City of Mbombela
(Demarcation code MP326)
Audited annual financial statements
for the year ended 30 June 2025

Table of Contents

General Information

Country of incorporation and domicile	South Africa
Domicile and legal form of entity	The City of Mbombela is a high capacity, category B local authority established in terms of section 151 of the constitution of the Republic of South Africa, 1996 as determined by the Demarcation Board in terms of Section 4 of the Municipal Demarcation Act and the Provincial Gazette No 2721
Nature of business and principal activities	The principal activities of the City are to provide services to communities in a sustainable manner, promoting social and economic development and encouraging the involvement of communities and community organizations in the matters of local government in accordance with Section 152 of the Constitution.
Legislation governing the entity's operations	Municipal Finance Management Act (Act 56 of 2003)

Members of Council and Mayoral Commitee (MMC) and their portfolios

Portfolio	**Councillor**
Executive mayor	SE Makushe
Speaker	MW Nkhata
Chief WIP	ME Nsimbini
MMC City Planning and Development	JM Mazibane
MMC Corporate and Support Services	PV Mashego
MMC Technical Services	DB Mkhatshwa
MMC Strategic Management Services	JJ Mhlanga
MMC Social Services	KA Mhlanga
MMC Financial Management	NE Gecelo - Mkhabela
MMC Local Economic Development and Tourism	IN Lusenga
MMC Community Services	PP Mbowane

Executive management

Position	**Name**
City Manager	WJ Khumalo
Acting Chief Financial Officer	SA Dube
General Manager: Corporate Services	ME Nkosi
General Manager: Technical	PN Ngwamba
General Manager: Social Services	MB Thumbathi
General Manager: Community Services	SD Ndou

General Information

Councillors and their respective wards

Ward Nr.	Surname	Initials
1	Ngomane	MM
2	Mhlanga	JJ
3	Nkosi	DJ
4	Mkhonto	ME
5	Lubisi	WD
6	Mogale	TB
7	Soko	SF
8	Mkhonto	JA
9	Mgwenya	TS
10	Chiloane	SG
11	Mziyako	SL
12	Mdhluli	ZA
13	Manyathi	E
14	Mkhonto	KM
15	Rix	DF
16	Olivier	KA
17	Van Der Merwe	S
18	Mahlalela	TE
19	Mkhatswa	DB
20	Mazibuko	PW
21	Mnisi	EM
22	Myeni	NW
23	Lusenga	IN
24	Siboza	MV
25	Makhubela	SS
26	Mkhatshwa	BW
27	Makhubela	TM
28	Nkosi	LF
29	Masilela	DC
30	Torr	R
31	Shabangu	J
32	Nkosi	QE
33	Makhushe	SE
34	Manana	SJ
35	Mazibuko	MV

Ward Nr.	Surname	Initials
36	Ndlovu	WD
37	Maseko	MI
38	Mazibuko	CP
39	Mhlaba	RB
40	Nkosi	DE
41	Sebamba	C
42	Mogiba	DH
43	Mzimba	ZB
44	Magagula	NP
45	Mkhonto	NJ

Members of the Audit Commitee

Chairperson	FM Mkhabela
Members	ZC Sibanda
	D Thwala
	MJ Moloi-Chamane

Registered head office

Mbombela Civic Centre
1 Nel Street
Sonheuwel
Mbombela
1200

General Information

Bankers	ABSA Bank Mbombela 2nd floor, ABSA Square, 20 Kruger street, Mbombela, 1200
Auditors	Auditor General South Africa - Mpumalanga

Accounting Officer's Statement

I am responsible for the preparation of these audited annual financial statements, which are set out on pages s 15 to 124, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) and which I have signed on behalf of the Municipality. The audited annual financial statements have been prepared in accordance with the approved and effective Standards of the Standards of Generally Recognised Accounting Practice, other applicable accounting standards and reporting framework approved by the Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. These audited annual financial statements fairly presents the state of affairs of the municipality, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at 30 June 2025.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 37 to these audited annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The audited annual financial statements set out on pages 15 to 124, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the entity on 31 August 2025:

WJ Khumalo
City Manager

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
mSCOA	Municipal Standard Chart of Accounts
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
R	Rand
RUL	Remaining Useful Life
SARS	South African Revenue Service
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	**Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Restated audited outcome	Actual outcome as % of final budget	Reason for the material variance (Note 62)
2025										
Financial performance										
Revenue by source										
Exchange revenue										
Service charges - Electricity	1,654,532,501	130,000,000	1,784,532,501	-	1,784,532,501	1,628,892,975	(155,639,526)	1,443,342,338	(8.72)%	
Service charges - Water	119,884,787	35,000,000	154,884,787	-	154,884,787	124,337,890	(30,546,897)	129,367,435	(19.72)%	18
Service charges - Waste Water Management	25,627,417	10,000,000	35,627,417	-	35,627,417	25,891,066	(9,736,351)	25,453,683	(27.33)%	19
Service charges - Waste Management	165,953,711	25,000,000	190,953,711	-	190,953,711	166,003,756	(24,949,955)	156,198,834	(13.07)%	20
Sale of goods and rendering of services	14,930,835	7,000,000	21,930,835	-	21,930,835	12,793,644	(9,137,191)	11,362,643	(41.66)%	21
Interest earned from receivables	54,674,117	(20,186,526)	34,487,591	-	34,487,591	46,749,447	12,261,856	45,442,770	35.55 %	22
Interest earned from current and non current assets	10,406,642	-	10,406,642	-	10,406,642	12,071,878	1,665,236	9,608,156	16.00 %	23
Rental from fixed assets	5,831,803	21,000,000	26,831,803	-	26,831,803	29,089,104	2,257,301	23,574,543	8.41 %	
Licence and permits	158,029	2,600,000	2,758,029	-	2,758,029	1,344,667	(1,413,362)	169,132	(51.25)%	24
Operational revenue	178,228,339	22,666,091	200,894,430	-	200,894,430	58,921,031	(141,973,399)	175,751,271	(70.67)%	25
	2,230,228,181	**233,079,565**	**2,463,307,746**	**-**	**2,463,307,746**	**2,106,095,458**	**(357,212,288)**	**2,020,270,805**	**(14.50)%**	
Non-exchange revenue										
Property rates	1,058,998,989	95,000,000	1,153,998,989	-	1,153,998,989	1,016,588,377	(137,410,612)	975,218,181	(11.91)%	26

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	**Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Restated audited outcome	Actual outcome as % of final budget	Reason for the material variance (Note 62)
Fines, penalties and forfeits	3,970,032	4,000,000	7,970,032	-	7,970,032	3,774,785	(4,195,247)	6,915,328	(52.64)%	27
Transfer and subsidies - Operational	1,133,444,000	3,092,621	1,136,536,621	(1,706,339)	1,134,830,282	1,134,830,021	(261)	1,068,001,927	- %	
Interest	38,277,445	-	38,277,445	-	38,277,445	44,987,595	6,710,150	39,935,806	17.53 %	28
Other gains	-	355,577,465	355,577,465	-	355,577,465	5,504,079	(350,073,386)	-	(98.45)%	29
	2,234,690,466	**457,670,086**	**2,692,360,552**	**(1,706,339)**	**2,690,654,213**	**2,205,684,857**	**(484,969,356)**	**2,090,071,242**	**(18.02)%**	
Total Revenue by source (excl. capital transfers and contributions)	**4,464,918,647**	**690,749,651**	**5,155,668,298**	**(1,706,339)**	**5,153,961,959**	**4,311,780,315**	**(842,181,644)**	**4,110,342,047**	**(16.34)%**	
Expenditure										
Employee costs	(1,324,654,114)	95,142,934	(1,229,511,180)	(100,466,674)	(1,329,977,854)	(1,392,260,950)	(62,283,096)	(1,328,944,054)	4.68 %	
Remuneration of councillors	(74,776,861)	12,000,000	(62,776,861)	(3,140,839)	(65,917,700)	(65,917,700)	-	(63,618,416)	- %	
Bulk purchases - Electricity	(1,460,900,931)	410,000,000	(1,050,900,931)	(400,000,000)	(1,450,900,931)	(1,537,835,785)	(86,934,854)	(1,323,436,972)	5.99 %	
Inventory consumed	(86,245,611)	(225,682,915)	(311,928,526)	183,020,405	(128,908,121)	(129,103,117)	(194,996)	(124,642,501)	0.15 %	
Debt impairment	(161,405,823)	(76,517,141)	(237,922,964)	129,500,000	(108,422,964)	(198,923,138)	(90,500,174)	(63,395,203)	83.47 %	30
Depreciation and amortisation	(565,839,612)	(325,433,772)	(891,273,384)	590,642,615	(300,630,769)	(361,667,399)	(61,036,630)	(564,885,085)	20.30 %	31
Finance charges	(74,683,511)	26,509,511	(48,174,000)	12,717,003	(35,456,997)	(174,200,528)	(138,743,531)	(149,442,376)	391.30 %	32
Contracted services	(388,617,611)	(1,962,055)	(390,579,666)	(285,390,628)	(675,970,294)	(709,612,562)	(33,642,268)	(764,533,479)	4.98 %	
Transfers and subsidies	(859,639)	(24,011,730)	(24,871,369)	(627,000)	(25,498,369)	(48,751,336)	(23,252,967)	(53,139,890)	91.19 %	33
Irrecoverable debts written off	(15,395,000)	15,395,000	-	-	-	(69,501,281)	(69,501,281)	(136,545,963)	- %	
Operational costs	(95,306,799)	(6,668,620)	(101,975,419)	(59,515,886)	(161,491,305)	(371,776,494)	(210,285,189)	(309,932,361)	130.21 %	34
Other Losses	-	-	-	-	-	-	-	(11,646,632)	- %	
Total Expenditure	**(4,248,685,512)**	**(101,228,788)**	**(4,349,914,300)**	**66,738,996**	**(4,283,175,304)**	**(5,059,550,290)**	**(776,374,986)**	**(4,894,162,932)**	**18.13 %**	

Audited By
2025 -11- 30
Auditor General South Africa

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	**Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Restated audited outcome	Actual outcome as % of final budget	Reason for the material variance (Note 62)
Deficit	**216,233,135**	**589,520,863**	**805,753,998**	**65,032,657**	**870,786,655**	**(747,769,975)**	**(1,618,556,630)**	**(783,820,885)**	**(85.87)%**	
Transfers and subsidies - capital (monetary allocations)	464,088,000	67,869,281	531,957,281	1,706,339	533,663,620	552,856,689	19,193,069	459,331,871	3.60 %	
Deficit for the year	**680,321,135**	**657,390,144**	**1,337,711,279**	**66,738,996**	**1,404,450,275**	**(194,913,286)**	**(1,599,363,561)**	**(324,489,014)**	**(113.88)%**	
Capital expenditure and funds sources										
Capital expenditure	656,588,000	91,045,693	747,633,693	-	814,372,688	793,760,612	(20,612,076)	-	(2.53)%	
Transfers recognised – capital	464,088,000	67,869,281	531,957,281	-	472,390,080	552,856,689	80,466,609	-	17.03 %	
Borrowings	-	3,403,557	3,403,557	-	3,403,557	-	(3,403,557)	-	- %	
Internally generated funds	192,500,000	19,772,855	212,272,855	-	338,579,051	240,903,923	(97,675,128)	-	(28.85)%	
	656,588,000	**91,045,693**	**747,633,693**	**-**	**814,372,688**	**793,760,612**	**(20,612,076)**	**-**	**(2.53)%**	
Financial position										
Assets										
Current assets										
Cash and cash equivalents	284,693,526	1,113,213,214	1,397,906,740	-	1,397,906,740	142,754,263	(1,255,152,477)	140,091,132	(89.79)%	1
Trade and other receivables from exchange transactions	658,632,786	(123,536,875)	535,095,911	-	535,095,911	632,215,147	97,119,236	508,951,160	18.15 %	2
Receivables from non-exchange transactions	141,900,381	138,372,335	280,272,716	-	280,272,716	243,945,421	(36,327,295)	203,467,522	(12.96)%	3
Current portion of non-current receivables	465,010	625,676	1,090,686	-	1,090,686	2,195,643	1,104,957	1,075,291	101.31 %	4

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	**Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Restated audited outcome	Actual outcome as % of final budget	Reason for the material variance (Note 62)
Inventory	61,873,531	5,388,899	67,262,430	-	67,262,430	77,048,901	9,786,471	59,113,191	14.55 %	5
VAT	336,707,404	16,897,917	353,605,321	-	353,605,321	581,393,057	227,787,736	440,666,473	64.42 %	6
Other current assets	12,548,461	745,601	13,294,062	-	13,294,062	18,281,065	4,987,003	17,379,635	37.51 %	7
Total current assets	**1,496,821,099**	**1,151,706,767**	**2,648,527,866**	**-**	**2,648,527,866**	**1,697,833,497**	**(950,694,369)**	**1,370,744,404**	**(35.90)%**	
Non-current assets										
Investment property	321,630,319	(2,442,655)	319,187,664	-	319,187,664	316,745,008	(2,442,656)	319,187,663	(0.77)%	
Property, plant and equipment	8,325,553,982	(842,458,713)	7,483,095,269	-	7,483,095,269	7,812,307,748	329,212,479	7,346,092,915	4.40 %	
Heritage assets	2,328,920	-	2,328,920	-	2,328,920	2,328,920	-	2,328,920	- %	
Intangible assets	24,713,309	15,114,780	39,828,089	-	39,828,089	26,493,254	(13,334,835)	26,442,429	(33.48)%	8
Non-current receivables from non-exchange transactions	2,096,172	(982,255)	1,113,917	-	1,113,917	2,167,747	1,053,830	2,164,667	94.61 %	9
Total non-current assets	**8,676,322,702**	**(830,768,843)**	**7,845,553,859**	**-**	**7,845,553,859**	**8,160,042,677**	**314,488,818**	**7,696,216,594**	**4.01 %**	
Total assets	**10,173,143,801**	**320,937,924**	**10,494,081,725**	**-**	**10,494,081,725**	**9,857,876,174**	**(636,205,551)**	**9,066,960,998**	**(6.06)%**	

Audited By
2025-11-30
Auditor-General South Africa
Mpumalanga Business Unit

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	**Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Restated audited outcome	Actual outcome as % of final budget	Reason for the material variance (Note 62)
Liabilities										
Current liabilities										
Financial liabilities	5,630,878	(6,255,946)	(625,068)	-	(625,068)	19,793,373	20,418,441	17,072,598	(3,266.60)%	10
Consumer deposits	65,695,578	2,846,827	68,542,405	-	68,542,405	45,998,709	(22,543,696)	42,639,638	(32.89)%	11
Trade and other payables from exchange transactions	749,435,588	1,736,178,187	2,485,613,775	-	2,485,613,775	3,680,878,431	1,195,264,656	2,688,797,841	48.09 %	12
Trade and other payables from non-exchange transactions	-	74,491,901	74,491,901	-	74,491,901	9,444,089	(65,047,812)	73,976,228	(87.32)%	13
Provision	45,927,499	(22,496,238)	23,431,261	-	23,431,261	14,879,269	(8,551,992)	19,784,932	(36.50)%	14
VAT	72,960,584	21,480,602	94,441,186	-	94,441,186	107,969,807	13,528,621	94,441,186	14.32 %	15
Defined benefit obligations	-	-	-	-	-	7,048,000	7,048,000	7,115,000	- %	
Total current liabilities	**939,650,127**	**1,806,245,333**	**2,745,895,460**	**-**	**2,745,895,460**	**3,886,011,678**	**1,140,116,218**	**2,943,827,423**	**41.52 %**	
Non-current liabilities										
Financial liabilities	250,998,277	(18,995,459)	232,002,818	-	232,002,818	210,604,428	(21,398,390)	230,817,829	(9.22)%	
Provision	-	-	-	-	-	316,388,938	316,388,938	265,288,343	- %	
Long term portion of trade payables	1,674,025,813	(1,315,989,958)	358,035,855	-	358,035,855	1,066,732,395	708,696,540	1,066,732,395	197.94 %	16
Defined benefit obligations	445,007,125	33,206,888	478,214,013	-	478,214,013	222,213,999	(256,000,014)	209,456,999	(53.53)%	17
Total non-current liabilities	**2,370,031,215**	**(1,301,778,529)**	**1,068,252,686**	**-**	**1,068,252,686**	**1,815,939,760**	**747,687,074**	**1,772,295,566**	**69.99 %**	
Total liabilities	**3,309,681,342**	**504,466,804**	**3,814,148,146**	**-**	**3,814,148,146**	**5,701,951,438**	**1,887,803,292**	**4,716,122,989**	**49.49 %**	
Net assets	**6,863,462,459**	**(183,528,880)**	**6,679,933,579**	**-**	**6,679,933,579**	**4,155,924,736**	**(2,524,008,843)**	**4,350,838,009**	**(37.78)%**	

Community wealth/ Equity

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	**Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Restated audited outcome	Actual outcome as % of final budget	Reason for the material variance (Note 62)
Accumulated Surplus/(Deficit)	6,865,230,460	(185,296,881)	6,679,933,579	66,738,996	6,746,672,575	4,155,924,718	(2,590,747,857)	4,350,838,003	(38.40)%	

Audited
By
2025 -11- 30
Auditor General South Africa

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	**Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Restated audited outcome	Actual outcome as % of final budget	Reason for the material variance (Note 62)
Cash flow										
Cash flow from operating activities										
Receipts										
Property rates	1,006,049,039	102,768,045	1,108,817,084	-	1,108,817,084	755,143,939	(353,673,145)	-	(31.90)%	35
Service charges	1,867,698,494	177,048,816	2,044,747,310	-	2,044,747,310	1,735,215,653	(309,531,657)	-	(15.14)%	36
Other revenue	187,278,734	610,686,075	797,964,809	-	797,964,809	60,265,698	(737,699,111)	-	(92.45)%	37
Transfers and Subsidies - Operational	1,133,444,000	3,092,621	1,136,536,621	-	1,136,536,621	1,593,606,996	457,070,375	-	40.22 %	38
Transfers and Subsidies - Capital	464,088,000	67,869,281	531,957,281	-	531,957,281	-	(531,957,281)	-	- %	
Interest	103,358,203	-	103,358,203	-	103,358,203	49,085,670	(54,272,533)	-	(52.51)%	39
	4,761,916,470	**961,464,838**	**5,723,381,308**	**-**	**5,723,381,308**	**4,193,317,956**	**(1,530,063,352)**	**-**	**(26.73)%**	
Payments										
Suppliers and employees	(3,933,748,776)	292,372,604	(3,641,376,172)	-	(3,641,376,172)	(3,178,252,931)	463,123,241	-	(12.72)%	
Finance charges	(74,683,511)	48,000,000	(26,683,511)	-	(26,683,511)	(169,246,876)	(142,563,365)	-	534.28 %	40
Transfers and subsidies	(859,639)	(24,011,730)	(24,871,369)	-	(24,871,369)	(48,751,336)	(23,879,967)	-	96.01 %	41
	(4,009,291,926)	**316,360,874**	**(3,692,931,052)**	**-**	**(3,692,931,052)**	**(3,396,251,143)**	**296,679,909**	**-**	**(8.03)%**	
Net cash from/(used) operating activities	**752,624,544**	**1,277,825,712**	**2,030,450,256**	**-**	**2,030,450,256**	**797,066,813**	**(1,233,383,443)**	**-**	**(60.74)%**	
Cash flow from investing activities										
Receipts										
Decrease (increase) in non-current receivables	-	1,075,291	1,075,291	-	1,075,291	-	(1,075,291)	-	(100.00)%	42

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

	Original budget	*Budget adjustments	Final adjustments budget	**Virement	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Restated audited outcome	Actual outcome as % of final budget	Reason for the material variance (Note 62)
Payments										
Capital assets	(656,588,000)	(91,045,693)	(747,633,693)	-	(747,633,693)	(776,911,073)	(29,277,380)	-	3.92 %	
Net cash from/(used) investing activities	**(656,588,000)**	**(89,970,402)**	**(746,558,402)**	**-**	**(746,558,402)**	**(776,911,073)**	**(30,352,671)**	**-**	**4.07 %**	
Cash flow from financing activities										
Payments										
Repayment of borrowing	(16,653,466)	(9,422,780)	(26,076,246)	-	(26,076,246)	(17,492,609)	8,583,637	-	(32.92)%	43
Net Increase/ (Decrease) in cash held	**79,383,078**	**1,178,432,530**	**1,257,815,608**	**-**	**1,257,815,608**	**2,663,131**	**(1,255,152,477)**	**-**	**(99.79)%**	
Cash/cash equivalents at the year begin:	205,213,268	(65,122,136)	140,091,132	-	140,091,132	140,091,132	-	-	- %	
Cash/cash equivalents at the year end:	284,596,346	1,113,310,394	1,397,906,740	-	1,397,906,740	142,754,263	(1,255,152,477)	-	(89.79)%	

Audited By 2025 -11- 30 Auditor General South Africa

Statement of Financial Position as at 30 June 2025

	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	142,754,263	140,091,132
Trade and other receivables from exchange transactions	3	632,215,147	508,951,160
Receivables from non-exchange transactions	4	243,945,421	203,467,522
Inventory	5	77,048,901	59,113,191
Current portion of non-current receivables	6	2,195,643	1,075,291
Operating lease receivable	7	123,468	300,038
VAT Receivable	8	581,393,057	440,666,473
Deposits	9	18,157,597	17,079,597
Total Current Assets		**1,697,833,497**	**1,370,744,404**
Non-Current Assets			
Non-current receivables from exchange transactions	14	2,167,748	2,164,667
Investment property	10	316,745,008	319,187,663
Property, plant and equipment	11	7,812,307,748	7,346,092,915
Heritage assets	12	2,328,920	2,328,920
Intangible assets	13	26,493,254	26,442,429
Total Non-Current Assets		**8,160,042,678**	**7,696,216,594**
Total Assets		**9,857,876,175**	**9,066,960,998**
Liabilities			
Current Liabilities			
Borrowings	15	18,846,079	16,447,531
Lease liabilities	16	947,294	625,067
Consumer deposits	17	45,998,709	42,639,638
Trade and other payables from exchange transactions	18	3,680,878,431	2,688,797,841
Trade and other payables from non-exchange transactions	19	9,444,089	73,976,228
Provisions	20	14,879,269	19,784,932
VAT Payable	22	107,969,807	94,441,186
Defined benefit obligations	23	7,048,000	7,115,000
Total Current Liabilities		**3,886,011,678**	**2,943,827,423**
Non-Current Liabilities			
Borrowings	15	210,604,428	229,870,535
Lease liabilities	16	-	947,294
Provisions	20	316,388,938	265,288,343
Long term trade and other payable	21	1,066,732,395	1,066,732,395
Defined benefit obligations	23	222,213,999	209,456,999
Total Non-Current Liabilities		**1,815,939,760**	**1,772,295,566**
Total Liabilities		**5,701,951,438**	**4,716,122,989**
Net Assets		**4,155,924,737**	**4,350,838,009**
Community Wealth / Equity			
Accumulated surplus	24	4,155,924,718	4,350,838,003
Total Community Wealth / Equity		**4,155,924,718**	**4,350,838,003**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

* See Note 50

Statement of Financial Performance

	Note(s)	2025	2024 Restated*
Revenue			
Exchange Revenue			
Services charges – Electricity	26	1,628,892,973	1,443,342,338
Services charges – Waste management	26	166,003,756	156,198,834
Services charges – Waste water management	26	25,891,066	25,453,683
Services charges – Water management	26	124,337,890	129,367,435
Sales of goods and rendering of services	27	12,793,644	11,362,643
Interest earned from receivables	28	46,749,447	45,442,770
Interests on current and non-current assets	29	12,071,878	9,608,156
Licence and permits	34	1,344,667	169,132
Rent from fixed assets	30	29,089,103	23,574,543
Operational revenue	31	58,921,031	175,751,271
Total Exchange Revenue		**2,106,095,455**	**2,020,270,805**
Non-Exchange Revenue			
Property rates by usage	32	1,016,588,377	975,218,181
Fines, penalties and forfeits	33	3,774,785	6,915,328
Transfers and subsidies – Operational	35	1,134,830,021	1,068,001,927
Transfers and subsidies – Capital	35	552,856,689	459,331,871
Interest earned from receivables	28	44,987,595	39,935,806
Gains	36	5,504,079	-
Total Non-Exchange Revenue		**2,758,541,546**	**2,549,403,113**
Total Revenue		**4,864,637,001**	**4,569,673,918**
Expenditure			
Employee related cost	37	1,392,260,950	1,328,944,054
Remuneration of councillors	38	65,917,700	63,618,416
Bulk purchases	39	1,537,835,785	1,323,436,972
Inventory consumed	40	129,103,117	124,642,501
Debt impairment	41	198,923,138	63,395,203
Depreciation and amortisation	42	361,667,399	564,885,085
Interest	43	174,200,529	149,442,376
Contracted services	45	709,612,562	764,533,479
Transfers and subsidies	46	48,751,336	53,139,890
Irrecoverable debts written off	47	69,501,281	136,545,963
Operating leases	44	7,643,261	8,678,807
Operational cost	48	364,133,233	301,253,554
Losses	36	-	11,646,632
Total Expenditure		**5,059,550,291**	**4,894,162,932**
Deficit for the year		**(194,913,290)**	**(324,489,014)**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

* See Note 50

Cash Flow Statement

	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Property rates		755,143,939	703,998,811
Service charges		1,735,215,653	1,621,503,024
Operational revenue		60,265,698	41,919,357
Transfers and Subsidies – Capital		1,593,606,996	1,501,447,000
Interest		49,085,670	56,207,094
Payments			
Suppliers and employees		(3,178,252,931)	(3,236,620,952)
Finance charges		(169,246,876)	(144,695,961)
Transfers and subsidies		(48,751,336)	(53,139,890)
Net cash from(used) operating activities	49	**797,066,813**	**490,618,483**
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		-	454,451
Payments			
Capital assets		(776,911,073)	(540,930,144)
Net cash flows from investing activities		**(776,911,073)**	**(540,475,693)**
Cash flows from financing activities			
Payments			
Decrease in finance lease		(625,050)	(51,194)
Decrease in borrowing long-term		(16,867,559)	(15,310,915)
Net cash flows from financing activities		**(17,492,609)**	**(15,362,109)**
Net increase/(decrease) in cash		**2,663,131**	**(65,219,319)**
Cash and cash equivalents at year begin		140,091,132	205,310,452
		142,754,263	**140,091,133**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

* See Note 50

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	4,653,972,676	4,653,972,676
Adjustments		
Correction of errors	21,354,345	21,354,345
Balance at 01 July 2023 as restated*	**4,675,327,021**	**4,675,327,021**
Surplus for the year	(324,489,014)	(324,489,014)
Total changes	(324,489,014)	(324,489,014)
Restated* Balance at 01 July 2024	**4,350,838,007**	**4,350,838,007**
Surplus for the year	(194,913,290)	(194,913,290)
Total changes	(194,913,290)	(194,913,290)
Balance at 30 June 2025	**4,155,924,717**	**4,155,924,717**
Note(s)	50	

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

* See Note 50

Reportable Segments for the year ended 30 June 2025

	Electricity	Water management	Waste water management	Waste management	Other support departments	Total
2025						
Segment revenue						
External revenue from non-exchange transactions	290,102,202	335,464,532	245,791,936	183,228,168	1,653,463,034	2,708,049,872
External revenue from exchange transactions	1,629,637,823	127,938,975	25,920,327	166,003,756	97,773,249	2,047,274,130
Interests on investments	-	-	-	-	12,071,878	12,071,878
Interest earned from receivables	-	-	-	-	91,737,042	91,737,042
Gain on disposal of assets	-	-	-	-	5,504,079	5,504,079
	1,919,740,025	**463,403,507**	**271,712,263**	**349,231,924**	**1,860,549,282**	**4,864,637,001**
Segment expenses						
Total segment expenses	1,727,871,687	590,159,659	62,525,563	345,051,695	1,599,150,621	4,324,759,225
Depreciation, amortisation and impairment	41,679,332	76,931,555	44,416,809	13,495,714	185,143,989	361,667,399
Impairment losses on financial assets	31,738,252	41,498,350	4,610,877	38,347,698	82,727,961	198,923,138
Interest expense	-	-	-	4,953,653	169,246,876	174,200,529
	1,801,289,271	**708,589,564**	**111,553,249**	**401,848,760**	**2,036,269,447**	**5,059,550,291**
Deficit for the year	**118,450,754**	**(245,186,057)**	**160,159,014**	**(52,616,836)**	**(175,720,165)**	**(194,913,290)**
2024						
Segment revenue						
External revenue from non-exchange transactions	247,092,764	309,153,550	213,207,397	174,689,092	1,565,324,504	2,509,467,307
External revenue from exchange transactions	1,445,462,256	133,815,890	27,552,879	156,198,834	202,190,020	1,965,219,879
Interests on investments	-	-	-	-	9,608,156	9,608,156
Interest earned from receivables	12,702,623	12,512,830	2,365,880	11,254,573	46,542,670	85,378,576
	1,705,257,643	**455,482,270**	**243,126,156**	**342,142,499**	**1,823,665,350**	**4,569,673,918**
Segment expenses						
Total segment expenses	1,527,558,897	613,818,922	69,415,244	349,590,886	1,544,409,687	4,104,793,636
Depreciation, amortisation and impairment	52,053,318	83,601,074	58,130,993	13,078,414	358,021,286	564,885,085
Loss on disposal of assets	-	-	-	-	11,646,632	11,646,632
Impairment losses on financial assets	-	-	-	-	63,395,203	63,395,203
Interest expense	-	-	-	14,245,140	135,197,236	149,442,376
	1,579,612,215	**697,419,996**	**127,546,237**	**376,914,440**	**2,112,670,044**	**4,894,162,932**
Deficit for the year	**125,645,428**	**(241,937,726)**	**115,579,919**	**(34,771,941)**	**(289,004,694)**	**(324,489,014)**

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Significant Accounting Policies

	Note(s)	2025	2024

1. Presentation of Audited Annual Financial Statements

Summary of significant accounting policies

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

These audited 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. These are presented in South African Rand.

A summary of the significant accounting policies, which have been applied in the preparation of these annual financial statements, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenues and expenses have not been offset, except when offsetting is either required or permitted by a Standard of GRAP.

List of effective Standards of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of non-cash generating Assets
GRAP 23	Revenue from non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash generating Assets
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Significant Accounting Policies

GRAP 107	Mergers
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

List of effective Interpretations of the Standards of GRAP

IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IGRAP 20	Accounting for Adjustments to Revenue
IGRAP 21	The Effect of Past Decisions on Materiality

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

List of new, amended standards issued but not yet effective:

GRAP 1 (amended)	Presentation of financials statements(amendments on going concern) (Effective date to be determined)
IGRAP 22	Foreign Currency Transactions and Advance Considerations – effective date 1 April 2025
GRAP 103 (as revised)	Heritage assets (Effective date to be determined)
GRAP 104 (as revised)	Financial instruments – effective date 1 April 2025

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. If a change in accounting policy results from initial application of a standard of GRAP that has specific transitional provisions, the municipality account for the change in accordance with the specific transitional provisions of that accounting standard.

Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (mSCOA). The reclassifications have no impact on the net assets value of the municipality.

1.4 Property, plant and equipment

Initial recognition and measurement

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. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

(a) they are parts of a system or network;
(b) they are specialised in nature and do not have alternative uses;
(c) the are immovable; and
(d) they may be subject to constraints on disposal.

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.

Audited By

Auditor General South Africa
Mpumalanga Business Unit

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.

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

Where an 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.

Significant Accounting Policies

1.4 Property, plant and equipment (continued)

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

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. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms , the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the Standard of GRAP on Borrowing Costs.

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 Municipality 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.

Subsequent measurement

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

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an item of Property, Plant and Equipment is capitalised when it meets the definition and recognition criteria of an asset.

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Where the Municipality has an obligation to dismantle, remove and restore items of property, plant and equipment and the initial estimate was initially included in the cost of an item of property, plant and equipment, any changes in the liability are added to or deducted from, the cost of the related asset in the current period. If there is a decrease in the liability and it exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance.

If there is a change in a provision for which the asset relates, and the change results in addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is an indication , the related asset is tested for impairment by estimating its recoverable amount or recoverable service amount and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets or non-cash generating assets. If the related asset has reached the end of its useful life, any subsequent changes in the liability will be recognised in the statement of financial performance.

Item	**Average useful life**
Land and buildings	
• Land	Indefinite
• Buildings	30-100
• Waste Management (Landfill sites)	10-100
Infrastructure assets	
• Roads, pavement, bridges, and storm water	3-100
• Electricity	3-100
• Water	5-100
• Waste water	5-100
• Information and communications	3-20
• Waste management	10-100
Community assets	
• Sport and Recreational facilities	10-100
• Parks	Indefinite
• Halls	10-100
• Libraries	10-100

1.4 Property, plant and equipment (continued)

Movable assets

• Specialised vehicles	5-30
• Transport assets	5-30
• Office equipment	5-30
• Furniture and equipment	5-30
• Bins and containers	5-30
• Specialised plant and equipment	5-30
• Machinery and equipment	5-30
• Emergency equipment	5-30
• Computer equipment	5-30
• Leased assets	3-25

Further details on the useful lives of the categories of assets are outlined in the assets management policy, available for inspection at our offices.

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 for 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 in accordance with Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality assesses at each reporting date whether there is any indication that the municipality's 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 revise the expected useful life and/or residual value accordingly.

The change(s) are accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

(a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
(b) The use of the asset has changed, because of the following:
- The municipality has changed the manner in which the asset is used.
- The municipality has changed the utilisation rate of the asset.
- The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
- Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- Legal or similar limits placed on the use of the asset have changed.
- The asset was idle or retired from use during the reporting period.

(c) The asset is approaching the end of its previously expected useful life.
(d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
(e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
(f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
(g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Derecognition

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.

Significant Accounting Policies

1.5 Intangible assets

Initial recognition and measurement

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

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 entity; 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.

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

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation

The municipality assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to the municipality.

The useful life of an intangible asset that arises from binding arrangements (including rights from contracts) shall not exceed the period of the binding arrangement, but may be shorter depending on the period over which the entity expects to use the asset. If the binding arrangements (including rights from contracts) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the municipality without significant cost.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The amortisation rates are based on the following estimated average asset lives.

Item	Useful life
Servitudes	Not depreciated
Licenses and franchises	1 - 5 years
Computer software	5 - 20 years

Audited
2025 -11- 30
Auditor-General South Africa
Mpumalanga Business Unit

1.5 Intangible assets (continued)

Further details on the useful lives of the categories of assets can be obtained from the assets management policy, available for inspection at our offices.

Each item of intangible asset is amortised separately. Rights consist mainly of servitudes. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude will remain in force as the Municipality exercises its rights under such servitudes.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date that the asset is derecognised. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:
(a) there is a commitment by a third party to acquire the asset at the end of its useful life; or
(b) there is an active market for the asset and:
(i) residual value can be determined by reference to that market; and
(ii)it is probable that such a market will exist at the end of the asset's useful life

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

An intangible asset with an indefinite useful life shall not be amortised. The useful life of an intangible asset that is not being amortised shall be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

2025 -11- 30

Derecognition

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

1.6 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.

Initial recognition and measurement

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 entity, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

1.6 Investment property (continued)

Subsequent measurement

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.

Investment property is subsequently measured using the cost model. Under the cost model, Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Transfers to, or from, investment property is made when, and only when, there is a change in use, evidenced by:

(i) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(ii) commencement of development with a view to sale, for a transfer from investment property to inventories;
(iii) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
(iv) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property

Depreciation

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

Item	Useful life
Property - land	indefinite
Property - buildings	15 - 100 years

Further details on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

Derecognition

An investment property is derecognised on disposal including disposal through non-exchange transactions or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

Audited By 2025 -11- 30 Auditor General

1.7 Heritage assets

Initial recognition and measurement

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.

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.

The Municipality holds an asset that might be regarded as a heritage asset but on initial recognition, it does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about the asset should be disclosed in the notes to the financial statements.

The municipality uses judgment to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction. 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.

The cost of the heritage asset is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the standard of GRAP on borrowing costs.

Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life is capitalised as part of its cost. Such costs is recognised in the carrying amount of the heritage asset as incurred, when the recognition criteria is met.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Audited
By
2025 -11- 30
Auditor-General South Africa
Mpumalanga Business Unit

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. Heritage assets are not depreciated due to its nature however the municipality assess at each reporting date whether there are indications of impairment and, if any, impairment exists, the municipality estimates the recoverable amount or recoverable service amount of the heritage asset.

Impairment

The entity assess at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the entity 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 entity 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).

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

Significant Accounting Policies

1.8 Inventories

Inventories are assets:
(a) in the form of materials or supplies to be consumed in the production process.
(b) in the form of materials or supplies to be consumed or distributed in the rendering of services.
(c) held for sale or distribution in the ordinary course of operations.
(d) in the process of production for sale or distribution

Initial recognition and measurement

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost of the inventories can be measured reliably.

Inventories that qualify for recognition as assets are initially recognised at cost. The cost of inventories comprises of all costs purchase cost of conversion and other costs incurred in bringing the inventories to its present location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

When inventories are acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge or to be consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

1.9 Financial instruments

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

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.

1.9 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, the municipality 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 municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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 the municipality 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.

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

Audited By 2025 -11- 3 0 Auditor General South Africa Mpumalanga Business Unit

A residual interest is any contract that manifests an interest in the assets of the municipality 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 the municipality'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 the municipality.

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 municipality 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 municipality 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:

1.9 Financial instruments (continued)

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

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. Financial assets are recognised through the application of trade date accounting.

Upon initial recognition the municipality classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

The municipality measures financial instruments that are designated at fair value on recognition at its fair value at the date of recognition. Financial Instruments designated at amortised cost and those designated at cost are initially measured, at the date of recognition, at its fair value plus transaction costs directly attributable to the acquisition or issue of the instrument.

The classification of financial assets depends on their nature and purpose, and is determined at the date of initial recognition.

Initial measurement of financial assets and financial liabilities

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

The municipality measures a financial asset and financial liability initially at its fair value.

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

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

Audited By
Auditor-General South Africa
Mpumalanga Business Unit

Significant Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

Financial assets

Financial assets at fair value

These comprise of financial assets held for trading, derivative financial assets, non-derivative financial assets designated at fair value and investments in residual interest for which fair value can be measured reliably. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

Financial assets at amortised cost

These comprise of non-derivative financial assets with fixed or determinable payments. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method less any impairment and/or plus reversal of impairment.

Financial assets at cost

These comprise of investments in residual interest that does not have a quoted market price in an active market and the fair value cannot be measured reliably. Subsequent to initial recognition such investments are measured at its carrying amount less any impairment.

Impairment of financial assets

Financial assets other than those held at fair value are assessed for impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of events occurred after initial recognition of the asset, the expected value to be derived from the asset have been materially reduced. The Municipality recognise impairment losses or impairment reversals in the statement of financial performance during the financial year in which the loss or reversal occurred.

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

Audited
By
Auditor General South Africa
Mpumalanga Business Unit

Accounts receivables

Receivables are initially recognised at its fair value. Bad debts are written off in the year in which they are identified as irrecoverable, subject to approval by appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the initial terms receivables. The amount of the provision is that difference between the asset's carrying amount and its present value of estimated future cash flows, discounted at the initial effective interest rate. An estimate of doubtful debts is made at the end of each reporting period taking in to consideration past default experiences. Interest is charged on overdue amounts.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Financial liabilities

1.9 Financial instruments (continued)

After initial recognition, the Municipality measures all financial liabilities, including payables at amortised cost using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities and payables and exclude provisions. Finance charges, including premiums payable, are accounted for on an accrual basis.

Gains and losses

The municipality recognise gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

Financial assets

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

Financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

Offsetting

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

1.10 Provisions and contingencies

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Subsequent changes in the measurement of provisions relating to rehabilitation of landfill sites as a result of change in estimated cash flows required to settle the obligation will result in increased carrying amounts of the landfill sites to which the provision relates. The adjusted depreciable amount of the landfill sites will be depreciated over the remaining useful life of the landfill site. Once the landfill site has reached the end of its useful life, all subsequent changes in the value of the liability will be recognised in the statement of financial performance.

Significant Accounting Policies

1.10 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

Since the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.22 and 1.23.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality

Audited
By
2025 -11- 30
Auditor-General South Africa
Mpumalanga Business Unit

1.11 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.

Lease classification is made at the inception of the lease.

Finance leases - lessor

The entity 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 entity's net investment in the finance lease.

Finance leases - lessee

The Municipality recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in the statement of financial position. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments as determined at inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if it is practicable to determine however if not, the incremental borrowing rate shall be used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance expenses and the capital repayment using the effective interest rate method. Lease finance expenses are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

1.11 Leases (continued)

Operating leases - lessor

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term.

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

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.

1.12 Revenue from exchange transactions

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

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

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Measurement

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

Sale of goods

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

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

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

1.12 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- 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 entity.

Meters are read on a monthly basis and the revenue is recognised when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on average consumption history.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Interest is recognised in the statement of financial performance using the effective interest rate method.

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised by the Municipality is in terms of the agency agreement and is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions between one or more parties where the Municipality received revenue from another Municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and satisfy the recognition criteria.

An inflow of resources from non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably.

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised.

An asset acquired through a non-exchange transaction is initially measured at fair value as at the date of acquisition.

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

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

Significant Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Taxes

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

The Municipality recognises an asset in respect of taxes when the taxable even occurs and the asset recognition criteria are met.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income. The rebates granted are deducted from revenue.

Property rates revenue is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Transfers

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

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

Fines

Fines are economic benefits or service potential received or receivable to the Municipality from an individual or another Municipality, as determined by a court or other law enforcement body , as a consequence of the individual or another Municipality breaching the requirements of laws and regulations. Control of the traffic fine is demonstrated through the existence of an enforceable claim.

Fines constitute notices of intended prosecution- section 341 spot fines and written notices (summonses- section 56 of the Criminal Procedures Act, 51 of 1977).

Initial recognition and measurement

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

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

Subsequent measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on the collection trends of the previous financial years.

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Significant Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Government grants and donations

Government Grants can be in the form of subsidy to acquire or construct fixed assets (capital), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

1.14 Borrowing costs

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

The municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15 Employee benefits

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

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

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

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

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

Audited
By
2025 -11- 30
Auditor-General of South Africa
Mpumalanga Business Unit

Significant Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

Audited
By
2025 -11- 28
Auditor General South Africa
Mpumalanga Business Unit

Post-employment benefits

The Municipality provides post employment benefits for its employees. These benefits are provided as defined benefit plans.

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

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

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

The Municipality provide post employment medical care benefits to retired employees and their legitimate spouses. The entitlement to post employment medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Pursuant to the Municipality's obligation to fund the post-employment benefits provided through a defined benefit plan, the Municipality recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the Municipality recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the Municipality recognises as defined benefit asset.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration.

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

Actuarial gains and losses comprise experience adjustments (the effect of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in the actuarial assumptions. Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur.

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

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

Where the Entity reduces benefits payable under an existing defined benefit plan , the resulting reduction in the defined benefit liability is recognised as (negative) past service cost in the reporting period in which the plan is amended.

Where the Entity reduces certain benefits payable under an existing defined benefit plan and, at the same time, increases other benefits payable under the plan for the same employees , the Entity treats the change as a single net change.

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

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

The Entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The Entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- 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.

Unauthorised expenditure means overspending of a vote, expenditure that has not been budgeted for and expenditure not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Unauthorised expenditure has been incurred during the reporting period

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

Irregular expenditure has been incurred during the reporting period.

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure has been incurred during the period.

1.19 Material losses (Water and electricity)

Material losses are losses that occur due the loss of potential revenue from water and electricity purchased but not sold because of losses incurred during the distribution process due to various factors. The losses incurred during the year are disclosed in accordance with section 125(1)(d)(i) of the MFMA in the notes to the financial statements and include technical losses and non-technical losses related to water and electricity

1.20 Value Added Tax (VAT)

The municipality accounts for value added tax on the payment basis.

1.21 Budget information

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

By
2025 -11- 30

1.21 Budget information (continued)

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same Municipality and period as for the approved budget. The budget of the Municipality is taken for a stakeholder consultative process and upon approval, the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

The approved budget relates to the fiscal period of 01 July 2024 to 30 June 2025.

1.22 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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

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

- The current profitability of the asset, as well as management's assessment of the profitability of the asset becoming profitable.

Reversal of impairment loss

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

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

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

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

Significant Accounting Policies

1.23 Impairment of non-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.

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

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

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 managed 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 and 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 service amount is the higher of a non-cash-generating asset's 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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

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

- The current profitability of the asset, as well as management's assessment of the profitability of the asset becoming profitable.

Audited
By
2025 -11- 3 0
Auditor General South Africa
Mpumalanga Business Unit

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

2025 -11- 30
Mpumalanga Business Unit

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

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit to the statement of financial performance.

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

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

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

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

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

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

Received By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Redesignation

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

1.24 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.

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 entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Significant Accounting Policies

1.24 Related parties (continued)

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

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

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

1.25 Grant in aid

The Municipality transfers funds to individuals, organisations, societies and other sectors of government from time to time in accordance with the local government prescripts.

When the transfers are made, the Municipality does not:

- receive any goods or services directly in return, as would be expected in an acquisition or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

The transfers are recognised in the Statement of Financial Performance as expenses in the period that the event giving rise to the transfer occurred.

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

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

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

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

The Municipality does not adjust the amounts recognised in the audited annual financial statements to reflect non-adjusting events after the reporting date. If the Municipality receives information after the reporting date but before the financial statements are authorised for issue, about conditions that existed at the reporting date, the disclosure that relate to those conditions shall be updated in light of the new information.

1.27 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 entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date.

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Significant Accounting Policies

1.28 Capital commitments

Capital commitments disclosed in the notes to the audited annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the reporting period.

The municipality discloses commitments inclusive of VAT per the commitments register.

1.29 Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:
- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts and/ recoverable service amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used)
- Present value of defined benefit obligation
- Impairment allowance/ Debt impairment
- Impairment of cash-generating and non cash-generating assets
- Provision for long service awards

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the Municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of cash-generating and non cash-generating assets
- Provisions

1.30 Statutory receivables

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.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The city has identified the following statutory receivables and their applicable legislation:

Name	Legislation
Property rates	Municipal Property Rates Act No 6 of 2004
Traffic fines	Criminal Procedures Act 51 of 1977 Administrative Adjudication of Road Traffic Act
VAT Receivables	Value Added Tax 89 of 1991 (VAT Act)

Audited By 2025 -11- 30 Auditor-General South Africa Mpumalanga Business Unit

Significant Accounting Policies

1.30 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
- the definition of an asset is met; and
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably

The municipality measures a statutory receivable initially at its transaction amount

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

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

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - 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.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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

The municipality derecognises a statutory receivable when:
- the rights to the cash flows from the statutory 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
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
- derecognises the receivable;
- recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.31 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:
- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:
- is provided by the operator which:
- the operator constructs, develops, or acquires from a third party; or
- is an existing asset of the operator.
- is provided by the grantor (municipality) which:
- is an existing asset of the municipality; or
- is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:
- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:
- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determine using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.32 Accumulated surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus in the statement of changes in net assets.

1.33 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.

1.33 Segment information (continued)

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.

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The key business units comprise of:

(c) Trading services which includes energy sources, water management, waste water management and waste management services;

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 (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

	2025	2024

2. Cash and cash equivalents

2.1 Cash and cash equivalents

	2025	2024
Call deposits and investments	36,328,374	73,017,608
Bank account	106,425,889	66,973,344
Cash on hand	-	100,180
Total cash and cash equivalents	**142,754,263**	**140,091,132**

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances and petty cash		
	30 June 2025	**30 June 2024**	**30 June 2023**	**30 June 2025**	**30 June 2024**	**30 June 2023**
	Bank statement balances			**Cash book balances**		
Primary Bank Acc - ABSA Mbombela: Account Number: 40-90003-9447	53,752,979	65,561,803	106,426,328	35,308,802	64,499,688	103,166,932
Call Account (Water Deposits) - Bank: ABSA Mbombela: Account Number: 90-6983-8617	4,359	5,208	4,942	5,429	5,209	4,942
Call Account (Service Contribution) - Bank: ABSA Mbombela: Account Number: 90- 7568-1173	386,131	362,410	337,745	720,952	696,210	671,635
Call Account (Grants) - Bank: ABSA Mbombela - Account Number: 40-8341-7222	554,132	8,865	8,192	68,568,305	18,875	8,202
Primary Bank Acc - ABSA Mbombela: Account Number: 40- 5321-5785	200,000	200,000	200,000	(239,940)	284,474	367,017
Call Account (Lottery Distribution Trust Fund Mbombela) - 40-6856-1426	10,701	11,318	10,886	11,622	11,218	10,786
Cheque Account - Bank: ABSA, Prime Link Account: Account Number: 40-6653-7243	104,026,894	72,749,280	100,064,681	36,085,478	72,794,130	100,093,289
ABSA Bank - Mbombela Traffic Account - 10-7000-0209	-	-	-	(52,285)	(300)	(2,908)
Bank: ABSA Mbombela - Account Number: 93-6921-9771	271,451	195,204	58,656	-	-	-
Bank: ABSA Mbombela - Account Number: 93-8049-3097	240,465	221,806	-	242,896	223,478	-
First National Bank - Barberton - Account number: 5160026441	2,140,503	1,541,626	946,343	2,103,004	1,457,971	893,376
Petty cash	-	-	-	-	100,180	97,180
Total	**161,587,615**	**140,857,520**	**208,057,773**	**142,754,263**	**140,091,133**	**205,310,451**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

		2025	2024

3. Trade and other receivables from exchange transactions

Trade service and consumer service debtors	3.1		
Electricity		272,392,401	189,188,711
Waste management		19,509,055	16,515,310
Waste water management		5,319,658	1,637,638
Water		34,520,302	26,583,106
Service charges		26,525,008	6,379,170
		358,266,424	**240,303,935**
Other receivables from exchange transactions			
Housing selling scheme		279,594	279,594
Land sale debtors		697,545	697,545
Merchandising, jobbing and contracts		171,484,470	166,394,223
Prepayments and advances		1,938,631	1,727,380
Property rental debtors		99,548,483	99,548,483
		273,948,723	**268,647,225**
Total trade and other receivables from exchange transactions		**632,215,147**	**508,951,160**

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

3.1 Consumer receivables

	2025			2024		
	Gross	**Impairment**	**Total**	**Gross**	**Impairment**	**Total**
Consumer receivables from exchange transactions						
Electricity	373,515,508	(101,123,107)	**272,392,401**	254,399,998	(65,211,287)	**189,188,711**
Waste management	179,120,031	(159,610,976)	**19,509,055**	132,831,360	(116,316,050)	**16,515,310**
Waste water management	31,848,219	(26,528,561)	**5,319,658**	22,960,474	(21,322,836)	**1,637,638**
Water	175,442,280	(140,921,978)	**34,520,302**	120,730,624	(94,147,518)	**26,583,106**
Service charges	35,861,152	(9,336,144)	**26,525,008**	14,995,613	(8,616,443)	**6,379,170**
Total consumer receivables from exchange transactions	**795,787,190**	**(437,520,766)**	**358,266,424**	**545,918,069**	**(305,614,134)**	**240,303,935**

Notes to the Audited Annual Financial Statements

3. Trade and other receivables from exchange transactions (continued)

3.1.1 Ageing of consumer receivables

2025

		Past due				
	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	**373,515,508**	164,206,500	23,253,178	16,095,967	12,085,945	157,873,918
Waste management	**179,120,031**	12,294,687	7,335,187	6,808,699	6,378,546	146,302,912
Waste water management	**31,848,219**	2,810,849	1,550,865	1,352,967	1,354,686	24,778,852
Water	**175,442,280**	19,355,842	10,587,803	7,939,179	7,433,104	130,126,352
Service charges	**35,861,152**	3,692,841	6,579,239	1,677,813	1,529,283	22,381,976
Total by debt type	**795,787,190**	**202,360,719**	**49,306,272**	**33,874,625**	**28,781,564**	**481,464,010**
Aging per customer group						
Organs of state	**275,307,471**	29,856,808	23,051,119	13,326,177	12,041,454	197,031,913
Commercial customers	**389,428,523**	149,376,875	23,643,205	16,493,771	12,521,216	187,393,456
Households	**722,106,691**	79,446,397	30,398,830	29,561,715	27,355,931	555,343,818
Total by customer group	**1,386,842,685**	**258,680,080**	**77,093,154**	**59,381,663**	**51,918,601**	**939,769,187**

Audited By 2025 -11-
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

3. Trade and other receivables from exchange transactions (continued)

2024

		Past due				
	Total	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables from exchange transactions						
Total by debt type						
Electricity	**254,399,998**	150,344,809	13,240,781	9,014,914	6,724,424	75,075,070
Waste management	**132,831,360**	10,843,126	6,328,339	5,716,308	5,383,687	104,559,900
Waste water management	**22,960,474**	3,690,760	1,195,876	951,215	1,114,629	16,007,994
Water	**120,730,624**	14,486,126	5,467,462	5,518,457	5,144,991	90,113,588
Service charges	**14,995,613**	1,880,586	901,722	356,587	360,034	11,496,684
Total by debt type	**545,918,069**	**181,245,407**	**27,134,180**	**21,557,481**	**18,727,765**	**297,253,236**
Aging per customer group						
Organs of state	**200,860,019**	23,593,609	10,260,489	7,452,116	6,436,461	153,117,344
Commercial customers	**277,323,463**	141,664,545	12,686,462	9,220,606	7,014,485	106,737,365
Households	**536,124,455**	66,063,319	28,595,461	25,138,137	23,688,557	392,638,981
Total by customer group	**1,014,307,937**	**231,321,473**	**51,542,412**	**41,810,859**	**37,139,503**	**652,493,690**

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

3. Trade and other receivables from exchange transactions (continued)

3.1.2 Impairment reconciliation of consumer receivables

	2025			2024		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Consumer receivables from exchange transactions						
Electricity	(65,211,287)	(35,911,820)	**(101,123,107)**	(51,080,433)	(14,130,854)	**(65,211,287)**
Waste management	(116,316,050)	(43,294,926)	**(159,610,976)**	(82,746,218)	(33,569,832)	**(116,316,050)**
Waste water management	(21,322,836)	(5,205,725)	**(26,528,561)**	(16,603,374)	(4,719,462)	**(21,322,836)**
Water	(94,147,517)	(46,774,461)	**(140,921,978)**	(82,798,591)	(11,348,927)	**(94,147,518)**
Service charges	(8,616,443)	(719,701)	**(9,336,144)**	(30,091,711)	21,475,268	**(8,616,443)**
Total consumer receivables	**(305,614,133)**	**(131,906,633)**	**(437,520,766)**	**(263,320,327)**	**(42,293,807)**	**(305,614,134)**

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

3.1.3 Ageing of impaired consumer receivables

2025

		Not due	Past due			
	Total	Current	30 days	60 days	90 days	120 days
Consumer receivables from exchange transactions						
Aging by debt type						
Electricity	**(101,123,107)**	(6,970,800)	(2,748,263)	(5,620,633)	(3,654,593)	(82,128,818)
Waste management	**(159,610,976)**	(5,837,842)	(5,777,033)	(5,798,244)	(5,614,815)	(136,583,042)
Waste water management	**(26,528,561)**	(1,053,549)	(1,131,743)	(1,143,147)	(1,229,627)	(21,970,495)
Water	**(140,921,978)**	(6,071,675)	(6,444,392)	(6,789,252)	(6,580,815)	(115,035,844)
Service charges	**(9,336,144)**	(463,594)	(350,028)	(997,487)	(245,187)	(7,279,848)
Total by debt type	**(437,520,766)**	**(20,397,460)**	**(16,451,459)**	**(20,348,763)**	**(17,325,037)**	**(362,998,047)**

3. Trade and other receivables from exchange transactions (continued)

2024

		Not due	Past due			
	Total	Current	30 days	60 days	90 days	120 days
Consumer receivables from exchange transactions						
Aging by debt type						
Electricity	**(65,211,287)**	(3,585,427)	(3,422,217)	(3,490,082)	(2,700,307)	(52,013,254)
Waste management	**(116,316,050)**	(4,574,337)	(4,545,133)	(4,504,270)	(4,459,571)	(98,232,739)
Waste water management	**(21,322,836)**	(1,528,745)	(846,337)	(690,374)	(928,679)	(17,328,701)
Water	**(94,147,518)**	(4,984,824)	(3,912,901)	(3,961,671)	(4,087,021)	(77,201,101)
Service charges	**(8,616,443)**	(286,305)	(357,986)	(217,543)	(213,204)	(7,541,405)
Total by debt type	**(305,614,134)**	**(14,959,638)**	**(13,084,574)**	**(12,863,940)**	**(12,388,782)**	**(252,317,200)**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

3.1.4 Consumer debt past due not impaired

2025

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Electricity	**272,392,403**	159,839,006	17,901,611	10,475,334	8,431,352	75,745,100
Waste management	**19,509,055**	6,456,845	1,558,154	1,010,455	763,731	9,719,870
Waste water management	**5,319,657**	1,757,300	419,122	209,820	125,059	2,808,356
Water	**34,520,301**	13,284,167	4,143,410	1,149,927	852,289	15,090,508
Service charges	**26,525,008**	3,229,247	6,229,211	680,326	1,284,096	15,102,128
Total consumer receivables	**358,266,424**	**184,566,565**	**30,251,508**	**13,525,862**	**11,456,527**	**118,465,962**

		2025	2024

3. Trade and other receivables from exchange transactions (continued)

2024

	Total	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions						
Electricity	**189,188,710**	146,759,382	9,818,564	5,524,832	4,024,117	23,061,815
Waste management	**16,515,311**	6,268,789	1,783,206	1,212,038	924,116	6,327,162
Waste water management	**1,637,637**	405,617	349,539	260,841	185,950	435,690
Water	**26,583,106**	9,501,302	1,554,561	1,556,786	1,057,970	12,912,487
Service charges	**6,379,170**	1,594,281	543,736	139,044	146,830	3,955,279
Total consumer receivables	**240,303,934**	**164,529,371**	**14,049,606**	**8,693,541**	**6,338,983**	**46,692,433**

4. Receivables from non-exchange transactions

		2025	2024
Consumer receivables	4.1		
Property rates		241,646,929	200,853,828
Other receivables	4.1		
Fines		2,298,492	2,287,019
Insurance claims		-	326,675
		2,298,492	**2,613,694**
Total receivables		**243,945,421**	**203,467,522**
Current assets		243,945,422	203,467,523

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

4. Receivables from non-exchange transactions (continued)

4.1 Receivables from non-exchange transactions

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	591,055,495	(349,408,566)	**241,646,929**	468,389,868	(267,536,040)	**200,853,828**
Other receivables						
Fines	45,969,850	(43,671,358)	**2,298,492**	45,740,403	(43,453,384)	**2,287,019**
Insurance claims	-	-	-	326,675	-	**326,675**
	45,969,850	**(43,671,358)**	2,298,492	**46,067,078**	**(43,453,384)**	**2,613,694**
Total	**637,025,345**	**(393,079,924)**	**243,945,421**	**514,456,946**	**(310,989,424)**	**203,467,522**

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

4. Receivables from non-exchange transactions (continued)

4.1.1 Ageing of receivables from non-exchange transactions

2025

				Past due		
	Total	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables						
Property rates	**591,055,495**	56,319,361	27,786,882	25,507,038	23,137,037	458,305,177

2024

				Past due		
	Total	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables						
Property rates	**468,389,868**	50,076,066	24,408,232	20,253,378	18,411,738	355,240,454

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

4. Receivables from non-exchange transactions (continued)

4.1.2 Impairment reconciliation of receivables from non-exchange transactions

	2025				2024			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables								
Property rates	(267,536,041)	(81,872,525)	-	**(349,408,566)**	(244,873,408)	(22,662,632)	-	**(267,536,040)**
Other receivables								
Fines	(43,453,384)	(17,198,515)	16,980,541	**(43,671,358)**	(43,069,855)	(15,560,525)	15,176,996	**(43,453,384)**
Total	**(310,989,425)**	**(99,071,040)**	**16,980,541**	**(393,079,924)**	**(287,943,263)**	**(38,223,157)**	**15,176,996**	**(310,989,424)**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

4. Receivables from non-exchange transactions (continued)

4.1.3 Ageing of impaired receivables from non-exchange transactions past due not impaired

2025

				Past due		
	Total	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables						
Property rates	**241,646,929**	43,294,069	14,833,597	12,529,988	10,791,704	160,197,571

2024

				Past due		
	Total	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables						
Property rates	**200,853,830**	39,717,958	14,116,845	10,027,780	8,092,434	128,898,813

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

4.1.4 Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions are pledged as security.

		2025	2024

5. Inventory

Consumables		76,817,229	58,834,247
Water	5.1	231,672	278,944
Total Inventories		**77,048,901**	**59,113,191**

5.1 Water

Summary

Opening balance	278,944	200,522
System input volume	(47,272)	78,422
Closing balance	**231,672**	**278,944**

5.1.1 Water losses

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

	2025		2024	
	KL	Amount	KL	Amount
Water pumped and distributed	4,890,412	31,445,349	4,924,813	30,681,585
Water sold	(3,051,896)	(19,623,691)	(3,111,013)	(19,381,611)
Total loss	**1,838,516**	**11,821,658**	**1,813,800**	**11,299,974**
Water disribution losses in KL				
Water losses in KL	1,838,516	11,821,658	1,813,800	11,299,974
Average cost per KL (R6.43)(R6.23)	-	-	-	-
Total	**1,838,516**	**11,821,658**	**1,813,800**	**11,299,974**
Percentage loss	37.60 %	37.60 %	36.80 %	36.80 %

5.2 Inventory pledged as security

There were no inventories pledged as security during the reporting period.

6. Current portion of non-current receivables

Other receivables		
Bursary Obligations	1,889,561	985,357
Housing loans	-	3,081
Staff Loans/Recoveries	306,082	86,853
Total	**2,195,643**	**1,075,291**

The above receivables relates to employees bursary recoveries and housing stand loans.

7. Operating lease receivable

Current assets	123,468	300,038

8. VAT Receivable

Input Accrual	581,393,057	440,666,473

Notes to the Audited Annual Financial Statements

	2025	2024
9. Deposits		
Deposits	18,157,597	17,079,597

Deposits include Eskom, post box and lessee rental deposit.

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

		2025	2024

10. Investment property

10.1 Reconciliation of carrying value

Opening carrying value			
Cost		358,827,926	358,827,926
Accumulated depreciation and impairment losses		(39,640,262)	(37,197,607)
		319,187,664	**321,630,319**
Depreciation	42	(2,442,656)	(2,442,656)
Closing carrying value		**316,745,008**	**319,187,663**
Cost		358,827,926	358,827,926
Accumulated depreciation and impairment losses		(42,082,918)	(39,640,263)

10.2 Investment property pledged as security

There were no investment properties pledged as security during the reporting period.

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.

10.3 Maintenance of investment property

There were no repairs and maintenance expenses incurred for investment property during the reporting period.

Amounts recognised in surplus or deficit

	2025	2024
Rental revenue from Investment property	23,626,398	18,186,478

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

11. Property, plant and equipment

11.1 Reconciliation summary

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	704,950,186	-	**704,950,186**	704,993,014	-	**704,993,014**
Transport Assets	269,910,172	(149,694,214)	**120,215,958**	235,015,933	(136,900,886)	**98,115,047**
Electrical Infrastructure	1,980,813,105	(1,020,126,042)	**960,687,063**	1,895,759,862	(978,446,710)	**917,313,152**
Water Supply Infrastructure	2,092,247,490	(711,214,594)	**1,381,032,896**	1,995,695,804	(675,675,908)	**1,320,019,896**
Sanitation Infrastructure	1,007,664,984	(501,921,377)	**505,743,607**	982,536,446	(471,531,184)	**511,005,262**
Solid Waste Infrastructure	63,345,740	(16,859,200)	**46,486,540**	35,230,786	(16,474,899)	**18,755,887**
Machinery and Equipment	58,348,537	(33,569,683)	**24,778,854**	57,971,593	(29,957,316)	**28,014,277**
Furniture and Office Equipment	88,032,625	(61,210,800)	**26,821,825**	86,281,084	(56,422,250)	**29,858,834**
Computer Equipment	67,069,789	(40,773,121)	**26,296,668**	66,341,443	(36,488,221)	**29,853,222**
Service Concession assets - Grantor	1,880,904,205	(1,051,770,917)	**829,133,288**	1,880,029,803	(1,008,401,337)	**871,628,466**
Roads Infrastructure	4,970,774,863	(2,907,640,873)	**2,063,133,990**	4,578,061,374	(2,805,823,001)	**1,772,238,373**
Storm water Infrastructure	528,958,012	(127,072,052)	**401,885,960**	506,144,808	(175,987,876)	**330,156,932**
Library	122,793,165	(75,431,716)	**47,361,449**	98,791,111	(67,023,261)	**31,767,850**
Leased Assets	2,245,790	(497,439)	**1,748,351**	2,245,790	(272,863)	**1,972,927**
Other assets						
Buildings	1,751,924,963	(1,079,893,850)	**672,031,113**	1,701,008,810	(1,020,609,034)	**680,399,776**
Total	**15,589,983,626**	**(7,777,675,878)**	**7,812,307,748**	**14,826,107,661**	**(7,480,014,746)**	**7,346,092,915**

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

11. Property, plant and equipment (continued)

11.2 Reconciliation of carrying value

2025

	Opening balance	Additions	Disposals	Transfers received	Change in accounting estimates	Depreciation	Total
Land	704,993,014	-	(42,828)	-	-	-	**704,950,186**
Transport Assets	98,115,048	35,812,832	(600,509)	-	-	(13,111,413)	**120,215,958**
Electrical Infrastructure	917,313,153	85,053,242	-	-	-	(41,679,332)	**960,687,063**
Water Supply Infrastructure	1,320,019,897	99,528,509	391,085	-	-	(38,906,595)	**1,381,032,896**
Sanitation Infrastructure	511,005,263	26,494,043	(217,563)	-	-	(31,538,136)	**505,743,607**
Solid Waste Infrastructure	18,755,887	22,596,237	-	-	5,518,717	(384,301)	**46,486,540**
Machinery and Equipment	28,014,277	235,103	(6,055)	168,250	-	(3,632,721)	**24,778,854**
Furniture and Office Equipment	29,858,833	1,052,105	(4,468)	709,118	-	(4,793,763)	**26,821,825**
Computer Equipment	29,853,222	1,205,219	(528,443)	365,503	-	(4,598,833)	**26,296,668**
Service Concession assets - Grantor	871,628,464	-	-	-	-	(42,495,176)	**829,133,288**
Roads Infrastructure	1,714,619,979	450,081,256	(2,279,124)	-	-	(99,288,121)	**2,063,133,990**
Storm water Infrastructure	387,775,324	22,813,205	-	-	-	(8,702,569)	**401,885,960**
Library	31,767,850	6,352,617	-	17,649,437	-	(8,408,455)	**47,361,449**
Leased Assets	1,972,928	-	-	-	-	(224,577)	**1,748,351**
Other assets							
Buildings	680,399,776	40,709,459	(48,599)	10,655,267	-	(59,684,790)	**672,031,113**
Total	**7,346,092,915**	**791,933,827**	**(3,336,504)**	**29,547,575**	**5,518,717**	**(357,448,782)**	**7,812,307,748**

2024

Notes to the Audited Annual Financial Statements

Changes in accounting estimates

11. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals	Transfers received	Change in accounting estimates	Depreciation	Total
Land	696,843,774	-	-	8,149,240	-	-	**704,993,014**
Transport Assets	91,018,876	19,460,193	(332,893)	-	-	(12,031,129)	**98,115,047**
Electrical Infrastructure	816,152,986	150,714,063	(390,728)	2,890,149	-	(52,053,318)	**917,313,152**
Water Supply Infrastructure	1,310,363,238	70,728,866	(12,013,818)	-	-	(49,058,390)	**1,320,019,896**
Sanitation Infrastructure	526,676,052	25,005,353	-	-	-	(40,676,143)	**511,005,262**
Solid Waste Infrastructure	19,415,519	-	-	-	387,653	(1,047,285)	**18,755,887**
Machinery and Equipment	28,064,143	3,252,628	(80,769)	321,750	-	(3,543,475)	**28,014,277**
Furniture and Office Equipment	28,100,484	6,270,285	(7,912)	-	-	(4,504,023)	**29,858,834**
Computer Equipment	32,137,411	2,498,467	(274,051)	-	-	(4,508,605)	**29,853,222**
Service Concession assets - Grantor	924,451,868	-	(825,868)	-	-	(51,997,534)	**871,628,466**
Roads Infrastructure	1,715,121,837	256,391,840	(546,437)	-	-	(198,728,867)	**1,772,238,373**
Storm water Infrastructure	387,775,325	-	-	-	-	(57,618,393)	**330,156,932**
Library	42,408,585		-	-	-	(10,640,735)	**31,767,850**
Leased Assets	2,190,061	-	-	-	-	(217,134)	**1,972,927**
Other assets							
Buildings	734,065,992	19,937,188	(22,687)	-	-	(73,580,717)	**680,399,776**
Total	**7,354,786,151**	**554,258,883**	**(14,495,163)**	**11,361,139**	**387,653**	**(560,205,748)**	**7,346,092,915**

Compensation received for losses on property, plant and equipment – included in operating profit.

Computer equipment	-	454,455

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.

Auditor-General South Africa
Mpumalanga Business Unit

	2025	2024

11. Property, plant and equipment (continued)

11.3 Construction work-in-progress

	2025	2024
Accumulated expenditure included in carrying value of property, plant and equipment		
Electrical Infrastructure	199,149,428	220,424,438
Water Supply Infrastructure	412,285,229	386,313,661
Sanitation Infrastructure	160,434,248	134,186,757
Solid Waste Infrastructure	30,595,026	7,998,790
Roads Infrastructure	442,349,225	325,978,944
Buildings	53,621,873	42,369,189
Total	**1,298,435,029**	**1,117,271,779**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

	2025	2024
Water Reservoirs and Reticulation Infrastructure	4,475,617	4,475,617

The projects were mainly delayed due to various factors including but not limited to commissioning of projects due to water rights application challenges, land disputes where the project must be implemented, delay on the electricity (power) connection, community unrests, environmental compliance assessments and the internal inefficiencies which has caused a gap between appointment of consultants and contractors.

	2025	2024
Roads, Pavement, Bridges and Stormwater Infrastructure	6,670,714	6,670,714

Various factors, including but not limited to demonstrations by taxi associations in the Swalala region, community unrests, and internal inefficiencies that caused a lag between the appointment of consultants and contractors, significantly slowed the progress of the project.

	2025	2024
	11,146,331	**11,146,331**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	1,074,902,585	42,369,189	1,117,271,774
Additions/capital expenditure	699,915,490	14,724,546	714,640,036
Transferred to completed items	(530,004,919)	(3,471,863)	(533,476,782)
	1,244,813,156	**53,621,872**	**1,298,435,028**

Reconciliation of Work-in-Progress 2024

	2025	2024

11. Property, plant and equipment (continued)

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	867,752,786	50,482,518	918,235,304
Additions/capital expenditure	314,580,989	13,001,169	327,582,158
Transferred to completed items	(115,429,975)	(13,115,707)	(128,545,682)
	1,066,903,800	**50,367,980**	**1,117,271,780**

11.4 Property, plant and equipment pledged as security

There were no property, plant and equipment assets pledged as security during the reporting period.

11.5 Maintenance of property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

	2025	2024
Contracted services	253,236,369	276,153,724

Audited By
2025 -11- 30
Auditor General South Africa

Service concession arrangements

The former Mbombela Local Municipality signed a 30-year concession agreement in April 1999 with SembCorp Silulumanzi (Proprietary) Limited previously known as the Greater Nelspruit Utility Company (GNUC) for provision of water and sanitation services as well as servicing the growing expectations of the communities on behalf of the municipality. The concession agreement became effective from 1 November 1999 and is subjected to review every five years through the supplementary agreements. The concession areas boundaries are the municipal boundaries of the previous Nelspruit Transitional Council and any extension of services outside the developed areas are dealt with on a case by case basis.

Supplementary agreement number five (5) effective from 1 July 2021 until 30 June 2026 was approved by Council at its meeting held 30 June 2021 under item A(25) in accordance with the five-year review process.

The Concessionaire is obligated to ensure that the communities within the concession area have access to a 24 - hour water supply to all formal households and to use best efforts to improve the number of households in informal areas with 24 - hour water supply. It is also a requirement that the Concessionaire must provide portable water and effluent quality in compliance with the National Water Quality Standards.

The concessionaire leases and operates water services delivery assets within the concession area at a rental of R 189 666.25 per month for the remainder of the term of the Concession agreement. The assets are controlled by the Municipality and are recorded in the assets register of the Municipality as Property, Plant and Equipment. The Concessionaire recognises the right to use those assets as intangible assets in accordance with GRAP 32. The assets leased to and operated by the concessionaire have been separately disclosed as part of property, plant and equipment.

The concession agreements provides for the concessionaire to maintain, refurbish, rehabilitate and improve the assets within its operations and collection of water and sanitation revenue within the Concession area. The water and sanitation tariffs for the Concessionaire are approved by Council for implementation in terms of section 24 of the Municipal Finance Management Act No.56 of 2003. The concessionaire acts as a project manager for construction of new infrastructure within the concession area which is funded by the Municipality. The Concessionaire is obligated to ensure that the assets are adequately maintained each year with adequate maintenance budget provision.

The concession agreement may be terminated by either party with effect from any date after the natural end of the concession contract in the year 2029 or the date of termination of the concession agreement, whichever is earlier, provided that at least 24 months prior written notice has been given by the party intending to cancel the concession agreement to the other party.

All assets operated by the Concessionaire will be transferred back to the Municipality in good condition upon termination of the concession agreement.

12. Heritage assets

	2025			2024		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Art Collections, Antiquities and Exhibits	213,535	-	213,535	213,535	-	213,535
Historical Monuments	485,639	-	485,639	485,639	-	485,639
Historical Buildings	436,805	(235,147)	201,658	436,805	(235,147)	201,658
Recreational Parks	1,428,088	-	1,428,088	1,428,088	-	1,428,088
Total	**2,564,067**	**(235,147)**	**2,328,920**	**2,564,067**	**(235,147)**	**2,328,920**

Reconciliation of heritage assets 2025

	Opening balance	Additions	Disposals	Transfers received	Impairment losses recognised	Total
Art Collections, Antiquities and Exhibits	213,535	-	-	-	-	213,535
Historical Monuments	485,639	-	-	-	-	485,639
Historical Buildings	201,658	-	-	-	-	201,658
Recreational Parks	1,428,088	-	-	-	-	1,428,088
	2,328,920	**-**	**-**	**-**	**-**	**2,328,920**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Reconciliation of heritage assets 2024

	Opening balance	Additions	Disposals	Transfers received	Impairment losses recognised	Total
Art Collections, Antiquities and Exhibits	213,535	-	-	-	-	213,535
Historical Monuments	485,639	-	-	-	-	485,639
Historical Buildings	201,658	-	-	-	-	201,658
Recreational Parks	1,428,088	-	-	-	-	1,428,088
	2,328,920	**-**	**-**	**-**	**-**	**2,328,920**

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

12.1 Heritage assets pledged as security

There were no heritage assets pledged as security during the reporting period.

		2025	2024

13. Intangible assets

13.1 Reconciliation of carrying value

2025

		Computer software	Licenses and Franchises	Servitudes	Total
Opening carrying value as at 01 July 2024					
Cost		35,265,312	799,130	4,590,568	40,655,010
Accumulated depreciation and impairment		(13,434,776)	(777,805)	-	(14,212,581)
		21,830,536	**21,325**	**4,590,568**	**26,442,429**
Additions from acquisitions		1,826,785	-	-	1,826,785
Amortisation	42	(1,775,960)	-	-	(1,775,960)
		50,825	**-**	**-**	**50,825**
Closing carrying value as at 30 June 2025		**21,881,361**	**21,325**	**4,590,568**	**26,493,254**
Cost		37,092,097	799,130	4,590,568	42,481,795
Accumulated amortisation and impairment		(15,210,736)	(777,805)	-	(15,988,541)
		21,881,361	**21,325**	**4,590,568**	**26,493,254**

2024

		Computer software	Licenses and Franchises	Servitudes	Total
Opening carrying value as at 01 July 2023					
Cost		32,328,710	799,130	4,590,568	37,718,408
Accumulated depreciation and impairment		(11,198,095)	(777,805)	-	(11,975,900)
		21,130,615	**21,325**	**4,590,568**	**25,742,508**
Additions from acquisitions		2,936,602	-	-	2,936,602
Amortisation	42	(2,236,681)	-	-	(2,236,681)
		699,921	**-**	**-**	**699,921**
Closing carrying value as at 30 June 2024		**21,830,536**	**21,325**	**4,590,568**	**26,442,429**
Cost		35,265,312	799,130	4,590,568	40,655,010
Accumulated amortisation and impairment		(13,434,776)	(777,805)	-	(14,212,581)
		21,830,536	**21,325**	**4,590,568**	**26,442,429**

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business

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.

13.2 Intangible assets pledged as security

There were no intangible assets pledged as security during the reporting period.

		2025	2024

14. Non-current receivables from exchange transactions

Other receivables			
Bursary obligations		47,755	-
Housing land sales		1,943,287	1,697,769
Housing selling schemes		176,706	173,625
Total		**2,167,748**	**1,871,394**
Transferred to current receivables	6	-	293,273
Total non-current other receivables		**2,167,748**	**2,164,667**

The above receivables relates to employees bursary recoveries and housing stand loans.

15. Borrowings

Total borrowings

Annuity and bullet loans	229,447,507	246,315,066
Local registered stock	3,000	3,000
Sub-total	**229,450,507**	**246,318,066**
Less: Current portion transferred to current liabilities	(18,846,079)	(16,447,531)
Total non-current borrowings	**210,604,428**	**229,870,535**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

16. Lease liabilities

Finance lease liabilities	16.1	947,294	1,572,361
Less: Transferred to current liabilities		(947,294)	(625,067)
Total non-current liabilities		-	**947,294**

16.1 Obligation under finance leases

The entity as lessee

The obligations under finance leases are as follow:

Total future minimum lease payments		
Payable within 1 year	969,501	722,064
Payable within 2 to 5 years	-	969,502
Total minimum lease payments	**969,501**	**1,691,566**
Less: Future finance charges	(22,207)	(119,205)
Total	**947,294**	**1,572,361**

Present value of minimum lease payments		
Payable within 1 year	947,294	625,067
Payable within 2 to 5 years	-	947,294
Total	**947,294**	**1,572,361**

Current liability	947,294	625,067
Non-current liability	-	947,294

The average lease term is 3 years and the average effective borrowing rate is 11.25%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms. No arrangements have been entered into for contingent rent. The agreement ceases on termination date and makes no provision for renewal or extension. The municipality may choose to procure the multifunction printers on rental/lease or once off, or both. Annual price increases are based on average CPI of 6.9%. Obligations under finance leases are secured by the lessor's title to the leased asset.

Notes to the Audited Annual Financial Statements

17. Consumer deposits

	2025	2024
Electricity	40,375,191	37,588,039
Rental properties	543,641	454,016
Water	5,079,877	4,597,583
Total	**45,998,709**	**42,639,638**

18. Trade and other payables from exchange transactions

		2025	2024
Bulk purchases	18.1	2,087,136,375	1,230,741,895
Contractors	18.2	142,981,932	126,132,393
Employee benefits	18.3	125,401,206	118,952,748
Other payables	18.4	1,263,021,673	1,157,796,790
Statutory payables	18.5	62,337,248	55,174,019
Total		**3,680,878,434**	**2,688,797,845**

18.1 Bulk purchases

	2025	2024
Bulk water	326,661,377	270,146,380
Bulk electricity	1,760,474,998	960,595,515
Total	**2,087,136,375**	**1,230,741,895**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

18.2 Contractors

	2025	2024
Retentions	142,981,932	126,132,393

18.3 Employee benefits

	2025	2024
Bonus	24,366,251	22,814,375
Leave accrual	101,034,955	96,138,373
Total	**125,401,206**	**118,952,748**

18.4 Other payables

	2025	2024
Auditor-General of South Africa	9,271,329	8,754,067
Payables and accruals	1,039,642,900	933,210,339
Unallocated deposits	44,736,281	43,989,128
Advance payments	169,371,163	171,843,256
Total	**1,263,021,673**	**1,157,796,790**

18.5 Statutory payables

	2025	2024
Compensation commission (COID)	38,366,233	34,115,781
PAYE deductions	23,971,015	21,058,238
Total	**62,337,248**	**55,174,019**

Notes to the Audited Annual Financial Statements

19. Trade and other payables from non-exchange transactions

		2025					2024			
		Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
Capital										
Monetary Allocations	19.1	73,505,828	460,647,000	(524,695,395)	(13,926)	**9,443,507**	84,846,127	438,137,000	(449,477,298)	**73,505,829**
Operational										
Monetary Allocations	19.2	470,396	12,717,000	(12,716,740)	(470,074)	**582**	11,805,000	14,308,001	(25,642,602)	**470,399**
Total		**73,976,224**	**473,364,000**	**(537,412,135)**	**(484,000)**	**9,444,089**	**96,651,127**	**452,445,001**	**(475,119,900)**	**73,976,228**

19.1 Unspent capital monetary allocations

	2025					2024			
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
National Government									
Integrated National Electrification Programme Gran	-	51,854,000	(51,853,999)	-	-	-	30,000,000	(30,000,000)	-
Municipal Disaster Recovery Grant	15,298,926	12,101,000	(27,399,927)	-	-	-	20,117,000	(4,818,074)	**15,298,926**
Municipal Infrastructure Grant	-	386,692,000	(386,692,000)	-	-	-	383,020,000	(383,019,999)	**1**
Neighbourhood Development Partnership Grant	13,926	10,000,000	(612,990)	(13,926)	**9,387,010**	100,922	5,000,000	(5,086,996)	**13,926**
Public Transport Network Grant	58,192,976	-	(58,136,479)	-	**56,497**	84,653,651	-	(26,460,675)	**58,192,976**
Regional Bulk Infrastructure Grant	-	-	-	-	-	91,554	-	(91,554)	-
Total	**73,505,828**	**460,647,000**	**(524,695,395)**	**(13,926)**	**9,443,507**	**84,846,127**	**438,137,000**	**(449,477,298)**	**73,505,829**

Audited By
Auditor General South Africa
Mpumalanga Business Unit

19. Trade and other payables from non-exchange transactions (continued)

19.2 Unspent operational monetary allocations

	2025					2024			
	Opening balance	Funds received	Transfer to revenue	Repayment unspent grants	Closing balance	Opening balance	Funds received	Transfer to revenue	Closing balance
National Government									
Energy Efficiency and Demand Side Management Grant	-	5,000,000	(4,999,740)	-	**260**	-	5,000,001	(5,000,000)	-
Expanded Public Works Programme Integrated Grant	-	5,117,000	(5,117,000)	-	-	-	6,658,000	(6,657,999)	-
Local Government Financial Management Grant	-	2,600,000	(2,600,000)	-	-	-	2,650,000	(2,650,000)	-
Municipal Disaster Relief Grant	470,396	-	-	(470,074)	**322**	11,805,000	-	(11,334,603)	**470,397**
Total	**470,396**	**12,717,000**	**(12,716,740)**	**(470,074)**	**582**	**11,805,000**	**14,308,001**	**(25,642,602)**	**470,397**

20. Provisions (current and non-current)

Landfill Sites	20.1	233,323,206	195,701,275
Employee benefits	20.2	97,945,001	89,372,000
Total		**331,268,207**	**285,073,275**

Split between current and non-current

Current	14,879,269	19,784,932
Non-current	316,388,938	265,288,343
Total	**331,268,207**	**285,073,275**

Audited By
2025 -11- 3 0
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

20. Provisions (current and non-current) (continued)

20.1 Landfill Sites

	2025	2024
Opening Balance	195,701,274	183,272,995
Increases (Passage of Time/Discounted Rate)	4,953,653	4,746,415
Reductions (Payments, remeasurement etc.)	32,668,279	7,681,865
Closing balance	**233,323,206**	**195,701,275**

Split between current and non-current

	2025	2024
Current	732,269	4,543,932
Non-current	232,590,937	191,157,343
Total	**233,323,206**	**195,701,275**

Audited
By
2025 -11- 30

Environmental rehabilitation

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal in accordance with the National Environmental Management Act 107 of 1998 and the Environment Conservation Act No 73 of 1989. The landfill sites are rehabilitated at the end of each useful life. It is calculated as the present value of the expenditure expected to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental expert.

Financial Assumptions used for the provision for landfill site

The financial assumptions used for the provision for landfill site rehabilitation at 30 June 2025 were as follows:

	2025	2024
Adjustments of unit costs	2.89 %	5.17 %
Consumer Price Index (CPI)	2.89 %	5.17 %
Discount		
Tekwane West and Barberton landfill sites	8.64 %	10.67 %
Mbombela and Mbonisweni landfill sites	8.39 %	10.17 %
Hazyview landfill sites	8.39 %	10.17 %
Net effective discount rate (inflation linked bonds rates) above Consumer Price Index (CPI)		
Tekwane West and Barberton landfill sites	5.75 %	5.50 %
Mbombela and Mbonisweni landfill sites	5.50 %	5.00 %
Hazyview landfill sites	5.50 %	5.00 %

20.2 Employee benefits

	Note	2025	2024
Long-service awards	20.2.1	97,945,001	89,372,000

Split between current and non-current

	2025	2024
Current	14,147,000	15,241,000
Non-current	83,798,001	74,131,000
Total	**97,945,001**	**89,372,000**

	2025	2024

20. Provisions (current and non-current) (continued)

20.2.1 Long-service awards

	2025	2024
Opening Balance	89,063,375	85,774,000
Additional provisions raised	38,850,837	15,241,000
Reductions (Payments, remeasurement etc.)	(29,969,211)	(11,643,000)
Total	**97,945,001**	**89,372,000**

Split between current and non-current

	2025	2024
Current	14,147,000	15,241,000
Non-current	83,798,001	74,131,000
Total	**97,945,001**	**89,372,000**

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

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

	2025	2024
Opening balance	89,372,000	85,774,000
Current service costs	6,767,000	6,581,000
Interest costs	8,811,000	8,665,000
Actuarial (gain)/Losses	8,187,167	1,074,592
Expenditure incurred	(15,192,166)	(12,722,592)
	97,945,001	**89,372,000**

Net expense recognised in the statement of financial performance

	2025	2024
Current service cost	6,767,000	6,581,000
Interest cost	8,811,000	8,665,000
Actuarial (gains)/losses	8,187,167	1,074,592
Benefits paid	(15,192,166)	(12,722,592)
	8,573,001	**3,598,000**

Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2025 were as follows:

	2025	2024
Discount rate	9.13 %	10.75 %
Consumer inflation	4.00 %	4.94 %
Salary inflation	5.00 %	5.94 %
Expected rate of return	3.93 %	4.54 %

Discount rate

The CPI inflation assumption at implied duration of 4.00% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (4.93%) and those of fixed interest bonds (9.13%). This was thus determined as follows: ((1+9.13%)/(1+4.93%))-1.

20.2.2 Sensitivity analysis

A one percentage point change in the assumed discount rate would have the following effects:

	Increase	Decrease

	2025	2024

20. Provisions (current and non-current) (continued)

2024		
Effect on current service cost	6,252,000	6,947,000
Effect on current interest cost	8,958,000	8,333,000
Effect on the unfunded liability	85,122,000	94,059,000
2025		
Effect on current service cost	9,007,000	8,064,000
Effect on current interest cost	6,470,000	7,246,000
Effect on the unfunded liability	93,229,000	103,137,000

20.2.3 Historical analysis

	2021	2022	2023	2024	2025
Long service awards	80,815,000	85,510,000	85,774,000	89,372,000	97,945,000

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

	2025	2024

21. Long term trade and other payable

Electricity bulk purchases		
Opening Balance	1,066,732,395	1,066,732,395

The Minister of Finance announced the Eskom debt relief in his Budget speech on the 22nd February 2023. The debt relief was further granted to municipalities that applied to participate in the programme. National Treasury subsequently released circular 124, which stipulated the conditions to which municipalities have to adhere to qualify for the debt relief. National Treasury approved the City's application to participate in the programme with effect from the 1st June 2023. The Debt relief will be provided in three stages equal to one third of the value owed by the City as at February 2023, on an annual basis, subject to satisfying all the conditions as stipulated in circular 124.

On 16 November 2025, National Treasury issued a compliance letter confirming that the City qualified for the write-off of one-third of the Municipal Relief Debt of R1 068 357 222.46 for the first compliance cycle. As of 30 June 2025, Eskom had not yet processed the write-off. In line with GRAP 104 and National Treasury's Supplementary Guide, the liability remains recognized until Eskom's notification of write-off is received. The financial effect of the pending write-off is R356 119 074.15 reduction of the non-current liabilities.

22. VAT Payable

VAT credit: Output accrual	107,969,807	94,441,186

23. Defined benefit obligations

23.1 Defined benefit obligations

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

The municipality makes provision for its employees and continuation members to subscribe to a South African Local Government Association accredited medical aid scheme. Upon retirement an employee has the option of continued membership to the medical aid scheme. The municipality provides a 60% subsidy of medical scheme contribution to eligible in service and continuation members upon retirement.

Post-employment medical benefits liability		
Present value of defined benefit obligation	229,261,999	216,571,999

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

Opening balance	216,571,999	192,676,999
Current service costs	9,307,000	8,866,000
Interest costs	26,192,000	23,831,000
Actuarial (gains) / losses	(17,501,444)	(3,468,671)
Benefits paid	(5,307,556)	(5,333,329)
	229,261,999	**216,571,999**

Net expense recognised in the statement of financial performance

Current service cost	9,307,000	8,866,000
Interest cost	26,192,000	23,831,000
Actuarial (gains) losses	(17,501,444)	(3,468,671)
Benefits paid	(5,307,556)	(5,333,329)
	12,690,000	**23,895,000**

	2025	2024

23. Contingent assets (continued)

Current	7,048,000	7,115,000
Non-current	222,213,999	209,456,999
Total	**229,261,999**	**216,571,999**

23.1.1 Key actuarial assumptions

Assumptions made from the actuarial valuation as at 30 June 2025 were as follows:

Discount rate	12.48 %	12.29 %
Consumer price inflation	6.93 %	6.26 %
General salary inflation rate	5.95 %	5.45 %
Healthcare cost inflation rate	8.43 %	7.76 %
Expected retirement age (years)	62	62

Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term.The CPI inflation assumption at implied duration of 6.93% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.19%) and those of fixed interest bonds (12.48%). This was thus determined as follows: ((1+12.48%)/(1+5.19%))-1.

Audited By 2025 -11- 28 Auditor General South Africa Mpumalanga Business Unit

23.1.2 Sensitivity analysis

A one percentage point change in the assumed rate of increase in healthcare inflation would have the following effects:

	Increase	Decrease
2024		
Effect on current service cost	9,719,000	7,793,000
Effect on current interest cost	25,638,000	21,627,000
Effect on the defined benefit obligation	232,762,000	196,866,000
2025		
Effect on current service cost	30,700,000	26,000,000
Effect on current interest cost	9,115,000	7,378,000
Effect on the defined benefit obligation	245,843,000	209,022,000

A one percentage point change in the assumed discount rate would have the following effects:

	Increase	Decrease
2024		
Effect on current service cost	7,524,000	10,570,000
Effect on current interest cost	22,518,000	25,315,000
Effect on the defined benefit obligation	190,241,000	249,039,000
2025		
Effect on current service cost	7,063,000	9,989,000
Effect on current interest cost	27,149,000	30,175,000
Effect on the defined benefit obligation	202,245,000	262,268,000

23.1.3 Historical analysis

	2021	2022	2023	2024	2025
Post-employment medical benefits					
Defined benefit obligation	182,728,999	197,284,999	192,676,999	216,571,999	229,261,999

Notes to the Audited Annual Financial Statements

		2025	2024

24. Accumulated surplus / (deficit)

Opening Balance		4,155,924,718	4,350,838,003

The prior year comparatives have been restated, please refer to note 50 for more detail information.

Refer to the Statement of Changes in Net Assets for more detail and the movement on Accumulated surplus.

25. Statutory receivables

Property Rates		241,646,929	200,853,828
Fines		2,298,492	2,287,019
VAT receivable		581,393,057	440,666,473
		825,338,478	**643,807,320**

26. Services charges

Electricity			
Consumption – Electricity		1,628,892,973	1,443,342,338
Waste management			
Consumption – Waste management		166,003,756	156,198,834
Waste water management			
Consumption – Waste water management		25,891,066	25,453,683
Water management			
Consumption – Water management		124,337,890	129,367,435
Total		**1,945,125,685**	**1,754,362,290**

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

27. Sales of goods and rendering of services

Advertisements		1,180,785	1,012,034
Amendment Fees		3,439,892	4,266,940
Building Plan Approval		3,929,463	2,411,335
Cemetery and Burial		1,536,272	1,469,266
Clearance Certificates		1,736,539	1,567,036
Entrance Fees		92,362	71,125
Fire Services		517,215	165,771
Photo copies, Faxes and Telephone charges		173,844	133,072
Sale of Goods		45,905	165,082
Town Planning and Servitudes		141,367	100,982
Total		**12,793,644**	**11,362,643**

28. Interest earned from receivables

Exchange receivables	28.1	46,749,447	45,442,770
Non-exchange receivables	28.2	44,987,595	39,935,806
Total		**91,737,042**	**85,378,576**

Notes to the Audited Annual Financial Statements

	2025	2024

28. Other compulsory disclosures (continued)

28.1 Interest earned from exchange receivables

	2025	2024
Consumer receivables		
Electricity	17,490,100	12,702,623
Water	11,313,619	12,512,830
Waste water management	2,318,424	2,365,880
Waste management	13,926,320	11,254,573
Service charges	2,289,385	2,096,962
	47,337,848	**40,932,868**
Other receivables		
Affiliates/Related Parties/Associated companies	(588,401)	4,538,391
Housing selling schemes	-	(28,489)
	(588,401)	**4,509,902**
Total	**46,749,447**	**45,442,770**

28.2 Interest earned from non-exchange receivables

	2025	2024
Consumer receivables		
Property rates	44,987,595	39,935,806

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

29. Interests on current and non-current assets

	2025	2024
Bank accounts	5,257,969	3,834,204
Short-term investments and call accounts	6,813,909	5,773,952
Total	**12,071,878**	**9,608,156**

30. Rent from fixed assets

	2025	2024
Market related	10,948,126	4,591,045
Non-market related	18,140,977	18,983,498
Total	**29,089,103**	**23,574,543**

The rental income relates to the rental fees charged to the Department of Community, Safety and Liaison and other rental of municipal facilities.

31. Operational revenue

	2025	2024
Exchange revenue		
Administrative Handling Fees	5,158,963	4,789,056
Bad Debts Recovered	18,216,979	17,546,636
Collection Charges	16,309,677	10,942,032
Discounts and Early Settlements	2,142,991	134,001,046
Insurance Refund	7,752,230	131,778
Request for information	36,294	42,911
Sale of Property	-	3,215
Skills Development Levy Refund	2,369,854	3,179,662
Bursary Repayment	2,251,850	9,600
Staff and Councillors Recoveries	25,794	318,663
Development Charges	4,656,399	4,786,672
Total	**58,921,031**	**175,751,271**

Notes to the Audited Annual Financial Statements

		2025	2024

32. Property rates by usage

Agricultural property		30,324,896	28,735,541
Business and commercial properties		453,846,376	437,082,724
Public benefit organisations		3,112,790	2,969,033
Public service purposes properties		147,953,343	140,544,687
Residential properties		381,350,972	365,886,196
Total		**1,016,588,377**	**975,218,181**

Valuations

Residential properties		57,561,271,921	56,552,905,002
Business and commercial properties		24,258,632,400	24,573,920,400
Public service purposes properties		6,128,666,800	6,169,394,800
Public benefit organisations		1,767,967,900	1,781,488,900
Agricultural properties		14,326,870,962	14,390,573,962
Other		2,127,197,100	2,110,913,100
		106,170,607,083	**105,579,196,164**

Valuations on properties are performed every five years. The latest general valuation roll compiled in accordance with the Municipal Property Rates Act, 2004 as amended came into effect on 1 July 2023. Supplementary valuations are processed on a regular basis in terms of section 78 of the Municipal Property Rates Act.

A general rate of 0.00825 cent in a Rand (2024 : 0.00825) was to property valuations to determine property rates. Various rebates are granted to certain categories of rateable properties and/or categories of owners in terms of the approved Property Rates Policy/By-Law. Rates are levied on a monthly basis on property owners. Interest at 11.75 % per annum (2024 : 12.75 %) is levied on outstanding rates.

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

33. Fines, penalties and forfeits

Fines	33.1	3,766,987	2,281,401
Forfeits	33.2	7,798	4,633,927
Total		**3,774,785**	**6,915,328**

33.1 Fines

Traffic fines			
Municipal fines		2,951,946	1,046,793
Other fines			
Building fines		92,174	85,452
Illegal connections		707,701	1,144,213
Overdue books		15,166	4,943
		815,041	**1,234,608**
Total		**3,766,987**	**2,281,401**

33.2 Forfeits

Unclaimed money		7,798	4,633,927

34. Licence and permits

Exchange revenue	34.1	1,344,667	169,132

		2025	2024

34. Licence and permits (continued)

34.1 Licenses and permits – Exchange revenue

Trading		1,344,667	169,132

35. Transfers and subsidies

Operational			
Monetary allocations	35.1	1,134,830,021	1,068,001,927
Capital			
Allocations in-kind	35.2	29,547,575	3,211,899
Monetary allocations	35.3	523,309,114	456,119,972
Total transfers and subsidies: Capital		**552,856,689**	**459,331,871**
Total		**1,687,686,710**	**1,527,333,798**

The allocation in kind consist of assets donated to the municipality, a community hall by Barberton Mines, Library by the Mpumalanga Department of Sports and Culture and skid-bins by Ehlanzeni District Municipality.

35.1 Monetary allocations: Operational

National governments	14,103,021	18,999,927
National revenue fund	1,120,727,000	1,049,002,000
Total	**1,134,830,021**	**1,068,001,927**

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

35.2 Allocations in-kind: Capital

District municipalities	154,000	-
Private enterprises	10,655,267	-
Provincial government	18,738,308	3,211,899
Total	**29,547,575**	**3,211,899**

35.3 Monetary allocations: Capital

National government	523,309,114	456,119,972

36. Gains/(Losses)

Gains/(losses) on disposals	36.1	(3,336,504)	(14,040,711)
Fair value adjustment	36.2	9,183,607	2,394,079
Increase/(decrease) to net-realisable value of inventory		(343,024)	-
Total		**5,504,079**	**(11,646,632)**

36.1 Gains/(losses) on disposals

Property, plant and equipment	(3,336,504)	(14,040,711)

36.2 Fair value adjustment

Actuarial Assessments	9,183,607	2,394,079

Notes to the Audited Annual Financial Statements

37. Employee related cost

Senior management	37.1	9,715,765	13,708,738
Municipal staff	37.2	1,382,545,185	1,315,235,316
Total		**1,392,260,950**	**1,328,944,054**

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

37. Employee related cost (continued)

37.1 Senior management costs

2025

	City manager	Chief financial officer	GM: Corporate and Support Services	GM: Social Services	Community Services	Technical Services	Total
Basic salary	1,829,685	1,272,024	1,679,863	1,552,930	446,757	178,302	6,959,561
Service-related benefits	180,446	102,646	198,397	6,717	17,117	4,279	509,602
Allowances	434,888	277,572	287,889	347,889	115,939	57,987	1,522,164
Medical	48,269	36,753	-	-	-	-	85,022
Pension	324,489	275,364	-	-	15,089	15,089	630,031
Unemployment insurance	2,125	1,948	2,125	2,125	708	354	9,385
	2,819,902	**1,966,307**	**2,168,274**	**1,909,661**	**595,610**	**256,011**	**9,715,765**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

2024

	City manager	Chief financial officer	GM: Corporate and Support Services	GM: Strategic Services	GM: Social Services	Community Services	Technical Services	Total
Basic salary	1,872,292	1,426,889	1,701,079	1,001,747	1,572,691	1,663,600	1,390,400	10,628,698
Service-related benefits	6,692	108,186	103,151	9,335	67,328	10,523	10,969	316,184
Allowances	434,901	302,629	287,709	192,961	347,709	349,441	181,081	2,096,431
Medical	36,529	32,810	-	-	-	-	-	69,339
Pension	301,107	283,343	-	-	-	-	-	584,450
Unemployment insurance	2,125	2,125	2,125	1,417	2,125	2,125	1,594	13,636
	2,653,646	**2,155,982**	**2,094,064**	**1,205,460**	**1,989,853**	**2,025,689**	**1,584,044**	**13,708,738**

Notes to the Audited Annual Financial Statements

		2025	2024

37. Employee related cost (continued)

37.2 Municipal staff costs

Basic salary	679,440,804	649,385,167
Service-related benefits	353,341,634	337,085,811
Allowances	89,757,372	81,992,111
Bargaining council	250,387	244,856
Group life insurance	8,832,599	8,263,664
Medical	59,692,441	56,781,170
Pension	136,415,860	129,691,486
Post-retirement benefit: Medical	51,077,000	47,943,000
Unemployment insurance	3,737,088	3,848,051
Total	**1,382,545,185**	**1,315,235,316**

38. Remuneration of councillors

Executive Mayor/Mayor	38.1	1,637,934	1,604,112
Chief whip	38.2	1,252,855	1,206,621
Speaker	38.3	1,327,121	1,258,873
Executive committee	38.4	10,022,838	9,671,551
All other councillors	38.5	51,676,952	49,877,259
Total		**65,917,700**	**63,618,416**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

38.1 Executive Mayor/Mayor

Allowances and service related benefits		
Basic salary	1,438,961	1,400,586
Cell phone allowance	47,004	46,353
In-kind benefits	5,878	11,885
	1,491,843	**1,458,824**
Social contributions		
Pension fund contributions	146,091	145,288
Total	**1,637,934**	**1,604,112**

38.2 Chief whip

Allowances and service related benefits		
Basic salary	790,759	764,488
Cell phone allowance	47,004	46,353
Motor vehicle allowance	302,651	288,325
	1,140,414	**1,099,166**
Social contributions		
Pension fund contributions	112,441	107,455
Total	**1,252,855**	**1,206,621**

Notes to the Audited Annual Financial Statements

	2025	2024

38. Remuneration of councillors (continued)

38.3 Speaker

Allowances and service related benefits		
Basic salary	1,194,456	1,134,119
Cell phone allowance	47,004	46,353
	1,241,460	**1,180,472**
Social contributions		
Pension fund contributions	85,661	78,401
Total	**1,327,121**	**1,258,873**

38.4 Executive committee

Allowances and service related benefits		
Basic salary	6,574,227	6,356,707
Cell phone allowance	376,032	370,824
Motor vehicle allowance	2,416,556	2,311,244
	9,366,815	**9,038,775**
Social contributions		
Medial aid benefits	145,687	139,559
Pension fund contributions	510,336	493,217
	656,023	**632,776**
Total	**10,022,838**	**9,671,551**

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

38.5 All other councillors

Allowances and service related benefits		
Basic salary	33,968,731	32,859,777
Cell phone allowance	3,708,616	3,661,887
Motor vehicle allowance	11,574,573	10,953,919
	49,251,920	**47,475,583**
Social contributions		
Medial aid benefits	228,787	268,024
Pension fund contributions	2,196,245	2,133,652
	2,425,032	**2,401,676**
Total	**51,676,952**	**49,877,259**

Remuneration paid to all councillors are within the upper limits set by the Minister for Co-Operative Governance and Traditional Affairs as per his vested power set out in the Remuneration of Public Office Bearers Act no 20 of 1998.

	2025	2024

38. Remuneration of councillors (continued)

In kind benefits

The Executive Mayor, the Speaker and Members of the Mayoral Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor have the use of a Council leased vehicle for official duties. The Speaker also uses the council procured vehicle for official purposes.

Council provided security at the private residences of the Executive Mayor and several other councillors through private security firms at the cost to Council based on the security risk assessment conducted.

39. Bulk purchases

	2025	2024
Electricity: Eskom	1,537,835,785	1,323,436,972

39.1 Electricity losses

	2025		2024	
	kWh	Amount	kWh	Amount
Electrcity units purchased	749,656,196	1,536,795,202	714,889,353	1,322,545,303
Units sold	(521,959,099)	(1,070,016,153)	(527,288,056)	(975,482,904)
Total loss	**227,697,097**	**466,779,049**	**187,601,297**	**347,062,399**
Electricity losses	227,697,097	466,779,049	187,601,297	347,062,399
Unit cost per kWh (R2.05)(R1.85)	-	-	-	-
Total	**227,697,097**	**466,779,049**	**187,601,297**	**347,062,399**
Percentage loss	30.37 %	30.37 %	26.24 %	26.24 %

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

40. Inventory consumed

	2025	2024
Consumables	70,308,313	71,110,607
Materials and supplies	826,160	3,436,688
Water	57,968,644	50,095,206
Total	**129,103,117**	**124,642,501**

41. Debt impairment

		2025	2024
Trade and other receivables from exchange transactions	3	117,050,614	40,732,572
Property Rates	4	81,872,524	22,662,631
Total		**198,923,138**	**63,395,203**

42. Depreciation and amortisation

		2025	2024
Amortisation			
Intangible assets	13.1	1,775,960	2,236,681

		2025	2024

42. Depreciation and amortisation (continued)

Depreciation			
Investment property	10.1	2,442,656	2,442,656
Property, plant and equipment	11	357,448,783	560,205,748
		359,891,439	**562,648,404**
Total		**361,667,399**	**564,885,085**

43. Interest

43.1 Interest cost

Interest expense		4,557	10,043
Borrowings			
• Annuity loans		26,411,270	30,056,281
Finance leases	16.1	96,997	157,786
Interest costs non-current provisions	20	4,953,653	4,746,415
Overdue accounts	18.4	142,734,052	114,471,851
Total		**174,200,529**	**149,442,376**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

44. Operating leases

Computer Equipment	390,966	821,149
Furniture and Office Equipment	576,857	581,641
Other Assets	6,675,438	6,937,997
Transport Assets	-	338,020
Total	**7,643,261**	**8,678,807**

45. Contracted services

Consultants and professional services	45.1	147,645,780	148,740,763
Contractors	45.2	202,100,208	233,604,069
Outsourced services	45.3	359,866,574	382,188,647
Total		**709,612,562**	**764,533,479**

45.1 Consultants and professional services

Business advisory services		
Accounting and auditing	141,567	5,437,992
Actuaries	57,100	34,000
Audit committee	266,684	352,760
Business and financial management	5,751,066	13,223,485
Commissions and committees	80,582	61,194
Forensic investigators	260,255	-
Human resources	5,406,643	2,737,844
Medical examinations	268,791	1,010,837
Project management	32,610,107	23,467,337
Qualification verification	9,623	-
Research and advisory	619,926	266,348
Valuer and assessors	953,738	1,106,388
Total business advisory services	**46,426,082**	**47,698,185**
Laboratory services		
Water	-	187,263

45. Contracted services (continued)

	2025	2024
Legal services		
Collection	4,859,201	5,139,624
Legal advice and litigation	41,610,112	37,452,048
Total legal services	**46,469,313**	**42,591,672**
Engineering services		
Civil engineering	9,430,710	2,616,664
Electrical engineering	39,906,088	55,639,029
Total engineering services	**49,336,798**	**58,255,693**
Infrastructure and planning services		
Town planner infrastructure and planning	5,413,587	7,950
Total consultants and professional services	**147,645,780**	**148,740,763**

Included in legal fees is an amount of R6 670 000 paid into the Sheriff of the High Court's trust account pursuant to a court order directing ABSA Bank to effect payment. The order was issued following a dispute between the City and a contractor, the latter asserting entitlement to payment in excess of the agreed contract amount.

45.2 Contractors

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

	2025	2024
General services		
Artists and performers	-	30,000
Audio-visual services	717,557	955,538
Electrical	4,557,623	8,987,687
Event promoters	1,207,535	1,932,495
Forestry	206,450	1,773,554
Gardening services	184,795	178,845
Grading of sport fields	2,487,014	7,567,626
Sports and recreation	353,500	29,730
Stage and sound crew	1,420,410	1,278,400
Traffic and street lights	6,492,953	15,592,918
Transportation	58,800	86,450
Total general services	**17,686,637**	**38,413,243**
Maintenance services		
Maintenance of buildings and facilities	28,737,677	23,358,669
Maintenance of equipment	18,287,757	14,586,152
Maintenance of unspecified assets	137,388,137	157,246,005
Total maintenance service	**184,413,571**	**195,190,826**
Total contractor	**202,100,208**	**233,604,069**

45.3 Outsourced services

	2025	2024
Business and advisory services		
Business and Financial Management	298,904	-
Commissions and Committees	47,704	-
Human Resources	-	147,245
Organisational	1,735,840	3,245,640
Project Management	44,925,310	44,261,801
Research and Advisory	3,432,487	2,138,533
Total business and advisory services	**50,440,245**	**49,793,219**

45. Contracted services (continued)

	Note	2025	2024
General services			
Burial Services		16,235,935	17,981,578
Catering Services		3,109,558	3,315,172
Clearing and Grass Cutting Services		95,859	82,182
Hygiene Services		4,939,796	7,282,146
Illegal Dumping		10,655,345	39,999,890
Internal Auditors		6,548,180	5,897,924
Medical Waste Removal		8,855	4,383
Meter Management		15,401,277	15,050,122
Mini Dumping Sites		37,002,556	35,390,487
Refuse Removal		60,651,914	64,459,464
Transport Services		47,800	65,635
Water Takers		66,909,927	59,627,578
Total general services		**221,607,002**	**249,156,561**
Trading services			
Security Services		87,819,327	83,238,867
Total outsourced services		**359,866,574**	**382,188,647**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

46. Transfers and subsidies

	Note	2025	2024
Operational			
Allocations in-kind	46.1	323,968	460,080
Monetary allocations	46.2	48,427,368	52,679,810
Total transfers and subsidies: Operational		**48,751,336**	**53,139,890**

46.1 Allocations in-kind: Operational

	2025	2024
Households	323,968	434,880
Private Enterprises	-	25,200
Total	**323,968**	**460,080**

46.2 Monetary allocations: Operational

	2025	2024
Non-profit institutions	406,207	6,967,015
Private Enterprises	48,021,161	45,712,795
Total	**48,427,368**	**52,679,810**

47. Irrecoverable debts written off

	2025	2024
Electricity	6,509,784	5,780,687
Non specific accounts	34,576,903	1,039,511
Waste management	15,154,133	30,742,061
Waste water management	1,840,084	9,919,835
Water	9,496,138	50,270,076
Property rates	1,924,239	38,793,793
Total	**69,501,281**	**136,545,963**

	2025	2024

47. Irrecoverable debts written off (continued)

Split between exchange and non-exchange

	2025	2024
Exchange	67,577,042	97,752,170
Non-exchange	1,924,239	38,793,793
Total	**69,501,281**	**136,545,963**

48. Operational cost

	2025	2024
Advertising, Publicity and Marketing	2,408,799	2,179,573
Bank Charges, Facility and Card Fees	2,230,300	2,569,680
Bursaries (Employees)	3,794,748	4,631,496
Commission	2,416,842	2,435,251
Communication	9,467,523	10,628,440
Contribution to Provisions	27,149,562	7,294,212
Deeds	102,466	328,924
Entertainment	-	1,160
Entrance Fees	5,261	177,810
External Audit Fees	12,278,727	9,477,800
External Computer Service	12,953,578	13,028,139
Indigent Relief	1,932,686	1,688,311
Insurance Underwriting	29,783,329	30,876,786
Licences	2,059,024	2,278,538
Municipal Services	195,648,742	151,812,119
Printing, Publications and Books	87,931	81,136
Professional Bodies, Membership and Subscription	14,472,961	2,730,964
Registration Fees	121,756	10,387,620
Remuneration to Ward Committees	5,155,329	4,912,600
Rewards Incentives	9,661,661	8,212,728
Signage	102,050	85,000
Skills Development Fund Levy	11,687,578	11,166,681
Small Differences Tolerances	(38)	153
Transport Provided as Part of Departmental Activit	2,246,165	1,657,427
Travel Agency and Visa's	176,609	164,406
Travel and Subsistence	5,461,533	6,498,773
Uniform and Protective Clothing	3,280,920	6,318,367
Vehicle Tracking	1,696,738	3,310,252
Workmen's Compensation Fund	7,750,453	6,319,208
Total	**364,133,233**	**301,253,554**

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

	2025	2024

49. Net cash from/(used) operating activities

	2025	2024
Deficit for the year	(194,913,290)	(324,489,014)
Adjustments for:		
Depreciation and amortisation	361,667,399	564,885,085
Bad debts written off	69,501,281	136,545,963
(Gains) / Losses on disposal of assets	3,336,504	14,040,711
Fair value adjustment	(9,183,607)	-
Increase / (Decrease) in provisions	53,366,215	39,533,626
Impairment loss	198,923,138	63,395,203
Inventory losses	343,024	-
Public contribution and donation	(29,547,575)	(3,211,899)
Movement in operating lease assets and accruals	176,570	190,848
Gain on liability write off/discounts and early settlements	-	(134,001,046)
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(124,492,639)	(191,712,444)
(Increase) / Decrease in inventory	(18,278,734)	(5,383,860)
(Increase) / Decrease in receivables from exchange transactions	(252,950,417)	(169,131,393)
(Increase) / Decrease in interest from receivables	(54,723,250)	(38,779,638)
(Increase) / Decrease in deposits	(1,078,000)	(1,781,790)
(Increase) / Decrease in long term receivables	(1,123,433)	282,031
Increase / (Decrease) in trade and other payables	984,414,658	637,210,684
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(64,532,139)	(22,674,899)
Increase / (Decrease) in VAT receivable	(140,726,584)	(86,422,255)
Increase / (Decrease) in consumer deposits	3,359,071	2,834,701
Increase / (Decrease) in VAT payable	13,528,621	9,287,869
Net cash flows from operating activities	**797,066,813**	**490,618,483**

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

50. GRAP 3 Adjustments

50.1 Adjustments of Statement of financial performance items

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges – Electricity	26	1,443,472,415	(130,077)	-	**1,443,342,338**
Services charges – Waste management	26	156,198,834	-	-	**156,198,834**
Services charges – Waste water management	26	25,879,733	(426,050)	-	**25,453,683**
Services charges – Water management	26	129,367,435	-	-	**129,367,435**
Sales of goods and rendering of services	27	11,362,643	-	-	**11,362,643**
Interest earned from receivables	28	-	-	45,442,770	**45,442,770**
Interests on current and non-current assets	29	-	17,866	9,590,290	**9,608,156**
Finance income		94,968,865	-	(94,968,865)	**-**
Licence and permits	34	169,132	-	-	**169,132**
Rent from fixed assets	30	23,574,543	-	-	**23,574,543**
Operational revenue	31	41,750,224	-	134,001,047	**175,751,271**
Gains on liability write-off		134,001,046	-	(134,001,046)	**-**
Actuarial gains		3,468,671	-	(3,468,671)	**-**
		2,064,213,541	**(538,261)**	**(43,404,475)**	**2,020,270,805**
Non-exchange revenue					
Property rates by usage	32	975,218,181	-	-	**975,218,181**
Fines, penalties and forfeits	33	6,915,328	-	-	**6,915,328**
Transfers and subsidies – Operational	35	-	-	1,068,001,927	**1,068,001,927**
Transfers and subsidies – Capital	35	-	-	459,331,871	**459,331,871**
Interest earned from receivables	28	-	-	39,935,806	**39,935,806**
Government grants & subsidies		1,524,121,899	-	(1,524,121,899)	**-**
Public contributions and donations		3,211,899	-	(3,211,899)	**-**
		2,509,467,307	**-**	**39,935,806**	**2,549,403,113**
Total revenue		**4,573,680,848**	**(538,261)**	**(3,468,669)**	**4,569,673,918**
Expenditure					
Employee related cost	37	1,329,964,259	54,387	(1,074,592)	**1,328,944,054**
Remuneration of councillors	38	62,592,274	1,026,142	-	**63,618,416**
Bulk purchases	39	1,323,436,972	-	-	**1,323,436,972**
Inventory consumed	40	123,123,235	1,519,266	-	**124,642,501**
Debt impairment	41	63,395,203	-	-	**63,395,203**
Depreciation and amortisation	42	564,885,085	-	-	**564,885,085**
Interest	43	149,442,376	-	-	**149,442,376**
Contracted services	45	730,767,740	33,765,739	-	**764,533,479**
Transfers and subsidies	46	5,736,442	6,410,348	40,993,100	**53,139,890**
Irrecoverable debts written off	47	136,545,963	-	-	**136,545,963**
Operating leases	44	8,078,400	600,407	-	**8,678,807**
Operational cost	48	342,246,652	-	(40,993,098)	**301,253,554**
Losses	36	-	-	11,646,632	**11,646,632**
Loss on disposal of assets		14,040,711	-	(14,040,711)	**-**
Total expenditure		**4,854,255,312**	**43,376,289**	**(3,468,669)**	**4,894,162,932**
Surplus for the year		**(280,574,464)**	**(43,914,550)**	**-**	**(324,489,014)**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business

50. GRAP 3 Adjustments (continued)

50.2 Adjustments of Statement of financial position items

2024

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	140,091,132	-	-	**140,091,132**
Trade and other receivables from exchange transactions	3	240,729,986	(426,050)	268,647,224	**508,951,160**
Receivables from non-exchange transactions	4	542,211,645	-	(338,744,123)	**203,467,522**
Inventory	5	59,113,191	-	-	**59,113,191**
Current portion of non-current receivables	6	1,075,291	-	-	**1,075,291**
Operating lease receivable	7	300,038	-	-	**300,038**
VAT Receivable	8	-	7,154,490	433,511,983	**440,666,473**
Receivables from exchange transactions		268,973,902	-	(268,973,902)	**-**
Deposits	9	17,079,597	-	-	**17,079,597**
		1,269,574,782	**6,728,440**	**94,441,182**	**1,370,744,404**
Non-current assets					
Investment property	10	319,187,663	-	-	**319,187,663**
Property, plant and equipment	11	7,314,686,845	31,406,070	-	**7,346,092,915**
Heritage assets	12	2,328,920	-	-	**2,328,920**
Intangible assets	13	26,442,429	-	-	**26,442,429**
Non-current receivables from exchange transactions	14	2,164,667	-	-	**2,164,667**
		7,664,810,524	**31,406,070**	**-**	**7,696,216,594**
Total assets		**8,934,385,306**	**38,134,510**	**94,441,182**	**9,066,960,998**
Liabilities					
Current liabilities					
Borrowings	15	25,451,179	-	(9,003,648)	**16,447,531**
Lease liabilities	16	625,067	-	-	**625,067**
Consumer deposits	17	42,509,561	130,077	-	**42,639,638**
Trade and other payables from exchange transactions	18	2,569,841,325	60,098,162	58,858,354	**2,688,797,841**
Unspent grant	19	73,976,228	-	-	**73,976,228**
Provisions	20	2,456,340	-	17,328,592	**19,784,932**
Trade and other payables from non-exchange transactions		58,858,354	-	(58,858,354)	**-**
VAT Payable	22	-	-	94,441,186	**94,441,186**
Defined benefit obligations	23	7,115,000	-	-	**7,115,000**
		2,780,833,054	**60,228,239**	**102,766,130**	**2,943,827,423**
Non-current liabilities					
Borrowings	15	220,866,888	-	9,003,647	**229,870,535**
Lease liabilities	16	480,815	466,479	-	**947,294**
Provisions	20	282,616,935	-	(17,328,592)	**265,288,343**
Long term trade and other payable	21	1,066,732,395	-	-	**1,066,732,395**
Defined benefit obligations	23	209,456,999	-	-	**209,456,999**
		1,780,154,032	**466,479**	**(8,324,945)**	**1,772,295,566**
Total liabilities		**4,560,987,086**	**60,694,718**	**94,441,185**	**4,716,122,989**
Community Wealth / Equity					
Accumulated surplus	24	4,373,398,216	(22,560,213)	-	**4,350,838,003**

Audited By 2025-11-30 Auditor General South Africa Mpumalanga Business Unit

50.3 Adjustments of Cash flow statement items

50. GRAP 3 Adjustments (continued)

	Note	Previously reported	Correction of error / Re-classification	Restated
Cash flows from operating activities				
Receipts				
Property rates		782,224,264	(78,225,453)	**703,998,811**
Service charges		1,606,036,827	15,466,197	**1,621,503,024**
Operational revenue		41,919,357	-	**41,919,357**
Transfers and Subsidies – Capital		1,501,447,000	-	**1,501,447,000**
Interest		9,590,289	46,616,805	**56,207,094**
		3,941,217,737	**(16,142,451)**	**3,925,075,286**
Payments				
Suppliers and employees		(3,166,930,809)	(69,690,143)	**(3,236,620,952)**
Finance charges		(154,188,791)	9,492,830	**(144,695,961)**
Transfers and subsidies		(5,736,444)	(47,403,446)	**(53,139,890)**
		(3,326,856,044)	**(107,600,759)**	**(3,434,456,803)**
Net cash from(used) operating activities		**614,361,693**	**(123,743,210)**	**490,618,483**
Cash flows from investing activities				
Receipts				
Proceeds on disposal of fixed and intangible assets		454,451	-	**454,451**
Increase in non-current receivables		282,032	(282,032)	**-**
		736,483	**(282,032)**	**454,451**
Payments				
Capital assets - Property, plant and equipment		(554,258,885)	13,328,741	**(540,930,144)**
Purchase of - Intangible assets		(2,936,601)	2,936,601	**-**
		(557,195,486)	**16,265,342**	**(540,930,144)**
Net cash flows from investing activities		**(556,459,003)**	**15,983,310**	**(540,475,693)**
Cash flows from financing activities				
Payments				
Finance lease payments		(517,672)	466,479	**(51,193)**
Decrease in borrowing long-term		(15,310,915)	-	**(15,310,915)**
Decrease in consumer deposits		(107,293,418)	107,293,418	**-**
		(123,122,005)	**107,759,897**	**(15,362,108)**
Net increase/ (decrease) in cash		**(65,219,315)**	**-**	**(65,219,318)**
Cash and cash equivalents at the beginning of the year		205,310,451	-	**205,310,451**
Cash and cash equivalents at the end of the year		140,091,133	-	**140,091,133**
Net increase/ (decrease) in cash		**(65,219,318)**	**-**	**(65,219,318)**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

	2025	2024

50. GRAP 3 Adjustments (continued)

50.4

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

	2025	2024

Financial Performance		22,560,207
Accumulated Surplus	-	21,354,343
Prior to Prior Year correction of error - Net effect on accumulated surplus		
Electricity Sales		130,077
Prior year decrease in Service charges - incorrect allocation of consumer deposit to service charges		
Waste Water Management		426,050
Prior year decrease in Service charges - correction of levies on basic sewer charge		
Short Term Investments and Call Accounts	-	17,867
Prior year increase in Short Term Investments and Call Accounts - incorrect allocation of interest accrued to trade payables		
Net Effect on Revenue		538,260
Employee Related Cost		54,387
Prior Year correction of error - Net Increase in Employee Related Cost - outstanding pension contributions		
Remuneration of Councillors		1,026,143
Prior Year correction of error - Net Increase in Remuneration of Councillors - backpay due to councillors		
Inventory Consumed		1,519,266
Prior Year correction of error - Net Increase in Inventory Consumed - invoices related to the 2023/2024 financial year		
Contracted Services		33,765,738
Prior Year correction of error - Net Increase in Contracted Services - invoices related to the 2023/2024 financial year		
Transfers and Subsidies		6,410,348
Prior year increase in Transfers and subsidies paid - invoices related to the 2023/2024 financial year		
Operating Leases		600,407
Prior Year correction of error - Net Decrease in Operating Leases - invoices related to the 2023/2024 financial year		
Net Effect on Expenditure		43,376,289.17
Financial Position		
Net Effect on Financial Position	-	22,560,207
Trade and other Receivables from Exchange Transactions	-	426,050
Prior year decrease in Trade and other Receivables from Exchange Transactions - correction of levies on basic sewer charge		
VAT Receivable		7,154,490
Prior to Prior Year Net effect of VAT on creditors not accrued for in the 2022/2023 financial year and prior		1,405,504
Prior Year Net effect of VAT on creditors not accrued for in the 2023/2024 financial year		5,748,986
Property, Plant and Equipment		31,406,070
Property, Plant and Equipment - Electricity Infrastructure - Accumulated depreciation	-	326,816
Prior year Increase in accumulated depreciation on Property, plant and equipment - Electricity - completed projects		
Property, Plant and Equipment - Land		31,901,100
Prior to prior year Increase of Property, plant, and equipment - Land - not recognised in the asset register		
Property, Plant and Equipment - Road Infrastructure - Accumulated depreciation	-	382,759
Prior to prior year Increase in accumulated depreciation of Property, plant, and equipment - Roads - as a result of projects that were completed		
Property, Plant and Equipment - Waste Water Infrastructure - Accumulated depreciation	-	145,457
Prior to prior year Increase in accumulated depreciation of Property, plant, and equipment - Waste water - as a result of projects that were completed		
Property, Plant and Equipment - Water Infrastructure - Accumulated depreciation	-	106,475
Prior to prior year Increase in accumulated depreciation on Property, plant and equipment - Water - completed projects		
Property, Plant and Equipment - Lease assets		466,477
Prior year increase in lease assets - incorrectly ommitted from lease register		
Net effect on total Assets		38,134,510
Consumer Deposits - Electricity	-	130,077
Prior increase in Consumer deposits - incorrect allocation of consumer deposit to service charges		
Trade and other payables from exchange transactions	-	60,098,162

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

	2025	2024

Prior to prior year Decrease in trade and other payables from exchange transactions - Interest revenue incorrectly	29,276
Prior to Prior Year Increase in trade and other payables from exchange transactions - Invoices relating to the 2022/2023 financial year and prior	- 10,902,460
Prior Year Decrease in trade and other payables from exchange transactions - Interest revenue incorrectly accrued to payables	17,867
Prior Year Increase in trade and other payables from exchange transactions - Back pay relating to councillors	- 1,026,143
Prior Year Increase in trade and other payables from exchange transactions - Invoices relating to the 2023/2024 financial year	- 48,044,746
Prior Year Increase in trade and other payables from exchange transactions - outstanding pension contributions	- 171,956
Lease Liabilities	- **466,479**
Prior year increase in Lease Liability - incorrectly ommitted from lease register	
Net effect on total Liabilities	- 60,694,718
Grand Total	0

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

	2025	2024

50. GRAP 3 Adjustments (continued)

50.5 Reclassification

Certain comparative figures have been reclassified due to the implementation of the Municipal Standard Chart of Accounts (mSCOA) and Generally Recognised Accounting Practice (GRAP) to ensure fair presentation and consistency.

Statement of financial performance

Finance income was reclassified to Interest earned from receivables, Interests on current and non-current assets and interest earned from receivables - non exchange transactions.

Gains on libility write-off were reclassified to operational revenue.

Actuarial gains were reclassified to Gains/Losses.

Government grants and subsidies were reclassified to Transfers and subsidies - Operational and Transfers and subsidies - Capital.

Public contributions and donations were reclassified to Transfers and subsidies - Capital.

A vote number or account number within Employee related costs - Long service award (actuarial gains) was reclassified to Gains/Losses.

A vote number or account number within Operational cost was reclassified to Transferes and subsidies.

Loss on disposal of assets were reclassified to Gains/Losses.

Statement of financial position

Receivables from exchange transactions were reclassified to Trade and receivables from exchange transactions.

VAT receivables were reclassified from receivables from non-exchange transactions (Statutory receivables).

A vote number was within Receivables from exchange transactions - Insurance debtor, was reclassified to Recevables from non-exchange transactions.

Vote numbers accounts were within Borrowings - Current were reclassified to Borrowings - Non-corrent.

Vote numbers or account numbers within Provisions - Current were reclassified to Provisions - Non-current.

Trade and other payables from non-exchange transactions - Service contributions were reclassified Trade and other payables from exchange transactions.

Cash Flow Statement

Cash flows from operating, investing and financing activities were restated and / or reclassified due errors identified during the current financial year that related to the 2023/2024 financial year.

The errors(50.3) and / or reclassification (50.4) identified in the statement of financial position and performance above has an impact on the aforementioned cash flows.

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

	2025	2024

51. Change in estimate

The provision for the rehabilitation of landfill sites was revised at year end and was recognised in the surplus or deficit for the reporting period.

The effect of the change in accounting estimate on the current year's depreciation was a decrease of R 2 718 for the Tekwane Landfill site, an decrease of R 8 019 for the Barberton Landfill site and an increase of R 2 930 807 for the Hazyview Landfill site. The change in accounting estimate was added to the cost of the related asset in the current reporting period. The total overall effect of the future periods is a cumulative net increase in the depreciation of R 2 598 647 over the remaining useful life of the related assets. The effect of the change in future periods will be a decrease in the annual depreciation expense amounting to R 2 718 totaling to R 203 849 over the remaining useful life of the Tekwane Landfill site, an decrease in the annual depreciation expense amounting to R 8 019 totaling R 12 311 over the remaining useful life of the Barberton landfill site and an increase in the annual depreciation expense amounting to R 2 930 807 over the remaining useful life of the Hazyview landfill site. The overall impact on the finance costs will increase by R 276 446 in the following financial year.

Review of Useful Lives of Infrastructure Assets

Nature of the change

In line with the municipality's annual review of asset estimates, management reassessed the remaining useful lives of certain infrastructure assets (including roads, water, sanitation, electricity distribution and related plants). The re-assessment was based on physical condition assessments and management's intention to continue using the assets. The revised useful lives remain within the policy ranges set out in the municipality's accounting policy and therefore constitute a change in accounting estimate, not a change in accounting policy, applied prospectively from 1 July 2024.

The revisions reflect updated information about asset conditions and service potential, consistent with the requirement to review useful lives at each reporting date and to disclose the methods and useful life information for property, plant and equipment.

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Financial effect on the current period

The change in estimate decreased depreciation expense for the current year by R 203 509 305, with the following effects:

Statement of Financial Performance:

Depreciation: decrease of R 203 509 305

Surplus for the year: increase of R 203 509 305

Statement of Financial Position:

Property, plant and equipment: higher by R 203 509 305 than it would have been under the previous estimates

Accumulated surplus: higher by R 203 509 305

Effect on future periods

The change in estimate is expected to reduce depreciation charges in future periods as the revised remaining useful lives are applied going forward. The quantitative effect on future periods cannot be estimated reliably at this time because it depends on future asset additions, disposals, condition changes and capital maintenance activities.

Notes to the Audited Annual Financial Statements

	2025	2024

52. Related party disclosures

52.1 Nature of related party relationships

City of Mbombela Development Agency
The Umjindi Local Development Agency (UMLEDA) was incorporated on the 30th of October 2008. The former Umjindi Local Municipality held 100% shares of Umjindi Local Economic Development Agency (UMLEDA). City of Mbombela has at its meeting held 27 October 2016 under item A(11) resolved to approve the name change of the entity to City of Mbombela Economic Development Agency. The objectives and functions of the agency (entity) is to drive and champion local economic development initiatives in order to achieve job creation and poverty alleviation as per the National Development Plan and also to promote investment attraction and SMME development. The municipal entity was disestablished by council at its special council meeting held 29 April 2022, under item E(1)(ff). The agency is a dormant company.

Mbombela Economic Development Partnership
Council has at its meeting held 26 February 2015 under item A(4) resolved to approve the establishment of the Mbombela Economic Development Partnership. The Mbombela Economic Development Partnership was constituted as an independent not for profit company established in terms of the Companies Act, No 71 of 2008.

The overriding objective of Mbombela Economic Development Partnership is to meet the City's economic development strategic outcomes in partnership with the community in order to stimulate the economy by focusing on sector support thus creating an enabling environment that will attract investment, stimulate increased job creation, skills transfer, youth and small business development, resource resilience and liveable and safe community development.

The Mbombela Economic Development Partnership is responsible for the following core functions:
- Mobilisation and establishing partnerships for thematic programmes
- Communication, Promotion, Intelligence Distribution
- Coordination and facilitation of spatial, sector and/or project interventions
- Facilitate dialogue amongst key stakeholders

Municipal Housing Association
Council has at its meeting held 29 March 2019 under item A(6) resolved for the establishment of Municipal Housing Association . The Municipal Housing Association will be responsible for creating and managing social housing and rental stock, and further managing community rental stock. The City of Mbombela will be the controlling entity for the Municipal Housing Association.

Umsebe Accord
Umsebe Accord is a Non Profit company established to pursue public benefit objectives entrusted with the four municipalities namely, Municipio De Matola Municipality(Mozambique), Municipal Council of Mbabane(eSwatini), Nkomazi Local Municipality and the City of Mbombela Local Municipality. The objectives and functions of the company (entity) amongst others include promotion of local economic development initiatives and meeting the strategic objectives of the four cities as registered in the Memorandum of Incorporation. The Board of Directors constitutes representatives from all the four cities (municipalities) nominated to represent each municipality accordingly. Council has resolved at its meeting held 31 August 2018 under item A(4) to review and renew the Umsebe Accord Protocol for a five years period from 2018 to 2023.

Municipal Solidarity Fund
The Municipal Solidarity Fund was established to solicit funding that would be used to fight the COVID-19 pandemic and the sound consequences of the pandemic, including but not limited to social development, supporting the homeless, food security, support to informal traders, assisting the unemployed in the communities. The Fund was established as a Non-Profit Organization.

The diversified Board of Directors were appointed to serve and contribute to the successful realization of the strategic objectives of the Fund. The establishment of the Municipal Solidarity Fund with terms of reference was approved by Council at its meeting held 30 October 2020 under item A(9).

52. Related party disclosures (continued)

52.2 Related party transactions

Remuneration of senior management is disclosed Note 37 to these audited annual financial statements .

Remuneration of councillors and other in-kind benefits is disclosed in Note 38 to these audited annual financial statements.

Audited
By

2025 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

	2025	2024

53. Deviations from SCM regulations - SCM Regulation 36

In terms of regulations 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

	2025	2024
Deviations from SCM	169,113,452	18,760,288

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Company Name	Exceptional Cases	Sole Supplier	Total
247 Khompho Trading Logistics	368,323	-	368,323
264 Zone Palace	362,493	-	362,493
3 Way General Trading	362,493	-	362,493
Actom (Pty) Ltd T/A Electrical Products	4,725,672	-	4,725,672
Afrirent	19,513,239	-	19,513,239
AJ Broom Road Products	250,222	-	250,222
Akacia Medical	12,317	-	12,317
Arch Actuarial Consulting	23,460	-	23,460
Arena Holdings	127,029	-	127,029
Banenhlanhla Trading	29,950	-	29,950
Barloworld Equipment (Nelspruit)	24,218,909	-	24,218,909
Barry Theron Electronics	93,438	-	93,438
Bell Equipment Sales South Africa Limited	3,179,495	-	3,179,495
Bright Idea Projects 61	6,034,246	-	6,034,246
Buhle Besive Contractors & Catering CC	10,959,548	-	10,959,548
CED M Trading	362,493	-	362,493
Cedrick N Mashele Projects & Construction	362,493	-	362,493
CIS Holdings T/A Grand Tyre & Exhaust	65,400	-	65,400
Conlog	6,597,378	-	6,597,378
Continental Cables	2,007,325	-	2,007,325
Custospace CC	1,615,645	-	1,615,645
Didulog	270,252	-	270,252
Ebuhleni Projects Management CC	902,292	-	902,292
Enviro Chainsaws Lowveld	113,570	-	113,570
EWaste Africa T/A Baclan Energy	10,183	-	10,183
FH Mokoena 001	1,560,474	-	1,560,474
Fire Sibindi Electrical	407,968	-	407,968
Fire Sibindi Electrical	554,192	-	554,192
Gaby Glass	1,846,451	-	1,846,451
Gijima Holdings (Pty) Ltd	57,600	-	57,600
Government Printing Works	-	8,070	8,070
Hani Bookbinders (Pty) Ltd	4,290	-	4,290
Ike Ndlovu Trading (Pty) Ltd	141,343	-	141,343
Inaledi Trading (Pty) Ltd	270,252	-	270,252
Inyathi Environental Technologies	6,840,679	-	6,840,679
Jam and Day (Pty) Ltd	120,197	-	120,197
Jay & Cam Investments	3,144,984	-	3,144,984
Jebtie Properties (Pty) Ltd	3,638,828	-	3,638,828
John Maytham Invesmtnents	13,128	-	13,128
JP Barnard Drukkery Ond. CC T/A Minuteman Press	33,693	-	33,693
Kruger Lowveld Chamber of Business & Tourism	48,909	-	48,909
Laeveld Trekkers Rocky's Drift	452,873	-	452,873
Landis & Gyr (Pty) Ltd	8,079,463	-	8,079,463
Lekamisa Trading	270,252	-	270,252
Lekgawutsane Trading CC	3,247,575	-	3,247,575
Livewire Engineering & Consulting	14,155	-	14,155
LK Business Enterprise	387,618	-	387,618
LKH Hydraulic Services CC	429,366	-	429,366
Lomelucy Trading	362,493	-	362,493
Lusanda Trading CC	362,493	-	362,493
Lusito Trading & Projects	362,493	-	362,493
Lwandlelethu Business Enterprise	287,864	-	287,864
Mandlakazi Electrical Technologies (Pty) Ltd	296,556	-	296,556
Maphuzane General Trading CC	1,134,626	-	1,134,626
Marce Projects (Pty) Ltd	366,277	-	366,277

Mascor Corporation T/A Mascor	3,418	-	3,418
Masebendza Avuke Electrical (Pty) Ltd	51,137	-	51,137
Master Tech Spares	1,172,356	-	1,172,356
Matscor Investments (Pty) Ltd	1,544,741	-	1,544,741
Mbatsa Trading Enterprise	449,667	-	449,667
Mbuso Joseph Trading	28,279	-	28,279
MDRT Engineering	4,512,955	-	4,512,955
Media 24	144,882	-	144,882
Midas Home Collection Trading	362,493	-	362,493
Milazi AA Incorporated	105,820	-	105,820
Motus Group T/A Motus Toyota Parktown	13,411	-	13,411
Moyana Transport	362,493	-	362,493
National Asphalt (Pty) Ltd	2,777,838	-	2,777,838
Ndiza Solutions (Pty) Ltd	362,493	-	362,493
Ndzali Investment	287,864	-	287,864
Nkoboni Construction & Projects	863,113	-	863,113
NMI durban South Motors T/A Garden City Motors Mbo	117,282	-	117,282
Nuna Investment (Pty) Ltd	454,801	-	454,801
Obzza Construction	287,864	-	287,864
Paresh Maharaj T/A PM Tuning	883,668	-	883,668
Poonties Panelbeaters	14,464	-	14,464
Qhumanani Trading & Enterprise	575,729	-	575,729
QT SUpply & Electrical (Pty) Ltd	2,224,656	-	2,224,656
Red Barron Trading & Projects	362,493	-	362,493
Rocla (Pty) Ltd	399,405	-	399,405
S & J Fitment Centre CC	21,412	-	21,412
Sboshcon Civil	2,900,248	-	2,900,248
Seyenza Consultants CC	3,742,100	-	3,742,100
Sikhanyiso Projects & Solutions	362,493	-	362,493
Siyancenga Projects	149,331	-	149,331
Siyathuthuka Sonke Trading & Projects	650,357	-	650,357
Sizampilo Bo Tembe (Pty) Ltd	362,493	-	362,493
Spark & Ellis (Pty) Ltd	1,980,371	-	1,980,371
Sunrise Magazine	21,250	-	21,250
Syntell (Pty) Ltd	25,806	-	25,806
Systeco	30,061	-	30,061
Texas Buidling Construction	1,012,850	-	1,012,850
The Beeger Picture T/A Kipinge	28,980	-	28,980
The Khubelas Investment	1,225,867	-	1,225,867
The Lowvelder/ Mpumalanga News	660,678	-	660,678
Thejas Trading & Eneterprise (Pty) Ltd	362,493	-	362,493
Thelangoma Trading	3,043,427	-	3,043,427
Tinongo Trading Enterprise CC	212,755	-	212,755
Traffic Signal and Accessories	425,500	-	425,500
Triponza Trading 804	270,252	-	270,252
Truvelo Africa Electronics Division	119,185	-	119,185
Umfazi Omnyama Womans Trading Consortium	270,252	-	270,252
Urban Econ Development Economists (Pty) Ltd	101,098	-	101,098
Vangard Projects CC	1,159,055	-	1,159,055
Verotest	12,679	-	12,679
Vikora Trading	362,493	-	362,493
Villq Park JV Seroto Sawnill	270,252	-	270,252
VT Maphanga General Business Enterprise CC	362,493	-	362,493
Vuk Mhlobo Trading	270,252	-	270,252
VW Commercial Vehicles (Palm Motors) CC	182,625	-	182,625
Westvaal Group T/A Branch Westvaal Nelspruit	5,987,810	-	5,987,810
Yozindaba	1,156,437	-	1,156,437
Zibaland General Trading	362,493	-	362,493
Zwide Business Enterprise(Pty) Ltd	362,493	-	362,493
Embhayini Trading CC2	362,493	-	362,493
Ngangaza Construction & Transport	4,606,275	-	4,606,275
	169,105,382	**8,070**	**169,113,452**

Auditor General South Africa
Mpumalanga Business Unit
2025

		2025	2024

54. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of City of Mbombela

Position and relationship to person in service of the City	Supplier Name	2025	2024
Librarian - Mother-Daughter	Wakhitsi 101 Enterprise and General Trading	24,130	-
Supply Chain Practitioner - Mother-Daughter	Hlakacorp Trading and Projects	966,122	-
Clerk - Sister	Mkhoyisile Holdings	46,602	-
General Worker - Sister	Simphiwe Kushesha Business Enterprise	58,460	-
Total		**1,095,314**	**-**

55. Additional disclosure in terms of Municipal Finance Management Act

SALGA Contributions

	2025	2024
Opening balance	6,811,369	-
Current year subscription / fee	13,957,328	12,708,936
Amount paid - current year	(5,582,929)	(5,897,567)
Amount paid - previous period	(6,811,369)	-
Amount approved by the director and noted by council	**8,374,399**	**6,811,369**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

Audit fees

	2025	2024
Opening balance	2,672,240	8,275,860
Current year audit fees	14,120,537	10,899,470
Amount paid - current year	(11,287,822)	(8,227,227)
Amount paid - previous period	(2,672,240)	(8,275,863)
Amount approved by the director and noted by council	**2,832,715**	**2,672,240**

PAYE, UIF and SDL

	2025	2024
Opening balance	22,697,305	39,380,963
Current year subscription / fee	289,359,404	264,471,618
Amount paid - current year	(263,705,482)	(241,774,313)
Amount paid - previous period	(22,697,305)	(39,380,963)
Amount approved by the director and noted by council	**25,653,922**	**22,697,305**

The unpaid balance is the amount for June 2025 which was payable in July 2025.

Pension and Medical Aid deductions

	2025	2024
Opening balance	24,212,953	22,989,429
Current year subscription / fee	303,306,110	288,439,464
Amount paid - current year	(277,772,454)	(264,226,511)
Amount paid - previous period	(24,212,953)	(22,989,429)
Amount approved by the director and noted by council	**25,533,656**	**24,212,953**

The unpaid balance is the amount for June 2025 which was payable in July 2025.

	2025	2024

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

Value Added Tax

	2025	2024
VAT receivable	581,393,057	440,666,473
VAT payable	(107,969,807)	(94,441,186)
Total	**473,423,250**	**346,225,287**

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

	2025	2024
Opening balance	346,225,287	256,335,797
Total amount claimed from SARS during the year	116,711,055	73,966,890
Total amount received during the year	(115,283,860)	(73,544,736)
Adjustments	126,702,941	60,604,869
VAT (payable) / receivable (as per VAT 201)	(932,173)	28,862,467
VAT receivable	**473,423,250**	**346,225,287**

	2025	2024
VAT (payable) / receivable (as per VAT 201)	(932,173)	28,862,467
Net VAT on accruals	474,355,423	317,362,820
VAT receivable	**473,423,250**	**346,225,287**

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

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

Councillors' arrear consumer accounts

	2025			2024		
	Outstanding less than 90 days	Outstanding more than 90 days	Total	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr JA Mkhonto	1,179	2,639	**3,818**	1,116	3,398	**4,514**
Cllr WD Ndlovu	2,412	24,611	**27,023**	2,556	15,369	**17,925**
Cllr QE Nkosi	-	-	**-**	119	496	**615**
Cllr ME Nsimbini	1,303	2,904	**4,207**	1,482	6,981	**8,463**
Cllr PS Thole	-	-	**-**	639	5,369	**6,008**
Cllr RF Dlamini	4,699	-	**4,699**	-	-	**-**
Cllr NE Gecelo	5,923	-	**5,923**	-	-	**-**
Cllr PV Mashego	2,858	-	**2,858**	-	-	**-**
Cllr JM Mazibane	1,520	-	**1,520**	-	-	**-**
Cllr DB Mkhatshwa	777	-	**777**	-	-	**-**
Cllr KA Olivier	1,673	-	**1,673**	-	-	**-**
Cllr SG Chiloane	1,147	-	**1,147**	-	-	**-**
Total	**23,491**	**30,154**	**53,645**	**5,912**	**31,613**	**37,525**

Distribution losses

Material losses are disclosed in note 5 and 39 of these audited annual financial statements.

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

	2025	2024

56. Unauthorised, irregular, fruitless and wasteful expenditure

56.1 Unauthorised expenditure

	2025	2024
Opening balance as previously reported	2,774,656,440	2,047,690,845
Add: Unauthorised expenditure – current	776,374,986	726,965,595
Less: Amounts written-off – prior period	(1,226,114,501)	-
Closing balance	**2,324,916,925**	**2,774,656,440**

The unauthorised expenditure incurred has been referred to the municipal public accounts committee for investigation and recommendation of appropriate measures to be implemented by council in accordance with regulations 74 of the Municipal budget and reporting regulations.

Council has at its special and ordinary meetings held 19 December 2024 under items M(l) ,approved the write-off of the unauthorized expenditure incurred emanating from an overspending on the approved operating budget.

Audited By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

56.2 Irregular expenditure

	2025	2024
Opening balance as previously reported	991,381,374	909,498,288
Add: Irregular expenditure - current	44,144,029	81,883,086
Less: Amounts written-off – prior period	(152,665,568)	-
Closing balance	**882,859,835**	**991,381,374**

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps/criminal proceedings	2025	2024
No feasibility study was conducted on a mandatory 30% sub contracting.	Investigation in progress	14,213,820	-
The bidder failed to comply with the mandatory 30% local subcontracting for all projects above the threshold of R 30 million	Investigation in progress	1,655,207	-
Incorrect calculation of functionality score points	Investigation in progress	2,886,675	-
Bid awarded after the expiration of a validity period	Investigation in progress	2,367,577	-
Failure to submit municipal rates and taxes for both the company and the directors.	Investigation in progress	644,603	-
Irregular expenditure incurred due to an expired contract	Investigation in progress	1,817,936	-
SCM: Non - compliance with pre-determined requirements	Investigation in progress	12,820,148	-
Expenditure incurred on an expired contract without extension	Investigation in progress	7,738,063	-
Total		**44,144,029**	**-**

The irregular expenditure incurred has been referred to the municipal public accounts committee for investigation and recommendation of appropriate measures to be implemented by council in accordance with regulations 74 of the Municipal budget and reporting regulations.

Council has, at its special council meetings held 19 December 2024, under items M(1), resolved to write-off of the irregular expenditure incurred during the current reporting period and prior.

Notes to the Audited Annual Financial Statements

	2025	2024

56. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

56.3 Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	226,779,380	218,162,856
Add: Fruitless and wasteful expenditure – current	142,734,052	114,471,851
Less: Amounts written-off – current	(1,299,932)	(105,855,327)
Closing balance	**368,213,500**	**226,779,380**

The fruitless and wasteful expenditure incurred during the reporting period relates to interest and penalties charged on payments which were not made within 30 days on receipt of an invoice or statement in compliance with Section 65 of the Municipal Finance Management Act, 2003. The City continues to face persistent financial cash flow challenges, which impacted in its obligations to pay its suppliers timeously.

The fruitless and wasteful expenditure incurred has been referred to the municipal public accounts commitee for investigation and recommendation of appropriate measures to be implemented by council in accordance with regulations 74 of the Municipal budget and reporting regulations.

The City incurred a penalty charge from the South African Revenue Services for late payment, caused by technical difficulties encountered. The City subsequently requested a waiver of penalty, and the South African Revenue Services ruled in favour of the City.

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

	2025	2024

57. Contingent liabilities

	2025	2024
The Applicant issued an urgent application against the City of Mbombela for interdicting and restraining the City of Mbombela form taking any steps to prevent the applicant from fulling its obligations in terms of the appointment of the Applicant as the consulting engineer in respect of contract number 51/2019 Numbi Ring Road and the subsequent Service Level Agreement. An order for the payment of the sum of R 6 660 581.16 due to the Applicant in terms of the SLA. The matter is going for first case management.	6,660,581	6,660,581
The plaintiff alleges that on or about the 26th of December 2022 at or near the intersections of Graniet road and Azuriet street, and incident occurred between his motor vehicle and pothole on the road resulting in damages to his motor vehicle in the amount of R 96 205.31.	96,205	96,205
The municipality is a respondent in the case of the former Chief Financial Officer, filed in the High Court of South Africa, Mpumalanga Division, Mbombela, on 27 June 2025. The case arises from the termination of the employment contract of the former Chief Financial Officer, who is challenging the lawfulness of the Municipal Council's decision and related administrative actions. The proceedings involve issues of statutory interpretation under sections 56 and 106 of the Municipal Systems Act (Act 32 of 2000), particularly concerning the powers of the MEC for Cooperative Governance and the authority of the Council to rescind its own decisions. The municipality's legal representatives have advised that the matter is still pending, and it is not practicable at this stage to determine the likely outcome or quantify the potential financial effect, if any. Accordingly, no provision has been recognized in the financial statements.	-	-
An application was made to National Treasury for condonation of the unauthorised expenditure on conditional grants incurred during 2009/2010 and 2010/2011 financial years. The municipality is awaiting the pending outcome of the request after all supporting evidence was submitted in collaborating of the unauthorised expenditure which was outside the respective conditional grants framework. Municipal Infrastructure Grant: R 163 400 959 and Public Transport Infrastructure Grant: R 41 177 177) R 204 578 136.	204,578,136	204,578,136
A matter involves the alleged constructive dismissal of an employee who then referred a dispute to the Labour Court. Msikinya Attorneys are the appointed legal representatives handling the matter on behalf of the city. R 300 000	300,000	552,961
A dispute has arisen due to non-performance on agreed deliverables as stipulated on the service level agreement. The matter is currently under mediation. R 14 052 481.	14,052,481	14,052,481

	2025	2024

57. Contingent liabilities (continued)

	2025	2024
On July 1, 2023, the City of Mbombela implemented a latest general valuation roll for the 1 July 2023 to 30 June 2028 valuation cycle that was compiled in accordance with the Municipal Property Rates Act (MPRA), 6 of 2004, as amended. Ratepayers were afforded the opportunity to register objection in terms of section 49 read with section 50 of the MPRA to the property valuations that were employed to calculate their property rates charges. These objections were thoroughly assessed and resolved. In accordance with the MPRA, ratepayers who were dissatisfied with the responses had the opportunity to file an appeal. The appeals procedure has commenced. The rate revenue charged to the ratepayers' accounts for the year may need to be reversed if the ratepayers are successful in their appeal. The valuation appeal board's decision cannot be predicted, which is why the value of the rates revenue to be reversed could not be determined at a reporting date. The corresponding receivables reported might reduce based on the outcome. The City may need to credit customer balances for amounts already received as payments for property rates.	28,427,222	-
A plaintiff seeks relief for damages totalling to R410 018 suffered and alleged caused by the City of Mbombela employees	-	410,018
	254,114,625	**226,350,382**

Audited By
2025 -11- 30
Auditor General South Africa

58. Contingent assets

	2025	2024
On 10 June 2025, the High Court of South Africa, Mpumalanga Division, Mbombela, issued an order to the Sheriff of the High Court directing ABSA Bank to pay R6 670 000 into the Sheriff's trust account, to be retained pending the determination of an application for rescission before the Court. The order arises from a dispute in which the contractor claims payment in excess of the contract amount.	6,670,000	-

59. Commitments

Commitments in respect of capital expenditure:

	2025	2024
Approved and contracted for:		
Infrastructure - Water	799,532,129	721,663,658
Infrastructure - Roads	907,267,420	904,331,928
Infrastructure - Electricity	142,070,349	164,805,594
Infrastructure - Sanitation	271,315,826	231,639,668
Infrastructure - Buildings	111,131,351	121,357,343
Infrastructure - Community Halls	36,052,359	33,920,008
Total capital commitment	**2,267,369,434**	**2,177,718,199**

	2025	2024
The expenditure will be funded as follows:		
Government grants	1,792,999,684	1,788,906,648
Internal funding	474,369,750	388,811,551
	2,267,369,434	**2,177,718,199**

Commitments in respect of operational expenditure:

Notes to the Audited Annual Financial Statements

	2025	2024
Approved and contracted for:		
Typical Work Stream - Electrification	74,080,428	71,729,985
Typical Work Stream - Meter conversion and replacement	14,154,552	30,989,861
Typical Work Stream - Roads	24,369,327	24,369,327
Typical Work Stream - Water Services	15,883,451	25,473,733
Typical Work Stream - Financial Management	5,389,911	9,699,647
Typical Work Stream - Sanitation	-	25,756,846
Typical Work Stream - Other	137,349,455	147,722,588
Typical Work Stream - Solid Waste	114,047,512	-
Total operational commitment	**385,274,636**	**335,741,987**

Operating leases - as lessor (income)

	2025	2024
Minimum lease payments due		
- within one year	1,253,593	1,248,609
- in second to fifth year inclusive	2,214,862	2,931,989
- later than five years	231,135	158,767
	3,699,590	**4,339,365**

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

60. Financial instruments

60.1 Financial risk management

The Municipality has exposed to the following risks from its use of financial instruments:
-Credit risk
-Liquidity risk
-Market risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the annual financial statements.

Council has established a risk management committee, which is responsible for reviewing the effectiveness of the institutional risk management systems, policy, procedures and practices.

Credit risk
Is the risk of financial loss to the Municipality if a consumer or counterpart to a financial instrument fails to meet its contractual obligations.

- Trade and other receivables from exchange transactions
- Non-current receivables from exchange transactions
- Investments
- Non-current investments
- Other non- current financial assets
- Cash and cash equivalents

Audited
By
2025 -11- 30
Auditor General South Africa

Trade and other receivables from exchange transactions
The Municipality's trade and other receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the Municipality such as water, sanitation and rates levied. The Municipality's exposure is continuously monitored. The Municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of consumer and other receivables. No consumer or other receivables have been pledged as security. Certain consumer and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the consumer and other receivables have been re-negotiated with counterparties

Investments
It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the Municipality does not expect any counterparty to fail to meet its obligation.

Cash and cash equivalents
The Municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Maximum exposure to credit risk at reporting date for each class of financial assets was:

60. Financial instruments (continued)

		2025	2024
		Carrying amount	**Carrying amount**
Financial assets			
Amortised cost			
Trade and other receivables from exchange transactions	3	632,215,147	508,951,160
Non-current Receivables from Non-exchange Transact	14	2,167,748	2,164,667
Cash and cash equivalents	2	142,754,263	140,091,132
Current portion of non-current receivables		2,195,643	1,075,291
Deposits		18,157,597	17,079,597
		797,490,398	**669,361,847**

Impairment disclosure for current financial assets carried at amortised costs
All of the Municipality's financial assets have been reviewed for indicators of impairment. Refer to Note 3 for the impairment reconciliation of consumer and other receivables.

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments.

Interest rate risk
The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term borrowings and are therefore not linked to the interest bank repurchase rate. The municipality has only two interest bearing borrowings as indicated in Appendix A.

At year end, financial instruments exposed to interest rate risk were as follows:

- Cash and cash equivalents
- Borrowings

Fair value sensitivity analysis on fixed rate instruments
The Municipality does not account for any fixed rate financial assets and liabilities at fair value through surplus and deficit, therefore a change in interest rates at reporting date will not affect surplus for the year.

Audited
By
Auditor General South Africa

Notes to the Audited Annual Financial Statements

	2025	2024

60. Financial instruments (continued)

60.2 Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The Municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities

Amortised cost

	Note	2025	2024
Trade and other payables:			
Consumer deposits	17	45,998,709	42,639,638
Trade and other payables from exchange transactions	18	3,279,032,536	2,298,838,694
Current portion of non-current borrowings		18,846,079	16,447,531
Current portion of Finance lease liabilities		947,294	625,067
		3,344,824,618	**2,358,550,930**
Total financial instruments		**(2,547,334,220)**	**(1,689,189,083)**

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

30 June 2025

	Within 1 year	2 to 5 years	5 years +	Total
Trade and other payables from exchange transactions	3,279,032,536	1,066,732,395	-	4,345,764,931
Borrowings	18,846,079	133,179,681	77,421,747	229,447,507
Lease liabilities	947,294	-	-	947,294
Consumer deposits	45,998,709	-	-	45,998,709
	3,344,824,618	**1,199,912,076**	**77,421,747**	**4,622,158,441**

30 June 2024

	Within 1 year	2 to 5 years	5 years +	Total
Trade and other payables from exchange transactions	2,298,838,694	1,066,732,395	-	3,365,571,089
Borrowings	16,447,531	128,194,886	101,672,649	246,315,066
Lease liabilities	625,067	947,294	-	1,572,361
Consumer deposits	42,639,638	-	-	42,639,638
	2,358,550,930	**1,195,874,575**	**101,672,649**	**3,656,098,154**

Concentration of credit risk

	2025	2024
The concentration of the credit risk associated with:		
Borrowings	5 %	7 %
Other financial liabilities	1 %	1 %
Trade and other payables from exchange transactions	94 %	92 %
	100 %	**100 %**

	2025	2024

60. Financial instruments (continued)

Financial Sustainability and Liquidity Management

The City has been unable to meet most of its current obligations by paying service providers within 30 days on receipt of invoice or statement in compliance with Section 65 of the Municipal Finance Management Act No 56 of 2003. The persistent cash flow constraints emanates from the accumulation of trade payables over the previous financial years and minimal cash backed reserves. The severe financial situation was further exacerbated by a number of community protests experienced during the year.

Liquidity management objectives have not been entirely met as the cash coverage ratio was less than a month which is below the norm of three months and the current ratio was fragile as the current liabilities exceeded the current assets by R2 188 178 181 (2024: R1 573 083 019) with an outcome assessment of less than one. The municipality is however in a net asset position. Furthermore, the municipality was not able to maintain 100 per cent level of cash backed reserves during the reporting period. A material amount of receivables have been impaired due to non-collectability. The municipality did incur a loss of R194 913 290 (2024: R324 489 014) for the financial year.

There are indicators of material uncertainty that may cast significant doubt on the Municipality's ability to continue as a going concern. Should these uncertainties materialise, the Municipality may be unable to realise its assets and settle its liabilities in the normal course of operations.

Notwithstanding these risks, management has implemented a Voluntary Financial Recovery Plan, a comprehensive Revenue Enhancement Strategy, and cost-containment measures. These interventions, together with committed government transfers, are expected to strengthen the Municipality's financial position and support its ability to continue delivering services on a sustainable basis.

As part of the responsive measures, Council adopted various strategies and plans to address the financial situation challenge. Council has approved the liquidity management policy at its meeting held 31 May 2019 under item A(4) (c) for implementation. The liquidity policy seeks to give guidance for maintaining sufficient liquidity intensities to meet the liabilities when due under both normal and stressed conditions without incurring any prohibited expenditure. Furthermore, the Revenue Enhancement Strategy for the City was approved by Council at the meeting held 31 May 2017 under item A(4) for which implementation is ongoing. The revenue enhancement strategy outlines the various optimisation measures to enhance the liquidity and financial health position.

The City has also developed Supply Chain Management sourcing strategy which was approved by Council at the meeting held 28 June 2017 under item A(4). One of the objectives for the sourcing strategy is to regulate prices on certain commodities in order to ensure that goods and services are procured in a most economic manner.

The City requested intervention from National Treasury to conduct the Municipal Financial Management Capability Maturity assessment for which the outcome was tabled before Council at its meeting held 28 June 2018 under item A(1). The Municipal Financial Management Capability Maturity Model assessed the maturity level of the municipality on various aspects of internal controls, policies and procedures and compliance with Legislation. An action plan to address the weaknesses identified through the Municipal Finance Management Capability Maturity Assessment has been developed and it is currently being implemented.

Furthermore, National Treasury has assisted the City to revise the Financial Recovery Plan as a turnaround management initiative. The plan was approved by Council at its meeting held 28 June 2024 under item A(4). The City is implementing the approved Financial Recovery Plan and Council as well other internal and external stakeholders have been monitoring the implementation thereof on a monthly basis.

The municipality continues to aggressively implement the financial interventions and revenue collection strategies in order to improve financial sustainability and liquidity management objectives. The municipality is focusing on implementing the various strategies and plans aggressively in order to shorten the turnaround/ recovery period. In responding to the cash flow constraints faced by the municipality, the city is focusing on revenue optimisation, cost minimisation to achieve value for money as well as implementing the approved creditor's reduction plan. Payment negotiations and arrangements are continually made with major suppliers given the financial constraints faced by the City in implementing the creditors' reduction plan.

61. Budget information

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of City of Mbombela as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual Amounts.

61.1. Statement of financial position

Current assets

1. Cash and cash equivalents
The variance is due to the methodology used by NT to calculate the cash and cash equivalent.

2. Trade and other receivables from exchange transaction
The variance is due to city's inability to collect revenue for billed services.

3. Receivables from Non-Exchange Transaction
This is due to under-collection on billed non-exchange revenue

4. Current portion of non current receivables
The variance is due to the city's ability to recover bursaries and housing stand loans.

5. Inventory
The variance is due to due to the increase in demand for material at the stores.

6. VAT Receivables.
The variance is due to due to delay in payment of VAT from SARS.

7. Other current Assets
This is due to deposits made to Eskom for new accounts created.

Non-current assets

8. Intangible assets
The variance is due to the reclassification of assets in terms of mSCOA

Audited By 2025 -11- 30 Auditor General South Africa

	2025	2024

61. Budget information (continued)

9. Non current Receivables from non-exchange transactions
The variance is due to employee bursaries and housing stands loans

Current liabilities

10.Financial Liabilities
This is due under-stated projection for the lease payments and short-term borrowing balances.

11.Consumer deposits
This is due to lower number of accounts created in 2024/2025 than anticipated because of delays in formalisation of informal settlements.

12. Trade and other payables from exchange transaction
This due to non-payment of outstanding creditors on time because of cash flow constrains.

13. Trade and other payables from non- exchange transaction
This due unspent conditional grants during 2024/2025 financial year.

14.Provisions
Due to misalignment between the B-schedule and statement of budget comparison, under the B-schedule Provisions and defined benefit obligations is under one line item where as in the statement of budget comparison its separate from each other.

15.VAT payable
This is due to timely payment owed to SARS to avoid fruitless and wasteful expenditure.

Non-current Liabilities

16. Long-term portion of trade payables
This is due to the non-implementation of approved write-off by Eskom in terms of the National Treasury approval letter.

17. Defined benefit obligations
Due to misalignment between the B-schedule and statement of budget comparison, under the B-schedule Provisions and defined benefit obligations is under one line item where as in the statement of budget comparison its separate from each other.

Audited
By
2025 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

61. Budget information (continued)

61.2. Statement of financial performance

Revenue from exchange transactions

18. Service charges - Water
The under-performance is due to persistent water losses which continues to rise on a yearly basis.

19. Service charges - Waste Water Management
Under-performance due to pipe burst due to aging and deteriorating sewer infrastructure.

20.Service charges - Waste Management
Under-performance due to delay to finalise formalisation process by the city.

21. Sale of Goods and Rendering of Services
Under-performance is due to delays in processing of application fees for land usage, amendments and advertisements due to high vacancy rate within the sundries income unit.

22. Interest earned from Receivables
Over-performance is due to the City's inability to collect billed revenue for service charges resulting to charging of interest on all areas accounts.

23.Interest earned from Current and Non Current Assets
Over-performance is due to additional interest earned for short term investments on grants. All grants received are kept in short-term interest bearing account while processes to spent is still under-way.

Audited By 2025 -11- 30 Auditor General South Africa Mpumalanga Business Unit

24. Licence and permits
Under-spending is due to decline in the number of applications received for the registration of plaza shops as required by the City's by-law.

25. Operational Revenue
Under-performance was due to the delay in recognition of prescribed revenue.

Revenue from non-exchange transactions

26. Property rates
Under-performance is due to lower than anticipated number of properties added through the supplementary valuation roll as well as the delay in finalising planned formalisation process.

27. Fines, penalties and forfeits
The variance due to lower fines issued for traffic, tempering and other transgressions which contravenes the City's by-laws.

28.Interest earned from receivables
The variance is due to inability of the city to collect billed revenue for property rates. This is interest charged for all rates account found to be in areas.

29.Other Gains
Variance is attributable to the non-implementation of the write-off by Eskom after approval by National Treasury.

Expenditure

61. Budget information (continued)

30. Debt impairment
Over-spending is due to the City's inability to collect billed revenue and this resulted in huge outstanding debtors which triggers the impairment process.

31. Depreciation and amortisation
This variance is due to the review of useful lives for infrastructure assets for the current year under review.

32. Finance charges
Over - spending is due to fruitless and wasteful expending cost emanating from late payment of the Eskom bulk account.

33. Transfers and subsidies
Over-spending is due to payments made to Silulumanzi for the services rendered on behalf of the municipality.

34. Operational costs
Over-spending is due to high cost incurred for Eskom LPU accounts.

61.3 Cash Flow Statement

35. Property Rates
Its due to under-collection on billed property rates revenue. This is caused by ineffective implimentation of credit control by-laws in some areas (Townships).

36. Service Charges.
Its due to under-collection on billed service charges revenue. This is caused by ineffective implimentation of credit control and debt collection by-laws in some areas (Townships).

37. Other revenue
The variance is due Vat portion not yet paid by SARS as at 30 June 2025.

38. Transfers and Subsidies - Operational
The variance is due to mis-alignement between the statement of budget comparison and cash flow statement.

39. Interest
This due to the inability to collect oustanding debtors and interest was charged on those accounts.

40. Finance charges
This is due to interest charged for over-due account which emanates mainly from the Eskom bulk account and constitutes fruitless and wasteful expenditure

41. Transfers and Subsidies
This is due to under-statement of budget projection

42. Increase in non-current receivables
Due to in ability to collect non-current debtors.

43. Repayment of borrowing
This is due to under-collection of projected revenue which resulted in actual payment made lower than projected.

Audited By
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Audited Annual Financial Statements

	2025	2024

62. Segment information

General information

Identification of segments

The City is organised and reports to management on the basis of four major functional areas: Electricity, Water management, Waste water management and Waste management. 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.

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

By
2025 -11- 3 0
Auditor General South
Mpumalanga Business Unit

Reportable segment	
Segment 1	Electricity
Segment 2	Water management
Segment 3	Waste water management
Segment 4	Waste management
Segment 5	Other support departments

Unallocated includes finance and administration, executive and council, internal audit functions, community and social services, sport and recreation, public safety, health services, housing services, planning and development, road transport and environmental protection services.

The reportable segments were reclassified from the previous reporting period. The three previously reported business units comprised of Community and Public Safety, Economic and Environmental Services and Trading services.