Ugu District Municipality
(Registration number DC21)
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996).
Nature of business and principal activities	The provision of water and sanitation to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Mayoral committee	
Executive Mayor	Cllr SI Mqadi
Deputy Mayor	Cllr V Chiya (Dismissed on 24 December 2024)
Speaker	Cllr SR Ngcobo
Other council committee members	Cllr D Nciki
	Cllr GD Henderson
	Cllr SN Caluza
	Cllr SP Mthethwa
	Cllr NA Njenga
Councillors	Cllr SE Khawula
	Cllr NY Mweshe
	Cllr SA Ngcece
	Cllr PC Shange
	Cllr BN Shozi
	Cllr J Schmidt
	Cllr MJ Cele Luthuli
	Cllr PZ Mzindle
	Cllr ND Ndovela (Recalled by political party on 31 May 2025)
	Cllr SD Mdluli
	Cllr JS Ngwane
	Cllr MP Tenza
	Cllr SEH Mngoma
	Cllr SP Fica
	Cllr TT Hlophe
	Cllr MZ Luthuli
	Cllr MV Vezi
	Cllr LS Zungu
	Cllr BG Nyuswa
	Cllr GD Henderson
	Cllr TH Msabala
	Cllr MP Shozi
	Cllr N Ndadane
	Cllr MA Manyoni
	Cllr LM Ngcobo (Resigned on 26 June 2025)
	Cllr X Nkasa
	Cllr P Breedt
	Cllr FM Ngwane
	Cllr NO Mazubane
	Cllr NT Dlamini (Replaced Cllr V Chiya on 31 May 2025)
	Cllr SV Duma
	Cllr AW Gege (Replaced Cllr N Ndovela on 29 May 2025)

General Information

Traditional leaders	Inkosi MP Ngcobo Inkosi MBW Xolo Inkosi EZ Jali
Grading of local authority	Grade 6
Chief Financial Officer (CFO)	K Audan
Accounting Officer	VO Mazibuko (Acting from 1 January 2023 - 30 April 2025, then fully appointed on 01 May 2025)
Registered office	28 Connor Street Port Shepstone KwaZulu Natal 4240
Business address	28 Connor Street Port Shepstone KwaZulu Natal 4240
Postal address	PO BOX 33 Port Shepstone KwaZulu Natal 4240
Bankers	Primary Banker: Standard Bank Limited Secondary Bankers: Nedbank Limited, ABSA Limited, First National Bank Limited and Investec Limited.
Auditors	Auditor General of South Africa (AGSA)
Website	www.ugu.gov.za

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

Abbreviations used:

DBO	Defined Benefit Obligation
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
AWIP	Accelerated Water Improvement Program
MEs'	Municipal Entities
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue its operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of councillors as disclosed in the 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 the Public Office Bearers Act, Act 20 of 1998.

The annual financial statements set out on pages 6 -116, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on its behalf by:

V.O Mazibuko
Municipal Manager

Date :

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local government activities, which include the planning and promotion of integrated development plan and the provision of water and sanitation to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is Mr. V.O Mazibuko.

The annual financial statements set out on page 6 to 116, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on its behalf by:

V.O Mazibuko
Municipal Manager

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	11,617,288	13,226,580
Current portion of long term receivables	4	86,867	57,025
Other receivables from exchange transactions	5	4,399,902	3,071,256
Receivables from non-exchange transactions	6	10,633,150	10,716,982
VAT receivable	7	134,479,877	108,339,230
Receivables from exchange transactions	8	173,325,596	102,495,172
Cash and cash equivalents	9	8,746,080	13,538,460
		343,288,760	**251,444,705**
Non-Current Assets			
Investment property	10	31,513,000	30,400,000
Property, plant and equipment	11	3,806,602,374	3,663,215,994
Intangible assets	12	4,027,956	4,367,660
Investments in controlled entities	13	200	200
Non-current portion of long term receivables	4	6,697,539	5,535,991
		3,848,841,069	**3,703,519,845**
Total Assets		**4,192,129,829**	**3,954,964,550**
Liabilities			
Current Liabilities			
Current portion of long term liabilities	14	4,329,423	4,118,702
Operating lease liability	15	11,556,360	10,607,600
Payables from exchange transactions	16	1,344,196,080	1,044,098,201
Consumer deposits	17	23,273,932	22,698,183
VAT payable	18	257,882,691	207,649,633
Employee benefit obligation	19	1,400,000	1,306,441
Unspent conditional grants and receipts	20	1,840,857	11,487,401
Long service awards	21	4,464,000	2,675,070
		1,648,943,343	**1,304,641,231**
Non-Current Liabilities			
Payables from exchange transactions	22	-	61,346,284
Non-current portion of long term liabilities	14	16,005,873	20,753,224
Employee benefit obligation	19	21,909,000	18,312,917
Long service awards	21	34,474,000	32,508,741
		72,388,873	**132,921,166**
Total Liabilities		**1,721,332,216**	**1,437,562,397**
Net Assets		**2,470,797,613**	**2,517,402,153**
Accumulated surplus		2,470,797,613	2,517,402,153
Total Net Assets		**2,470,797,613**	**2,517,402,153**

* See Note 53

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	596,698,432	465,051,172
Rental of facilities and equipment	24	2,113,665	2,754,976
Other income	25	4,194,824	7,938,386
Interest income from exchange transactions	26	93,706,973	76,765,088
Total revenue from exchange transactions		**696,713,894**	**552,509,622**
Revenue from non-exchange transactions			
Government grants & subsidies	27	1,100,245,789	1,055,391,665
Public contributions and donations	28	-	4,048,500
Interest income from non-exchange tractions	29	3,296,781	2,497,886
Water availability charges	30	18,242,765	15,855,096
Gain on waiver of liability	31	7,613,064	17,037,915
Total revenue from non-exchange transactions		**1,129,398,399**	**1,094,831,062**
Total revenue		**1,826,112,293**	**1,647,340,684**
Expenditure			
Employee related costs	32	(585,315,908)	(542,782,849)
Remuneration of councillors	33	(13,234,293)	(13,098,280)
Depreciation and amortisation	34	(235,423,829)	(228,199,662)
Finance costs	35	(60,992,332)	(45,188,352)
Lease rentals on operating lease	36	(5,975,531)	(8,268,075)
Debt Impairment	37	(288,866,493)	(271,165,282)
Bad debts written off	38	(9,016,450)	(4,532,795)
Bulk purchases	39	(237,839,584)	(158,873,997)
Contracted services	40	(180,624,708)	(313,798,608)
Transfers and Subsidies	41	(16,013,064)	(23,313,071)
Operational costs	42	(238,953,087)	(215,287,510)
Total expenditure		**(1,872,255,279)**	**(1,824,508,481)**
Operating deficit		**(46,142,986)**	**(177,167,797)**
Profit / (Loss) on disposal of assets	11&43	2,810,338	(193,991)
Fair value adjustments	44	1,113,000	2,400,000
Actuarial gains/(losses)	19&21	(1,895,546)	241,246
Impairment loss	45	(2,489,348)	(20,767,608)
		(461,556)	**(18,320,353)**
Deficit for the year		**(46,604,542)**	**(195,488,150)**

* See Note 53

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2,778,274,236	2,778,274,236
Adjustments		
Prior year adjustments - Note 53	(65,383,933)	(65,383,933)
Balance at 1 July 2023 as restated*	**2,712,890,303**	**2,712,890,303**
Changes in net assets		
Deficit for the year	(195,488,150)	(195,488,150)
Total changes	(195,488,150)	(195,488,150)
Restated* Balance at 1 July 2024	**2,517,402,155**	**2,517,402,155**
Changes in net assets		
Deficit for the year	(46,604,542)	(46,604,542)
Total changes	(46,604,542)	(46,604,542)
Balance at 30 June 2025	**2,470,797,613**	**2,470,797,613**
Note(s)		

* See Note 53

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		321,756,950	307,441,258
Government grants & subsidies		1,090,599,245	1,065,506,000
Interest income		10,054,620	8,946,303
Rental of facilities and premises		2,113,665	2,754,976
Other income		3,003,434	7,981,000
Water availability		9,716,723	5,505,706
		1,437,244,637	1,398,135,243
Payments			
Employee costs		(579,301,242)	(554,416,611)
Suppliers		(446,841,654)	(503,143,539)
Finance costs		(17,606,878)	(44,185,081)
Grants paid pack to funder		-	1,197,036
Transfers paid to municipal entities		(3,304,348)	(1,739,130)
		(1,047,054,122)	(1,102,287,325)
Net cash flows from operating activities	46	**390,190,515**	**295,847,918**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(392,830,187)	(291,751,327)
Proceeds from sale of property, plant and equipment	11	4,602,929	2,932,733
Purchase of other intangible assets	12	(2,219,007)	(540,713)
Net cash flows from investing activities		**(390,446,265)**	**(289,359,307)**
Cash flows from financing activities			
Repayment of current portion of long term liabilities		(4,536,630)	(6,036,609)
Net cash flows from financing activities		**(4,536,630)**	**(6,036,609)**
Net increase/(decrease) in cash and cash equivalents		**(4,792,380)**	**452,002**
Cash and cash equivalents at the beginning of the year		13,538,460	13,086,458
Cash and cash equivalents at the end of the year	9	**8,746,080**	**13,538,460**

* See Note 53

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	582,885,515	-	**582,885,515**	596,698,432	**13,812,917**	52.1
Rental of facilities and equipment	1,821,687	-	**1,821,687**	2,113,665	**291,978**	52.2
Other income	5,462,986	-	**5,462,986**	4,194,824	**(1,268,162)**	52.3
Interest income from exchange transactions	89,971,708	-	**89,971,708**	93,706,973	**3,735,265**	52.4
Total revenue from exchange transactions	**680,141,896**	**-**	**680,141,896**	**696,713,894**	**16,571,998**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	687,106,850	22,967,150	**710,074,000**	1,100,245,789	**390,171,789**	52.5
Interest income from non-exchange transactions	-	-	**-**	3,296,781	**3,296,781**	52.4
Water availability charges	-	-	**-**	18,242,765	**18,242,765**	52.6
Gain on waiver of liability	-	-	**-**	7,613,064	**7,613,064**	52.16
Total revenue from non-exchange transactions	**687,106,850**	**22,967,150**	**710,074,000**	**1,129,398,399**	**419,324,399**	
Total revenue	**1,367,248,746**	**22,967,150**	**1,390,215,896**	**1,826,112,293**	**435,896,397**	
Expenditure						
Employee related costs	(293,827,000)	(3,724,000)	**(297,551,000)**	(585,315,908)	**(287,764,908)**	52.7
Remuneration of councillors	(14,364,047)	-	**(14,364,047)**	(13,234,293)	**1,129,754**	52.8
Depreciation and amortisation	(230,779,999)	-	**(230,779,999)**	(235,423,829)	**(4,643,830)**	52.9
Impairment loss/ Reversal of impairments	-	-	**-**	(2,489,348)	**(2,489,348)**	
Finance costs	(4,846,380)	(233,620)	**(5,080,000)**	(60,992,332)	**(55,912,332)**	52.10
Lease rentals on operating lease	-	-	**-**	(5,975,531)	**(5,975,531)**	52.11
Debt Impairment	(27,226,250)	-	**(27,226,250)**	(288,866,493)	**(261,640,243)**	52.12
Bad debts written off	-	-	**-**	(9,016,450)	**(9,016,450)**	52.13
Bulk purchases	(64,687,472)	-	**(64,687,472)**	(237,839,584)	**(173,152,112)**	52.14
Contracted Services	(122,895,578)	1,309,578	**(121,586,000)**	(180,624,708)	**(59,038,708)**	52.15
Transfers and Subsidies	-	-	**-**	(16,013,064)	**(16,013,064)**	52.16
Operational costs	(99,166,224)	4,164,224	**(95,002,000)**	(238,953,087)	**(143,951,087)**	52.17
Total expenditure	**(857,792,950)**	**1,516,182**	**(856,276,768)**	**(1,874,744,627)**	**(1,018,467,859)**	
Operating deficit	**509,455,796**	**24,483,332**	**533,939,128**	**(48,632,334)**	**(582,571,462)**	
Profit on disposal of assets	-	-	**-**	2,810,338	**2,810,338**	52.18
Fair value adjustments	-	-	**-**	1,113,000	**1,113,000**	52.19
Actuarial gain	-	-	**-**	(1,895,546)	**(1,895,546)**	52.20
	-	**-**	**-**	**2,027,792**	**2,027,792**	
Deficit before taxation	**509,455,796**	**24,483,332**	**533,939,128**	**(46,604,542)**	**(580,543,670)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**509,455,796**	**24,483,332**	**533,939,128**	**(46,604,542)**	**(580,543,670)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	(6,761,217)	21,446,910	**14,685,693**	11,617,288	**(3,068,405)**	52.22
Current portion of long term receivables	65,818	-	**65,818**	86,867	**21,049**	52.23
Other receivables from exchange transactions	-	-	**-**	138,879,779	**138,879,779**	52.24
Receivables from non-exchange transactions	9,469,572	-	**9,469,572**	10,633,150	**1,163,578**	52.25
VAT receivable	(29,042,228)	135,441,316	**106,399,088**	134,479,877	**28,080,789**	52.26
Receivables from exchange transactions	210,197,602	-	**210,197,602**	173,325,596	**(36,872,006)**	52.27
Cash and cash equivalents	809,290,884	117,304,588	**926,595,472**	8,746,080	**(917,849,392)**	52.28
	993,220,431	**274,192,814**	**1,267,413,245**	**477,768,637**	**(789,644,608)**	
Non-Current Assets						
Investment property	28,000,000	2,400,000	**30,400,000**	31,513,000	**1,113,000**	52.29
Property, plant and equipment	3,639,126,720	129,957,641	**3,769,084,361**	3,806,602,374	**37,518,013**	52.30
Intangible assets	6,677,850	-	**6,677,850**	4,027,956	**(2,649,894)**	52.31
Investments in controlled entities	-	-	**-**	200	**200**	
Non-current portion of long term receivables	5,580,929	-	**5,580,929**	6,697,539	**1,116,610**	52.23
	3,679,385,499	**132,357,641**	**3,811,743,140**	**3,848,841,069**	**37,097,929**	
Total Assets	**4,672,605,930**	**406,550,455**	**5,079,156,385**	**4,326,609,706**	**(752,546,679)**	
Liabilities						
Current Liabilities						
Current portion of long term liabilities	-	-	**-**	4,329,423	**4,329,423**	52.32
Operating lease liability	-	-	**-**	11,556,360	**11,556,360**	52.33
Payables from exchange transactions	(433,355,738)	1,425,598,204	**992,242,466**	1,344,196,080	**351,953,614**	52.34
Consumer deposits	-	23,696,903	**23,696,903**	23,273,932	**(422,971)**	52.35
VAT payable	-	214,920,676	**214,920,676**	1,802,277	**(213,118,399)**	52.36
Employee benefit obligation	6,954,000	-	**6,954,000**	1,400,000	**(5,554,000)**	52.37
Unspent conditional grants and receipts	-	-	**-**	1,840,857	**1,840,857**	52.38
Long service awards	-	-	**-**	4,464,000	**4,464,000**	52.39
	(426,401,738)	**1,664,215,783**	**1,237,814,045**	**1,392,862,929**	**155,048,884**	
Non-Current Liabilities						
Non current portion of long term liabilities	149,013,775	(800,000)	**148,213,775**	16,005,873	**(132,207,902)**	52.32
Employee benefit obligation	45,375,000	-	**45,375,000**	21,909,000	**(23,466,000)**	52.37
Long service awards	-	33,939,126	**33,939,126**	34,474,000	**534,874**	52.39
	194,388,775	**33,139,126**	**227,527,901**	**72,388,873**	**(155,139,028)**	
Total Liabilities	**(232,012,963)**	**1,697,354,909**	**1,465,341,946**	**1,465,251,802**	**(90,144)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets	**4,904,618,893**	**(1,290,804,454)**	**3,613,814,439**	**2,861,357,904**	**(752,456,535)**	
Net Assets						
Accumulated surplus	4,904,618,893	(1,290,804,454)	**3,613,814,439**	2,470,797,613	**(1,143,016,826)**	52.40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	603,119,000	-	**603,119,000**	321,756,950	**(281,362,050)**	52.1
Government grants and subsidies	957,840,000	132,129,000	**1,089,969,000**	1,090,599,245	**630,245**	52.5
Rental of facilities and equipment	-	-	**-**	2,113,665	**2,113,665**	52.2
Interest income	26,066,000	-	**26,066,000**	10,054,620	**(16,011,380)**	52.4
Other income	113,048,000	-	**113,048,000**	3,003,434	**(110,044,566)**	52.3
Water availability	-	-	**-**	9,716,723	**9,716,723**	52.6
	1,700,073,000	**132,129,000**	**1,832,202,000**	**1,437,244,637**	**(394,957,363)**	
Payments						
Suppliers and Employees	(587,632,000)	76,933,000	**(510,699,000)**	(1,026,142,896)	**(515,443,896)**	52.7
Finance costs	(4,799,000)	566,000	**(4,233,000)**	(17,606,878)	**(13,373,878)**	52.10
Grants paid	-	-	**-**	(3,304,348)	**(3,304,348)**	52.16
	(592,431,000)	**77,499,000**	**(514,932,000)**	**(1,047,054,122)**	**(532,122,122)**	
Net cash flows from operating activities	**1,107,642,000**	**209,628,000**	**1,317,270,000**	**390,190,515**	**(927,079,485)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(311,343,000)	(90,723,000)	**(402,066,000)**	(392,830,187)	**9,235,813**	52.30
Proceeds from sale of property, plant and equipment	-	-	**-**	4,602,929	**4,602,929**	52.30
Purchase of other intangible assets	-	-	**-**	(2,219,007)	**(2,219,007)**	52.31
Net cash flows from investing activities	**(311,343,000)**	**(90,723,000)**	**(402,066,000)**	**(390,446,265)**	**11,619,735**	
Cash flows from financing activities						
Repayment of current portion of long term liabilities	-	-	**-**	(4,536,630)	**(4,536,630)**	52.32
Net cash flows from financing activities	**-**	**-**	**-**	**(4,536,630)**	**(4,536,630)**	
Net increase/(decrease) in cash and cash equivalents	796,299,000	118,905,000	**915,204,000**	(4,792,380)	**(919,996,380)**	
Cash and cash equivalents at the beginning of the year	13,086,000	-	**13,086,000**	13,538,460	**452,460**	52.23
Cash and cash equivalents at the end of the year	**809,385,000**	**118,905,000**	**928,290,000**	**8,746,080**	**(919,543,920)**	

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

Significant Accounting Policies

1. Significant accounting polices

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

1.1 Basis of preparation

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

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

Offsetting

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

Applicable Accounting Standards

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

These accounting policies are consistent with the previous period.

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Costs
- GRAP 9 Revenue from Exchange Transactions
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- 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
- GRAP 24 Presentation of Budget Information in Financial Statements
- GRAP 25 Employee Benefits
- GRAP 31 Intangible Assets
- GRAP 32 Service Concession Arrangements: Grantor

Significant Accounting Policies

1.1 Basis of preparation (continued)

- GRAP 35 Consolidated Financial Statements
- GRAP 104 Financial Instruments
- GRAP 108 Statutory Receivables
- GRAP 105 Transfer of functions between entities under common control
- GRAP 109 Accounting by Principals and Agents

Accounting Standards not applicable

- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 10 Financial Reporting in Hyperinfationary Economies
- GRAP 11 Construction Contracts
- GRAP 26 Impairment of Cash- generating Assets
- GRAP 27 Agriculture
- 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 106 Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 Mergers
- GRAP 110 Living and Non- living Resources

1.2 Presentation currency

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

1.3 Going concern assumption

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

Significant Accounting Policies

1.4 Materiality

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

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

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 Interests in other entities

Consolidated financial statements

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A controlled entity is an entity that is controlled by another entity. A controlling entity is an entity that controls one or more entities.

An economic entity is a controlling entity and its controlled entities.

Control

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

The entity controls another entity if the entity has all three of the following elements of control:
- power over the other entity;
- exposure, or rights, to variable benefits from its involvement with the other entity; and
- the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity. See note 12.

1.6 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The use of available information and the application of judgement is inherent in the formation of estimates.

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated by present valuing the cash-flows taking into account the past trends. The discount rate is the current prime lending rate to a risk factor is added and ensure that the time value of money for the principal debt is well covered. Impairment is calculated individually for each customer and major credit risk is already factored into the timing of each customer’s payments.

1.6 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

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

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

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

1.7 Investment property (continued)

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in the net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

1.8 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

Significant Accounting Policies

1.8 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Infinite
Buildings	Straight-line	5 to 50 years
Infrastructure - Security measures	Straight-line	7 to 25 years
Infrastructure - Sewerage	Straight-line	7 to 60 years
Infrastructure - Water	Straight-line	5 to 100 years
IT equipment	Straight-line	3 to 10 years
Furniture and fixtures	Straight-line	3 to 15 years
Office equipment	Straight-line	3 to 15 years
Motor vehicles	Straight-line	4 to 15 years
Specialised vehicles	Straight-line	10 to 15 years
Other assets	Straight-line	5 to 30 years
Sport facilities	Straight-line	5 to 30 years
Other property, plant and equipment	Straight-line	2 to 15 years
Other facilities	Straight-line	5 to 30 years

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

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

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

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

1.8 Property, plant and equipment (continued)

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.9 Intangible assets

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.9 Intangible assets (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	2 to 5 years
Servitudes	Infinite	Infinite

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.10 Financial instruments

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

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

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

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

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

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

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

Significant Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

1.10 Financial instruments (continued)

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

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

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

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

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

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

1.11 Tax

Value Added Tax

The Municipality accounts for value added tax on an accural basis but claimed / paid over to SARS on a cash basis in accordance with Section 15 (2) of the Value Added Tax (Act No. 89 of 1991).

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

Significant Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement costs where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

1.13 Inventories (continued)

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.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not been treated, therefore are not regonised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at on the statement of financial position date comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water purified effluent are valued by using the weighted average cost formula, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at the year-end.

Redundant and slow-moving inventories are identified and written down from cost to the net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the statement of financial performance in the year in which they arise. 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 carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.14 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

1.15 Impairment of non-cash-generating assets

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.

Significant Accounting Policies

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the 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 municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

Significant Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the 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.

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.

1.16 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

Classification of plans

A binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

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

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

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

Defined benefit cost

Service cost comprises: (a) current service cost, which is the increase in the present value of the defined benefit obligation resulting from employee service in the current period; (b) past service cost, which is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan); and (c) any gain or loss on settlement.

Net interest on the net defined benefit liability (asset) is the change during the period in the net defined benefit liability (asset) that arises from the passage of time.

Remeasurements of the net defined benefit liability (asset) comprise: (a) actuarial gains and losses; (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

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

Significant Accounting Policies

1.16 Employee benefits (continued)

A settlement is a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

(a) 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 recognises 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.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

(a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and

(b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Significant Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Statement of financial position

The entity recognises the net defined benefit liability (asset) in the statement of financial position. When the entity has a surplus in a defined benefit plan, it measures the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, determined using the discount rate specified. Any adjustments arising from the limit is recognised in surplus or deficit.

Presentation

Offset

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Current/non-current distinction

The entity offsets an asset relating to one plan against a liability relating to another plan when, and only when, the entity:

(a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and

(b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Other long-term employee benefits

Recognition and measurement

For other long-term employee benefits, 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:

(a) service cost;

(b) net interest on the net defined benefit liability (asset); and

(c) remeasurements of the net defined benefit liability (asset).

Significant Accounting Policies

1.16 Employee benefits (continued)

Termination benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

(a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.

(b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.18 Capital commitments

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

Capital commitments are not recognised but are required to be disclosed in the financial statements.

1.18 Capital commitments (continued)

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

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

The Municipality considers capital commitments that are approved but not yet contracted for to be those projects that have received various approvals including a firm commitment. The municipality considers a firm commitment as a letter of intention to award.

1.19 Revenue from exchange transactions

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

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

1.20 Revenue from non-exchange transactions

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

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

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Significant Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Services in-kind

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

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

1.21 Investment income

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

1.22 Borrowing costs

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

Borrowing costs are recognised as an expense in the period in which they are incurred.

Significant Accounting Policies

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

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

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

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

1.27 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.28 Budget information

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

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

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

The approved budget covers the fiscal period from 1/07/2024 to 30/06/2025.

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

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

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

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

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

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

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

Significant Accounting Policies

1.30 Events after reporting date (continued)

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 104 : Financial Instruments	1 April 2024	The adoption of this has not had a material impact on the results of the Municipality, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July 2025 or later periods:

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2025	Unable to reliably estimate the impact

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

3. Inventories

Consumable stores		10,835,361	12,595,132
Water for distribution		781,927	631,448
		11,617,288	**13,226,580**

Consumables

Opening		12,595,132	13,059,878
Purchases		18,226,813	20,821,658
Utilised		(19,951,696)	(21,331,757)
Adjustments		(34,888)	45,353
		10,835,361	**12,595,132**

Inventory pledged as security

None of the inventories have been pledged as security for the municipality's financial liabilities.

Water for distribution

Opening balance		631,448	952,671
System input volume		249,831,373	250,887,381
Billed authorised consumption		(167,971,689)	(162,881,825)
Unbilled Authorised Consumption	39	(38,675,323)	(49,503,331)
Commercial Losses	39	(7,595,958)	(7,230,809)
Physical Losses	39	(32,382,789)	(30,810,791)
Valuation adjustment		(3,055,135)	(781,848)
Closing balance		**781,927**	**631,448**

Water inventory production costs

Employee costs		37,301,963	33,200,211
Depreciation		30,357,670	27,893,973
Electricity		19,613,541	15,074,151
Materials - chemicals		8,947,439	10,622,652
		96,220,613	**86,790,987**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. Non-current portion of long term receivables

Sundry recoveries Sundry recoveries are made of recoveries that are receivable from employees as results of damages to municipality belongings, employee study loans and employees have acknowledged the liability. The sundry recoveries are not secured and are interest free. The average term of these balances is 1 to 5 years.	2,196,984	2,234,923
Sundry deposits Sundry deposits relates to a deposit held by Eskom. The municipality does not hold deposits or other security for its receivables. None of the receivables have been pledged as security for the municipality's financial liabilities. The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.	4,587,422	3,358,093
	6,784,406	**5,593,016**

Non-current assets		
At amortised cost	6,697,539	5,535,991
Current assets		
At amortised cost	86,867	57,025

5. Other receivables from exchange transactions

Gross balances		
Intermunicipal debtors	41,383	139,022
Rental of facilities	10,542,271	8,368,765
Sundry debtors	532,314	917,088
	11,115,968	**9,424,875**
Less: Allowance for impairment		
Intermunicipal	(38,853)	(130,492)
Rental of facilities	(6,677,213)	(6,223,127)
	(6,716,066)	**(6,353,619)**
Net balance		
Intermunicipal	2,530	8,530
Rental of facilities	3,865,058	2,145,638
Sundry debtors	532,314	917,088
	4,399,902	**3,071,256**
Intermunicipal debtors aging (Gross)		
Current (0 -30 days)	2,202	201
31 - 60 days	-	2,863
121 - 365 days+	39,181	135,959
	41,383	**139,023**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

5. Other receivables from exchange transactions (continued)

Rental of facilities and premisies aging (Gross)

Current (0 -30 days)	1,829,304	-
31 - 60 days	21,275	2,997,708
61 - 90 days	1,737,496	5,330
91 - 120 days	5,330	197,750
121 - 365 days	6,948,865	5,167,977
	10,542,270	**8,368,765**

Sundry debtors aging (Gross)

Current (0 -30 days)	-	679,339
121 - 365 days	532,314	237,750
	532,314	**917,089**

Summary of debtors by customer classification

Residential/ Private (Gross)

Current (0 -30 days)	-	679,339
121 - 365 days	532,313	237,750
	532,313	**917,089**

Industrial/ Commercial (Gross)

Current (0 -30 days)	1,829,304	527,780
31 - 60 days	21,275	78,772
61 - 90 days	1,596,443	5,240
91 - 120 days	5,330	197,750
121 - 365 days	5,803,965	6,414,232
	9,256,317	**7,223,774**

Local government (Gross)

Current (0 -30 days)	2,000	42,047
31 - 60 days	-	2,863
61 - 90 days	141,053	-
121 - 365 days	1,184,283	1,239,013
	1,327,336	**1,283,923**

Reconciliation of allowance for impairment

Balance at beginning of the year	(6,353,619)	(4,817,348)
Contributions to allowance	(362,447)	(1,536,271)
	(6,716,066)	**(6,353,619)**

For factors the Municipality used in determining impairment refer to note **37**.

6. Receivables from non-exchange transactions

Gross balances

Payments made in advance	478,532	863,319
Water Availability	134,077,747	121,870,137
	134,556,279	**122,733,456**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from non-exchange transactions (continued)

Less: Allowance for impairment		
Payments made in advance	-	-
Water Availability	(123,923,129)	(112,016,474)
	(123,923,129)	**(112,016,474)**

Net Balance		
Payments made in advance	478,532	863,319
Water Availability	10,154,618	9,853,663
	10,633,150	**10,716,982**

The municipality does not hold deposits or other security for its receivables.

None of the receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

Payments made in advance aging (Gross)		
Current (0 -30 days)	130,564	363,606
121 - 365 days	347,968	499,713
	478,532	**863,319**

Water Availability aging (Gross)		
Current (0 -30 days)	1,871,809	1,780,028
31 - 60 days	1,831,762	1,676,333
61 - 90 days	1,724,182	1,667,924
91 - 120 days	1,739,144	2,067,828
121 - 365 days	126,910,850	114,678,024
	134,077,747	**121,870,137**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Residential/ Private (Gross)		
Current (0 -30 days)	1,466,343	1,371,153
31 - 60 days	1,447,708	1,309,514
61 - 90 days	1,352,811	1,318,734
91 - 120 days	1,334,057	1,623,414
121 - 365 days	97,740,757	88,456,827
	103,341,676	**94,079,642**

Industrial/ commercial (Gross)		
Current (0 -30 days)	488,760	694,684
31 - 60 days	339,331	328,342
61 - 90 days	330,463	311,977
91 - 120 days	364,386	413,054
121 - 365 days	27,698,997	25,081,735
	29,221,937	**26,829,792**

National and provincial government (Gross)		
Current (0 -30 days)	47,269	77,798
31 - 60 days	44,723	38,476
61 - 90 days	40,908	37,213
91 - 120 days	40,701	31,360
121 - 365 days	1,819,064	1,639,175
	1,992,665	**1,824,022**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(112,016,474)	(103,361,809)
Contributions to allowance	(11,906,655)	(8,654,665)
	(123,923,129)	**(112,016,474)**

For factors the Municipality used in determining impairment refer to note **37.**

7. VAT receivable

VAT Input Accrual	134,479,877	108,339,230

8. Receivables from exchange transactions

Gross balances		
Water	1,400,327,468	1,085,501,881
Sewerage	194,749,642	162,147,414
	1,595,077,110	**1,247,649,295**

Less: Allowance for impairment		
Water	(1,256,864,997)	(1,006,169,694)
Sewerage	(164,886,517)	(138,984,429)
	(1,421,751,514)	**(1,145,154,123)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Receivables from exchange transactions (continued)

Net balance		
Water	143,462,471	79,332,187
Sewerage	29,863,125	23,162,985
	173,325,596	**102,495,172**

Water (Gross)		
Current (0 -30 days)	109,039,627	53,391,552
31 - 60 days	41,815,117	34,357,354
61 - 90 days	38,811,112	34,465,656
91 - 120 days	35,371,366	30,931,007
121 - 365 days	1,175,290,246	932,356,312
	1,400,327,468	**1,085,501,881**

Sewerage (Gross)		
Current (0 -30 days)	16,486,404	11,490,631
31 - 60 days	6,426,931	5,454,228
61 - 90 days	5,682,799	4,719,190
91 - 120 days	5,123,813	4,245,413
121 - 365 days	161,029,695	136,237,952
	194,749,642	**162,147,414**

Summary of debtors by customer classification

Residential/ Private (Gross)		
Current (0 -30 days)	105,005,645	44,238,419
31 - 60 days	36,517,858	30,899,883
61 - 90 days	34,906,581	27,971,643
91 - 120 days	32,867,225	27,901,132
121 - 365 days	1,137,793,078	907,909,526
	1,347,090,387	**1,038,920,603**

Industrial/ commercial (Gross)		
Current (0 -30 days)	14,278,372	14,469,628
31 - 60 days	7,615,163	6,365,747
61 - 90 days	7,032,927	7,717,735
91 - 120 days	5,914,515	5,427,924
121 - 365 days	163,276,056	139,531,465
	198,117,033	**173,512,499**

National and provincial government (Gross)		
Current (0 -30 days)	6,242,014	6,174,137
31 - 60 days	4,109,026	2,545,952
61 - 90 days	2,554,403	3,495,468
91 - 120 days	1,713,439	1,847,364
121 - 365 days	35,250,808	21,153,274
	49,869,690	**35,216,195**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,145,154,123)	(884,179,777)
Contributions to allowance	(276,597,391)	(260,974,346)
	(1,421,751,514)	**(1,145,154,123)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

8. Receivables from exchange transactions (continued)

For factors the Municipality used in determining impairment refer to note **37**.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	626	626
Bank balances	7,819,281	9,463,791
Short-term deposits	243,456	3,178,884
Minor Beneficiary Funds in Bank	682,717	895,159
	8,746,080	**13,538,460**

Current assets	8,746,080	13,479,105
Non-current asset (Minor Beneficiary funds in Bank)	-	59,355

Cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments.

Included in Cash and cash equivalents is restricted cash to the value of R 682 717 (30 June 2024: R895 159) which relates to funds held for minor beneficiaries.

Minor beneficiary funds in the bank relates to the funds held by the municipality from the deceased estates of former employees for their beneficiaries who have not reached the maturity age.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
ABSA- Primary Bank Account - 406 668 6529	4,896	67,333	44,484	4,896	67,333	44,484
ABSA - General Bank Account - 406 668 6472	3,406,021	3,578,652	1,206,991	3,406,021	3,578,652	1,206,991
ABSA- Consumer Deposits - 406 671 0647	268,752	568,782	319,089	268,752	568,782	319,089
ABSA - Salaries account - 406 660 3763	-	-	693	-	-	693
FNB - Call Account- 622 28266335	170,623	158,952	140,816	170,623	158,952	140,816
Nedbank - Fixed Deposit Account - 764 855 2728	-	-	-	-	-	-
Absa Investment- 9067803323	-	-	-	-	-	-
Absa Investment Trackeraccount-9383886857	35,218	238,465	-	35,218	238,465	-
Standard Bank - UguPrimary Account - 053299760	6,729	50,969	7,232	6,729	50,969	7,232
Standard Bank - UguGeneral Account -053299787	254,588	478,523	2,955,377	306,004	489,755	3,008,198
Standard Bank - Ugu Consumer Deposit - 053299833	1,936,092	352,160	664,738	1,936,092	352,160	664,738
Standard Bank - Ugu Salaries Account - 053299906	5,001	31,949	4,664	5,001	31,949	4,664
Standard Bank - Ugu ACB Account - 053299914	43,532	95,204	43,623	43,532	95,204	43,623
Standard Bank - Ugu Conditional Grant - 053299922	1,841,926	4,122,475	1,836,246	1,841,926	4,122,475	1,836,246
Standard Bank - UguMIG Account - 053300033	329	47,157	6,522	328	47,157	6,522
Standard Bank - Ugu GroupLife account - 053300076	682,717	954,514	1,911,709	682,717	954,514	1,911,709
Standard Bank - Ugu Call Account - 058905324041	2,930	10,448	3,880,000	2,930	10,448	3,880,000
Standard Bank - UguCall account - 058905324-042	34,685	2,771,019	10,827	34,685	2,771,019	10,827
Standard Bank - AccountNumber 058905324-046(Investment account)	-	-	-	-	-	-
Standard Bank - AccountNumber 058905324-047(Investment account)	-	-	-	-	-	-
Standard Bank - AccountNumber 058905324-048(Investment account)	-	-	-	-	-	-
Standard Bank - AccountNumber 058905324-049(Investment account)	-	-	-	-	-	-
Standard Bank - AccountNumber 058905324-050(Investment account)	-	-	-	-	-	-

Notes to the Annual Financial Statements

9. Cash and cash equivalents (continued)

Cash on hand	-	-	-	626	626	626
	-	-	-	-	-	-
	-	-	-	-	-	-
Total	**8,694,039**	**13,526,602**	**13,033,011**	**8,746,080**	**13,538,460**	**13,086,458**

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Ugu Sports and Leisure Centre	31,513,000	-	31,513,000	28,000,000	-	30,400,000

Reconciliation of investment property - 30 June 2025

	Opening balance	Fair value adjustments	Total
Ugu Sports and Leisure Centre	30,400,000	1,113,000	31,513,000

Reconciliation of investment property - 30 June 2024

	Opening balance	Fair value adjustments	Total
Ugu Sports and Leisure Centre	28,000,000	2,400,000	30,400,000

Pledged as security

No investment property pledged as security.

Figures in Rand	2025	2024

10. Investment property (continued)

Details of property

Farm Lot Ra 5100 ET portion 7, Shelly beach		
The property comprises offices, indoor sporting facilities, boardrooms and storage.		
Opening balance	30,400,000	28,000,000
Fair value adjustment	1,113,000	2,400,000
	31,513,000	**30,400,000**

Determination of Market Valuation

The last effective date of the fair value adjustment was June 2025. The valuation was performed by a registered Professional Valuer with the appropriate qualifications and extensive experience in valuing properties of this nature and in this location.

Due to the specialised nature of the investment property and the lack of directly comparable market data, the Depreciated Replacement Cost (DRC) method was applied. The Comparable Sales Method was used only to determine the market value of the underlying land, which was incorporated into the DRC calculation.

The valuation was conducted under the following key assumptions:
- The property is free of major structural defects that could adversely affect its market value.
- All necessary regulatory approvals (e.g., fire and electrical compliance) are assumed to be in place.
- Responsible ownership and competent property management are assumed.
- Full compliance with applicable zoning and environmental regulations is presumed.
- No hidden or unapparent conditions (e.g., subsoil or structural issues) are assumed to exist.
- The property boundaries are assumed to be accurate and free of encroachments.

These assumptions were necessary to support a fair value determination in line with GRAP 16.91(d)

Other information

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	592,744	643,960
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	1,096,880	753,955
Repairs and maintenance	211,917	185,695
	1,308,797	**939,650**

There were no contractual obligations to purchase, construct or develop the investment property. There were also no contractual obligations for repairs, maintenance or enhancements.

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	26,805,466	-	26,805,466	26,805,466	-	26,805,466
Buildings	141,501,544	(25,579,909)	115,921,635	139,204,946	(21,291,996)	117,912,950
Infrastructure	9,844,354,594	(6,229,669,340)	3,614,685,254	9,476,238,625	(6,016,928,263)	3,459,310,362
Other property, plant and equipment	154,575,829	(105,385,810)	49,190,019	163,215,956	(104,028,740)	59,187,216
Total	**10,167,237,433**	**(6,360,635,059)**	**3,806,602,374**	**9,805,464,993**	**(6,142,248,999)**	**3,663,215,994**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2025

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	26,805,466	-	-	-	-	26,805,466
Buildings	117,912,950	2,296,598	-	(4,287,913)	-	115,921,635
Infrastructure	3,459,310,362	375,163,607	(722,954)	(216,576,413)	(2,489,348)	3,614,685,254
Other property, plant and equipment	59,187,216	3,073,232	(1,069,637)	(12,000,792)	-	49,190,019
	3,663,215,994	**380,533,437**	**(1,792,591)**	**(232,865,118)**	**(2,489,348)**	**3,806,602,374**

Notes to the Annual Financial Statements

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	Disposals	Donations received	Depreciation	Impairment loss	Total
Land	26,805,466	-	-	-	-	-	26,805,466
Buildings	110,539,908	11,152,254	-	-	(2,956,996)	(822,216)	117,912,950
Infrastructure	3,426,505,171	267,479,731	(2,880,224)	-	(211,848,923)	(19,945,393)	3,459,310,362
Other property, plant and equipment	52,703,813	13,119,344	(246,501)	4,048,500	(10,437,940)	-	59,187,216
	3,616,554,358	**291,751,329**	**(3,126,725)**	**4,048,500**	**(225,243,859)**	**(20,767,609)**	**3,663,215,994**

Pledged as security

No assets were pledged as security.

Donation

Refer to note 27 for donated asset.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Depreciation rates

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5 to 30 years
Furniture and fixtures	Straight-line	3 to 15 years
Motor vehicles	Straight-line	4 to 15 years
Office equipment	Straight-line	3 to 15 years
IT equipment	Straight-line	3 to 10 years
Infrastructure - Security measures	Straight-line	7 to 25 years
Infrastructure - Sewerage	Straight-line	7 to 60 years
Infrastructure - Water	Straight-line	5 to 100 years
Other property, plant and equipment	Straight-line	2 to 15 years
Other assets	Straight-line	5 to 30 years
Sport Facilities	Straight-line	5 to 30 years
Other facilities	Straight-line	5 to 30 years
Specialised vehicles	Straight-line	10 to 15 years

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

	2025	2024
Other property, plant and equipment	1,893,867	1,691,453

During the financial year, they were property, plant and equipment assets that were damaged and assessed by the insurer as a total loss. In accordance with GRAP 17, these assets were derecognised as no further economic benefits or service potential are expected to be derived from their use or disposal.

Compensation received from the insurer for these written-off assets has been recognised separately in surplus or deficit when it became receivable, and not offset against the carrying amount or cost of replacement assets. The disclosure of these proceeds provides users of the financial statements with relevant information on the nature and financial effect of significant items of income and expense relating to the loss and replacement of assets.

Reconciliation of Work-in-Progress 30 June 2025

	Included within Infrastructure	Total
Opening balance	489,348,733	489,348,733
Additions/capital expenditure	373,393,607	373,393,607
Transferred to completed items	(207,525,028)	(207,525,028)
	655,217,312	**655,217,312**

Reconciliation of Work-in-Progress 30 June 2024

	Included within Infrastructure	Included within Buildings	Total
Opening balance	531,076,163	49,172,178	580,248,341
Additions/capital expenditure	258,403,560	11,152,254	269,555,814
Impairment	(11,855,933)	-	(11,855,933)
Items expensed during unbundling of projects	16,892,663	-	16,892,663
Transferred to completed items	(305,167,719)	(60,324,432)	(365,492,151)
	489,348,734	**-**	**489,348,734**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of building and facilities	2,661,901	3,854,112
Maintenance of equipment	33,359,352	98,649,180
Maintenance of other assets	21,874,723	26,489,396
	57,895,976	**128,992,688**

Other information

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.

Notes to the Annual Financial Statements

Figures in Rand

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	2,659,160	-	2,659,160	2,659,160	-	2,659,160
Computer software	27,482,206	(26,113,410)	1,368,796	25,263,199	(23,554,699)	1,708,500
Total	**30,141,366**	**(26,113,410)**	**4,027,956**	**27,922,359**	**(23,554,699)**	**4,367,660**

Reconciliation of intangible assets -

	Opening balance	Additions	Amortisation	Total
Servitudes	2,659,160	-	-	2,659,160
Computer software	1,708,500	2,219,007	(2,558,711)	1,368,796
	4,367,660	**2,219,007**	**(2,558,711)**	**4,027,956**

Reconciliation of intangible assets - 30 June 2024 - Restated *

	Opening balance	Additions	Amortisation	Total
Servitudes	2,659,160	-	-	2,659,160
Computer software	4,123,590	540,713	(2,955,803)	1,708,500
	6,782,750	**540,713**	**(2,955,803)**	**4,367,660**

Pledged as security

No intangible assets were pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Intangible assets (continued)

Restrictions

Carrying value of intangible assets whole title is restricted:

(i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system
(ii) The system may be used on only one database at any one time.
(iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
(iv) The municipality has no intellectual property rights to the system.

Other information

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Interests in other entities

Investments in controlled entities

Name	Percentage of ownership	Carrying amount 30 June 2025	Carrying amount 30 June 2024
South Coast Tourism & Investment Enterprise SOC (Former name : Ugu South Coast Development Agency SOC)	100.00 %	200	200
		200	200

14. Long term liabilities

	2025	2024
At amortised cost		
Loans The average loans period varying from 1 to 20 (2025: 1 to 20) years and at interest rates varying from 5.00% to 11,51% per annum. Loans are not secured.	20,335,296	24,871,926

DBSA (Phase 1 - Sanitation Refurbishment):
Structured unsecured 15 year loan. Original loan capital of R25 000 000 is repayable semi-Interimly in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the 5th half-year after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Phase 2 - Sanitation Refurbishment):
Structured unsecured 15 year loan. Original loan capital of R25 000 000 is repayable semi-Interimly in 26 fixed instalments of capital and interest, the first payment commencing on the last day of the 5th half-year after the half-year during which the first disbursement was advanced to the borrower.

DBSA (Ex Hibiscus, Umdoni and Umuziwabantu):
Structured unsecured loans taken over from the local municipalities as a result of a change of powers and functions. Original capital amount of the loan is R18 573 441. These loans are repaid semi-Interimly at various interest rates.|

DBSA (Phase 1 - Umzimkulu Water Augmentation):
Structured unsecured 20 year loan. Original loan capital of R62 000 000 is repayable monthly in 216 fixed instalments of capital and interest, the first payment commencing on the last day of the 25th month after the month during which the first disbursement was advanced to the borrower.

This loan carries additional terms and conditions, as contained in the loan agreement (Bullet 12), amongst which the following are included:

(i) The Borrower shall obtain a prior written consent from the DBSA to raise additional debt funding from other sources.
(ii) The Borrower shall continue to shorten its debt collection period. The DBSA project team, in collaboration with DBSA Credit Risk, will report to the DBSA Management on the management of debtor book.
(iii) The Borrower shall ensure that the liquidity and leverage ratios do not fall below the norm, as reflected in the table below:

Current Ratio	1.5:1
Cash and Investments: Current Liabilities	0.3
Total Debt / Total Assets	<50%
Total Debt / Total Income	<50%
Long Term Debt / Total Income	100%
Debt Serving: Total Income	20%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Long term liabilities (continued)

The Municipality manages its liquidity and leverage ratios closely through its Financial turnaround strategy, which includes revenue enhancement stategy, which seeks to improve collection within the required norm, as well as improvement of cash flow plan, which seeks to ensure within the norm liquidity ratios.
Stringent measures in line with the MFMA are put in place, for application of any new loan, and consistency of repayment of loans is adhered to, in reduction of debt and managing healthy leverage ratios. No new loans were taken by the Municipality in the current and previous financial years.

Non-current liabilities		
At amortised cost	16,005,873	20,753,224
Current liabilities		
At amortised cost	4,329,423	4,118,702

15. Operating lease asset (liability)

Current liabilities	11,556,360	10,607,600

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases the current assets and current liabilities (accrual) have been recognised as above.

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has resulted in an increase in the current year expenditure of R 948 760 (30 June 2024: R 975 169).

The following restrictions have been imposed by the municipality in terms of the lease agreements:

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

Balance at beginning of year	10,607,600	9,632,431
Lease smoothing impact	948,760	975,169
	11,556,360	**10,607,600**

At the reporting date the following minimum lease payments were payable under operating leases for property, plant and equipment, which are payable as follows:

Within 1 year	319,549	290,499
2 to 5 years	2,145,967	1,950,879
More than 5 years	45,029,360	45,543,997
	47,494,876	**47,785,375**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Payables from exchange transactions

Trade payables	1,092,407,860	818,927,117
Other payables	18,828,480	14,987,688
Payroll accrued expenses	43,555,901	35,797,799
Accrued expenses	9,383,349	8,223,072
Debtors with credit balances	34,309,990	35,344,216
Staff bonuses	23,816,159	20,350,867
Retentions	71,951,294	66,480,322
Leave accrual	49,943,047	43,987,120
	1,344,196,080	**1,044,098,201**

17. Consumer deposits

Water	23,273,932	22,698,183

Guarantees held in lieu of water deposits	495,780	495,780

Consumers upon application for water meter connections pay consumer deposits. The deposit is refunded when the connection is terminated. Consumer deposits are refunded when the property is sold after the municipality has issued a clearance certificate.

18. VAT payable

VAT Control	1,802,277	1,366,219
Undeclared VAT input	256,080,419	206,283,416
	257,882,691	**207,649,633**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Employee benefit obligations

Defined benefit plans - General information

Post-Employment Medical Aid Subsidy

Nature of benefit

The municipality provides a defined benefit post employment medical aid subsidy to qualifying retired employees and continuation members. The benefit comprisesa 60% subsidy of medical aid contributions, subject to a monthly cap of R1 639 per principal member. Surviving spouses and dependants continue to receive the benefit.

Funding arrangements

The plan is unfunded, no assets have been set aside to meet this liability.

Plan characteristics and risks

- The plan is not funded and exposes the municipality to:
  - Medical inflation risk
  - Longetivity risk
  - Legislative change risk
  - Uncertenty around future eligibility enforcement
- The plan is open ended and long-term, with contributions not increasing beyond the R1 639 monthly cap.

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation	23,309,000	19,619,358
Non-current liabilities	(21,909,000)	(18,312,917)
Current liabilities	(1,400,000)	(1,306,441)
	(23,309,000)	**(19,619,358)**

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

	2025	2024
Opening balance	19,619,358	19,960,000
Service cost	866,224	597,000
Interest cost	2,227,266	2,287,000
Contributions by employer	(1,306,441)	(1,394,000)
Actuarial (gain) / loss	1,902,593	(1,830,642)
	23,309,000	**19,619,358**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance are as follows:

Service cost	866,224	597,000
- Current service cost	866,224	597,000
Net interest on the net defined benefit liability (asset)	2,227,266	2,287,000
Remeasurements of the net defined benefit liability (asset)	1,902,593	(1,830,642)
- Actuarial gains and losses arising from:	1,902,593	(1,830,642)
- Changes in financial assumptions	2,167,000	212,922
- Experience adjustments	(264,407)	(2,043,564)
	4,996,083	**1,053,358**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1,902,593	(1,830,642)

19. Employee benefit obligations (continued)

Key assumptions used

Financial Assumptions
It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment DBO. However, where there is no deep market in government bonds with sufficiently long maturity to match the estimated term of the benefit payments, current market rates of appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.7% per annum has been used. The corresponding index-linked yield at this term is 5.2%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

Medical Aid Contribution Inflation Rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A medical aid contribution inflation rate of 6.6% per annum has been assumed. This is 1.8% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 4.8% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.8% per annum which derives from ((1+10.7%)/(1+6.6%))-1.

The CPI inflation assumption of 4.8% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5.2%) and those of fixed interest bonds (10.7%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

Demographic Assumptions

Demographic assumptions are required to estimate the changing profile of employees and retirees who are eligible for the post-employment medical aid subsidy.

Mortality During Employment

SA85-90 ultimate table, adjusted for female lives.

Post-Employment Mortality
PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from [1 - (1 - 1%)2], and so on.

Figures in Rand	2025	2024

19. Employee benefit obligations (continued)

Termination of Service
If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below.

Age	Rate
20-24	9%
25-29	8%
30-34	6%
35-39	5%
40-44	5%
45-49	4%
50-54	3%
55+	0%

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Continuation of Membership
It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement. Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 10% of eligible in-service non-members will be on a medical scheme by retirement (should they not exit employment before then) and continue with the subsidy at and after retirement.
Family Profile
It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependant. For current retiree members, actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Assumptions used at the reporting date:

Discount rates used	10.70 %	11.74 %
CPI inflation rate	4.80 %	6.29 %
Maximum subsidy inflation rate	0.00 %	0.00 %
Medical cost trend rates	6.60 %	7.79 %
Net of maximum subsidy inflation discount rate	10.70 %	11.86 %

The next contribution increases were assumed to occur at 1 January 2026.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Employee benefit obligations (continued)

Sensitivity analysis

Retirement Age

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

2025	**1-year increase**	**1-year decrease**
Effect on the service cost	896,000	896,000
Effect on interest cost	2,603,000	2,603,000
Effect on defined benefit obligation	25,094,000	25,094,000

30 June 2024 - Restated *	**2-year increase**	**2-year decrease**
Effect on the service cost	803,089	931,603
Effect on interest cost	2,132,602	2,317,104
Effect on defined benefit obligation	18,813,251	20,384,366

The decrease in the average retirement age from 62 years to 60 years would result in a 3.90% increase in the accrued liability whilst an increase in the average retirement age from 62 to 64 years would result in 4.11% decrease in the accrued liability.

Discount rate

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

2025	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	787,000	1,015,000
Effect on interest cost	2,397,000	2,432,000
Effect on defined benefit obligation	21,203,000	25,797,000

30 June 2024 - Restated *	**One percentage point increase**	**One percentage point decrease**
Effect on the service cost	770,661	980,508
Effect on interest cost	2,192,277	2,260,430
Effect on defined benefit obligation	17,856,483	21,693,434

A 1% increase in the discount rate results in an 8.99% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 10.57% increase in the accrued liability.

Post-employment mortality

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

2025	**One year increase in life expectancy**	**One year decrease in life expectancy**
Effect on the service cost	896,000	880,000
Effect on interest cost	2,450,000	2,382,000

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

19. Employee benefit obligations (continued)

Effect on defined benefit obligation	23,617,000	22,984,000

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Rural Transport Services Grant	-	1,197,036
Municipal Infrastructure Grant	-	7,500,000
Shared Legal Services Grant	1,000,000	1,000,000
Ugu Transformative River Management Programme	-	598,265
Implementation of Green and Smart Municipality	840,849	1,192,099
	1,840,849	**11,487,400**

Movement during the year

Balance at the beginning of the year	11,487,400	1,373,064
Additions during the year	1,090,599,245	1,065,505,999
Income recognition during the year	(1,100,245,796)	(1,055,391,661)
	1,840,849	**11,487,402**

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

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

21. Long service awards

A long-service award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by ARCH Actuarial Consulting, Fellow of the Actuarial Society of South Africa. The present alue of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. At year-end, 970 (2024: 927) employees were eligible for long-service awards.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Long service awards (continued)

Funding arrangements

The plan is unfunded, no assets have been set aside to meet this liability.

Plan characteristics and risks

- Inflation: The risk that future CPI inflation and earnings inflation are higher than assumed and present in an uncontrolled manner.
- Termination of service: The risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected.
- Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.
- Future changes in legislation: The risk that changes to legislation with respect to long service awards, including tax legislation, may increase the DBO for the Municipality.
- The administration of this DBO poses a burden on the Municipality.

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

	2025	2024
Carrying value		
Present value of the defined benefit obligation	38,938,000	35,183,811
Non-current liabilities	(34,474,000)	(32,508,741)
Current liabilities	(4,464,000)	(2,675,070)
	(38,938,000)	**(35,183,811)**

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

	2025	2024
Opening balance	35,183,811	32,379,000
Service cost	2,957,659	2,798,000
Interest cost	3,478,647	3,341,000
Contributions by employer	(2,675,070)	(4,923,585)
Actuarial (gain) / loss	(7,047)	1,589,396
	38,938,000	**35,183,811**

Net expense recognised in the statement of financial performance are as follows:

	2025	2024
Service cost	**2,957,659**	**2,798,000**
- Current service cost	2,957,659	2,798,000
Net interest on the net defined benefit liability (asset)	**3,478,647**	**3,341,000**
Remeasurements of the net defined benefit liability (asset)	**(7,047)**	**1,589,396**
- Actuarial gains and losses arising from:	(7,047)	1,589,396
- Changes in financial assumptions	(1,001,000)	359,257
- Experience adjustments	993,953	1,230,139
	6,429,259	**7,728,396**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Long service awards (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(7,047)	1,589,396

21. Long service awards (continued)

Key assumptions used

Financial Assumptions
It is difficult to predict future investment returns and inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at this valuation for the period over which the DBO is to be settled.

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment DBO. However, where there is no deep market in government bonds with sufficiently long maturity to match the estimated term of the benefit payments, current market rates of appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 10.7% per annum has been used. The corresponding index-linked yield at this term is 5.2%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2025.

Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee’s earnings at the date of the award.

The assumption is traditionally split into two components, namely general earnings inflation and promotional earnings escalation. The latter is considered under demographic assumptions.

General Earnings Inflation Rate

This assumption is more stable relative to the growth in consumer price index (CPI) than in absolute terms. In most industries, experience has shown that over the long term, earnings inflation is between 1.0% and 1.5% above CPI inflation. The CPI inflation assumption of 3.9% per annum was obtained from the differential between market yields on index-linked bonds (5.3%) consistent with the estimated term of the DBO and those of nominal bonds (9.9%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.5%).

Thus, a general earnings inflation rate of 4.9% per annum over the expected term of the DBO has been assumed, which is 1.0% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.8%.

It was assumed that the next general earnings increase will take place on 1 July 2026.

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale

The annual escalation rates below are in addition to the general earnings inflation assumption of 4.9% per annum for all employees.

Age Band	Additional Promotional Scale
20-24	5.0%
25-29	4.0%
30-34	3.0%
35-39	2.0%
40-44	1.0%
45+	0%

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Long service awards (continued)

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

SA85-90 ultimate table, adjusted for female lives.

Termination of Service

If an eligible employee leaves due to resignation or retrenchment, the employer's DBO in respect of that employee ceases. It is therefore important not to overstate termination rates. The assumed annual rates are set out below.

Age	Rate
20-24	9%
25-29	8%
30-34	6%
35-39	5%
40-44	5%
45-49	4%
50-54	3%
55+	0%

Assumptions used at the reporting date:

	2025	2024
Discount rates used	9.90 %	10.30 %
CPI inflation rate	4.80 %	4.80 %
General earnings inflation rate	4.90 %	5.80 %
Net of maximum subsidy inflation discount rate	4.80 %	4.30 %

The next contribution increases were assumed to occur at 1 January 2026.

Figures in Rand	2025	2024

21. Long service awards (continued)

Sensitivity analysis

Retirement Age

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

2025	2-year increase	2-year decrease
Effect on the service cost	3,639,000	3,247,000
Effect on interest cost	3,881,000	3,355,000
Effect on defined benefit obligation	41,235,000	36,472,000

30 June 2024 - Restated *	2-year increase	2-year decrease
Effect on the service cost	803,089	931,603
Effect on interest cost	2,132,602	2,317,104
Effect on defined benefit obligation	18,813,251	20,384,366

The decrease in the average retirement age from 62 years to 60 years would result in a 6.34% decrease in the accrued liability whilst an increase in the average retirement age from 62 to 64 years would result in 5.90% decrease in the accrued liability.

Discount rate

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

2025	One percentage point increase	One percentage point decrease
Effect on the service cost	3,257,000	3,675,000
Effect on interest cost	3,769,000	3,455,000
Effect on defined benefit obligation	36,921,000	41,176,000

30 June 2024 - Restated *	One percentage point increase	One percentage point decrease
Effect on the service cost	770,661	980,508
Effect on interest cost	2,192,277	2,260,430
Effect on defined benefit obligation	17,856,483	21,693,434

A 1% increase in the discount rate results in an 8.99% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 10.57% increase in the accrued liability.

General Earnings Inflation Rate

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

2025	One year increase in life expectancy	One year decrease in life expectancy
Effect on the service cost	3,702,000	3,230,000
Effect on interest cost	3,835,000	3,428,000
Effect on defined benefit obligation	41,088,000	36,971,000

21. Long service awards (continued)

Rates of termination of service

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

2025	One percentage point increase	One percentage point decrease
Effect on the service cost	2,831,000	3,903,000
Effect on interest cost	3,167,000	3,917,000
Effect on defined benefit obligation	34,496,000	41,833,000

A 1% increase in the discount rate results in an 8.99% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 10.57% increase in the accrued liability.

22. Non-current payables from exchange transactions

	2025	2024
Umgeni	-	61,346,284

The municipality entered into a payment arrangement with Umgeni Water which meant that a significant portion of the debt is not payable within 12 months after the financial year end. The amount that is payable in periods in excess of the 12 months after year end has been reclassified as non-current. The agreement was entered into on the 13th of May 2022 its effective date was the 1st of July 2022.

30 June 2025

Minimum payments	Capital	Interest	Total
Within one year	75,015,170	2,000,173	77,015,343

30 June 2024

Minimum payments	Capital	Interest	Total
Within one year	66,635,694	6,846,441	73,203,344
In second to fifth year	61,346,284	2,000,173	63,346,457
	127,981,978	**8,846,614**	**136,549,801**

23. Service charges

	2025	2024
Sale of water	456,689,030	346,963,266
Sewerage and sanitation charges	140,009,402	118,087,906
	596,698,432	**465,051,172**

24. Rental of facilities and premises

	2025	2024
Premises		
Premises	1,520,921	2,111,016
Rental of facilities	592,744	643,960
	2,113,665	**2,754,976**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Rental of facilities and premises (continued)

Rental of premises:
The municipality rents out its land to the cellphone service providers for erection of their Base Telecommunication Stations. There are four service providers with different sites namely: Vodacom; IHS; ATC and Transnet.

Rental of facilities:
The municipality has a multi-purpose centre referred to as Ugu Sports and Leisure Centre. The municipality generates rental income by renting out the Hall, Sports fields, Gymnasium, lounges and conference rooms.

25. Other income

LG SETA	949,198	916,156
Connection fees	529,790	388,293
Atmospheric emission licenses	-	43,363
Tender documents sales	21,993	29,351
Water rates certificates	1,704,212	1,583,242
Sundry income	989,631	4,977,981
	4,194,824	**7,938,386**

Connections fees relate to new applications for water meters. Atmospheric emission licences are also issued at a cost to industries that pollute the air in their production processes and this is levied once in a five year cycle. Tender documents are also sold to bidders when tenders are advertised by the municipality. Water clearance certificate fees are collected when customers are in a process of selling their properties. These certificates are issued to confirm that the properties have no outstanding debt at the time of the sale. Sundry income relates to plan approval fees, plan admin fees, insurance proceeds from providers, housing subsidy recovery and pension refunds.

26. Interest income from exchange transactions

Bank	10,054,620	8,946,303
Interest charged on trade and other receivables	83,652,353	67,818,785
	93,706,973	**76,765,088**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants & subsidies

Operating grants		
Equitable share	667,211,000	630,083,000
Municipal Disaster Recovery	15,500,000	9,950,000
National: FMG Grant	1,900,000	1,950,000
AWIP - Mthavuna	-	302,176
Green and Smart Municipal Program	1,351,250	7,901
Expanded Public Works Programme	2,864,000	3,606,000
River Mangement Programme	598,265	972,624
Rural-road Asset Management System	3,289,036	1,661,964
	692,713,551	**648,533,665**
Capital grants		
National: MIG Grant	274,745,993	270,958,000
Water Service Infrastructure Grant	115,000,000	135,900,000
Regional Bulk Infrastucture Grant	17,786,245	-
	407,532,238	**406,858,000**
	1,100,245,789	**1,055,391,665**

National: Equitable share

Current-year receipts	667,211,000	630,083,000

National: Finance Management Grant (FMG)

Current-year receipts	1,900,000	1,950,000
Conditions met - transferred to revenue	(1,900,000)	(1,950,000)
	-	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds were withheld.

National: Municipal Infrastructure Grant (MIG)

Opening balance	7,500,000	-
Current-year receipts	267,246,000	278,458,000
Conditions met - transferred to Revenue: Operating Expenses	(10,936,242)	(71,878,802)
Conditions met - transferred to Revenue: Capital Expenses	(263,809,758)	(199,079,198)
	-	**7,500,000**

Conditions still to be met - remain liabilities (see note 20).

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure . No funds were withheld.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

Water Service Infrastructure Grant

Current-year receipts	115,000,000	135,900,000
Conditions met - transferred to revenue	(115,000,000)	(135,900,000)
	-	-

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equipping of borehole; provide on site sanitation solutions; support the existing bucket eradication programme intervention informal residential areas; support drought relief projects in affected municipalities. No funds were withheld.

Municipal Disaster Recovery

Current-year receipts	15,500,000	9,950,000
Conditions met - transferred to revenue	(15,500,000)	(9,950,000)
	-	-

To provide for the immediate release of funds for disaster purpose. No funds were withheld.

AWIP - uMthamvuna

Balance unspent at beginning of year	-	302,176
Conditions met - transferred to revenue	-	(302,176)
	-	-

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the upgrade of electricity power for Umthamvuna pump station which assist water distribution and water delivery services support. No funds were withheld.

Legal Services Shared Grant

Balance unspent at beginning of year	1,000,000	1,000,000

Conditions still to be met - remain liabilities (see note 20).

This is a grant to create a credible, legally compliant and sustainable Growth within the Ugu District Municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

Expanded Public Works Programme

Current-year receipts	2,864,000	3,606,000
Conditions met - transferred to revenue	(2,864,000)	(3,606,000)
	-	-

This is an incentive grant from Public Works for the promotion of labour intensive projects within the District. No funds were withheld.

Rural-road Asset Management System

Balance unspent at beginning of year	1,197,036	-
Current-year receipts	2,092,000	2,859,000
Conditions met - transferred to revenue	(3,289,036)	(1,661,964)
	-	**1,197,036**

Conditions still to be met - remain liabilities (see note 20).

This is a grant to assist rural district municipalities to set up rural Roads Asset Management Systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa. No funds were withheld.

Ugu Transformative River Management Programme

Balance unspent at beginning of year	598,264	70,888
Current-year receipts	-	1,500,000
Conditions met - transferred to revenue	(598,264)	(972,624)
	-	**598,264**

Conditions still to be met - remain liabilities (see note 20).

Grants received from CoGTA aimed at supplementing municipal budgets to assist with implementation of EM climate change strategies; economic development and job creation within the Ugu District Municipality. No funds were withheld.

Regional Bulk Infrastructure Grant

Current-year receipts	17,786,245	-
Conditions met - transferred to revenue	(17,786,245)	-
	-	-

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equiping of borehole; provide on site sanitation solutions; support the existing bucket eradication programme intervention informal residential areas; support drought relief projects in affected municipalities. No funds were withheld.

KZN EDTEA -Implementation of the Green and Smart Municipality Project

Balance unspent at beginning of year	1,192,099	-
Current-year receipts	1,000,000	1,200,000
Conditions met - transferred to revenue	(1,351,250)	(7,901)
	840,849	**1,192,099**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 20).

Grants received from CoGTA aimed at supplementing municipal budgets to assist with implementation of environmental management climate change strategies; economic development and job creation within the Ugu District Municipality.

28. Public contributions and donations

DBSA	-	4,048,500

2025

No donations were received in the current year.

2024

The Development Bank of South Africa donated three water tankers for the Municipality.

29. Interest from non-exchange receivables

Interest on water availability receivables	3,296,781	2,497,886

30. Water availability charge

Basic charge	18,242,765	15,855,096

31. Gain on waiver of liability

South Coast Tourism and Investment Enterprise	7,613,064	17,037,915

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs

Basic	348,976,595	326,120,620
Stand by allowance	14,084,235	15,429,615
Bonus	30,430,687	25,924,446
Medical aid - company contributions	25,451,282	20,584,524
Unemployment Insurance Fund	2,078,448	2,027,117
Workmen's Compensation	1,688,587	3,123,160
SDL	4,829,419	4,710,461
Leave pay provision charge	7,788,388	7,889,909
Pension fund contribution	61,264,874	51,666,670
Overtime payments - non structured	46,467,000	46,171,627
Travel, motor car, accommodation, subsistence and other allowances	15,152,341	12,325,419
Overtime payments	15,872,608	15,786,775
Long-service awards	3,527,054	2,515,376
Acting allowances	2,577,111	3,851,477
Housing benefits and allowances	1,438,777	1,364,436
Bargaining council	134,474	122,722
Cell-phone allowance	3,481,028	3,094,169
Rental subsidy	73,000	74,326
	585,315,908	**542,782,849**

Remuneration of the Municipal Manager - Mr. VO Mazibuko (Acted from 14 January 2023 - 30 April 2025)

Annual Remuneration	1,181,624	1,168,589
Car Allowance	355,427	300,000
Contributions to UIF, Medical and Pension Funds	2,125	20,409
Telephone	33,000	33,000
Performance Bonus	189,769	325,587
Acting Allowance	158,794	159,573
Non-Pensionable	20,340	-
Backpay	48,819	-
Leave Encashed	256,734	-
	2,246,632	**2,007,158**

Remuneration of the Chief Financial Officer - Mr. K. Audan

Annual Remuneration	1,156,180	1,178,589
Car Allowance	372,000	290,000
Bonus	183,382	220,611
Contributions to UIF, Medical and Pension Funds	2,125	19,446
Backpay	48,819	53,860
Non-Pensionable	20,340	20,340
Telephone	26,700	26,701
	1,809,546	**1,809,547**

Remuneration of the Acting General Manager Water Services - Dr. LT Mwelase (1 October 2024 - 30 June 2025)

Annual Remuneration	750,451	-
Car Allowance	147,975	-
Bonus	3,206	-
Contributions to UIF, Medical and Pension Funds	192,784	-
Telephone	17,000	-
Backpay	9,619	-
Acting allowance	112,322	-
	1,233,357	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

32. Employee related costs (continued)

Remuneration of the General Manager Economic Development and Environmental Services - Ms. DJ Rankin

Annual Remuneration	961,549	931,997
Car Allowance	322,121	301,617
Bonus	154,040	257,702
Contributions to UIF, Medical and Pension Funds	2,124	17,358
Telephone	26,700	26,700
Backpay	41,009	45,242
Non-Pensionable	20,340	20,340
	1,527,883	**1,600,956**

Remuneration of the Acting General Manager Water Services - Mr. PS Malinga (From 01 May 2023 - 30 September 2024)

Annual Remuneration	254,641	755,425
Car Allowance	50,222	144,353
Bonus	194,152	62,952
Contributions to UIF, Medical and Pension Funds	61,966	197,269
Acting Allowance	49,509	118,973
Telephone	5,500	16,500
Backpay	8,499	-
	624,489	**1,295,472**

Remuneration of the Acting General Manager Corporate Services - Mrs. M Gobhozi (1 February 2023 - 30 June 2025)

Annual Remuneration	854,767	755,425
Car Allowance	173,085	166,592
Bonus	219,825	122,202
Contributions to UIF, Medical and Pension Funds	157,657	149,018
Telephone	19,100	16,500
Backpay	8,499	-
Acting allowance	141,915	129,529
	1,574,848	**1,339,266**

33. Remuneration of councillors

Mayor	848,403	844,012
Deputy Mayor	392,789	699,502
Speaker	678,722	699,502
Councillors	7,415,256	7,058,174
Allowances	3,899,123	3,797,090
	13,234,293	**13,098,280**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker each have bodyguards and the use of separate Council owned vehicles for official duties.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

34. Depreciation and amortisation

Property, plant and equipment	232,865,118	225,243,859
Intangible assets	2,558,711	2,955,803
	235,423,829	**228,199,662**

35. Finance costs

Employee salaries	-	1,003,271
Employee benefits obligation and long service awards	5,705,913	5,628,000
Current borrowings	4,907,984	3,594,876
Interest on measurement of Umgeni liability	6,846,441	11,318,441
Interest on late payments	43,405,312	23,474,351
Interest on fuel facility	126,682	169,413
	60,992,332	**45,188,352**

36. Lease rentals on operating lease

Computer equipment	3,753,739	3,753,739
Land	1,239,259	1,239,259
Office equipment	982,533	881,412
Motor vehicles	-	200,951
Buildings	-	2,192,714
	5,975,531	**8,268,075**

37. Debt impairment

Water	250,682,108	235,199,401
Sewerage	25,915,283	25,774,945
Water availability	11,906,655	8,654,665
Inter municipal	(91,639)	7,530
Rental of facilities	454,086	1,528,741
	288,866,493	**271,165,282**

When assessing the impairment of debtors at Ugu District Municipality, several key factors guided by GRAP 104, GRAP 9 and the municipality's Credit Control and Debt Collection Policy are considered to determine whether the outstanding consumer debtors' balances are recoverable. One of the primary considerations is the ageing of accounts, where long-outstanding debts especially those exceeding 90 days are regarded as having a higher likelihood of default due to prolonged non-payment. The payment history and behavioural patterns of individual consumers are also analysed to assess whether they have demonstrated a consistent ability or willingness to settle their obligations. In addition, the municipality evaluates the type of debtor and the socioeconomic segment they belong to such as indigent households, government departments, business consumers or inactive accounts as these categories each have different risk profiles and collection prospects.

The validity and accuracy of billing data, including meter readings, tariff application and dispute records, further influence impairment considerations, particularly where billing credibility issues may compromise collectability. The municipality also assesses any legal or enforcement actions underway, including instalment arrangements or accounts handed over to external collection agencies, as evidence of recoverability.

Finally, the prevailing economic climate, service delivery conditions, affordability constraints within the district and historical collection rates are factored in to determine expected credit losses. By considering all these elements collectively, the municipality ensures that impairment provisions reflect a realistic and supportable estimate of potential losses, resulting in fair presentation of the debtors' value in the Annual Financial Statements.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Bad debts written off

Services charges	7,810,203	3,547,362
Water availability	1,206,247	985,433
	9,016,450	**4,532,795**

39. Bulk purchases

Water	237,839,584	158,873,997

In prior years, the municipality used broader terminology that grouped losses into high-level categories such as physical real losses and commercial apparent losses. During the 2025 reporting period, the municipality undertook a more technical and operations-driven assessment of water losses, which resulted in a refinement of categories to specifically distinguish between metering inaccuracies, illegal consumption, reservoir overflows, service connection leakages and main line leakages. This updated classification aligns more closely with sector best practice and enables better diagnosis of where system inefficiencies occur, thereby supporting more targeted interventions to reduce losses. Although the terminology differs, the intention remains consistent both notes relate to the measurement and reporting of non-revenue water and bulk purchases but the 2025 narrative improves transparency, traceability, and operational relevance in line with continuous improvement of the municipality's water loss management processes.

Water losses (Rand Value)

Metering Inaccuracies	5,750,920	4,703,242
Illegal Consumption	1,845,038	1,641,608
Reservoir Overflows	323,828	176,262
Service Connection Leakage	25,906,231	21,486,119
Main Line Leakage	6,152,730	12,509,649
Total	**39,978,747**	**40,516,880**

Comprising (Units) :		
Commercial/ Apparent losses	1,623,888	1,190,975
Physical/ Real losses	6,922,888	5,077,317
Total	**8,546,776**	**6,268,292**

Water Losses (Volumes/ Kiloliters)

Units purchased	14,966,094	17,857,724
Units produced	28,124,496	26,258,671
Units sold	(34,543,814)	(37,814,182)
Units lost	**8,546,776**	**6,302,213**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Contracted services

Outsourced Services		
Environmental services	3,962	28,807
Burial Services	-	84,000
Laboratory testing services	7,506,806	7,391,836
Cleaning Services	1,160,351	938,189
Hygiene Services	117,948	128,670
Security Services	54,584,752	34,659,159
Water Takers	28,521,101	40,016,845
Consultants and Professional Services		
Business and Advisory	2,837,637	6,606,424
Legal Cost	2,478,943	2,902,630
Contractors		
Catering Services	115,437	25,500
Electrical	1,628,000	1,615,633
Event Promoters	307,266	14,387
Occupational health	323,095	183,301
Maintenance of Buildings and Facilities	2,661,901	3,854,112
Maintenance of Equipment	35,610,097	98,649,180
Maintenance of Other Assets	21,874,723	26,489,396
Pest Control	91,883	113,771
Sewerage Services	20,611,990	89,996,450
Prepaid Water Vendors	188,816	100,318
	180,624,708	**313,798,608**

41. Transfer and subsidies

Grants paid to Municipal Entity		
South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Agency)	16,013,064	23,313,071

No allocations were made to any other organ of the state.

42. Operational costs

Advertising	525,634	343,351
Auditors remuneration	5,703,187	5,306,918
Bank charges	1,322,062	1,387,595
Commission paid	6,749,724	2,011,609
Consumables	17,522,468	18,168,924
Insurance	10,208,477	7,900,768
Fuel and oil	23,069,828	29,654,092
Printing and stationery	260,457	245,291
Subscriptions and membership fees	5,270,863	5,259,949
Telephone	2,692,504	2,334,694
Training	324,310	496,687
Travel - local	2,041,241	1,753,110
Electricity	139,926,099	114,485,042
Uniforms	4,075,278	2,890,007
Storage of files	164,264	205,122
Licenses	17,176,031	21,017,701
Vehicle tracking	1,920,660	1,826,650
	238,953,087	**215,287,510**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

43. Profit on disposal of assets

Proceeds from sale of property, plant and equipment	4,602,929	2,932,733
Carrying value of PPE	(1,792,591)	(3,126,725)
	2,810,338	**(193,992)**

44. Fair value adjustments

Investment property (Refer to note 9)	1,113,000	2,400,000

45. Impairment loss

Impairments		
Property, plant and equipment	2,489,348	20,767,608
During physical verification certain infrastructure assets were identified as impaired due to physical damage and reduced service potential.		

46. Cash generated from operations

Deficit	(46,604,542)	(195,488,150)
Adjustments for:		
Depreciation and amortisation	235,423,829	228,199,662
(Loss) gain on sale of assets and liabilities	(2,810,338)	193,991
Gain on waiver of liability	(7,613,064)	(17,037,915)
Fair value adjustments	(1,113,000)	(2,400,000)
Impairment deficit	2,489,348	20,767,608
Debt impairment	288,866,493	271,165,282
Bad debts written off	9,016,450	4,532,795
Movements in operating lease assets and accruals	948,760	975,169
Movements in retirement benefit assets and liabilities	3,689,642	(340,642)
Movements in provisions	-	(4,048,500)
Changes in working capital:		
Inventories	1,609,292	1,518,801
Other receivables from exchange transactions	(1,691,093)	(947,787)
Receivables from exchange transactions	(356,444,265)	(222,740,269)
Other receivables from non-exchange transactions	(11,822,823)	(5,816,595)
Employee receivables	(1,191,390)	42,614
Payables from exchange transactions	258,661,408	171,308,256
VAT	24,092,414	32,583,504
Consumer deposits	575,749	460,947
Unspent conditional grants and receipts	(9,646,544)	10,114,336
Long service awards	3,754,189	2,804,811
	390,190,515	**295,847,918**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies

Contingent liabilities:

No.	Name of Entity/ Subsidiary	Management's Description of Matter (including amount claimed and legal counsel)	Management's Estimate of the Financial Exposure (Including Costs and Disbursements)	Legal Services/Counsel Remarks	2025	2024 Restated*
1.	SAMWU obo S.P. Ndaba and others.	2018 -The Municipality converted car allowances of the employees who had been receiving R10 800 per month to 15% of their Interim salary causing employees to lodge an unfair labour practice against the Municipality. Legal Counsel: AT Mpungose & Dlamini Inc	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ±R60 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: ±R60 000	The applicant had not progressed this matter in over 3 years. An application to dismiss the review application was filed, we await the date.	Nil	Nil

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

2.	Charl Wilcocks	On the 27th March 2024, ameeting was held beween Ugu, ATMD, Mr Wilckocks as well as the other side. It was agreed that Ugu would revert with revised figures in relation to the interest calculations and to the question as to whether Mr Wilcocks was entitled to claim in terms of the Group life benefit Fund. All these were to be provided by Client. All these were to be provided by Client. A further meeting was held between ATMD and Ugu on the same day. The purpose of the was to ensure that all the matters relating to Mr Wilcocks were to be dealt with in their entirely and thus client had to revert to us with: 1. Revised interest calculations. 2. Information as to whether Mr Wilcocks was entitled to claim in terms of Group life benefit fund. The issue of settlement was also canvassed, the Municipality discussed the possibilty of a settlement offer to Mr Wilcocks which would be an amount in full and final settlement of all the issues that Ugu has that are related to Mr Wilcocks. Once all of this information is obtained, the Municipality will then be in a position to draft a settlement proposal,to be sent back to client for feedback and then to Mr Wilcocks. The Municipality drafted settlement agreement and sent it to the client for input and comments Received notice of set down from the other side. The Municipality is still waiting for the client to confirm the settlement agreement so the it can be sent to the other side. Legal Counsel: AT Mpungose & Dlamini Inc	**30 June 2024** Total costs of outstanding legal fees or estimated costs: R±50 000.	**2025** Matter resolved. **2024** Matter at settlement stage.	Nil	R4 471 915.00

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

3.	Mzansi LDK	2020 - Letter of Demand issued 2021 - Summons Served Demand for payment for emergency services in Harding rendered by the service provider in 2019. Claim: R1 670 989.65 Possible interest: R370 403 Possible legal fees: R12 500 Legal Counsel: N/A – Internal Representation	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±60 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±60 000	Awaiting further instruction on this matter.	R1 670 990	R1 670 990
4.	Adventure Travel	2020 – Notice in Terms of Section 3 of the Institution of Legal Proceedings Against Certain Organs of State Act in respect to a demand for the alleged outstanding payments Legal Counsel: N/A – Internal Representation	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ±R50 000. **30 June 2024** Total costs of outstanding legal fees or estimated costs: ±R50 000.	**2025** Matter resolved. **2024** Awaiting further instruction on this matter however claimant has not progressed this matter in three years.	Nil	R17 297.
5.	LNY	2018 - Notice in Terms of Section 3 of the Institution of Legal Proceedings Against Certain Organs of State Act in respect to a demand for the alleged outstanding payments. Claim: R11 034 455.00 Legal Counsel: N/A – Internal Representation	**30 June 2024** Total costs of outstanding legal fees or estimated costs: ±R100 000.	**2025** Matter resolved. **2024** Awaiting further instruction on this matter however claimant has not progressed this matter in four years.	Nil	R11 034 455
6.	Eden Wilds	2020 - Notice in Terms of Section 3 of the Institution of Legal Proceedings Against Certain Organs of State Act in respect to a demand for the alleged outstanding payments Legal Counsel: N/A – Internal Representation	**30 June 2024** Total costs of outstanding legal fees or estimated costs: ±R50 000.	Awaiting further instruction on this matter.	Nil	R198 129

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

7.	Premier Attraction 1445 CC	Premier Attraction was appointed by Ugu to provide consultancy in the Harding Weza Bulk Region Supply and have not received payment for their work, summons served on the Municipality. Claim: R23 071 002.87 Legal Counsel: Seethal Attorneys	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ± R65 908. **30 June 2024** Total costs of outstanding legal fees or estimated costs: ± R65 908.	Plea served awaiting Plaintiff's reply.	R23 071 003	R23 071 003
8.	Ingrid Gramony	Ingrid Gramany wife of the late Ronnie Gramany had fallen into an open ditch/trench and died due to drowning. Plaintiff's attorney Messrs Peter Naicker attorney instituted action against the municipality. Claim: R1 347 538. Legal Counsel: Seethal Attorneys	**30 June 2024** Total costs of outstanding legal fees or estimated costs: R±350 000.	**2025** Matter resolved. **2024** Plaintiff sued Ugu for unlawfully dug trenches for the laying of pipes without securing the area to prevent people to fall in.	Nil	R1 347 538
9.	PV Conco	2015 - Allegations that the Municipality has built property on land belonging to Umzumbe Municipality without authorisation. They require the Municipality to return undistributed and rehabilitated use of land to them. Claim: R 600 000.00 Legal Counsel: Seethal Attorneys	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±160 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±160 000	**2025** Matter resolved. **2024** Awaiting Umzumbe Municipality to provide an update on the settlement of this matter.	Nil	R 600 000
10.	Sizabonke Civils	Claim against the Municipality for payment for civil engineering services rendered on behalf of the Municipality . Claim: R46 010 855 Legal Counsel: AT Mpungose & Dlamini Inc	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ±R300 000. **30 June 2024** Total costs of outstanding legal fees or estimated costs: ±R300 000.	Matter was at Discovery stage . We have attended to the amendment of the pleadings and discovered. We are at Pre-trial stage.	R46 010 855	R46 010 855

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

11.	SAMWU obo X Zuma	The matter was arbitrated in our favour. The review application subsequently lapsed due to the record been filed late. Therefore, the review application was deemed to have been withdrawn. Applicant instituted a reinstatement application has been dealt with the applicant to file a supplementary affidavit to which we will have to respond. Claim: Nil Legal Counsel: AT Mpungose & Dlamini Inc	**30 June 2024** Total costs of outstanding legal fees or estimated costs: ±R60 000.	**2025** Matter resolved. **2024** The applicant had not progressed this matter in over 3 years. An application to dismiss the review application was filed, we await a date.	Nil	Nil
12.	RNP Agencies/ N Naicker	2018 - This is a claim against the Municipality. We have filed the plea on behalf of the Municipality. The pleadings have closed the parties have discovered in 2019. Since then, the plaintiff has not taken any further steps to prosecute the matter Legal counsel: AT Mpungose & Dlamini Inc	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ±R145 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±0.00	Plea was filed by the municipality, pleadings closed, and discovery was done in 2019. Since then the plaintiff has has not taken any further steps to prosecute the matter.	Nil	Nil
13.	Dr Trevor Steyn	Action brought by Dr Steyn against the Municipality for damages in respect of water leaks. Claim: R210 280 Legal Counsel: Seethal Attorneys.	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±51 213 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±43 455	Matter is at settlement stage.	R210 280	R210 280

47. Contingencies (continued)

14.	Mc Millions Logistics Projects	Money owing for services rendered by the service provider in terms of the agreement. Legal counsel: AT Mpungose & Dlamini Inc	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±50 000. **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±50 000.	**2025** Matter resolved **2024** The claimant has not been active on this matter they have not progressed this matter from notice to litigation in over 4 years.	Nil	R1 790 556
15.	Gralio Precast (Pty) v Umdoni LM and Ugu DM	2017- This claim is against the municipality had an agreement to assist Umdoni by paying for this contractor but with Umdoni LM. Ugu paid Umdoni and Umdoni is alleged to have not paid the contractor. Legal counsel: AT Mpungose & Dlamini Inc	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ±R130 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R0.00	Plaintiff has not taken any further steps to prosecute this matter in over five years.	R3 419 263	R3 419 263
16.	Mikieta Construction CC	2023- Letter of demand for alleged unpaid invoices. 2024- Received summons due to unpaid invoices. Claim:33 149 475 Legal Consel: Internal	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±50 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±47 843.	Awaiting further instruction on this matter.	R33 149 475	R33 149 475

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

17.	Nicaud Trading 12 CC t/a Drain Away	2023- Letter of demand for alleged unpaid invoices. Legal consel: Internal	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±50 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±50 000.	Awaiting further instruction on this matter.	R33 125 583	R33 125 583
18.	Mzansi LDK Trading CC	2023- Letter of demand for alleged unpaid invoices. Claim: R34 660 487 Legal consel: Internal	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±50 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±50 000.	Awaiting further instruction on this matter.	R34 660 487	R34 660 487
19.	Fez Building Construction (PTY) LTD	2024- Combined summons received payment of services rendered in emergency work Legal consel: Internal	**30 June 2024** Total costs of outstanding legal fees or estimated costs: R±50 000.	**2025** Matter resolved. **2024** Awaiting further instruction on this matter.	Nil	R19 038 613
20.	BMW South Africa (PTY) LTD	Combined summons received payment of services rendered in emergency work. Claim: R1 586 264 Legal consel: Internal	**30 June 2024** Total costs of outstanding legal fees or estimated costs: R±50 000.	**2025** Matter resolved. **2024** The matter is being finalised and payment will be made by 31 July 2024.	Nil	R1 586 264
21.	TLK Consultancy	2024- Letter of demand for alleged unpaid invoices Claim: R164 750 Legal consel: Internal	**30 June 2024** Total costs of outstanding legal fees or estimated costs: R±50 000.	**2025** Matter resolved. **2024** The matter is being finalised and payment will be made by 31 July 2024.	Nil	R164 750

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

22.	Siyabonga Contruction CC	2023- Letter of demand for alleged unpaid invoices Claim: R22 797 739 Legal consel: Internal	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±50 000. **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±50 000.	Awaiting further instruction on this matter.	R22 797 739	R22 797 739
23.	State v Ugu District Municipality and 1 other	Action brought against the acting Municipal manager Mr. Mazibuko and General manager in his personal capacity Mr. Mbewu pertaining to pollution / degradation to the environment. Claim: R10 000 000 Legal Counsel: Seethal Attorneys.	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±117 563 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±74 963	The matter is at settlement stage.	R10 000 000	R10 000 000
24.	Ugu District Municipality and 1 other v MV Chiya	A review application to set aside a decision by MEC for COGTA to dismiss applicant (Mr VM Chiya). Claim: Nil Legal Counsel:Barry Botha Breytenbach Inc.	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±100 000	The matter is at settlement stage.	Nil	Nil
25.	Civil Engineering Construction Consortium	2024- The Municipality received an objection from the bidder. The bjection wentto MBAT. The bidder was not satisfied with the MBAT ruling and then applied the matter to the High Court. Claim: To have the tender reviewed. Legal Counsel: ATMD Attorneys.	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±198 052	The matter has been finalised however legal costs are still outstanding.	Nil	Nil

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

26.	Kufanikiwa Consulting	2024- A tender objection. The bidder was satisfied with the responses and reasons for their disqualification, they have since launched an application for Reviewof the award in the High Court. The municipalityinstructed attorneys to oppose the matter. Claim: To have the tender reviewed. Legal Counsel: ATMD Attorneys.	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±105 522	Forensic Investigators were instructed to investigate the allegations of fraud. The attorneys are consulting with the applicants attorneys and the municipality to have the tender cancelled.	Nil	Nil
Total					**R208 115 675**	**R248 365 192**

Contigencies restated

The following contingent liabilities have been restated to ensure consistent reporting and accuracy:

Cases	**Amount**	**Explanation**
State v Ugu District Municipality and 1 other	R10 000 000	Omitted from prioryear legal confirmations
Department of Transport	-R200 000	Matter settled; incorrectly included in prior yea
Shembe	R274 000	Matter settled; incorrectly included in prior year

47. Contingencies (continued)

Contingent assets:

No.	Name of Entity/ Subsidiary	Management's Description of Matter (including amount claimed and legal counsel)	Management's Estimate of the Financial Exposure (Including Costs and Disbursements)	Legal Services/Counsel Remarks	2025	2024
1.	"I G Gilmore"	The customer did not pay their water account and the matter has been handed over to the attorneys. The customer was issued with summons and they are defending the matter. Total value of the claim: R88 058 Legal Counsel: Internal	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ±R55 000. **30 June 2024** Total costs of outstanding legal fees or estimated costs: ±R50 000	Matter is at settlement phase.	R88 058	R88 058
2.	Cyassound Holdings	2019 – Claim by the municipality against Cyassound for arrear rental and unpaid municipal service account. Total value of claim: R1 938 082.38 Legal Counsel: AT Mpungose & Dlamini Inc.	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ±R50 000. **30 June 2024** Total costs of outstanding legal fees or estimated costs: ±R50 000.	Attorneys are to engage the services of a tracing agent to locate the defendant.	R1 938 082	R1 938 082
3.	Super Swift Logistics	2022 - Debt collection matter for the recovery arrear rental owed to the Municipality. Claim: R150 386 Legal Counsel: N/A - Internal Representation.	**30 June 2025** Total costs of outstanding legal fees or estimated costs: ± R55 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: ± R55 000	Letter of Demand was issued, awaiting further instructions.	R150 386	R150 386

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Contingencies (continued)

4.	Market Demand Trading 773 (Rkt) Ltd	The Municipality gave notice of their intention to institute legal action against Market Demand (Pty) Ltd who was appointed on 26 April 2018 as an expert in terms of service level agreement compile 2016/2017 and 2017/2018 GRAP Compliant Register, to physically verify infrastructure, movable and immovable assets, work in progress and unbundling of all infrastructure assets for contract value of R 6 162 582 for a period commencing on 23 April 2018 and to be concluded on November 2018. Legal Counsel: Seethal Attorneys.	**30 June 2025** Total costs of outstanding legal fees or estimated costs: R±130 000 **30 June 2024** Total costs of outstanding legal fees or estimated costs: R±130 000	Matter adjourned sine die.	R1 592 857	R1 592 857
Total					**R3 769 383**	**R3 769 383**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

48. Related parties

Relationships	
Accounting Officer	Refer to page 4 & 5
Senior management	Refer to Note 31
Councillors	Refer to note
Subsidiary	South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development
Provincial Governing Department	Cooperative Governance and Traditional Affairs

In terms of GRAP 20 paragraph 35 remuneration paid by Ugu District municipality to councillors and Municipal Manager and senior management (section 57 personnel) respectively are related parties. Refer to note 31 and 32.

Related party balances

	2025	2024
Amounts included in Trade receivable (Trade Payable) regarding related parties		
South Coast Tourism and Investment Enterprise SOC	31,806,666	19,593,602

Related party transactions

	2025	2024
Gain on waiver of liability from related parties		
South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Agency SOC)	(7,613,064)	(17,037,915)
Transfers and subsidies to related parties		
South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Agency SOC)	16,013,064	23,313,071
Services in kind to related parties		
South Coast Tourism and Investment Enterprise SOC (Former name : Ugu South Coast Development Agency SOC)	-	157,600

The South Coast Tourism and investment Enterprise wrote off the debt that it is owed by Ugu District Municipality. This is due to the financial challenges experienced by Ugu District Municipality which led to its inability to discharge its transfers and subsidies obligation towards its entity, the South Coast Tourism and Investment Enterprise. Refer to Note **40.**

49. Unauthorised expenditure

	2025	2024
Add: Unauthorised expenditure - current	1,021,493,159	1,024,539,404
Add: Unauthorised expenditure - prior period	10,208,385	74,862,073
Less: Amount authorised - current	(1,031,701,544)	(1,099,401,477)
Closing balance	**-**	**-**

Analysed as follows: non-cash

	2025	2024
Depreciation and amortisation	4,643,830	7,968,398
Depreciation and amortisation adjustment prior year identified in the current year	231,264	40,568,352
Debt impairment	261,640,243	243,939,032
Loss on disposal of assets	-	193,991
Bad debts written off	9,016,450	4,532,795
Actuarial losses	1,895,546	-
Impairment of property plant and equipment	2,489,348	-
	279,916,681	**297,202,568**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Unauthorised expenditure (continued)

Analysed as follows: cash

Bulk purchases	173,152,112	97,057,137
Bulk purchases - adjustment for prior year identified in the current year	-	17,494,271
Contracted services	59,038,708	188,000,040
Contracted services adjustment for prior year identified in the current year	8,603,927	42,439,707
Finance costs - adjustment for prior year identified in the current year	-	17,013
Employee related costs	287,764,908	262,318,431
Finance costs	55,912,332	20,791,420
Lease rentals on operating lease	5,975,531	8,268,075
Operational expenditure	143,951,087	119,420,261
Operational costs- adjustment for prior year identified in the current year	1,373,194	14,911,082
Transfers and subsidies	16,013,064	23,313,071
Capital Expenditure	-	8,168,401
	751,784,863	**802,198,909**

50. Fruitless and wasteful expenditure

Add: Fruitless and wasteful expenditure identified - current	43,405,312	23,474,351
Add: Fruitless and wasteful expenditure identified - prior period	-	15,442
Less: Amount written off	(43,405,312)	(23,489,793)
Closing balance	**-**	**-**

51. Irregular expenditure

Opening balance as previously reported	79,954,615	131,921,783
Add: Irregular expenditure - current	73,771,797	78,747,350
Add: Irregular Expenditure - prior period	-	28,395,464
Less: Amount written off	(153,726,412)	(159,109,982)
Closing balance	**-**	**79,954,615**

Notes to the Annual Financial Statements

Figures in Rand

51. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	30 June 2025	30 June 2024
Local content non-compliance - PPPFA 8	No disciplinary steps taken	71,794,154	66,932,521
CIDB Contravention	No disciplinary steps taken	-	9,589,268
Other	No disciplinary steps taken	1,977,644	2,225,561
		73,771,798	**78,747,350**

Cases under investigation

There were no cases related to non-compliance with procurement laws and regualtions under investigation during the under review.

There were no cases related to other non-compliance with laws, regulations, council policies and/or by-laws.

As at the end of the reporting period (30 June 2024) the balance of irregular expenditure was yet to be investigated since an assessment was being made on whether to utilise internal capacity for these investigations or consider the use of a well experienced external investigator. In addition to this, management was in the process of identifying areas where financial resources can be freed to provide for these essential investigations. As at reporting date, the procurement process was underway but not yet finalised.

All irregular expenditure disclosed is inclusive of VAT.

52. Budget differences

Statement of Financial Performance

52.1
The favourable variance is mainly due to higher revenue from water sales during February, which is a peak consumption period. Increased seasonal demand and higher water usage contributed positively to the results.

52.2
Revenue from Base Telecommunication Station rentals and the hire of Ugu Sports and Leisure Centre facilities exceeded budget. This is because income is recognised as and when the facilities are used, and more bookings occurred during the period than anticipated.

52.3
Other income reflects a favourable variance due to once-off transactions, including insurance payouts received during the period. These receipts were not included in the original budget and arose from ad hoc claims processed by user departments.

52.4
The interest on outstanding debtors was higher than budgeted, driven by an increase in overdue accounts. However, investment income declined due to lower deposit balances and higher withdrawals to fund operations, resulting in reduced interest earned.

52.5
Operational grants gazetted in the 2024/25 DoRA were fully utilised as per funding conditions. The variance relates to capital grants, which are recognised as revenue when qualifying expenditure is incurred.

52.6
The favourable variance reflects the consolidation of service charge and water availability revenue categories, both of which performed better than expected.

52.7
This variance is primarily due to overtime costs for essential services personnel and higher-than-budgeted acting allowances for vacant positions.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Budget differences (continued)

Additionally, there was a reduction in budget which was done after a rigorous process to eliminate non-core expenditure to improve the Municipality’s working capital.

52.8
This variance is consistent with budget forecasts and reflects effective cost control within this expenditure category.

52.9
The unfavourable variance is due to certain projects being completed ahead of schedule, resulting in earlier recognition of related expenditure.

52.10
This unfavorable variance is due to cash flow challenges which then led to interest being charged on overdue accounts because of unpaid invoices within the regulated period of 30 days.

52.11
Lease rental costs are budgeted for under operational costs which resulted in a negative variance.

52.12
The impairment of debtors exceeded budget due to continued low payment levels by customers, which required an increase in the provision for doubtful debts in accordance with GRAP 104. Economic pressures on customers’ ability to pay contributed significantly to this variance. The municipality is implementing measures to improve collections and strengthen credit control.

52.13
An unfavourable variance arose from slower-than-expected debt recoveries, which increased the proportion of outstanding debt considered uncollectable.

52.14
Bulk water purchases exceeded budget due to higher-than-anticipated demand for water during the period.

52.15
Security services costs were higher than budgeted due to increased incidents of vandalism affecting water and sanitation infrastructure. Additional expenditure also resulted from a budget reallocation process aimed at eliminating non-core costs and improving working capital.

52.16
As part of cost containment measures, the allocation to an external entity was removed from the budget. However, a Service Level Agreement billing from the entity to the municipality was subsequently received. The entity’s waiver of part of the payable amount resulted in a gain being recognised.

52.17
This is owing to the increased electricity bill which was not commensurate to the year-to-date projections. The other portion of the variance is because of fuel price increase in the country, it has resulted in a drastic increase in the Municipality’s fuel expenditure. The municipality is strictly intensifying cost containment measures.

52.18
The variance is because the municipality anticipated a loss on disposal due to the aging of the auctioned assets.

52.19
The favourable variance is due to an increase in the fair value of investment property, which was not anticipated as there were no major capital improvements during the period.

52.20
This unfavourable variance is due to changes in actuarial assumtions such as discount rates, salary increases and staff turnover. In line with GRAP 25, these remeasurements are not budgeted for as they are outside management's control.

Statement of Financial Position:

52. Budget differences (continued)

52.22
The favourable variance occurred as the actual performance closely matched the budgeted figures.

52.23
The favourable variance occurred as the actual performance closely matched the budgeted figures.

52.24
This amount relates to receivables from exchange transactions as budgeted.

52.25
This amount relates to receivables from exchange transactions as budgeted.

52.26
The unfavourable variance is due to slower-than-expected collections, influenced by the municipality's registration on a payment basis for VAT, which increases the input VAT payable.

52.27
The unfavourable variance is due to slower collections, partly because of the phased implementation of the enhanced debt collection process. The process is expected to improve cash inflows by year-end.

52.28
The unfavourable variance is due to lower collections from receivables combined with higher expenditure during the period.

52.29
The favourable variance is due to an increase in the fair value of investment property, which was not anticipated as there were no significant capital investments during the year.

52.30
The variance is favourable, due to receipt of the disaster grant which has been accounted for as additions.

52.31
The unfavourable variance due to lower than anticipated acquisition of new software.

52.23
The variance is favourable, the budget was in line with anticipated actuals.

52.32
The loans were taken for Sanitation refurbishment and for uMzimkhulu Augmentation at a very low rate of 5% since DBSA was subsidised by the Government to give the Municipalities loans. The Municipality took that opportunity to speed up their Service Delivery process as it was getting value for money at the lowest possible rates.

52.33
Operating lease liability is budgeted for under payables.

52.34
The municipality is unable to pay its creditors within 30 days due to financial difficulties. There is an existing payment arrangement between uMgeni and the Municipality for the bulk water debt to have the debt settled by 2025/26. This payment arrangement is currently being adhered to.

52.35
The variance is favourable due to an increase in consumer deposits.

52.36
The variance is unfavourable, although management budgets net of VAT, this payable reflects a negative financial position.

52.37
This variance is favourable due to updated valuations which reflected changes in key assumptions such as discount rates, inflation rates and staff turnover patterns.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Budget differences (continued)

52.38
This underspend is due delays in project implementation arising from extended procurement processes and the finalisation of contractor appointments.

52.39
This variance is favourable due to updated valuations which reflected changes in key assumptions such as discount rates, inflation rates and staff turnover patterns.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Prior-year adjustments

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

Statement of financial position

30 June 2024 - Restated *

	Note	As previously reported	Correction of error	Restated
Inventories (A)	3	14,066,756	(840,176)	13,226,580
Other receivables from exchange transactions (B)	5	3,071,055	201	3,071,256
Receivables from exchange transactions (C)	8	150,855,282	(48,360,110)	102,495,172
Receivables from non-exchange transactions (D)	6	10,754,273	(37,291)	10,716,982
VAT receivable (H)	7	-	108,339,230	108,339,230
Non-current portion of long term receivables (E)	4	5,588,366	(52,375)	5,535,991
Property, plant and equipment (F)	11	3,662,045,295	1,170,699	3,663,215,994
Payables from exchange transactions (G)	16	(1,017,622,133)	(26,476,066)	(1,044,098,199)
VAT payable (H)	18	(108,521,588)	(99,128,045)	(207,649,633)
Accumulated surplus (I)		(2,582,786,088)	65,383,934	(2,517,402,154)
		137,451,218	**1**	**137,451,219**

Statement of financial performance

30 June 2024 - Restated *

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges (J)	23	491,798,599	(26,747,427)	-	465,051,172
Other income (K)	25	7,990,761	(52,375)	-	7,938,386
Interest from exchange transactions (L)	26	78,151,542	(1,386,454)	-	76,765,088
Interest from non exchange transactions (M)	29	2,928,740	(430,854)	-	2,497,886
Water availability charges (N)	30	15,863,378	(8,282)	-	15,855,096
Gain on waiver of liability (O)	31	23,313,071	(6,275,156)	-	17,037,915
Contracted services (P)	40	(305,194,681)	(9,977,121)	1,373,194	(313,798,608)
Operational costs (Q)	42	(213,914,316)	-	(1,373,194)	(215,287,510)
Depreciaton and amortization (R)	34	(227,968,398)	(231,264)	-	(228,199,662)
Bulk purchases (A)	39	(158,766,652)	(107,345)	-	(158,873,997)
Surplus for the year		**(285,797,956)**	**(45,216,278)**	**-**	**(331,014,234)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Prior-year adjustments (continued)

Errors

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

53. Prior-year adjustments (continued)

A)
The restatement was due to a correction of the water inventory balance.

B)
The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

C)
The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

D)
The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

E)
The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

F)
There were newly found assets that were identified during physical verifcation.

G)
Restated to recognise additional liabilities that were previously omitted and to correct supplier balances.

H)
Adjusted to correct prior year errors relating to VAT control account and reconciliations.

I)
Adjusted to reflect the cumulative effect of the above prior period errors on the municipality’s net position.

J)
The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

K)
The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

L)
Adjusted for prior period errors in the calculation and recognition of interest income on outstanding debtors.

M)
The restated figures are due to the correction of errors that related to prior periods which were processed in the current year. These were reclassified to the correct periods.

N)
Restated to exclude amounts incorrectly recognised as income to record them in the period they occured.

P)
Restated to account for a reclassification of expenditure previously missaclloacted and to recognse supplier invoices that were omitted in the prior year.

Q)
Adjusted to reclassify costs incorrectly recorded under this catergory in the prior

R)
Depreciation on newly found assets discovered during physical verification.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

54. Additional disclosure in terms of Municipal Finance Management Act

South African Local Government Association

Current year subscription / fee	4,429,372	4,570,229
Amount paid - current year	(1,580,000)	(4,570,229)
	2,849,372	**-**

Audit fees

Opening balance	1,339,268	976,193
Current year subscription / fee	6,857,056	6,300,626
Amount paid - current year	(6,598,341)	(4,961,358)
Amount paid - previous years	(1,339,268)	(976,193)
	258,715	**1,339,268**

PAYE and UIF

Opening balance	7,445,168	5,524,935
Current year subscription / fee	101,059,317	99,995,845
Amount paid - current year	(99,290,510)	(98,075,612)
	9,213,975	**7,445,168**

The outstanding amount at the end of the financial year was included in the accrual list for the reporting period.

Pension and Medical Aid Deductions

Opening balance	17,155,577	9,153,229
Current year subscription / fee	134,765,258	119,340,046
Amount paid - current year	(132,490,876)	(111,337,698)
	19,429,959	**17,155,577**

The oustanding amount at the end of the period was included in the accrual list for the reporting period.

VAT

VAT receivable	134,479,877	108,339,230
VAT payable	(257,882,691)	(207,649,633)
	(123,402,814)	**(99,310,403)**

All VAT returns were submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor N Njenga	1,268	11,172	12,440
Councillor D Nciki	4,876	6,123	10,999
Councillor MA Manyoni	415	11,830	12,245
	6,559	**29,125**	**35,684**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor N Njenga	851	30,573	31,424
Councillor D Nciki	2,995	1,453	4,448
Councillor MA Manyoni	298	9,250	9,548
Councillor V Chiya	477	3,085	3,562
	4,621	**44,361**	**48,982**

Non-compliance with the Municipal Finance Management Act

The municipality was assessed to be in contravention of the following MFMA prescripts due to financial constraints experienced by the municipality:

- Failure to pay creditors within 30 days, as required by sections 65(2)(e) of the MFMA
- Failure to prevent unauthorised, irregular, fruitless and wasteful expenditure, thereby contravening section 62(1)(d) of the MFMA.
- Failure to make payments as and when due in excess of R1 million as per Section 138(a) of the MFMA Operating deficit in excess of five per cent of revenue as per Section 138(d) of the MFMA
- Failure to make payment which is greater than two percent of Operating expenditure and failure to make payment greater than 40 percent of Operating expenditure as per Section 140(2)(c) of the MFMA
- Failure to make payment which is greater than two percent of Operating expenditure and failure to make payment greater than 40 percent of Operating expenditure as per Section 140(2)(c) of the MFMA

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Current portion of long term receivables	86,867	86,867
Other receivables from exchange transactions	4,399,902	4,399,902
Receivables from non-exchange transactions	10,633,150	10,633,150
Receivables from exchange transactions	173,325,596	173,325,596
Cash and cash equivalents	8,746,080	8,746,080
Non-current portion of long term receivables	6,697,539	6,697,539
	203,889,134	**203,889,134**

Financial liabilities

	At amortised cost	Total
Current portion of long term liabilities	4,329,423	4,329,423
Payables from exchange transactions	1,344,196,080	1,344,196,080
Consumer deposits	23,273,932	23,273,932
Unspent conditional grants and receipts	1,840,857	1,840,857
Non-current portion of long term liabilities	16,005,873	16,005,873
	1,389,646,165	**1,389,646,165**

30 June 2024 - Restated *

Financial assets

	At amortised cost	Total
Current portion of long term receivables	57,025	57,025
Other receivables from exchange transactions	3,071,256	3,071,256
Receivables from non-exchange transactions	10,716,982	10,716,982
Receivables from exchange transactions	102,495,172	102,495,172
Cash and cash equivalents	13,538,460	13,538,460
Non current portion of long term receivables	5,535,991	5,535,991
	135,414,886	**135,414,886**

Figures in Rand	2025	2024

55. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Current portion of long term liabilities	4,118,702	4,118,702
Payables from exchange transactions - current	1,044,098,201	1,044,098,201
Consumer deposits	22,698,183	22,698,183
Non current portion of long term liabilities	20,753,224	20,753,224
Unspent conditional grants	11,487,401	11,487,401
Payables from exchange transactions - non current	61,346,284	61,346,284
	1,164,501,995	**1,164,501,995**

For relevant risk information refer to note **57**.

For analysis of individual financial assets assessed to be impaired refer to note(s) **5; 6** and **8**.

For factors considered in determining impairment of financial assets refer to note **37**.

56. Capital Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Capital Commitments	772,064,651	511,411,297

	2025	2024
Total capital commitments		
Already contracted for but not provided for	772,064,651	511,411,297
	772,064,651	**511,411,297**

	2025	2024
Funding breakdown for commitments		
Grant funded by MIG	704,583,417	437,386,772
Grant funded by WSIG	67,481,234	74,024,525
	772,064,651	**511,411,297**

57. Risk management

Financial risk management

Significant risks

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date. The municipality has exposure to the following risks from its operations in financial instruments.

1. Liquidity risk;
2. Credit risk and
3. Market risk
4. Interest risk

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements, as well as in terms of the Municipality's policy.

Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the council, which has built an appropriate liquidity risk management framework for the management of the municipality's short-, medium- and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1,092,407,855	71,951,293	-	-
Consumer deposits	23,273,932	-	-	-
Operating lease liability	-	-	-	45,029,360
Non Current Financial Liabilities	-	4,648,972	18,586,233	-

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	818,927,115	66,480,322	61,346,284	-
Consumer deposits	22,698,183	-	-	-
Non Current Financial Liabilities	-	4,409,201	22,704,104	-
Operating lease liability	-	-	-	45,543,996

57. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Facilities and Guarantees held with Absa Bank and Standard Bank

Guarantees held in lieu of Eskom & Post Office	R3 052 000
Fleet Card Facility	R2 500 000
Overdraft Facility	R15 000 000

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

Financial instrument	30 June 2025	30 June 2024 - Restated *
Current Accounts	8,501,998	10,358,950
Call Deposits	243,456	3,178,884

Market risk

The municipality is not exposed to market risk because it has no trading instruments.

Interest rate risk

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities, bank, cash and cash equivalents and equity, comprising accumulated Surplus.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Annuity Loans	5.00 %	4,329,423	4,550,924	11,109,083	-	-

58. Going concern

Based on the comprehensive assessment performed, management concludes that Ugu District Municipality remains a going concern for the foreseeable future. While the municipality continues to face liquidity pressures, slow revenue collection, high debtor days, and elevated creditor balances, these risks are outweighed by significant mitigating factors that ensure the municipality's continued ability to operate.

The most critical support comes from guaranteed, legislated DORA allocations, including the Equitable Share and conditional grants, which provide stable and predictable multi-year funding. As at 30 June 2025 the DORA allocations have been gazzetted for the 2025/26 - 2027/28 MTEF period which provide guaranteed baseline funding for operational activities. In addition, the municipality's core services water and sanitation continue to demonstrate financial sustainability, generating consistent operating surpluses. Capital programme performance remains strong at 100%, and long-term debt exposure is low, with structured repayment arrangements that further strengthen future cash flows.

Management has also implemented targeted financial recovery measures, including debt collection interventions, funding plan execution, and creditor repayment strategies. These actions, combined with ongoing legislative oversight and the constitutional mandate to deliver essential services, provide sufficient evidence that the municipality will continue to meet its obligations and operate into the foreseeable future.

Accordingly, the use of the going concern basis of accounting is appropriate for the preparation of the Annual Financial Statements for the year ended 30 June 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

59. Events after the reporting date

There were no events after reporting date in th period under review.

60. Deviation from supply chain management regulations

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

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

Section 36(1)(ii) • Goods or service were from single service provider	266,393	3,766,247

61. Segment information

Identification of segments

- The municipality is organised and reports to management on the basis of three major functional areas: Budget Treasury Office; Water Services and Economic development and environmental services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

- 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.

- The Municipality has other departments namely Corporate Services and Office of the Municipal Manager that it has considered as not meeting the definition and classification as a reportable segment as supported by paragraph 8 of Grap 18 as these departments do not undertake activities of the municipality that generates significant economic benefits or service potential.

- The segments are reported using the same accounting basis as the municipality and there are no differences in the differences in measurements.

Aggregated segments

There were no segments of the municipality that were aggregated for this disclosure.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Budget Treasury Office	Sale of goods Tender documents, connection fees and interest on investments and overdue accounts.
Water Services	Provision and maintenance of infrastructurewater as well as basic service delivery of water and sanitation.
Economic development and environmental services	Provision of environmental services such as licensing for businesses and the management of sports and leisure centre. The provision of economic development support services.

Geographical Areas

The municipality operates in various geographical areas, each with its own set of challenges and operational nuances. The cost of implementing a system to track and report this information accurately would be prohibitively high, diverting resources from other critical municipal services. Furthermore, the potential benefits of such detailed reporting are outweighed by the practical difficulties and financial strain it would impose. Extracting and reporting such detailed geographical information is impracticable. The complexity of disaggregating financial data by geography, coupled with the administrative burden and costs involved, makes this requirement onerous.

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

Statement of Financial Performance

	Budget Treasury Office	Economic Development and Environmental services	Water Services	Unallocated	Total
Revenue					
Service charges	437,676,010	(12,565)	159,034,987	-	596,698,432
Rental of facilities and equipment	2,113,665	-	-	-	2,113,665
Other income	3,633,592	-	561,232	-	4,194,824
Interest income from exchange transactions	93,129,820	-	-	-	93,129,820
Government grants & subsidies	1,900,000	1,949,515	1,078,032,274	18,364,000	1,100,245,789
Interest income from non exchange tractions	-	-	3,873,934	-	3,873,934
Water availability charges	18,242,765	-	-	-	18,242,765
Gain on waiver of liability	7,613,064	-	-	-	7,613,064
Total segment revenue	**564,308,916**	**1,936,950**	**1,241,502,427**	**18,364,000**	**1,826,112,293**
Entity's revenue					**1,826,112,293**
Expenditure					
Employee related costs	81,800,561	30,029,845	306,857,117	166,628,385	585,315,908
Remuneration of councillors	-	-	-	13,234,293	13,234,293
Depreciation and amortisation	18,847,416	-	216,576,413	-	235,423,829
Finance costs	60,865,650	-	-	126,682	60,992,332
Lease rentals on operating lease	-	-	-	5,975,531	5,975,531
Debt Impairment	288,866,493	-	-	-	288,866,493
Bad debts written off	-	-	7,810,203	1,206,247	9,016,450
Bulk purchases	-	-	237,839,584	-	237,839,584
Contracted services	8,052,551	1,509,912	89,477,528	81,584,717	180,624,708
Transfers and Subsidies	-	16,013,064	-	-	16,013,064
Operational costs	24,317,437	565,941	154,634,363	59,435,346	238,953,087
Profit on disposal of assets	(2,810,338)	-	-	-	(2,810,338)
Fair value adjustments	(1,113,000)	-	-	-	(1,113,000)
Actuarial gains/(losses)	1,895,546	-	-	-	1,895,546
Impairment loss	2,489,348	-	-	-	2,489,348
Total segment expenditure	**483,211,664**	**48,118,762**	**1,013,195,208**	**328,191,201**	**1,872,716,835**
Total segmental surplus/(deficit)					**(46,604,542)**
Assets					
Inventories	10,835,361	-	781,927	-	11,617,288
Current portion of long term receivables	86,867	-	-	-	86,867
Other receivables from exchange transactions	4,397,573	-	2,329	-	4,399,902
Receivables from non-exchange transactions	478,532	-	10,154,618	-	10,633,150
VAT receivables	134,479,877	-	-	-	134,479,877
Receivables from exchange transactions	-	-	173,325,596	-	173,325,596
Cash and cash equivalents	8,746,080	-	-	-	8,746,080
Investment property	31,513,000	-	-	-	31,513,000
Property, plant and equipment	742,202,892	-	3,001,482,726	62,916,756	3,806,602,374
Intangible assets	4,027,956	-	-	-	4,027,956
Investments in controlled entities	200	-	-	-	200
Non-current portion of long term receivables	6,276,259	-	-	421,280	6,697,539
Total segment assets	**943,044,597**	**-**	**3,185,747,196**	**63,338,036**	**4,192,129,829**

Notes to the Annual Financial Statements

Figures in Rand

61. Segment information (continued)

Total assets as per Statement of financial Position					**4,192,129,829**
Liabilities					
Current portion of long term liabilities	-	-	-	(4,329,423)	(4,329,423)
Operating lease liability	(11,556,360)	-	-	-	(11,556,360)
Payables from exchange transactions	(1,183,241,886)	-	(71,951,294)	(89,002,897)	(1,344,196,077)
Consumer deposits	-	-	(23,273,932)	-	(23,273,932)
VAT payable	(257,242,908)	-	-	(639,788)	(257,882,696)
Employee benefit obligation	(1,400,000)	-	-	-	(1,400,000)
Unspent conditional grants and receipts	-	(840,855)	-	(1,000,000)	(1,840,855)
Long service awards	(4,464,000)	-	-	-	(4,464,000)
Non-current portion of long term liabilities	(16,005,873)	-	-	-	(16,005,873)
Employee benefit obligation	(21,909,000)	-	-	-	(21,909,000)
Long service awards	(34,474,000)	-	-	-	(34,474,000)
Total segment liabilities	**(1,530,294,027)**	**(840,855)**	**(95,225,226)**	**(94,972,108)**	**(1,721,332,216)**
Accumulated surplus					(2,470,797,613)
Total liabilities as per Statement of financial Position					**(4,192,129,829)**

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

30 June 2024 - Restated *

	Budget Treasury Office	Economic Development and Environmental Services	Water Services	Unallocated	Total
Revenue					
Government grants and subsidies	2,252,176	980,525	1,038,602,964	13,556,000	1,055,391,665
Interest income from exchange transactions	73,261,205	-	-	-	73,261,205
Other income	3,473,040	43,363	421,984	4,000,000	7,938,387
Rental from facilities	2,760,813	(5,838)	-	-	2,754,975
Service charges	334,468,000	12,565	130,570,607	-	465,051,172
Interest income from non exchange	-	-	6,001,769	-	6,001,769
Water availability	15,855,096	-	-	-	15,855,096
Public contributions and donations	4,048,500	-	-	-	4,048,500
Gain on measurement of assets and liabilities	17,037,915	-	-	-	17,037,915
Total segment revenue	**453,156,745**	**1,030,615**	**1,175,597,324**	**17,556,000**	**1,647,340,684**

Notes to the Annual Financial Statements

61. Segment information (continued)

Expenditure					
Employee related costs	75,036,528	25,668,641	281,489,843	160,587,837	542,782,849
Remuneration of councillors	-	-	-	13,098,280	13,098,280
Bad debts written off	-	-	3,547,362	985,433	4,532,795
Bulk purchases	-	-	158,873,997	-	158,873,997
Contracted services	18,867,952	8,108,796	224,443,359	62,378,501	313,798,608
Depreciation and amortisation	16,350,739	-	211,848,923	-	228,199,662
Finance costs	45,018,939	-	-	169,413	45,188,352
Impairment of debtors	271,165,282	-	-	-	271,165,282
Operating lease rentals	-	-	1,239,259	7,028,816	8,268,075
Operational costs	17,039,482	438,430	132,498,683	65,310,915	215,287,510
Transfers and subsidies	23,313,071	-	-	-	23,313,071
Actuarial gains	-	-	(241,246)	-	(241,246)
Fair value adjustments	(2,400,000)	-	-	-	(2,400,000)
Loss on disposal of assets	193,991	-	-	-	193,991
Impairment of PPE	20,767,608	-	-	-	20,767,608
Total segment expenditure	**485,353,592**	**34,215,867**	**1,013,700,180**	**309,559,195**	**1,842,828,834**
Total segmental surplus/(deficit)					**(195,488,150)**
Assets					
Inventory	12,595,132	-	631,448	-	13,226,580
Cash and cash equivalents	13,538,460	-	-	-	13,538,460
Current portion of long term receivables	57,025	-	-	-	57,025
Other receivables from exchange transactions	3,030,043	-	41,213	-	3,071,256
Receivables from exchange transactions	-	-	102,495,173	-	102,495,173
VAT receivable	108,339,230	-	-	-	108,339,230
Receivables from non exchange	863,319	-	9,853,663	-	10,716,982
Intangible assets	4,367,660	-	-	-	4,367,660
Investment in controlled entities	200	-	-	-	200
Investment property	30,400,000	-	-	-	30,400,000
Long term portion of receivables	5,066,670	-	-	469,321	5,535,991
Property plant and equipment	960,588,952	-	2,645,080,115	57,546,927	3,663,215,994
Total segment assets	**1,138,846,691**	**-**	**2,758,101,612**	**58,016,248**	**3,954,964,551**
Liabilities					
Consumer deposits	-	-	(22,698,183)	-	(22,698,183)
Post employment benefits	(1,306,441)	-	-	-	(1,306,441)
Long service awards (Current)	(2,675,070)	-	-	-	(2,675,070)
Operating lease liabilities	(10,607,600)	-	-	-	(10,607,600)
Short term portion of liabilities	-	-	-	(4,118,702)	(4,118,702)
Payables from exchange transaction	(895,635,873)	-	(66,480,322)	(81,982,006)	(1,044,098,201)
Unspent conditional grants	(1,197,038)	(1,790,363)	(7,500,000)	(1,000,000)	(11,487,401)
VAT	(207,062,679)	-	-	(586,954)	(207,649,633)
Post employment benefits	(18,312,917)	-	-	-	(18,312,917)
Long term portion of liabilities	(20,753,224)	-	-	-	(20,753,224)
Long service awards	(32,508,741)	-	-	-	(32,508,741)
Payable from exchangetransactions (Non-current)	(61,346,284)	-	-	-	(61,346,284)
Total segment liabilities	**(1,251,405,867)**	**(1,790,363)**	**(96,678,505)**	**(87,687,662)**	**(1,437,562,397)**
Accumulated surplus					(2,517,402,154)
Total Net Assets					**(3,954,964,551)**

61. Segment information (continued)

The prior year segment information has been restated in line with the prior year restatement as detailed in **note53** of the annual financial statements.

62. Change in estimate

Property, plant and equipment

A change in the estimated remaining useful lives of various assets of the Municipality based on their assessment conducted as at 30 June 2025 resulted in the following decreases in depreciation for property plant and equipment in the current and prior financial year:

The impact on the statement of financial performance (Depreciation) as of 30 June 2025		
Infrastructure assets	2,906,522	3,126,279
Other Property plant and equipment	159,254	1,286,318
	3,065,776	**4,412,597**

The impact on the statement of financial performance (Depreciation) in the future periods:		
Infrastructure assets	79,238	3,126,279
Other Property plant and equipment	159,254	1,286,318
	238,492	**4,412,597**

63. Awards to close family members of persons in service of the state

Paragraph 45 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003); Municipal Supply Chain Management Regulations states that particulars of any award more than R2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve (12) months must be disclosed as a note in the Annual Financial Statements.

30 June 2025

Name :Nothevuyo Trading And Projects
Relation : Spouse to an employee who is in the service of the state/municipality.
Total value: R2 748 678

Name :Mathwana Projects
Relation : Spouse to an employee who is in the service of the state/municipality.
Total value: R1 812 339

Name :Siyakwethemba Contractors
Relation : Spouse to an employee who is in the service of the state/municipality.
Total value: R7 338 508

Name :Panjo Excellence
Relation : Spouse to an employee who is in the service of the state/municipality
Total value: R131 599

30 June 2024

Name :Amarda Projects
Relation : Spouse to an employee who is in the service of the state/municipality
Total value: R198,330.00

Name : Zamashazi Investments
Relation : Spouse to an employee who is in the service of the state/municipality
Total value: R1 889 000

64. Service in-kind

There were no services in kind in the year under review.