions	**98 422 683**	**11 375 062**	**109 797 745**	**142 705 978**	**32 908 233**	
Total revenue	**144 908 894**	**13 020 247**	**157 929 141**	**192 373 392**	**34 444 251**	
Expenditure						
Employee Related Costs	(52 089 849)	(3 440 388)	**(55 530 237)**	(53 291 962)	**2 238 275**	4%
Remuneration of councillors	(4 740 489)	-	**(4 740 489)**	(4 904 567)	**(164 078)**	-3%
Depreciation and amortisation	(9 332 041)	-	**(9 332 041)**	(9 167 188)	**164 853**	2%
Finance costs	-	-	**-**	(1 165 631)	**(1 165 631)**	-100%
Lease rentals on operating lease	(250 000)	-	**(250 000)**	(167 382)	**82 618**	33%
Debt Impairment	(2 851 852)	-	**(2 851 852)**	(21 196 569)	**(18 344 717)**	-643%
Bulk purchases	(22 883 173)	(2 528 021)	**(25 411 194)**	(24 125 970)	**1 285 224**	5%
Contracted Services	(14 229 961)	(6 097 587)	**(20 327 548)**	(21 780 225)	**(1 452 677)**	-7%
Construction Expenses	(13 493 913)	(6 086 956)	**(19 580 869)**	(19 580 870)	**(1)**	0%
General Expenses	(17 644 844)	(2 236 311)	**(19 881 155)**	(15 313 890)	**4 567 265**	23%
Total expenditure	**(137 516 122)**	**(20 389 263)**	**(157 905 385)**	**(170 694 254)**	**(12 788 869)**	
Operating surplus	**7 392 772**	**(7 369 016)**	**23 756**	**21 679 138**	**21 655 382**	
Actuarial gains/losses	-	-	**-**	426 223	**426 223**	100%
Surplus before taxation	**7 392 772**	**(7 369 016)**	**23 756**	**22 105 361**	**22 081 605**	
Surplus for the year from continuing operations	**7 392 772**	**(7 369 016)**	**23 756**	**22 105 361**	**22 081 605**	
Discontinued operations	-	-	**-**	(1 763 385)	**(1 763 385)**	-100%

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**7 392 772**	**(7 369 016)**	**23 756**	**20 341 976**	**20 318 220**	

Reasons for all variances in excess of 10% has been provided in note 57

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	14 785 914	464 245	**15 250 159**	20 219 558	**4 969 399**	33%
Receivables from non-exchange transactions	48 858 071	(3)	**48 858 068**	32 065 408	**(16 792 660)**	-34%
VAT receivable	12 607 966	2 019 292	**14 627 258**	-	**(14 627 258)**	-100%
Prepayments	-	-	**-**	174 840	**174 840**	100%
Cash and cash equivalents	18 359 268	(14 804 447)	**3 554 821**	3 568 075	**13 254**	0%
	94 611 219	**(12 320 913)**	**82 290 306**	**56 027 881**	**(26 262 425)**	
Non-Current Assets						
Biological assets	4 349 646	-	**4 349 646**	-	**(4 349 646)**	-100%
Investment property	32 804 311	-	**32 804 311**	38 197 041	**5 392 730**	16%
Property, plant and equipment	122 121 928	23 260 506	**145 382 434**	138 241 334	**(7 141 100)**	-5%
Intangible assets	315 188	(128 000)	**187 188**	-	**(187 188)**	-100%
Heritage assets	1 190 581	-	**1 190 581**	1 190 581	**-**	0%
	160 781 654	**23 132 506**	**183 914 160**	**177 628 956**	**(6 285 204)**	
Total Assets	**255 392 873**	**10 811 593**	**266 204 466**	**233 656 837**	**(32 547 629)**	
Liabilities						
Current Liabilities						
Other current liabilities	252 859	-	**252 859**	-	**(252 859)**	-100%
Payables from exchange transactions	55 822 071	-	**55 822 071**	64 036 651	**8 214 580**	15%
Payables from non-exchange transactions	8 167 539	-	**8 167 539**	2 841 075	**(5 326 464)**	-65%
VAT payable	(311 279)	40 838	**(270 441)**	-	**270 441**	-100%
Consumer deposits	180 290	-	**180 290**	189 584	**9 294**	5%
Employee benefit obligation	1 623 102	-	**1 623 102**	3 028 227	**1 405 125**	87%
Unspent conditional grants and receipts	-	-	**-**	823 683	**823 683**	100%
	65 734 582	**40 838**	**65 775 420**	**70 919 220**	**5 143 800**	
Non-Current Liabilities						
Other current liabilities	2 795 559	-	**2 795 559**	-	**(2 795 559)**	-100%
Employee benefit obligation	-	-	**-**	1 410 121	**1 410 121**	100%
Provisions	25 920 384	-	**25 920 384**	26 757 586	**837 202**	3%
	28 715 943	**-**	**28 715 943**	**28 167 707**	**(548 236)**	
Total Liabilities	**94 450 525**	**40 838**	**94 491 363**	**99 086 927**	**4 595 564**	
Net Assets	**160 942 348**	**10 770 755**	**171 713 103**	**134 569 910**	**(37 143 193)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	160 942 348	10 770 755	**171 713 103**	134 569 910	**(37 143 193)**	-22%

Reasons for all sub-component area in excess of 15% has been provided in note 57

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
VAT	-	-	**-**	7 448 977	**7 448 977**	100%
Sale of goods and services	17 901 820	(68 807)	**17 833 013**	41 946 205	**24 113 192**	135%
Grants	80 269 617	28 829 703	**109 099 320**	58 589 149	**(50 510 171)**	-46%
Interest income	8 267 727	(435 727)	**7 832 000**	1 111 916	**(6 720 084)**	-86%
Fines	-	-	**-**	57 624	**57 624**	100%
Other receipts	4 326 618	(269 574)	**4 057 044**	5 127 685	**1 070 641**	26%
Property rates	38 372 589	1 371 265	**39 743 854**	28 929 731	**(10 814 123)**	-27%
	149 138 371	**29 426 860**	**178 565 231**	**143 211 287**	**(35 353 944)**	
Payments						
Employee costs	(56 916 858)	(3 505 572)	**(60 422 430)**	(58 088 043)	**2 334 387**	4
Suppliers	(62 040 933)	(9 206 948)	**(71 247 881)**	(63 247 023)	**8 000 858**	11%
Finance costs	-	-	**-**	(1 149 025)	**(1 149 025)**	-100%
	(118 957 791)	**(12 712 520)**	**(131 670 311)**	**(122 484 091)**	**9 186 220**	
Net cash flows from operating activities	**30 180 580**	**16 714 340**	**46 894 920**	**20 727 196**	**(26 167 724)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(33 612 063)	(26 741 586)	**(60 353 649)**	(34 176 353)	**26 177 296**	43%
Cash flows from financing activities						
Consumer deposists	-	-	**-**	3 900	**3 900**	100%
Net increase/(decrease) in cash and cash equivalents	(3 431 483)	(10 027 246)	**(13 458 729)**	(13 445 257)	**13 472**	
Cash and cash equivalents at the beginning of the year	21 790 751	(4 777 418)	**17 013 333**	17 013 333	**-**	
Cash and cash equivalents at the end of the year	**18 359 268**	**(14 804 664)**	**3 554 604**	**3 568 076**	**13 472**	

Reconciliation

Reasons for all sub-component areas in excess of 15% has been provided in note 57

Accounting Policies

3. Significant accounting policies

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

1.1 Basis of preparation

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Receivables from exchange and non-exchange transactions

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality 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 receivables is calculated as the difference between the assets carrying amount and the present value of estimated future cashflows discounted. Future cashflows is estimated based on the history of past collection rates which is discounted at the effective rate of interest. The discounted future cashflows is therefore influenced by factors such as poor economic conditions, significant financial difficulty of the debtor or delinqunecy in debtor payments as well as economic effects on the prime lending rates which is used as a factor to calculate the effective interest rate.

Refer to notes 8 and 9: Receivables from exchange and non-exchange transactions for the carrying values.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Contingent liabilities

Contingent liabilities are disclosed based on managements best estimate of the potential outflow of economic benefits. The contingent liability disclosure is based on the assumptions of matters being settled within an assumed future timeframe and expected costs. Changes in both future events and economic conditions may alter the amounts as disclosed. Refer to note 45: Contingencies for associated values.

Useful lives of fixed assets

The municipality's management determines the estimated useful lives and related depreciation charges for the fixed assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. For details, carrying values and related useful lives and depreciation rates for fixed assets refer to notes 1.7: Investment Property, 1.8: Property plant and equipment and 1.9: Intangible assets read in conjunction with notes 3: Investment property, 4: PPE, 5: Intangible assets and 6: Heritage assets.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The mortality rates, gender and age together with a discount factor and market conditions forms part of the assumptions utilised. Refer to Note 7: Employee benefit obligations for other information and the carrying values.

The mortality rates, gender and age together with a discount factor and market conditions forms part of the assumptions utilised. Refer to Note 18: Employee benefit obligations for other information and the carrying values

Environmental rehabilitation provision

The provision is raised for the rehabilitation of waste disposal landfill site to its original state once the site has reached the end of the useful life. For key assumptions and estimates relating to the Environmental rehabilitation provision, refer to note : 20 Provisions.

Accounting Policies

1.6 Biological assets

Biological assets are living resources (animals) that undergo biological transformation held by the municipality in the game park. These assets are held for conservation purposes.
The municipality recognises biological assets when, and only when:
the municipality controls the asset as a result of past events;
it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and,
the fair value or cost of the asset can be measured reliably.

Measurement

Biological assets are recognized at cost and where these assets are acquired through a non-exchange transaction, its cost is measured at fair value at the date of acquisition.

Subsequent Measurement

Biological assets are subsequently measured at revalued amount, which is the fair value at the revaluation date less any accumulated depreciation and accumulated impairment losses. The revaluation is performed annually on the reporting date.
Should the carrying amount of a living resource increase as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. The increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same living resource previously recognised in surplus or deficit.
Should the carrying amount of a living resource decrease as a result of a revaluation, the decrease shall be recognised in surplus or deficit. The decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that living resource. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

Derecognition

The carrying amount of a living resource is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.
The gain or loss arising from the derecognition of a living resource is included in surplus or deficit when the item is derecognised.
Upon disposal of the living resource or a group of living resources, the compensation received and the amount recognised in the statement of financial performance.

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.7 Investment property (continued)

Cost model
Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.
Depreciation is provided on the straight-line method to write down the cost, less estimated residual value over the useful life of the property.

Property - land	indefinite
Property - buildings	10-30 years
Infrastructure-other	10-40 years
Infrastructure- Dam	88 years

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Accounting Policies

1.8 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10-50 Years
Plant and machinery	Straight-line	2-50 Years
Furniture and fixtures	Straight-line	2-30 Years
Motor vehicles	Straight-line	2-30 Years
IT equipment	Straight-line	2-20 Years
Infrastructure	Straight-line	2-90 Years
Community	Straight-line	2-90 Years

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

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

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

1.9 Intangible assets

An asset is identifiable if it either:

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

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

1.9 Intangible assets (continued)

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3-6 Years

1.10 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

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

1.10 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

1.11 Financial instruments (continued)

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.11 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.12 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.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

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 entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

1.12 Statutory receivables (continued)

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 entity 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 debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor 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).
- 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 recognised in surplus or deficit.

In estimating the future cash flows, an 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 entity 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

Accounting Policies

1.12 Statutory receivables (continued)

- 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 entity:
  - derecognise the receivable; and
  - recognise 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 entity 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.

1.13 VAT

VAT

The municipality is a registered VAT vendor. The municipality accounts for VAT on the payments basis in terms of section 15 of the VAT Act. VAT receivable from SARS is a statutory receivable accounted for in accordance with GRAP 108.
VAT payable to SARS is a statutory payable and is accounted for in accordance with the municipality’s policy on statutory obligations.
VAT input/output accruals and VAT control balances are not offset unless a legal right to set-off exists and the municipality intends to settle on a net basis.Commitments: Commitments are stated exclusive of VAT.

1.14 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Accounting Policies

1.14 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.15 Construction contracts and receivables

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.

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 an entity 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 entity 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 completion of a physical proportion of the contract work.

The municipality is a participant in the Integrated National Electrification Programme (INEP). Funds are received from Eskom or the Department of Mineral resources and Energy (DMRE) to construct electrification infrastructure on behalf of Eskom in Eskom designated liscencing areas.

The municipality is considered to be a contractor in terms of GRAP 11.

Funds are received in advance and recognised as a liability. Qualifying INEP expenditure is recongised as construction expenses when the expenditure is incurred. Construction revenue is recognised to the extent of the expenditure incurred which is reduced by the advance funds received.

Construction revenue comprises:The initial amount agreed in the Contract, and any variations to the agreement
Construction revenue is recognised when it is probale that they will result in revenue and they are capable of being measured reliably
Construction costs comprise costs that relate directly to the specific contract and costs that are attributable to the contract activity.
Any unused funds advanced to the municipality remain as a Construction liability.

Presentation

Accounting Policies

1.15 Construction contracts and receivables (continued)

Construction revenue: disclosed as construction revenue as a separate line on the face of the statement of financial performance under revenue from exchange transactions.

Contract Costs: disclosed as construction costs as a separate line on the face of the statement of the statement of financial performance.

Contract creditor: Disclosed as a payable under payables from exchange transactions in the statement of financial position.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

1.17 Employee benefits

Short-term employee benefits

Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of municipality sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined through actuarial valuations using the Projected Unit Credit discounted cashflow method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period.

Past service costs are recognised immediately to the extent that the benefits are already vested.

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

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

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities 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.

1.18 Provisions and contingencies

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

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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

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

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

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

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 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.

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.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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.

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

Interest, royalties and dividends

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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.

Accounting Policies

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.21 Revenue from non-exchange transactions (continued)

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Fines

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

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

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

Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.
Expenses are recognised when:
It is probable that the economic benefits or service potential associated with the transaction will flow out of the municipality, and
The amount of the expense can be measured reliably
Expenditure arising from Bulk purchases, contracted services and general expenses are measured at the cost of the outflow of resources from the municipality.

1.22 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.

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy.

1.24 Irregular expenditure (continued)

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Segment information

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

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

Measurement

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

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

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

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

1.27 Related parties

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

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

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

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

Accounting Policies

1.27 Related parties (continued)

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

Management are those persons responsible for planning, directing and controlling the activities of the 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 those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

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

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

1.28 Events after reporting date

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

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

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

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

Accounting Policies

1.29 Accounting by principals and agents

Identification
An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.Additional text

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

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

Recognition
The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of GRAP 109.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements GRAP 109.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

KZN Department of Transport: The municipality acts as an agent in terms of the agreement it has with the department. The Department is responsible for registration, licensing and testing functions in terms of applicable national and provincial road traffic legislation.The Department, to provide greater access to clients throughout the Province, transfers specified registration, licensing and testing functions to appropriately identified agents, which act as agents for the Department to process these functions.

The Department and the Municipality entered into an agreement for the transfer of registration and licensing of motor vehicle and learners license testing functions.

The municipality recognises agency fees from the department for the services it renders. Any amounts owing from the department at year end is reflected as a receivable

Under this agreement, any physical hardware to deliver on the agreement remains the asset of the department.

Spar and Dix take aways: The municipality acted as a principal in terms of the agreement it has with the these parties.The municipality appointed Spar and Dix take-aways for the purposes of dispensing and selling electricity coupons to consumers. These agreements terminated on the 30 June 2024.Under the Spar and Dix agreements, any physical hardware to deliver on the agreements, remained the assets of the municipality.

Contour:The municipality entered into an agreement with Contour for the sale of prepaid electricity in the 2025 period. Prepaid electricity sales is recognised based in the month the sale occurred. The full amount collected by Contour is paid to the municipality within a few days after month end. Contour invoices the municipality for the commission due to them. Under this agreement, all assets belong to Contour.

The municipality recognises commission expenses for the amounts payable to the parties for the services they render on behalf of the municipality. Any amounts due to the parties at year end is reflected as a payable.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. New standards and interpretations

4.1 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 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	To be determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	To be determined	Unlikely there will be a material impact
• GRAP 105 on Transfer of Functions Between Entities Under Common Control (amended)	To be determined	Unlikely there will be a material impact
• GRAP 106 on Transfer of Functions Between Entities Not Under Common Control (amended)	To be determined	Unlikely there will be a material impact
• GRAP 107 on Mergers (amended)	To be determined	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

5. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	44 508 815	(6 311 774)	38 197 041	44 656 464	(6 041 779)	38 614 685

Reconciliation of investment property - 2025

	Opening balance	Disposals	Depreciation	Total
Investment property	38 614 685	(19 211)	(398 433)	38 197 041

Reconciliation of investment property - 2024

	Opening balance	Transfers	Depreciation	Total
Investment property	39 099 380	(84 080)	(400 615)	38 614 685

Restrictions and Contractual obligations

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

No restrictions or contractual obligations exist on Investment Property.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Investment property (continued)

Maintenance of investment property

The following maintenance costs were incurred:

Repairs and Maintainence: Investment property	-	10 982

There was no repairs and maintainance incurred in the current period. .

Amounts recognised in surplus or deficit

Rental revenue from Investment property	990 056	1 282 885

Notes to the Annual Financial Statements

Figures in Rand

6. 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	2 812 330	-	2 812 330	2 812 330	-	2 812 330
Buildings	18 547 583	(11 606 444)	6 941 139	15 218 676	(11 104 037)	4 114 639
Plant and machinery	4 498 780	(2 357 531)	2 141 249	4 404 197	(2 112 253)	2 291 944
Furniture and fixtures	4 310 555	(2 742 262)	1 568 293	3 871 662	(2 491 167)	1 380 495
Motor vehicles	6 198 878	(4 467 665)	1 731 213	5 280 085	(4 098 648)	1 181 437
IT equipment	2 343 657	(1 569 030)	774 627	2 143 554	(1 299 285)	844 269
Infrastructure	189 250 010	(84 207 404)	105 042 606	165 393 117	(87 798 970)	77 594 147
Community	37 804 762	(20 574 885)	17 229 877	43 637 517	(25 390 977)	18 246 540
Total	**265 766 555**	**(127 525 221)**	**138 241 334**	**242 761 138**	**(134 295 337)**	**108 465 801**

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Donations	Disposals	Transfers in/ out	Depreciation	Impairment loss	Total
Land	2 812 330	-	-	-	-	-	-	2 812 330
Buildings	4 114 639	6 500	3 322 407	-	-	(461 615)	(40 792)	6 941 139
Plant and machinery	2 291 944	94 584	-	-	-	(241 467)	(3 812)	2 141 249
Furniture and fixtures	1 380 495	179 152	52 058	-	207 684	(250 397)	(699)	1 568 293
Motor vehicles	1 181 437	918 793	-	-	-	(369 017)	-	1 731 213
IT equipment	844 269	125 299	74 804	-	-	(268 425)	(1 320)	774 627
Infrastructure	77 594 147	35 511 228	-	(1 744 136)	(207 684)	(5 808 288)	(302 661)	105 042 606
Community	18 246 540	-	-	(40)	-	(1 016 623)	-	17 229 877
	108 465 801	**36 835 556**	**3 449 269**	**(1 744 176)**	**-**	**(8 415 832)**	**(349 284)**	**138 241 334**

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2 796 477	-	-	15 853	-	-	2 812 330
Buildings	5 014 505	-	-	-	(419 659)	(480 207)	4 114 639
Plant and machinery	2 159 692	366 266	-	-	(234 014)	-	2 291 944
Furniture and fixtures	1 221 845	430 250	-	-	(271 600)	-	1 380 495
Motor vehicles	1 563 363	-	-	-	(381 926)	-	1 181 437
IT equipment	984 737	183 252	-	-	(323 720)	-	844 269
Infrastructure	76 501 362	11 231 483	-	-	(10 138 698)	-	77 594 147
Community	17 966 891	-	(6 050 774)	6 989 274	(658 851)	-	18 246 540
	108 208 872	**12 211 251**	**(6 050 774)**	**7 005 127**	**(12 428 468)**	**(480 207)**	**108 465 801**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	834 484	834 484
Additions/capital expenditure	34 972 983	34 972 983
Transferred to completed items	(30 831 762)	(30 831 762)
	4 975 705	**4 975 705**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Total
Opening balance	4 065 543	4 065 543
Additions/capital expenditure	15 890 770	15 890 770
Transferred to completed items	(19 121 829)	(19 121 829)
	834 484	**834 484**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	132 580	438 285
Motor Vehicles	365 176	534 237
Machinery	435 393	5 939
	933 149	**978 461**

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

GRAP 17: Property, Plant and Equipment requires that the eMadlangeni Local Municipality shall at each reporting date assess whether there has been an indication that the Municipality's expectation about the remaining useful lives of assets have changed. Such review has been completed and the following results were achieved.

The indicator, "The asset is approaching the end of its previously expected useful life", was identified in respect of 642 immovable assets and 1689 movable assets. Management determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2024 financial period has decreased by R 598 315 made up of R 373 928 Infrastructure assets and R 224 387 Movable assets. This change in depreciation is expected to remain the same over the next 24 months.

The municipality had not accounted for structures erected on leased property owned by the council. A prior period adjustment to Property, plant and Equipment was made in the current financial period. In accordance with GRAP 17, Property, Plant, and Equipment, the entity has made extensive efforts to determine the opening balances for the current financial period. However, it has been deemed impracticable to do so due to the following reasons:

Lack of access to adequate historical records or documentation to accurately determine the opening balances due to the passage of time resulting in the challenge and impracticability to reconstruct the necessary data.

Lack of market information dating back to the period when the assets ought to have been recorded.

There's insufficient publicly available information to determine the depreciated replacement cost specific to areas around Utrecht and surrounding towns.

The cost associated with getting an expert to perform the recalculations in managements opinion is not considered practical.

Significant challenges in valuing these leasehold improvements due to the absence or lack of market data or comparable transactions for the period in question.

The municipality used the services of the property valuator already contracted perform the municipal valuation roll to assist in sub-dividing the properties and determining the market value for the leasehold improvements.

As a result, the municipality has taken due consideration in applying relevant standards to determine the deemed cost for these assets. Thus, the applied accounting policies will be applied prospectively from the beginning of the current financial period.

7. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 560 201	(1 560 201)	-	1 560 201	(1 556 761)	3 440

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software, other	3 440	(3 440)	-

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	53 978	(50 538)	3 440

Restrictions and Contractual obligations

No restrictions or contractual obligations exist.

Figures in Rand

8. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Heritage Assets (Land and Buildings- refer to reconciliation below)	1 490 000	(299 419)	1 190 581	1 490 000	(299 419)	1 190 581

Reconciliation of heritage assets 2025

	Opening Balance	Total
Buildings	942 247	942 247
Land	248 334	248 334
	1 190 581	**1 190 581**

Reconciliation of heritage assets 2024

				Opening Balance	Total
Buildings	-	-	-	942 247	942 247
Land	-	-	-	248 334	248 334
	-	**-**	**-**	**1 190 581**	**1 190 581**

No expenditure was incurred in the period under review for heritage assets.

Restrictions and contractual obligations

No restrictions or contractual obligations exist.

Figures in Rand	2025	2024

9. Receivables from exchange transactions

	2025	2024
Input Vat accrual	11 309 830	9 546 142
SARS receivable	-	1 305 898
Consumer debtors - Electricity	5 208 928	7 149 272
Consumer debtors - Refuse	2 842 968	3 148 060
Consumer debtors - Other	857 832	942 140
Accrued Interest Income	-	486 997
	20 219 558	**22 578 509**

The financial assets that give rise to a contractual right to receive cash or another financial asset is indicated above. Financial assets exclude the Input Vat accrual as this represents a statutory obligation as opposed to a contractual obligation .No debtors has been pledged as security.
Refer to note 11 for further details on gross and impairment balances.

Interest or other charges levied/charged
Consumers are charged interest at 1.5% on all outstanding balances over 30 days.

Provision for impairment
Receivables from exchange transactions: the municipality first assesses whether objective evidence of impairment exists individually for debtors that are individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed debtor, it includes the asset in a group of debtors with similar credit risk characterics and collectively assesses them for impairment.
Debtor balances outstanding for more than 30 days serves as an indication of possible impairment. Organs of state is seen as a financial asset falling within a different credit profile to the usual community consumers. For all intents and purposes, all inter-governmental debt should be fully collectible. Government debt is therefore not provided for.
The impairment loss is calculated as the difference between the assets carrying amount and the present value of estimated future cashflows discounted. A discount rate applied to the estimated future cash flows of 11% (2024:12%) was used which was calculated as the effective interest rate.
The past payment history of consumer debtors is used as the basis to estimate the future cashflows. Once the estimated cashflow is established, it is discounted. Government debt also forms part of the estimated future cashflows.

Trade and other receivables past due but not impaired
The amount past due but not impaired relates to all government debt that is past the due date of 30 days. Government debt is considered recoverable and has not been provided for. At 30 June 2025, the amount past due and not impaired amounts to R26 702 411.

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

Category of service	31-60 days	61-90 days	91-120 days	> 121 days	Total
Property rates	-	403 758	373 570	14 130 893	14 908 221
Electricity	-	330 271	317 541	2 817 470	3 465 282
Refuse	-	3 466	3 466	144 710	151 642
Rental	-	4 825	4 825	70 475	80 125
Other	-	-	-	558	558
Interest	-	339 152	325 454	7 431 976	8 096 582
	-	**1 081 472**	**1 024 856**	**24 596 082**	**26 702 410**

	2025	2024
Current assets	20 219 558	22 578 509

9. Receivables from exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

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

The municipality is a registered VAT vendor in terms of the VAT act. The municipality accounts for VAT on the payments basis in terms of section 15 of the VAT Act. The input vat accrual represents VAT on expenses incurred by the municipality. It represents VAT on cash that is still to be paid to suppliers.
Vat input on expenses declared and assesed by SARS and receivable from SARS is represented through the VAT control account. This is therefore considered a Statutory Receivable from exchange transactions.

During the previous reporting period the net VAT (input and output accrual and balance payable or receivable) was presented on the Statement of Financial Position. Given that the nature of the VAT accounts is different, it was not be appropriate to offset these amounts on the Statement of Financial Position. As a result, the VAT receivable from or payable to SARS is separately presented as a receivable. VAT relating to expenses incurred but not yet paid is presented as an Input VAT accrual. VAT relating to revenue raised but not yet received is presented as an output VAT Accrual. Comparative figures have been adjusted.

Determination of transaction amount

Vat is levied at 15% on vatable goods and services from registered VAT vendors.

Interest or other charges levied/charged

Interest and penalties are levied by SARS on late payments or returns not submitted timeously. The basis of such interest and penalties is determined per the tax administration act.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess whether a SARS receivable is impaired is done by assessing the probality of recovery such as whether the claim is valid, reasons for dis-allowing claims or timing factors. The VAT balance is not considered to be be impaired.

10. Receivables from non-exchange transactions

Fines	31 127	48 266
Consumer debtors - Rates	32 034 281	26 342 478
	32 065 408	**26 390 744**

No debtors has been pledged as security.
Refer to note 11 for further details on gross and impairment balances.

The provision for impairment for traffic fines is R4 061 235 (2024: R3 124 546). Refer to provision for impairment reconciliation below.

Figures in Rand	2025	2024

10. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines-section 56 and 139 of the traffic management act determines the type of fines that maybe levied by the municipality to motoroists that contraves these acts.

Property rates-property rates are levied in acordance with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

Determination of transaction amount

Traffic fines: The transaction amount is determined by reference to the traffic fines issues per the traffic fine books used by the traffic fines department which is in accordance with section 56 and 139 in relation to traffic fines.

Property rates: The transaction amount is levied in acordance with the MPRA that requires different percentage to be levied on different properties depending on the use and the extent of those properties.

Interest or other charges levied/charged

The municipality does not levy interest on late payments on traffic fines.Interest on late payments of property rates is levied at 1.5% on accounts overdue for more than 30 days.

Basis used to assess and test whether a statutory receivable is impaired

Traffic fines: The municipality is using the collection rate as a basis to perform the assessment for the estimate of the provision for impairment of traffic fines.

Property rates: the municipality first assesses whether objective evidence of impairment exists individually for debtors that are individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed debtor, it includes the asset in a group of debtors with similar credit risk characterics and collectively assesses them for impairment.

Debtor balances outstanding for more than 30 days serves as an indication of possible impairment. Organs of state is seen as a financial asset falling within a different credit profile to the usual community consumers. Its is anticipated that all balances from organs of state will be received and is therefore not considered for impairment.
The impairment loss is calculated as the difference between the assets carrying amount and the present value of estimated future cashflows discounted.

The past payment history of consumer debtors is used as the basis to estimate the future cashflows. Once the estimated cashflow is established, it is discounted A discount rate applied to the estimated future cash flows of 11% (2024:12%) was used which was calculated as the effective interest rate.

The difference between the carrying value and the discounted cashflows is results in the provision amount.

Statutory receivables past due but not impaired

The amount past due but not impaired relates to all traffic fines that is past the due date of 30 days. At 30 June 2025, R31 127 were past due but not impaired.

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

> 121 days	31 127	48 266

Reconciliation of provision for impairment for statutory receivables

Reconciliation: Traffic fines

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Receivables from non-exchange transactions (continued)

Gross balance	4 092 362	3 172 812
Allowance for impairment	(4 061 235)	(3 124 546)
	31 127	**48 266**

Opening balance	3 124 546	1 533 426
Increase in provision for impairment	936 689	1 655 270
Amounts written off as uncollectible	-	(64 150)
	4 061 235	**3 124 546**

Refer to note 9 for the reconciliation on rates

11. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	76 014 984	53 874 652
Consumer debtors - Electricity	12 366 227	14 621 424
Consumer debtors - Refuse	6 746 178	6 438 295
Consumer debtors - Other	2 097 250	1 972 247
	97 224 639	**76 906 618**

Less: Allowance for impairment		
Consumer debtors - Rates	(43 980 703)	(27 532 174)
Consumer debtors - Electricity	(7 157 299)	(7 472 152)
Consumer debtors - Refuse	(3 903 210)	(3 290 235)
Consumer debtors - Other	(1 239 418)	(1 030 107)
	(56 280 630)	**(39 324 668)**

Net balance		
Consumer debtors - Rates	32 034 281	26 342 478
Consumer debtors - Electricity	5 208 928	7 149 272
Consumer debtors - Refuse	2 842 968	3 148 060
Consumer debtors - Other	857 832	942 140
	40 944 009	**37 581 950**

Rates		
Current (0 -30 days)	5 237 252	3 113 623
31 - 60 days	-	1 222
61 - 90 days	2 356 427	1 789 795
91 - 120 days	2 262 378	1 347 905
> 365 days	66 158 927	47 622 108
	76 014 984	**53 874 653**

Electricity		
Current (0 -30 days)	2 435 508	2 096 354
61 - 90 days	835 389	147 471
91 - 120 days	836 946	408 390
> 365 days	8 258 384	11 969 209
	12 366 227	**14 621 424**

Figures in Rand	2025	2024

11. Consumer debtors disclosure (continued)

Refuse

Current (0 -30 days)	349 276	310 153
31 - 60 days	(68)	1 015
61 - 90 days	147 386	(68 965)
91 - 120 days	137 882	128 170
> 365 days	6 111 702	6 067 922
	6 746 178	**6 438 295**

Traffic Fines

Current (0 -30 days)	79 000	-
31 - 60 days	81 500	-
61 - 90 days	71 550	-
91 - 120 days	52 100	-
121 - 365 days	3 808 212	-
	4 092 362	**-**

Accrued Income

Current (0 -30 days)	-	486 997

Input VAT accrual	11 309 830	9 546 142

Other

Current (0 -30 days)	195 806	143 214
61 - 90 days	55 753	(248 418)
91 - 120 days	45 013	42 148
> 365 days	1 800 678	2 035 303
	2 097 250	**1 972 247**

Other debtors relates to rental of houses and municipal sites.

Accrued Income

Accrued Income- Interest income	-	154 337

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Consumer debtors disclosure (continued)

Reconciliation of allowance for impairment: Summary

Balance at beginning of the year	39 324 670	32 956 210
Contributions to allowance including Debt impairment written off against allowance	16 955 960	6 368 460
	56 280 630	**39 324 670**

Reconciliation of provision for impairment: Rates

Balance at beginning of the year	27 532 175	25 703 207
Contributions to allowance	16 448 527	7 155 033
Debt impairment written off against allowance	-	(5 326 065)
	43 980 702	**27 532 175**

Reconciliation of provision for impairment: Electricity

Balance at beginning of the year	7 472 152	4 173 065
Contributions to allowance	(314 853)	3 299 087
	7 157 299	**7 472 152**

Reconciliation of provision for impairment: Refuse

Balance at beginning of the year	3 290 235	2 135 668
Contributions to allowance	612 977	1 154 567
	3 903 212	**3 290 235**

Reconciliation of provision for impairment: Other

Balance at beginning of the year	1 030 106	944 269
Contributions to allowance	209 313	85 837
	1 239 419	**1 030 106**

12. Prepayments

Prepayments	174 840	148 654

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 083	1 083
Bank balances	676 928	77 611
Short-term deposits	2 890 064	16 934 639
	3 568 075	**17 013 333**

Figures in Rand	2025	2024

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2025	30 June 2024	30 June 2023	Cash book balances 30 June 2025	30 June 2024	30 June 2023
Account 62864159366	676 928	77 611	603 038	676 928	77 611	603 038
INEP 06 850 0947 - 102 (Account closed October 2024)	-	24 310	824	-	24 310	824
Nguni Cattle - 42 880 052 1 - 003 (Account closed October 2024)	-	6 085	6 085	-	6 085	6 085
KZN Wildlife - 06 850 094 7 - 070	10 313	10 313	10 313	10 313	10 313	10 313
VAT refund account - 42 880 052 1 - 002	32 215	29 866	27 890	32 215	29 866	27 890
Repairs 376 houses - 06 850 418 7 - 001 & 6850-0947-33	2 496 521	2 312 835	2 159 027	2 496 521	2 312 835	2 159 027
General investments - 06 850 094 7 - 030	269 517	9 147 495	67 095	269 517	9 147 495	67 095
Proceeds from auction - 06 850 094 7 - 050 (Account closed October 2024)	-	5 038	4 820	-	5 038	4 820
MIG 20192020 06 850 0947 - 096 (Account closed October 2024)	-	5 165 454	9 881	-	5 165 454	9 881
Consumer deposits - 06 850 094 7 - 084	10 518	10 035	9 563	10 518	10 035	9 563
Housing rentals - 06 850 094 7 - 094 (Account closed October 2024)	-	5 830	5 830	-	5 830	5 830
INEP Retention - 06 850 094 7 - 087	1 547	1 475	1 411	1 547	1 475	1 411
Spatial planning - 06 850 094 7 - 090 (Account closed October 2024)	-	1 283	1 283	-	1 283	1 283
EPWP 06 850 0947 - 097	4 015	4 015	4 015	4 015	4 015	4 015
FMG 06 850 0947 - 099 (Account closed October 2024)	-	40 716	2 648	-	40 716	2 648
Balele 06 850 0947 - 105	9 376	9 376	9 375	9 376	9 376	9 375
FNB Call Account Investment 63061842928	28 584	160 513	-	28 584	160 513	-
Disaster 068500947109	27 458	-	-	27 458	-	-
Total	**3 566 992**	**17 012 250**	**2 923 098**	**3 566 992**	**17 012 250**	**2 923 098**

14. Payables from exchange transactions

	2025	2024
Trade payables	27 484 831	7 606 075
Retentions	12 110 547	9 451 344
Leave pay accrued	4 053 251	3 827 656
Direct deposits, third parties and other	(55 340)	926 650
Depsosits received	23 702	22 212
Credit balances: receivable from exchange transactions	3 090 187	3 083 200
Output Vat accrual	17 329 473	14 581 924
Other Payable: INEP	-	1 305 514
	64 036 651	**40 804 575**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Payables from exchange transactions (continued)

Debtors with credit balances: R5 931 262 (2024: R5 802 690) is split between R3 090 187 (2024: R3 083 200) relating to receivables from exchange transactions and R2 841 075 (2024:R2 719 490) which relates to receivables from non exchange transactions.

Other payables: INEP relates to the unspent portion of the funds in terms of the agreement the municipality has in place with Eskom/Department of mineral resources and energy. The municipality has an agreement in place to construct electrical infrastructure in Eskom liscenced areas. The construction contract expenses consist mainly of contracted services where-in the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised excluding Vat when the expenditure is incurred. The roll-over balance of R1 305 514 was not approved and was written off against equitable share in the current period, therefore the current period balance is nil.

During the previous reporting period the net VAT (input and output accrual and balance payable or receivable) was presented on the Statement of Financial Position. Given that the nature of the VAT accounts is different, it was not be appropriate to offset these amounts on the Statement of Financial Position. As a result, the VAT receivable from or payable to SARS is separately presented as a receivable. VAT relating to expenses incurred but not yet paid is presented as an Input VAT accrual. VAT relating to revenue raised but not yet received is presented as an output VAT Accrual. Comparative figures have been adjusted.

15. Payables from non-exchange transactions

Credit non exchange debtors	2 841 075	2 719 490

The debtors with credit balances amounting to R5 931 262 (2024: R5 802 690) is split between R3 090 187 (2024: R3 083 200) relating to receivables from exchange transactions and R2 841 075 (2024:R2 719 490) which relates to receivables from non exchange transactions.

16. Statutory Payable from exchange transactions - VAT

Statutory payables arise from obligations imposed by legislation. The municipality is a registered VAT vendor in terms of the VAT act. The municipality accounts for VAT on the payments basis in terms of section 15 of the VAT Act. The output VAT accrual represents VAT levied by the municipality on vatable goods or services that it raised. It represents VAT on cash that is still to be received.
Vat output on revenue declared and assesed by SARS and payable to SARS is represented through the VAT control account. VAT is therefore considered a Statutory payable from exchange transactions.

Determination of the transaction value:Vat is levied at 15% on vatable goods and services raised by the municipality. The transaction value of VAT contained within the Vat payable control account represents VAT on receipts from customers or other parties and assessed by SARS as payable to SARS.
Interest due or other charges levied: Interest and penalties are levied by SARS on late payments or returns not submitted timeously. The basis of such interest and penalties is determined per the tax administration act.

17. Consumer deposits

Electricity	189 584	185 684

The consumer deposits represents the amounts paid by consumers in obtaining the connections for services. These amounts are refundable to consumers when the consumer accounts are transferred or closed.

18. Employee benefit obligations

The employee benefit obligation includes the plan for the post employment medical benefit plan and Long service award and the provision for the 13th cheque.

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

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

Carrying value		
Opening balance	(4 607 745)	(4 368 495)
Current service cost	(211 000)	(192 000)
Interest cost	(347 000)	(330 000)
Benefits paid	370 068	382 000
Actuarial gain/(loss)	409 617	(77 000)
Provision for 13th cheque	(52 288)	(22 250)
	(4 438 348)	**(4 607 745)**

Non-current liabilities	(1 410 121)	(1 636 000)
Current liabilities	(3 028 227)	(2 971 745)
	(4 438 348)	**(4 607 745)**

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date: 30 June 2025 & 2024 respectively

Discount rates used	8,97 %	10,70 %
Consumer proce inflation	3,90 %	5,52 %
Health care cost inflation	5,40 %	7,02 %
Net discount rate	3,38 %	3,44 %
Discount rate	9,49 %	11,23 %
Future CPI Expectation	4,26 %	5,81 %
Salary increase rate	5,26 %	6,81 %
Net discount rate	4,02 %	4,14 %

1.POST EMPLOYMENT MEDICAL SUBSIDY
The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' postemployment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Emadlangeni Municipality does not have a formal medical subsidy policy for retired employees

Emadlangeni Municipality is aware of five (5) continuation pensioners that are currently subsidised for medical contributions with the following subsidy requirements:
• subsidy percentages of 60% to current pensioners and their dependents; and
• subsidy percentages of 60% to deceased pensioners' spouses and their dependents.

ELIGIBLE EMPLOYEES
We summarise the participants eligible for post employment medical aid subsidy as at the current valuation date, 30 June 2025, as provided by Emadlangeni.
.
The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates. The contributions include risk and the medical savings account.

VALUATION METHOD
In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

VALUATION ASSUMPTIONS
NET DISCOUNT RATE
The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised above:
GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2024 the duration of liabilities was 10.70% per annum. At this duration the discount rate as at 30 June 2025 is 8.97% per annum.
A healthcare cost inflation rate of 5.40% (2024:7.02%) was assumed.
It is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.38% (2024:3.44%) per annum. This year's valuation basis is consistent with the previous year's basis from a discount rate perspective.basis used to determine the overall expected rate of return on assets is as follow:

18. Employee benefit obligations (continued)

DEMOGRAPHIC AND DECREMENT ASSUMPTIONS
The demographic and decrement assumptions were consistent in the previous and current valuation period.

CONTINUATION PERCENTAGES
We have assumed continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

2.LONG SERVICE AWARDS
Emadlangeni offers bonuses for every 5 years of completed service from the 10th year in service to 45 years. Below we outline the benefits awarded to qualifying employees.Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed.

VALUATION METHOD
In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

VALUATION ASSUMPTIONS
NET DISCOUNT RATE
The key assumptions used in the valuation are consistent with the prior years' assumptions shown for comparison, are summarised above:
GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation

At this duration the discount rate determined as at 30 June 2025 was 9.49% (2024:11.23%) per annum.

We have assumed that salary inflation to be 5.26%, (2024:6.81%) per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 4.02% (2024: 4.14%) per annum.

DEMOGRAPHIC AND DECREMENT ASSUMPTION
The demographic and decrement assumptions were consistent in the previous and current valuation period.

Figures in Rand	2025	2024

18. Employee benefit obligations (continued)

Sensitivity analysis

Long Service Assumption	**Variation**	**Change in accrued liability**	**Change in annual expense**
Salary inflation	+1%	+6,68	+8,34%
Salary Inflation	-1%	-6,07%	-7,46%
Withdrawal rates	-20%	+7,8%	+11,07%
Withdrawal rates	+20%	-6,89%	-9,43%
Discount rate	+1%	-5,80%	-7,13%
Discount rate	+1%	+6,48%	+8,07%

Post Employee Benefit Assumption	**Variation**	**Change in accrued liability**	**Change in annual expense**
Mortality	PA(90) -1	+4,28%	+4,57%
Mortality	PA(90) -2	+8,65%	+9,25%
Healthcare cost inflation	+1%	+6,96%	+7,45%
Healthcare cost inflation	-1%	-6,28%	-6,72%
Discount	+1%	-5,59%	+4,47%
Discount	-1%	+6,28%	-5,15%

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Repair of 376 Houses	813 725	813 725
Balele	9 958	6 938 320
Disaster	-	17 563 342
Local economic development	-	500 000
	823 683	**25 815 387**

Movement during the year

Balance at the beginning of the year	25 815 387	5 916 910
Receipts during the year	22 707 000	45 125 000
Income recognition during the year	(47 148 219)	(25 226 523)
	(550 485)	-
	823 683	**25 815 387**

An amount of R550 485 relating to the prior period unspent portion was reduced through the current year equitable share.

See note 31 for reconciliation of grants from National/Provincial Government.

20. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Re-measurement	Total
Environmental rehabilitation	26 044 934	712 652	26 757 586

Reconciliation of provisions - 2024

	Opening Balance	Re-measurement	Total
Environmental rehabilitation	25 920 384	124 550	26 044 934

The provision is raised for the rehabilitation of waste disposal landfill site to its original state once the site has reached the end of the useful life.

Key Assumptions

Inflation rate:
An inflation rate of 2.8% (2024:5.2%) has been assumed to estimate future costs. This rate is based on historical inflation trends and
future economic forecasts.

Cost Estimates:
The cost estimates for environmental rehabilitation are based on current market prices for similar restoration activities. This is based on the conceptual closure design used to compile the rehabilitation and closure cost. These estimates are reviewed annually and adjusted for any significant changes in market conditions.

Timing of the commencement of the rehabilitation:
The waste management licence expired in December 2023. A letter indicating that the rehabilitation process will commence in stages as a result of financial constraints was sent to EDTEA in December 2023. The decommissioning has since commenced and the full technical requirements to have the site rehaibilitated is underway and will be completed in stages.

Legal and Regulatory Requirements:
Current legal requirements as stipulated in the licence has been taken into consideration

Technological
The site rehabilitation would require a 100mm soil levelling layer to be imported as no clay is available in close proximity to the site. Allowance was made for the gas extraction system, leachate cut off drain, Septic tank and new monitoring boreholes. These assumptions are based on current technological trends and expert opinions.

21. Revenue

	2025	2024
Sale of goods	482 616	321 901
Service charges	21 523 392	17 292 837
Construction contracts	19 580 870	26 278 507
Operational Revenue	723 778	619 542
Rental of facilities and equipment	1 410 999	1 495 217
Interest received- investment	1 111 916	1 454 352
Licences and permits	2 510 293	2 307 035
Penalties and Interest- Exchange Transactions	2 323 550	1 918 044
Property rates	43 789 767	37 400 183
Property rates - penalties imposed	7 280 295	4 374 114
Government grants & subsidies	87 084 219	63 295 523
Fines, Penalties and Forfeits	1 102 428	1 003 831
Donations	3 449 269	-
	192 373 392	**157 761 086**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	482 616	321 901
Service charges	21 523 392	17 292 837
Construction contracts	19 580 870	26 278 507
Operational Revenue	723 778	619 542
Rental of facilities and equipment	1 410 999	1 495 217
Interest received - investment	1 111 916	1 454 352
Licences and permits	2 510 293	2 307 035
Penalties and Interest- Exchange Transactions	2 323 550	1 918 044
	49 667 414	**51 687 435**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	43 789 767	37 400 183
Property rates - penalties imposed	7 280 295	4 374 114
Transfer revenue		
Government grants & subsidies	87 084 219	63 295 523
Fines, Penalties and Forfeits	1 102 428	1 003 831
Donations	3 449 269	-
	142 705 978	**106 073 651**

22. Sale of goods

Sale of goods	482 616	321 901

Sale of goods		
Consumables	101 235	24 060
Sub-division and consolidation fees	15 602	8 923
Tender documents	177 827	91 827
Building plans	10 837	30 974
Camping fees	39 726	57 870
Cemetery and burial	68 053	33 346
Clearance certificates	18 031	16 796
Entrance fees	39 412	47 860
Photocopies and faxes	11 893	10 245
	482 616	**321 901**

23. Service charges

Sale of electricity	19 518 680	15 289 023
Refuse removal	2 004 712	2 003 814
	21 523 392	**17 292 837**

The service charges represents revenues earned by the municipality from the provision of electricity and refuse removal services.

24. Construction revenue

INEP Construction revenue	19 580 870	26 278 507

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Construction revenue (continued)

The construction revenue relates to the revenue recognised in terms of the agreement the municipality has in place with Eskom/Department of mineral resources and energy. The municipality has an agreement in place to construct electrical infrastructure in Eskom liscenced areas. The construction contract expenses consist mainly of contracted services where-in the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised excluding Vat when the expenditure is incurred.

25. Operational revenue

Operational Revenue	723 778	619 542

Operational Revenue comprises of:		
Administrative and handling fees	69 926	618 239
Breakages and losses recovered	-	1 303
SDL income	55 155	-
Property sales	598 696	-
	723 777	**619 542**

26. Rental of facilities and equipment

Rental of Investment properties	975 140	1 077 137
Other ad-hoc rentals	435 859	418 080
	1 410 999	**1 495 217**

27. Interest on investment

Short term deposits	1 111 916	1 454 352

28. Licences and permits

Game	249 143	246 130
Trading	14 295	12 951
Drivers licence certificate	1 141 600	1 179 360
Learner licence application	382 892	413 440
Agency revenue- commission	533 539	250 052
Operators and public drivers permit	188 824	205 102
	2 510 293	**2 307 035**

29. Penalties and Interest- Exchange Transactions

Penalties & Interest	2 323 550	1 918 044

Figures in Rand	2025	2024

30. Property rates

Property rates and penalties

Property rates	43 789 767	37 400 183
	43 789 767	37 400 183
Property rates - Penalty on late payments	7 280 295	4 374 114
	51 070 062	**41 774 297**

Penalties/ interest is levied on outstanding debtor balances owing for non- exchange transactions being rates.

Valuations

Residential	486 834 000	486 785 000
Commercial	108 491 000	108 491 000
State	511 981 000	511 981 000
Municipal	100 240 000	96 990 000
Small holdings and farms	3 608 833 000	3 608 833 000
Other (PBO, Public worship, Vacant etc)	60 627 000	59 693 000
	4 877 006 000	**4 872 773 000**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2023. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in Rand	2025	2024

31. Government grants & subsidies

Operating grants		
Equitable share	39 936 000	38 069 000
Finance Management Grant	3 000 000	3 000 000
Expanded Public Works Programme	1 331 000	1 124 000
Library	2 036 000	1 950 000
Balele Tourism grant	6 928 363	1 164 865
Disaster	23 192 856	959 658
Local economic development	500 000	-
	76 924 219	**46 267 523**
Capital grants		
Municipal Infrustructure Grant (MIG)	10 160 000	17 028 000
	87 084 219	**63 295 523**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Repair of 376 Houses

Balance unspent at beginning of year	813 725	813 725

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

The purpose of this grant is to fund the repair of houses.
Withheld/delayed grant: None.

Finance Management Grant

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

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

The purpose of this grant is to promote sound financial management
Grant withheld/delayed: None.

MIG

Current-year receipts	10 160 000	17 028 000
Conditions met - transferred to revenue	(10 160 000)	(17 028 000)
	-	-

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

The purpose of this grant is for the infrastructure development.
Grant withheld/delayed: None

EPWP

Current-year receipts	1 331 000	1 124 000
Conditions met - transferred to revenue	(1 331 000)	(1 124 000)

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

	-	-

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

The purpose of this grant is to reduce poverty and unemployment through the provision of temporary work.
Grant withheld/delayed: None.

Library grant

Current-year receipts	2 036 000	1 950 000
Conditions met - transferred to revenue	(2 036 000)	(1 950 000)
	-	-

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

.
The purpose of this grant is to fund salaries of the librarians and library related expenditure.
Withheld/delayed grant: None.

Balele Grant

Balance unspent at beginning of year	6 938 320	5 103 185
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	(6 928 362)	(1 164 865)
	9 958	**6 938 320**

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

The purpose of this grant is to fund the re-furbishment of the Balele game park.
Withheld/delayed grant: None.

Disaster

Balance unspent at beginning of year	17 563 342	-
Current-year receipts	6 180 000	18 523 000
Conditions met - transferred to revenue	(23 192 857)	(959 658)
Written off through equitable share	(550 485)	-
	-	**17 563 342**

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

An amount of R550 485 was witheld through a decreased payment of equitable share in respect of the disaster grant.

The purpose of this grant is to alleviate the consequences arising from disasters.
Withheld/delayed grant: None.

Local economic development

Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(500 000)	-
	-	**500 000**

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

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

The purpose of this grant is to encourage local people to work together to achieve sustainable economic growth and development thereby bringing economic benefits and improved quality of life for all residents in a local municipal area.

32. Fines, Penalties and Forfeits

Fines- illegal electricty connections	182 609	-
Fines, Penalties and Forfeits	919 819	1 003 831
	1 102 428	**1 003 831**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs

Basic	38 308 256	37 141 989
Bonus	2 845 508	2 669 419
Medical aid - company contributions	1 246 657	1 152 670
UIF	284 601	287 238
Bargaining Council	20 339	19 507
Leave pay provision charge	640 990	400 524
Travel, motor car, accommodation, subsistence and other allowances	1 162 351	1 070 171
Overtime payments	728 035	604 770
13th Cheques	52 288	22 250
Housing benefits and allowances	206 666	235 679
Pension contributions	5 190 040	4 891 965
Stand By	2 259 231	2 079 523
Current interest costs- employee benefits	347 000	330 000
	53 291 962	**50 905 705**

Remuneration of municipal manager Mrs GN Mavundla

Annual Remuneration	1 013 873	1 037 823
Backpay	-	45 482
Subsistence and travel	29 083	29 794
	1 042 956	**1 113 099**

Remuneration of chief finance officer PP Sithole

Annual Remuneration	832 444	852 108
Cellphone Allowance	9 600	9 600
Backpay	-	7 526
Subsistence and travel	75 800	94 386
Other	10 442	-
	928 286	**963 620**

CFO was Acting MM for 14 days with effect from 16 September 2024 to 04 October 2024.

Remuneration of Infrastructure Director - SM Nkwanyana

Annual Remuneration	852 108	852 108
Cellphone Allowance	9 600	9 600
Backpay	-	7 526
Subsistence and travel	52 900	76 292
	914 608	**945 526**

Remuneration Director Community Services - Mrs Zungu

Annual Remuneration	719 978	676 699
Acting Allowance	50 118	81 800
Cellphone Allowance	9 000	6 600
Backpay	4 550	-
Bonus	54 101	-
Subsistence and travel	31 778	-
Housing	7 705	-
	877 230	**765 099**

Ms N Zungu was appointed as the Director of Community Services on 03 February 2025. Ms N Zungu was acting as Director Community Services from July 2024 to September 2024 and also from November 2024 to January 2025.

Figures in Rand	2025	2024

33. Employee related costs (continued)

Director Corporate Services - GNZ Maphisa

Annual Remuneration	-	413 221
Cellphone Allowance	-	4 800
Backpay	-	105 685
Subsistence and travel	-	39 723
	-	**563 429**

Mrs Maphisa resigned on 22 January 2024.

Acting Chief Financial Officer - SG Simelane

Annual Remuneration	5 749	-

Mr SG Simelane was the Acting CFO for 14 days with effect from 16 September 2024 to 04 October 2024.

34. Remuneration of councillors

Annual remuneration	4 345 297	4 198 382
Cellphone allowance	448 800	448 800
Subsistence and Travel	110 470	54 412
	4 904 567	**4 701 594**

Mayor- ML Buthlezi		
Annual Remuneration	856 666	827 829
Cellphone Allowance	40 800	40 800
Subsistence and travel	2 600	4 095
	900 066	**872 724**

Deputy Mayor- Mr PF Chongo		
Annual Remuneration	382 325	369 456
Cellphone Allowance	40 800	40 800
Subsistence and travel	7 680	2 484
	430 805	**412 740**

Speaker - PX Qwabe		
Annual Remuneration	686 006	662 264
Cellphone Allowance	40 800	40 800
Subsistence and travel	825	2 000
	727 631	**705 064**

Exco Member- Mr VC Ndlovu		
Annual Remuneration	358 432	346 367
Cellphone Allowance	40 800	40 800
Subsistence and travel	8 421	1 477
	407 653	**388 644**

MPAC Chairperson - NM Dekker		
Annual Remuneration	347 917	336 206
Cellphone Allowance	40 800	40 800
Subsistence and travel	15 493	703
	404 210	**377 709**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Remuneration of councillors (continued)

Chief WHIP - SM Khoza		
Annual Remuneration	358 432	346 367
Cellphone Allowance	40 800	40 800
Subsistence and travel	14 417	35 326
	413 649	**422 493**

Ward Councillor - N Nkosi		
Annual Remuneration	271 104	261 978
Cellphone Allowance	40 800	40 800
Subsistence and travel	12 685	1 482
	324 589	**304 260**

PR Councillor - NA Madida		
Annual Remuneration	271 104	261 978
Cellphone Allowance	40 800	40 800
Subsistence and travel	15 716	4 782
	327 620	**307 560**

PR Councillor - MR Khumalo		
Annual remuneration	271 104	261 978
Cellphone Allowance	40 800	40 800
Subsistence and travel	13 173	703
	325 077	**303 481**

PR Councillor - KV Sibisi		
Annual Remuneration	271 104	261 978
Cellphone Allowance	40 800	40 800
Subsistence and travel	12 510	703
	324 414	**303 481**

Ward Councillor - MJ Mthethwa		
Annual Remuneration	271 424	261 978
Cellphone Allowance	40 800	40 800
Subsistence and travel	6 629	655
	318 853	**303 433**

In-kind benefits
The Mayor and Speaker are employed full-time and are provided with an office and secretarial support at the cost of the Council and own vehicle for official duties and two bodyguards.
The allowances and benefits of councillors of Emadlangeni Local Municipality for the year under review were paid in terms of Government Gazette 46470 upper limits of remuneration of public office bearers).

35. Depreciation and amortisation

Property, plant and equipment	9 167 188	13 350 011

Depreciation and amortisation comprises of:		
Property, plant and equipment	8 416 034	12 375 850
Property, plant and equipment- Impairment	350 690	523 007
Investment Property	398 433	400 616
Intangible assets	3 440	50 538
	9 168 597	**13 350 011**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Finance costs

Finance costs- trade payables & landfill	1 165 631	307 054
Finance costs comprise of:		
Trade and other payables	436 374	182 504
Landfill sites	729 257	124 550
	1 165 631	**307 054**

37. Lease rentals on operating lease

Lease rentals		
Leased Machinery	167 382	171 987

Operating leases represents the amonts paid to service providers in leasing out the photocopying machines that are used the municipal buildings.

38. Debt impairment

Debt impairment	21 196 569	15 248 453

The debt impairment represents the movement in the provisions for consumer debtors and traffic fines as well as the debt written off. In addition, refer to debtors provision reconciliation within note 9 .

Movement in debt impairment		
Movement in consumer debtors provision	16 955 961	11 694 525
Debt write-off	3 303 919	1 655 270
Movement in traffic fine provision	936 689	1 898 658
	21 196 569	**15 248 453**

39. Bulk purchases

Electricity - Eskom	24 125 970	19 297 998

Bulk purchases represents the total costs of electricity purchased from Eskom.

Electricity losses

Electricity units (kWh) purchased	11 830 306	10 498 643
Electricity units (kWh) sold	(6 119 632)	(6 002 430)
Total loss	**5 710 722**	**4 496 256**
Percentage loss	48 %	43 %
Comprising of:		
Technical losses	3 620 912	3 375 231
Non-technical losses	2 089 762	1 120 981
Total	**5 710 674**	**4 496 212**
Percentage Loss:		
Technical losses	63 %	75 %
Non-technical losses	37 %	25 %
Total	**100 %**	**100 %**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Contracted services

Outsourced Services		
Burial Services	16 104	26 133
Professional Staff	169 650	178 845
Valuer and Assessor	116 835	173 509
Consultants and Professional Services		
Accounting And Auditing	834 807	252 582
Infrastructure and Planning	961 726	548 126
Audit Committee	301 843	176 000
Legal advise and Litigations	1 442 035	1 835 980
Contractors		
Catering Services	277 771	236 156
Electrical	445 345	405 004
Internet charge	109 177	96 497
Maintenance of Buildings and Facilities	379 101	451 266
Maintenance of Equipment	14 198	51 441
Maintenance of other Assets	3 536 853	3 339 431
Electricity	-	36 640
Pest Control and Fumigation	-	19 700
Transportation	157 480	152 400
Safeguard and Security	13 017 300	10 309 116
	21 780 225	**18 288 826**

41. Construction expense

Construction expenses: INEP	19 580 870	26 278 507

The construction expenses relates to the expenses recognised in terms of the agreement the municipality has in place with Eskom/Department of mineral resources and energy. The municipality has an agreement in place to construct electrical infrastructure in Eskom liscenced areas. The construction contract expenses consist mainly of contracted services where-in the Municipality procures the services of contractors for the construction related expenditure. Revenue is recognised excluding Vat when the expenditure is incurred.
The amount payable for work still to be done is recognised as a liability and disclosed under payables.

42. Actuarial gains/losses

Actuarial gains/losses	409 617	(84 150)
Gains/ losses on landfill	16 606	-
	426 223	**(84 150)**

43. Donation

Inventories losses/write-downs	-	(5 747 830)

Donation for the previous year relates to assets donated to community members.

Figures in Rand	2025	2024

44. General expenses

Advertising	203 066	221 375
Auditors remuneration	4 372 952	3 487 724
Bank charges	263 249	326 566
Consumables	2 315 852	1 639 766
Daily Allowance	21 970	42 038
Food and beverage	31 059	49 362
Entertainment	3 835	8 000
Insurance	175 587	100 929
Agency fees- commission expense	163 027	55 278
Levies	84 042	50 729
Motor vehicle licence and registrations	144 911	50 366
Fuel and oil	1 461 587	1 672 221
Placement fees	53 063	193 739
Postage and courier	-	945
Printing and stationery	254 368	7 421
Gifts and promotional items	97 951	45 951
Research and development costs	400 608	1 018 662
Subscriptions and membership fees	612 712	517 707
Telephone and fax	578 058	510 879
Own transport	437 157	695 538
Training	145 716	431 880
Travel - local	59 816	24 261
Accomodation	870 394	725 704
Uniforms	1 117 699	798 572
Seating Allowance for Traditional Leaders	72 000	6 000
Skills Development Levy	461 694	442 403
Remuneration to ward committees	834 000	141 300
Bursaries-Community	64 400	41 700
Licences	4 555	265
Toll gate	8 562	15 455
	15 313 890	**13 322 736**

45. Cash generated from operations

Surplus (deficit)	20 341 976	(10 246 401)
Adjustments for:		
Depreciation and amortisation	9 167 188	13 350 011
Actuarial (gain)/loss	(426 223)	84 150
Interest income	(1 111 916)	(154 337)
Finance costs	30 448	124 550
Debt impairment	21 196 569	15 248 453
Interest on penalties	(9 603 845)	(6 292 465)
Leave pay provision movement	56 196	637 132
Loss on disposal of assets	1 763 386	302 943
Donation	(3 449 269)	5 747 830
Other receipts	(5 127 685)	-
VAT	(7 448 977)	-
Equitable share non-cash component	(1 856 000)	-
Changes in working capital:		
Receivables from exchange transactions	(3 348 611)	(6 511 725)
Prepayments	(26 186)	-
Payables from exchange transactions	25 020 468	(5 555 763)
VAT	(1 874)	4 711 856
Provisions	712 652	124 550
Unspent conditional grants and receipts	(24 991 704)	19 898 477
Post employee benefits	(169 397)	239 250
	20 727 196	**31 708 511**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	2 416 898	11 016 000
Total capital commitments		
Already contracted for but not provided for	2 416 898	11 016 000

Authorised operational expenditure

Already contracted for but not provided for		
• Operational Expenditure	7 543 914	7 739 204
Total operational commitments		
Already contracted for but not provided for	7 543 914	7 739 204

Total commitments

Total commitments		
Authorised capital expenditure	2 416 898	11 016 000
Authorised operational expenditure	7 543 914	7 739 204
	9 960 812	**18 755 204**

This committed expenditure relates to capital and operational projects and will be financed by available, retained surpluses, existing cash resources and funds internally generated.

47. Contingencies

The municipality is defending various litigation and claim cases against the Municipality. The municipality's Attorney and management strongly believe that the municipality has a strong defence.

Name of Claimant	Municipal Attorneys	Description of case	Contingent Liability
LATERAL UNISON INSURANCE	Mdledle Attorneys Inc	During the 2022 year ELM advertised a tender for the procurement of short term insurance. Lateral Unison Insurance submitted a bid and was subsequently appointed as the successful bidder on 1 June 2022. During the 2022/23 audit the Auditor General found the appointment of Lateral Unison Insurance to be irregular. The Municipality then took a decision not to continue with the service provider. According to the tender document of Lateral Unison, the insurance would lapse if premiums were not paid. The Municipality took a decision to allow the insurance to lapse and issue the tender be re-advertised in order to regularize the appointment. After failing to receive payment from the ELM, the insurance did not lapse but instead the service provider decided to bring a claim against ELM through the PMB High Court and has alleged that the Municipality has breached the contract. The Municipality is defending this matter as upon consultation it was evident that there are high prospects of success. The claim amount is the amount claimed in the summons.	R 1 417 191 Interests claimed up to 31st January 2024 R98 087.08. Interest @ 11.75% per annum from 1st February 2024 to 30 June 2025 is R 222 027.57 Total Liability: R 1 737 305.55 Esti mated legal costs to finalise the matter: R400 000

47. Contingencies (continued)

Evictions matters- These matters will require at least one Court Appearance each before the matters are concluded. The attorneys will have to depose affidavits on behalf of the Municipality. The matters are expected to be finalised by the 31ST December 2025. Given the rate charged by the attorneys for the year 2024/25 the estimated legal costs to finalise the matters is R 190 000

48. Related parties

The Municipality does not have any related party transactions other than those disclosed in note 33 and 34 of the financial statements.

49. Prior period errors

The correction of the error(s) results in adjustments as follows:

Figures in Rand	2025	2024

49. Prior period errors (continued)

Plant and Machinery: Cost		
Balance previously reported		6 613 714
Reclassifications to accumulated depreciation		52 237
Reclassifications to Infrastructure		(2 261 755)
		4 404 196

Plant and Machinery: Accumulated Depreciation		
Balance previously reported		2 106 580
Reclassifications to cost		52 237
Adjustment to depreciation for mis-classifications		(37 024)
Adjustment to depreciation for mis-classifications		(9 540)
		2 112 253

Infrastructure: Cost		
Balance previously reported		164 865 567
Reclassifications to accumulated depreciation		2 261 755
Cost of assets previously disposed off		(2 114 205)
Assets not previously capitalised		380 000
		165 393 117

Infrastructure: Accumulated Depreciation		
Balance previously reported		89 688 853
Adjustment for depreciation upon reclassification for years prior to 2024		79 826
Adjustment for depreciation upon reclassification for 2024		56 011
Depreciation on assets disposed and not accounted for		(2 025 720)
		87 798 970

Community assets: Cost		
Balance previously reported		37 404 526
Reclassifications		6 232 991
		43 637 517

Community assets: Accumulated depreciation		
Balance previously reported		19 157 986
Reclassifications		6 232 991
		25 390 977

Prepayments		
Balance previously reported		164 943
Bulk purchases		(16 289)
understated and prepayment expenses overstated in the fy 24 period		
		148 654

Accrued Income		
Balance previously reported		154 337
Prepaid electricity sales for part of June 2024 not raised		332 660
		486 997

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Prior period errors (continued)

Service Charges

Amount previously reported		17 004 414
Prepaid electricity sales for part of June 2024 not raised		289 270
Municipality incorrectly billed themselves refuse		(847)
		17 292 837

Accumulated Surplus

Balance previously reported		113 796 036
Adjustment for net loss on previously disposed assets		(88 485)
Adjustment for net effect on depreciation upon reclassifications		(46 471)
Assets not previously capitalised		380 000
Adjustment for net effect on depreciation upon reclassifications 2024 period		(42 802)
Bulk purchases		(16 289)
understated and prepayment expenses overstated in the fy 24 period		
Prepaid electricity sales for part of June 2024 not raised		289 270
Municipality incorrectly billed themselves rental income,refuse and interest		(10 428)
Incorrect recognition of lease revenue due to absence of a signed lease agreement: SASSA		(32 900)
		114 227 931

Profit and Loss

Loss previously reported		10 435 661
Net effect on depreciation upon reclassifications		42 800
Bulk purchases		16 289
understated and prepayment expenses overstated in the fy 24 period		
Prepaid electricity sales for part of June 2024 not raised		(289 270)
Municipality incorrectly billed themselves rental income,refuse and interest		10 428
Incorrect recognition of lease revenue due to absence of a signed lease agreement: SASSA		30 800
		10 246 708

Depreciation and amortisation

Amount previously reported		13 307 211
Adjustment for net effect on depreciation upon reclassifications 2024 period		42 802
		13 350 013

Bulk Purchases

Amount previously reported		19 281 709
Bulk purchases		16 289
understated and prepayment expenses overstated in the fy 24 period		
		19 297 998

Rental of facilities

Previously reported		1 535 291
Municipality incorrectly billed themselves refuse		(9 274)
Incorrect recognition of lease revenue due to absence of a signed lease agreement: SASSA		(30 800)
		1 495 217

Penalties and Interest- Exchange Transactions

Previously reported		1 918 351
Municipality incorrectly billed themselves refuse		(307)
		1 918 044

Vat Payable

Balance previously reported		3 462 435

Figures in Rand	2025	2024

49. Prior period errors (continued)

Vat input accrual re-classified to receivables from exchange transaction		9 770 328
Vat control account reclassified to Payables from exchange transactions		(14 538 661)
Vat control account reclassified to receivables from exchange transactions		1 305 898
		-

Receivables from Exchange transactions		
Balance previously reported		11 437 264
Vat Input accrual accounts incorrectly reflected under payables from exchnage transactions in the prior year		(224 186)
Vat input accrual re-classified from Vat Payable		9 770 328
Vat control account reclassified from Vat Payable		1 305 898
Prepaid electricity sales for part of June 2024 not raised		332 660
Municipality incorrectly billed themselves rental income and refuse		(10 555)
Incorrect recognition of lease revenue due to absence of a signed lease agreement: SASSA.		(32 900)
		22 578 509

Payables from exchange transactions		
Balance previously reported		26 446 837
Vat on prepaid electricity sales for part of June 2024 not raised		43 390
Vat Input accrual accounts incorrectly reflected under payables from exchnage transactions in the prior year		(224 186)
Vat output accrual re-classified from Vat Payable		14 538 661
Municipality incorrectly billed themselves interest		127
		40 804 829

50. Risk management

Financial risk management

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. Risk management is carried out by a upper management and leadership. The accounting officer provide guidance for overall risk management.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

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

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

Financial assets exposed to credit risk at year end is contained within notes 9 and 10 Receivables from exchange and non exchange transactions and note :13 Cash and cash equivalents.
Financial assets exposed to credit risk at year end were as follows:

51. Going concern

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

51. Going concern (continued)

The municipality's current liabilities exceed its current assets by R15 098 120. (2024: R6 595 294). The municipality has a net surplus of R20 091 868 ,(2024:deficit of R10 435 661). The municipality's cash and cash equivalents were R3 568 075 (2024: R17 013 333) which is not sufficient to cover the current liabilities of the municipality. Unspent grants are cashed backed.

The collection rate has improved slightly however there is still a risk that all the outstanding debtors will not be collected. Over the next 12 months the municipality is still committed to ensure that the expenditure is kept within the funded and approved budget funding plan approved by council.
The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality will continue to bill for rates and other services. In addition Provincial and National Government has neither the intention nor the need to liquidate the municipality or curtail the scale of the municipal funding and operations.

52. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	83 144 388	67 218 886
Add: Unauthorised expenditure - current	22 890 488	16 037 612
Unauthorised written off against prior period balances	(57 413 956)	(112 110)
Closing balance	**48 620 920**	**83 144 388**

The expenditure in the prior year was due to over-spending on the budget line items but the overall expenditure was within the approved budget however majority of these line items are non cash items which have no monetary impact.

The unauthorised expenditure incurred in the current year was due to actual expenditure line items exceeding the budgeted expenditure figures on the following line items.

Unauthorised Expenditure	Final Budget	Actual	Unauthorised Expenditure
Remuneration of councillors	4 740 489	4 904 567	164 078
Debt Impairment	2 851 852	21 196 569	18 344 717
Finance costs	-	1 165 631	1 165 631
Contracted services	20 327 548	21 780 225	1 452 677
Loss on disposal of assets	-	1 763 385	1 763 385
Subtotal	27 919 889	50 810 377	22 890 488
	27 919 889	**50 810 377**	**22 890 488**

The unauthorised expenditure will be submitted to MPAC for further investigation.

53. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	1 648 149	1 483 279
Add: Fruitless and wasteful expenditure identified - current	437 128	181 749
Less: Amount written off- current	(2 322)	(16 879)
Write off against prior period balance	(1 500 678)	-
Closing balance	**582 277**	**1 648 149**

Fruitless and wasteful expenditure is caused by interest incurred on late payments.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

54. Irregular expenditure

Opening balance as previously reported	166 695 399	138 492 713
Add: Irregular expenditure - current	32 957 304	47 293 563
Correction of error: Write off not previously accounted for	-	(19 090 877)
Less: Amount written off - current	(400 114)	-
Closing balance	**199 252 589**	**166 695 399**

The current year irregular expenditure relates to SCM processes not being followed as well as expired contracs exceeding the 15% threshold stipulated in MFMA Circular 62. The irregular expenditure is under investigation by the municipal discplinary board.

Notes to the Annual Financial Statements

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54. Irregular expenditure (continued)

Deviations from supply chain management regulations

Deviation from procurement processes arising from an emergency	-	6 986 872
Deviation from procurement processes arising from sole provider	40 611	81 960
Deviation from procurement processes arising from exceptional cases where it was impractical to follow procurement processes	1 617 539	3 949 174
	1 658 150	**11 018 006**

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

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

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	500 000

Figures in Rand	2025	2024

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

Audit fees

Opening balance	-	21 563
Current year subscription / fee	7 949 635	4 010 883
Amount paid - current year	(6 622 170)	(4 032 446)
	1 327 465	**-**

PAYE and UIF

Opening balance	412 293	375 616
Current year subscription / fee	8 140 017	7 525 747
Amount paid - current year	(8 140 017)	(7 489 070)
	412 293	**412 293**

Pension and Medical Aid Deductions

Opening balance	11 461	11 461
Current year subscription / fee	10 774 304	10 171 405
Amount paid - current year	(10 774 304)	(10 171 405)
	11 461	**11 461**

VAT

VAT payable	-	3 462 435

VAT output payables and VAT input receivables are shown in note 16.

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

Councillors' arrear consumer accounts

No councillors had arrear accounts.

56. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of major functional areas. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. 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.

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

The identified reportable segments are: Community and Social Services, Governance and Administration, Planning and Development, Trading services.

56. Segment information (continued)

Aggregated segments

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

Types of goods and/or services by segment

The type of goods and services in these services are those consistent with the provision of basic services to municipal customers and community. The nature of the services generate economic benefits for the municipality as well improve the service potential of the municipality.

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
Revenue					
Revenue from exchange transactions	2 110 727	2 667 784	1 680 440	43 634 686	50 093 637
Revenue from non-exchange transactions	13 010 285	94 479 865	35 033 219	182 609	142 705 978
Total segment revenue	**15 121 012**	**97 147 649**	**36 713 659**	**43 817 295**	**192 799 615**
Entity's revenue					**192 799 615**
Expenditure					
Employee related costs	16 449 173	20 457 532	11 849 166	4 536 091	53 291 962
Councillors	-	4 904 567	-	-	4 904 567
Depreciation and impairment	1 013 044	1 482 029	5 438 877	1 233 238	9 167 188
Lease rentals	-	167 382	-	-	167 382
Debt impairment	-	20 313 966	-	882 603	21 196 569
Bulk purchases	-	-	-	24 125 970	24 125 970
Contracted services	826 568	19 138 710	1 697 564	117 383	21 780 225
Construction expenses	-	-	-	19 580 870	19 580 870
General expenses	4 355 768	9 872 128	612 997	472 997	15 313 890
Finance costs	-	1 165 631	-	-	1 165 631
Loss on disposal of asset	-	1 763 385	-	-	1 763 385
Total segment expenditure	**22 644 553**	**79 265 330**	**19 598 604**	**50 949 152**	**172 457 639**
Total segmental surplus/(deficit)	**(7 523 541)**	**17 882 319**	**17 115 055**	**(7 131 857)**	**20 341 976**
Assets					
Current Assets	(37 788 058)	100 548 171	-	(6 732 232)	56 027 881
Non-current assets	60 638 198	77 463 317	9 835 443	29 691 998	177 628 956
Total segment assets	**22 850 140**	**178 011 488**	**9 835 443**	**22 959 766**	**233 656 837**

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
56. Segment information (continued)					
Total assets as per Statement of financial Position					**233 656 837**
Liabilities					
Current liabilities	11 756 468	(77 496 299)	(402 521)	(4 776 868)	(70 919 220)
Non-current liabilities	(28 167 707)	-	-	-	(28 167 707)
Total segment liabilities	**(16 411 239)**	**(77 496 299)**	**(402 521)**	**(4 776 868)**	**(99 086 927)**
Total liabilities as per Statement of financial Position					**(99 086 927)**

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

2024

	Community and Social Services	Governance and Administration	Planning and Development	Trading Services	Total
Revenue					
Revenue from exchange transactions	1 863 567	1 679 742	940 382	45 749 392	50 233 083
Revenue from non- exchange transactions	3 402 475	82 394 653	20 276 523	-	106 073 651
Interest revenue	-	1 454 352	-	-	1 454 352
Total segment revenue	**5 266 042**	**85 528 747**	**21 216 905**	**45 749 392**	**157 761 086**
Entity's revenue					**157 761 086**

56. Segment information (continued)

Expenditure					
Employee related costs	14 872 663	18 212 247	13 093 489	4 727 306	50 905 705
Councillors remuneration	-	4 701 594	-	-	4 701 594
Depreciation and amortidation	579 496	3 541 501	7 551 973	1 677 041	13 350 011
Finance costs	-	307 054	-	-	307 054
Lease on operating	-	171 987	-	-	171 987
Debt Impairment	-	15 248 453	-	-	15 248 453
Bulk Purchases	-	-	-	19 297 998	19 297 998
Contracted services	1 221 916	15 730 203	912 444	424 263	18 288 826
Construction expenses	-	-	-	26 278 507	26 278 507
Actuarial	-	84 150	-	-	84 150
General expenses	-	13 322 736	-	-	13 322 736
Loss on disposal	-	302 943	-	-	302 943
Donation	-	5 747 830	-	-	5 747 830
Total segment expenditure	**16 674 075**	**77 370 698**	**21 557 906**	**52 405 115**	**168 007 794**
Total segmental surplus/(deficit)	**(11 408 033)**	**8 158 049**	**(341 001)**	**(6 655 723)**	**(10 246 708)**
Assets					
Current assets	-	71 296 184	(5 164 944)	-	66 131 240
Non-current assets	(4 919 776)	185 428 644	(13 034 184)	(19 200 177)	148 274 507
Total segment assets	**(4 919 776)**	**256 724 828**	**(18 199 128)**	**(19 200 177)**	**214 405 747**
Total assets as per Statement of financial Position					**214 405 747**
Liabilities					
Current Liabilities	-	53 458 890	(520 902)	19 558 893	72 496 881
Non-current liabilities	-	27 680 934	-	-	27 680 934
Total segment liabilities	**-**	**81 139 824**	**(520 902)**	**19 558 893**	**100 177 815**
Total liabilities as per Statement of financial Position					**100 177 815**

57. Budget differences

Material differences between budget and actual amounts

STATEMENT OF FINANCIAL PERFORMANCE

Other Revenue: More revenue was raised from entry into the game park due to the upgrade or the game park.
Operational Revenue: More revenue was billed through property sales.
Rental of facilities: More rental was received from rental of game park facilities.
Interest earned: Funds from unspent grants at the end of the prior period was spend during the current period leading to lower interest income..
Licences and Permits: Greater number of customers applied for Licences and Permits in the first of the year. The adjustment budget was adjusted upwards, however applications made throughout the year did not mirror the sales trajectory from the first half of the year.
Penalties and interest- exchange: Penalties and interest - exchange transactions and property rates-penalties imposed were budgeted together on the budget documents. On the statement of financial performance penalties and interest from non-exchange transactions is however shown as one line item. The combined amount from the budget documents equals the amount shown on the statment of budget to actuals. .
Actuarial gain: Not budgeted for.
Property Rates: Over-budgeted on property rates.
Government Grants & Subsidies: Grants are base on DORA allocation. Municipality has not anticipated the Increase in the Disaster grant.
Fines, penalties and forfeits: More fine were raised.
Donation: Not budgeted for.
Debt Impairment: Only the debt write off component was budgeted for and not the debt impairment component..
Finance Charges: Finance costs payable to suppliers on late payment as well as the non-cash element of finance costs on the re-measurement of the landfill site was not budgeted for.
Contracted services: Municipality did not have sufficient funds to spend on contracted services.
General expenses: Less spending due to cost cuting measures being implemented.
Lease on operating rentals: Less number of printers were rented compared to the budgeted amount.
Contracted expenses: More spending on security expenses due to a change in tariffs in the new contract
General expenses: Less spending due to cost cuting measures being implemented.
Loss on disposal of assets: Not budgeted for

STATEMENT OF FINANCIAL POSITION

Current Assets: Greater impairment balance decreasing the receivables net balance.The amount budgeted for VAT receivable was lower than actual.
Non-current assets: PPE additions was over-budgeted for.
Current liabilities: Payables was under-budgeted for and given the cashflow position of the municipality, the payables and retentions balances were greater at year end. The employee benefit obligation was under-budgeted for and unspent grant liabilities not budgeted for.

CASHFLOW STATEMENT

Cashflows from operating activities: The municipality had under budgeted cashflows from operating activities.
Cashflows from investing activities: The municipality had budgeted to spend more on the acquisition of PPE.
Cashflow from financing activities: Consumer deposits was not budgeted for.

Split of suppliers and employees for purposes of cashflow budget comparison	**Approved budget**	**Adjustments**		**Final**
Suppliers and employees B7 Budget document	118 957 791	12 712 520	-	131 670 311
Less employee cost and remunaration of concillors B4 Budget document	(56 916 858)	(3 505 572)	-	(60 422 430)
Budget: Suppliers	**62 040 933**	**9 206 948**	**-**	**71 247 881**

Changes from the approved budget to the final budget

The changes between the approved and final budget is a consequence of upward and downward adjustments based on actual results during the mid-term review as well as reallocations within the approved budget parameters. For details on these changes please refer to section 10.1 of the annual report.

58. Accounting by principals and agents

The entity a party to a principal-agent arrangement(s).

Details of the arrangment(s) is|are as follows:

KZN Department of Transport:The Department and the Municipality entered into an agreement for the transfer of registration and licensing of motor vehicle and learners license testing functions. The municipality acts as an agent in terms of the agreement it has with the department in so far as the registration and licencing of motor vehicles is concerned

Renewal of drivers licences: The Municipality charges R250 per License. Off the R250, R79 is payable to the Department and the remaining R171 is the revenue of the municipality. The R79 per license becomes a payable to the Department. The department does not have the ability to use all or substantially all of the resources that result from this transaction for its own benefit. This component of the agreement therefore does not form part of the principal-agent relationship.

Under this agreement, any physical hardware to deliver on the agreement remains the asset of the department.

Spar and Dix take aways:The municipality appointed Spar and Dix take-aways for the purposes of dispensing and selling electricity coupons to consumers. The municipality acts as a principal in terms of the agreement it has with the these parties. A commission of 2 cents per unit sold which is the equivalent of 2% is payable to the agent.

Under both these agreements, any physical hardware to deliver on the agreements, remains the assets of the municipality.

In the current period, .the municipality entered into an agreement with Contour for the sale of prepaid electricity. The municipality is a principal in an agreement with Contour for the sale of prepaid electricity and pays commission to Contour. In considering whether a principal- agent relationship exists, management uses the provisions contained within GRAP 109 to assess if a binding arrangement in which one entity (the agent) undertakes transactions with third parties on behalf and for the benefit of another entity (the principal).

Key considerations were if a binding arrangement exists, if one party was required to undertake transactions with another party on behalf of and for the benefit of the other party, who has the power to determine the significant terms and conditions of the transaction, who has the ability to use or substantially use all of the resources that result from the transaction for its own benefit and who is exposed to the variability in the results of the transaction.

The assessment of the agreement with the Department of Transport, it has been assessed that the municipality is agent as it has been directed by another entity (the department), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

The asessment of the agreement with Spar and Dix and Contour, it has been assessed that the municipality is a principal as the municipality directs another entity (Spar and Dix), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

58. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

Motor vehicle registration and licences: Commission revenue is earned at 10% (inclusive of Vat) on sale of every motor vehicle transaction undertaken by the municipality on behalf of the Department. The full transactional value is transferred to the Department. The department then transfers the 10%(inclusive of Vat) commission over to the municipality.

The aggregate amount of commission revenue for the sale of liscences and permits that the entity recognised as compensation for the transactions carried out on behalf of the principal is R533 539 (2024: R250 052).

Refer to note 26 : Licence and permits.
There are no expenses accrued on rendering these services that is claimable from the Department.

Rights of reimbursement recognised as assetsRights of reimbursement recognised as assets

Amounts receivable from the Principal at year end of R45 813 (2024: R30 123) have been recognised as receivables and is included in note 9: receivables from exchange.

Reconciliation of receivable		
Opening balance	30 123	12 615
Comission revenue earned	533 539	250 052
Revenue received	(517 850)	(232 544)
	45 812	**30 123**

Entity as principal

Amounts payable to agents recognised as a liabilityAmounts payable to agents recognised as a liability

Amounts owing to the the Agents at year end are as follows and have been recognised as liabilities and is included in note :14 Payables.

Reconciliation of payable		
Opening balance	14 053	9 183
Commission expense incurred	-	55 278
Expense paid	-	(50 408)
	14 053	**14 053**

Fee paid

Fee paid as compensation to the agent	163 027	55 278

The Spar and Dix contract was terminated at the end of June 2024. The municipality entered into an agreement with Contour for the sale of prepaid electricity. The municipality is a principal in an agreement with Contour for the sale of prepaid electricity and pays commission to Contour.
Refer to note 44 for commision paid. With the Spar and Dix agreements, a commission of 2 cents per unit sold which is the equivalent of 2% is payable to these agents. Commision is paid to Contour as per the agreement signed between the municipality and Contour. IT equipment in the form of computers and a printer was provided to the agents with the following carrying values: R5 155 and R2 951 to Dix and Spar in the 2023 year.

On termination of the agreement between Spar and Dix, the equipment provided to these entities in terms of the agreement were re-possessed as they were the assets of the municipality.

No equipment or assets have been provided to Contour

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

58. Accounting by principals and agents (continued)

Under both agreements, the parties are allowed to terminate the agreement with written notice. With respect to the agreement with the Department of transport, the financial impact will be that the municipality will no longer earn the commission revenue. With respoect to the contour agreement, the financial impact will be that the municipality will not have an avenue to sell prepaid electricity to the community and will no longer be liable for the commission expense. The qualitative impact will be on the community members who will no longer have an accessible avenue to the services.

59. Living resources not recognised

The entity did not recognise the following living resources, due to the definition and/or recognition criteria not being met
:
Biological assets
Entity as custodian
The nature of the entity's custodial responsibility, including the legislation or similar means that establishes the custodial responsibility over the resources, are as follows:

The National Environmental Management: Protected Areas Act, 2003 (Act No 57 of 2003) is the overarching legislation that facilitates the existence and management of protected areas. The Act aim is to “Provide for the protection and conservation of ecologically viable areas representative of South Africa’s biological diversity and natural landscape and seascapes; for the establishment of a national register of all national, provincial and local protected areas; for the management of those areas in accordance with the national norms and standards; for intergovernmental co-operation and public consultation in matters concerning protected areas; and for matters in connection therewith”

The Balele Game Park was proclaimed then gazetted on 17 October 2002, under the KwaZulu Natal Nature Conservation Management Act, 1997 (Act no 9 of 1997). Gazette No 394, 2002.

The custodial nature of living and non-living things (Collectively known as biodiversity) in the Balele Game Park, is derived from Chapter 3 of the Protected Areas Act Section 17 (a) – (l) which deals (Declaration of protected areas).

Key judgements made and assumptions applied (including determination of control):

Animals in Balele Game Park are left to roam freely and are left in their natural environment or habitat. The game park only restricts the movement of wild animals by fencing off the park generally for access control and accommodation areas for security purposes thus to limit exposure to our guests and exposure of neighbouring landowners and communities to the risks associated with keeping wild animals in a reserve. These fences have not been maintained well in the past couple of years and has let to animals roaming beyond the borders of the game park. Therefore animals are able to move in and out through unfenced areas. Furthermore though the game park have fences, animal migration occurs frequently and animals do from time to time jump over, or burrow under fences.

Access control is therefore restrictive and as such Emadlangeni Municipality has concluded does not have control, which is a key requirement for asset recognition, of the individual animals within the park.

The game park performs ad-hoc aerial game count to take census in order to maintain the numbers held in the park with view of sustaining the eco system, tourism attractiveness of the town and generate revenues for the municipality.

There’s no restrictions on the sale of these assets except for permits regulations for hunters allowed for cull hunting.

An aerial count was performed on the 28th of June 2024. Due to financial constraints, the game park conducted its own game count for the current period.

The entity did not recognise the following living resources, due to the definition and/or recognition criteria not being met. The following species were found and counted within the park’s borders: animal groups:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Living resources not recognised (continued)

Blesbok	57	44
Blue Wildebeest	260	260
Plains Zebra	63	63
Red Hartebeest	6	6
Warthog	28	28
Waterbuck	20	20
Bushpig	5	5
Eland	10	10
Impala	131	131
Nyala	10	10
Giraffe	35	35
Kudu	31	31
Grey Duiker	5	5
Bushbuck	5	-
	666	**648**

Revenue generated from game park activities is contained within note 28: Licences and permits.

60. Donation

Donation: Disaster Management and Library	3 449 269	-