UTHUKELA
UMKHANDLU WESIFUNDA
DISTRIKSMUNISIPALITEIT
DISTRICT MUNICIPALITY

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

General Information

Legal form of entity	Uthukela District Municipality 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 108of 1996)
Nature of business and principal activities	The main business operations of the Municipality is to engage in Local Government activities, which includes planning and promotion of integrated development planning, economic, social and environmental development and supplying of the following services to the community: the supply of water and sanitation services, as well as infrastructure development. Water is obtained from (DWS) Department of Water and Sanitation and distributed to the consumers by the Municipality as well as to promote a safe and healthy environment
Legislation governing the Municipality's operation	Constitution of the Republic of South Africa (Act 108 of 1996) Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Mayor	His Worship Cllr. Shabalala N.B.
	Cllr. Mkhize M.C.
	Cllr. Mazibuko A.S.
	Cllr. Mchunu N.W. (Ms.)
	Cllr. Janse Van Rensburg T.D.
	Cllr. Khoza M.M.
	Cllr. Zuma F.
Councillors	Cllr. Nqubuka T.Y.
	Cllr. Shange M.H.
	Cllr. Hadebe K.I.
	Cllr. Qwabe L.
	Cllr. Mvelase L.M.
	Cllr. Hlongwane N.A.
	Cllr. Shabalala S.V. (Ms.)
	Cllr. Strydom P.G. (Ms.)
	Cllr. Hadebe N.C.
	Cllr. Shabalala T.P. (Ms.)
	Cllr. Dlungwane S.B.
	Cllr. Buthelezi S.M.
	Cllr. Nkala N.K.
	Cllr. Coca B.
	Cllr. Khumalo S.W.
	Cllr. Mnculwane L.P.
	Cllr. Mdlolo Z.
	Cllr. Vilakazi L.
	Cllr. Mzimela S.
	Cllr. Madondo Z.
	Cllr. Mhlongo X.F.

General Information

	Cllr. Kubheka L. Cllr. Mkhasibe N. Cllr. Mbhele M.B. Cllr. Mtshali N.C. Cllr. Biyela B.B. Cllr. Sehlako S.P.
Grading of local authority	Grade 4 Mediun Capacity
Accounting Officer	L.S. Jili pamm@uthukela.gov.za
Chief Finance Officer (CFO)	B. Ndlovu bndlovu@uthukela.gov.za
Registered office	33 Forbes Street Ladysmith Tel: 036-6385100 Fax: 036-6385126 3370
Business address	33 Forbes Street Ladysmith Kwazulu Natal 3370
Postal address	PO Box 116 Ladysmith Kwazulu Natal 3370
Bankers	First National Bank
Auditors	Auditor General - South Africa
Attorneys	Ramkhelewan Incorporated Shepstone & Wyli
Municipal demarcation code and grading	DC 23 Grade 4

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Abbreviations used:

COID - 19	Compensation for Occupational Injuries and Diseases
DWS	Department of Water and Sanitation
EQS	Equity Share
EPWP	Expanded Public Works Program
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Sector Education and Training Authority
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSCOA	Municpal Standard Chart of Accounts
PPE	Property , Plant and Equipment
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Road Asset Management System
SARS	South African Revenue Services
VAT	Value Added Tax Act (Act No. 89 of 1991)
WSIG	Water Services Infrastructure Grant
IWA	International Water Association
DHSWS	Department of Human Settlement, Water and Sanitation

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on the municipality 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.

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

It must be noted that the Municipality is still under Section 139(1)(b) Constitutional intervention, a Ministerial Representative has been assigned to the Municipality to rescue the Municipality from financial distress, governance and organisational challenges.

The Municipality has a unfunded budget and has drafted a financial recover plan and budget funding plan which is closely monitored by Provincial Treasury and COGTA.

The annual financial statements set out on pages 5 to 110, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 November 2025 and were signed on its behalf by:

L.S. Jili
Accounting Officer

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	10	17 431 751	18 597 530
Receivables from exchange transactions	11	256 227 828	241 941 396
Receivables from non-exchange transactions	12	172 980	172 980
Consumer debtors	13	98 478 636	74 552 612
Bank reconciliation clearing control account	9	-	94 867
Cash and cash equivalents	14	10 897 083	5 715 178
		383 208 278	**341 074 563**
Non-Current Assets			
Property, plant and equipment	4	3 551 347 942	3 407 541 630
Intangible assets	5	374 036	392 154
Receivables from exchange transactions	11	1 658 406	1 658 406
Receivables from non-exchange transactions	12	46 349	46 349
		3 553 426 733	**3 409 638 539**
Total Assets		**3 936 635 011**	**3 750 713 102**
Liabilities			
Current Liabilities			
Operating lease liability	6	59 378	2 415 940
Payables from exchange transactions	7	1 273 766 695	1 107 863 412
Consumer deposits	8	20 552 010	19 703 690
Employee benefit obligation	60	11 823 000	5 470 000
Unspent conditional grants and receipts	15	19 126 543	99 113
Provisions - leave	16	41 186 685	36 722 303
Other liabilities - sundry debtors with credit balances	17	158 961	112 829
Other liabilities - consumer debtors with credit balances	18	20 245 013	15 781 592
Other liabilities - salaries suspense account	19	13 772 858	329 997
		1 400 691 143	**1 188 498 876**
Non-Current Liabilities			
Employee benefit obligation	60	50 346 000	49 527 000
Total Liabilities		**1 451 037 143**	**1 238 025 876**
Net Assets		**2 485 597 868**	**2 512 687 226**
Accumulated surplus		2 485 597 868	2 512 687 226
Total Net Assets		**2 485 597 868**	**2 512 687 226**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	280 733 240	298 773 004
Interest received (trading)	20	71 604 966	60 477 691
Other income	20	890 384	979 920
Proceeds from sale of assets	20	2 621 155	133 300
Interest received - investment	25	6 612 659	11 078 696
Gain on disposal of assets and liabilities	4	-	5 831 893
Total revenue from exchange transactions		**362 462 404**	**377 274 504**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	27	892 651 158	877 733 904
Public contributions and donations	28	25 824 045	-
Fines, Penalties and Forfeits	22	43 300	41 700
Total revenue from non-exchange transactions		**918 518 503**	**877 775 604**
Total revenue	20	**1 280 980 907**	**1 255 050 108**
Expenditure			
Employee related costs	29	(416 845 214)	(374 184 498)
Remuneration of councillors	30	(6 560 505)	(6 343 208)
Depreciation and amortisation	31	(89 368 779)	(85 713 681)
Impairment loss	32	(44 280)	(779 590)
Interest incurred	33	(19 697 856)	(16 352 222)
Lease rentals on operating lease	23	(2 035 214)	(19 666 767)
Debt Impairment	35	59 329 095	(237 174 114)
Bad debts written off	58	(260 434 891)	-
Incentive discounts	57	(5 260 248)	(3 123 596)
Bulk purchases	37	(43 145 386)	(40 221 720)
Contracted services	38	(222 303 681)	(283 852 448)
Transfers and Subsidies	26	(3 800 000)	(3 285 000)
Loss on disposal of assets and liabilities	4	(2 749 354)	-
Actuarial losses	60	(2 351 000)	(660 000)
General Expenses	36	(316 480 145)	(278 180 761)
Total expenditure		**(1 331 747 458)**	**(1 349 537 605)**
Deficit for the year		**(50 766 551)**	**(94 487 497)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 660 857 851	2 660 857 851
Adjustments		
Prior year adjustments 45	(51 573 937)	(51 573 937)
Balance at 01 July 2023 as restated*	**2 609 283 914**	**2 609 283 914**
Changes in net assets		
Surplus for the year	(94 487 497)	(94 487 497)
Movement in accumulated surplus	(2 109 191)	(2 109 191)
Total changes	(96 596 688)	(96 596 688)
Restated* Balance at 01 July 2024	**2 512 687 226**	**2 512 687 226**
Changes in net assets		
Surplus for the year	(50 766 551)	(50 766 551)
Movement in accumulated surplus	23 677 193	23 677 193
Total changes	(27 089 358)	(27 089 358)
Balance at 30 June 2025	**2 485 597 868**	**2 485 597 868**

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		387 741 277	96 533 141
Grants		911 678 588	864 167 715
Interest income		6 612 659	11 078 696
VAT refunds received		65 904 275	80 274 214
Fines, penalties and forfeits		43 300	41 700
Other cash item		890 384	979 920
		1 372 870 483	1 053 075 386
Payments			
Employee costs		(423 405 719)	(380 527 706)
Suppliers		(696 871 789)	(410 321 259)
Interest incurred		(19 697 856)	(16 352 222)
Transfer payments		(3 800 000)	(3 285 000)
Rent paid		(4 391 776)	(16 294 134)
		(1 148 167 140)	(826 780 321)
Net cash flows from operating activities	39	**224 703 343**	**226 295 065**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(222 142 593)	(234 210 902)
Proceeds from sale of property, plant and equipment	4	2 621 155	133 300
Net cash flows from investing activities		**(219 521 438)**	**(234 077 602)**
Net increase/(decrease) in cash and cash equivalents		**5 181 905**	**(7 782 537)**
Cash and cash equivalents at the beginning of the year		5 715 178	13 497 715
Cash and cash equivalents at the end of the year	14	**10 897 083**	**5 715 178**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	334 578 000	(42 736 000)	**291 842 000**	280 733 240	**(11 108 760)**	PER 1
Interest received (trading)	64 535 000	4 952 000	**69 487 000**	71 604 966	**2 117 966**	PER 2
Sale of goods	632 000	(139 000)	**493 000**	890 384	**397 384**	PER 3
Operational revenue	203 000	2 731 000	**2 934 000**	2 621 155	**(312 845)**	PER 4
Public contribustions and donations	-	-	**-**	25 824 045	**25 824 045**	PER 5
Fines, penalties and forfeits	60 000	566 000	**626 000**	43 300	**(582 700)**	PER 6
Interest received - investment	10 482 000	(3 475 000)	**7 007 000**	6 612 659	**(394 341)**	PER 7
Total revenue from exchange transactions	**410 490 000**	**(38 101 000)**	**372 389 000**	**388 329 749**	**15 940 749**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	620 501 000	4 599 000	**625 100 000**	892 651 158	**267 551 158**	PER 8
Total revenue	**1 030 991 000**	**(33 502 000)**	**997 489 000**	**1 280 980 907**	**283 491 907**	
Expenditure						
Personnel	(363 137 000)	(32 822 000)	**(395 959 000)**	(416 845 214)	**(20 886 214)**	PER 9
Remuneration of councillors	(6 155 000)	(64 000)	**(6 219 000)**	(6 560 505)	**(341 505)**	PER 10
Depreciation and amortisation	(73 910 000)	(10 618 000)	**(84 528 000)**	(89 368 779)	**(4 840 779)**	PER 11
Impairment loss/ Reversal of impairments	-	-	**-**	(44 280)	**(44 280)**	PER 12
Interet incurred	-	(6 456 000)	**(6 456 000)**	(19 697 856)	**(13 241 856)**	PER 13
Lease rentals on operating lease	-	-	**-**	(2 035 214)	**(2 035 214)**	PER 14
Debt Impairment	(164 658 000)	84 176 000	**(80 482 000)**	59 329 095	**139 811 095**	PER 15
Incentive discounts	-	-	**-**	(5 260 248)	**(5 260 248)**	PER 16
Bad debt written off	-	(80 482 000)	**(80 482 000)**	(260 434 891)	**(179 952 891)**	PER 17
Bulk purchases	(51 060 000)	(35 437 000)	**(86 497 000)**	(43 145 386)	**43 351 614**	PER 18
Contracted Services	(171 931 000)	17 719 000	**(154 212 000)**	(222 303 681)	**(68 091 681)**	PER 19
Transfers and Subsidies	(5 830 000)	5 830 000	**-**	(3 800 000)	**(3 800 000)**	PER 20
General Expenses	(130 551 000)	(58 087 000)	**(188 638 000)**	(316 480 145)	**(127 842 145)**	PER 21
Total expenditure	**(967 232 000)**	**(116 241 000)**	**(1 083 473 000)**	**(1 326 647 104)**	**(243 174 104)**	
Operating deficit	**63 759 000**	**(149 743 000)**	**(85 984 000)**	**(45 666 197)**	**40 317 803**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 749 354)	**(2 749 354)**	PER 22
Actuarial gains/losses	-	-	**-**	(2 351 000)	**(2 351 000)**	PER 23
	-	**-**	**-**	**(5 100 354)**	**(5 100 354)**	
Deficit before taxation	**63 759 000**	**(149 743 000)**	**(85 984 000)**	**(50 766 551)**	**35 217 449**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**63 759 000**	**(149 743 000)**	**(85 984 000)**	**(50 766 551)**	**35 217 449**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

References to statement of comparison of budget and actual amounts.

Statement of Financial Performance.

PER 1 - Service charges - there was a 42% increase in service charges due to tariff increases, new developments in the district and correction of accounts previously not billed correctly (zero consumption and estimates).

PER 2 - Interest received (trading) - interest on service charges is below budget. It can be assumed that this was not realistically budgeted .

PER 3 - Sale of goods - consists of the issue of clearance certificates, copies of building plans, insurance claim income and tender documents.

PER 4 - Operational revenue - consists of the issue of clearance certificates, copies of building plans, insurance claim income and tender documents.

PER 5 - Public contributions - relates to three water tankers donated by DBSA (Development Bank of South Africa).

PER 6 - Fines, penalties & forfeits - these are fines issued by the Health Department in terms of the general hygiene for the premises and transport of food in terms of Government Notice No. 638 dated 22 June 2018.

PER 7 - Interest received investments.

PER 8 - Government grants.

PER 9 - Employee related costs - Variance is due to annual increases as well as high overtime, standby and night shift claims which remaines a challenge however, Management has implemented controls to curb overtime and standby expenditure.

PER 10 - Remuneration of Councilors - provision was made in the budget for Councilors to receive an increase and backpay in terms of the Government Gazette for Councillors upper limits however this was not approved due to the audit opinion received in the previous financial years.

PER 11 - Depreciation and amortization - depreciation of PPE for the year was under estimated at budget preparation stage. The movement from WIP (work in progress) to capitalization of assets could not be accurately determined at the time.

PER 12 - Impairment loss - a conditional assessment was performed on Infrastructure assets and due to the condition of these assets an impairment reversal was done. The reversal of impairment on PPE was not budgeted for as the results of the conditional assessment could not be predetermined..

PER 13 - Interest incurred - this relates to interest charges with regards to post retirement medical aid and long service awards accrual at year end as well as interest paid to suppliers due to invoices that attracted interest. The Municipality was subjected to a number of litigation hence the 100% increase in interest incurred.

PER 14 - Lease rentals on operating leases - This relates to rental paid in respect of the satellite offices that the Municipality occupies in Estcourt, Colenso and Weenen, Laboratory space and rental of office machines, however the budget for this line item is included in general expenditure in the budget document.

PER 15 - Debt impairment - this relates to the contribution to the bad debt provision with regards to uncollectable bad debt in the debtors book. The variance is due to the incease in the debtors book which is the result of the poor collection rate which is below 40%.

PER 16 - Incentive discounts - the Municipality offered incentive discounts to consumers in an effort to collect outstanding debt and decrease the debtors book. The Municipality offered a one third discount to consumers in order to encourage them to pay their outstanding debt.

PER 17 - Bad debt written off - the Municipality has implemented its indigent policy and indigent debt and irrecoverable debt has been written off. This was not provided for when the budget was compiled.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

PER 18 - Bulk purchases - this represents the bulk water purchases from DWS (Department of Water and Sanitation). No payments were made to DWS during the financial year and the amount disclosed is the accumulated debt from July 24 to June 25.

PER 19 - Contracted services - contracted services includes outsourced services such as security, watewr tankering, consultants and professional services as well as maintenance and repairs of Municipal assets. The biggest contributing factor in the reduction of expenditure on contracted services was the use of Hired water takers. The Municipalaty terminated the contracs of hired water tankers and only procure hired water tankers in extreme cases.

PER 20 - Transfers and subsidies - this relates to transfers made by the Municipality to the uThukela Economic Development Agency for the financial year. The Municipality did not transfer the full budget allocation to the agency therefore a saving against the budget.

PER 21 - General expenditure - this relates to all other operational expenditure incurred by the Municipality. The significant contributing factors between 2023/2024 and 2025 is the hire of plant and equipment, Fuel and oil, subscription and membership fees as well as electricity from Eskom.

PER 22 - Gain on disposal of assets and liabilities - Gain on disposal of PPE which was not budgeted for.

PER 23 - Actuarial gains/losses - Loses recognized during the valuation of long service awards and medical aid post retirement obligation In terms of GRAP 25 cannot be budgeted for as they are dependent on the actual actuarial valuation. Such calculations can only be done by an Actuary and not the Municipality.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	5 207 000	57 907 000	**63 114 000**	17 431 751	**(45 682 249)**	POS 1
Receivables from exchange transactions	73 257 000	255 374 000	**328 631 000**	256 227 828	**(72 403 172)**	POS 2
Receivables from non-exchange transactions	7 102 000	58 116 000	**65 218 000**	172 980	**(65 045 020)**	POS 3
VAT receivable	43 337 000	(165 912 000)	**(122 575 000)**	-	**122 575 000**	POS 4
Consumer debtors	48 332 000	(48 237 000)	**95 000**	98 478 636	**98 383 636**	POS 5
Cash and cash equivalents	(107 356 000)	40 044 000	**(67 312 000)**	10 897 083	**78 209 083**	POS 6
	69 879 000	**197 292 000**	**267 171 000**	**383 208 278**	**116 037 278**	
Non-Current Assets						
Property, plant and equipment	2 620 048 000	792 304 000	**3 412 352 000**	3 551 347 942	**138 995 942**	POS 7
Intangible assets	-	392 000	**392 000**	374 036	**(17 964)**	POS 8
Receivables from exchange transactions	-	1 658 000	**1 658 000**	1 658 406	**406**	POS 9
Receivables from non-exchange transactions	-	46 000	**46 000**	46 349	**349**	POS 10
	2 620 048 000	**794 400 000**	**3 414 448 000**	**3 553 426 733**	**138 978 733**	
Total Assets	**2 689 927 000**	**991 692 000**	**3 681 619 000**	**3 936 635 011**	**255 016 011**	
Liabilities						
Current Liabilities						
Other financial liabilities	10 431 000	(7 548 000)	**2 883 000**	-	**(2 883 000)**	POS 11
Operating lease liability	-	2 416 000	**2 416 000**	59 377	**(2 356 623)**	POS 12
Payables from exchange transactions	479 154 000	389 143 000	**868 297 000**	1 273 766 696	**405 469 696**	POS 13
VAT payable	58 116 000	(58 116 000)	**-**	-	**-**	POS 14
Consumer deposits	20 735 000	(706 000)	**20 029 000**	20 552 010	**523 010**	POS 15
Employee benefit obligation	-	-	**-**	11 823 000	**11 823 000**	POS 16
Unspent conditional grants and receipts	-	-	**-**	19 126 543	**19 126 543**	POS 17
Provisions	50 117 000	(13 395 000)	**36 722 000**	41 186 685	**4 464 685**	POS 18
Other liabilities - sundry debtors with cedit balances	-	-	**-**	158 961	**158 961**	POS 19
Other liability - Consumer debtors with credit balances	11 337 000	(89 743 000)	**(78 406 000)**	20 245 013	**98 651 013**	POS 20
Other liabilities - salaries suspense account	-	-	**-**	13 772 858	**13 772 858**	POS 21
	629 890 000	**222 051 000**	**851 941 000**	**1 400 691 143**	**548 750 143**	
Non-Current Liabilities						
Employee benefit obligation	35 360 000	14 167 000	**49 527 000**	50 346 000	**819 000**	POS 22
Total Liabilities	**665 250 000**	**236 218 000**	**901 468 000**	**1 451 037 143**	**549 569 143**	
Net Assets	**2 024 677 000**	**755 474 000**	**2 780 151 000**	**2 485 597 868**	**(294 553 132)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 024 677 000	755 474 000	**2 780 151 000**	2 485 597 868	**(294 553 132)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

References to statement of comparison of budget and actual amounts.

Statement of Financial Position.

POS 1 - Inventories - Inventory items are kept at a centralized store, chemicals are stored at the water and sewerage treatment plants. Inventory also includes water stock in the reservoirs and reticulation networks as at year end.

POS 2 - Receivables from exchange transactions (current assets) - represents sundry debtors accounts held by the Municipality

POS 3 - Receivables from non-exchange transactions (current assets) - represents unpaid cheques issued to the Municipality and overpayment of contractors

POS 4 - VAT receivable - VAT returns submitted in respect of which the refunds has not been received from SARS.

POS 5 - Consumer debtors from exchange transactions - when the budget was prepared the poor revenue collection rate and the provision for bad debts was not accurately taken into account

POS 6 - Cash and cash equivalents - represents actual cash on hand (current account balance, investments on hand , petty cash and cashier floats) and this was not accuratly budgeted for.

POS 7 - PPE (property, plant and equipment) - the variance between the budget and the actual amount is due to the capitalization and asset impairment which were not accurately budgeted for.

POS 8 - Intangible assets - the variance is due to impairment not accurately budgeted for.

POS 9 - Receivables from exchange transactions (non-current assets) - represents deposits paid to third party vendors such as Eskom.

POS 10 - Receivables from non-exchange transactions (non-current assets) - this represents unauthorized debit orders and duplicate payments made which were not budgeted for.

POS 11 - Other liabilities - .

POS 12 - Operating lease liability - the liability is in respect of operating leases the Municipality has entered into.

POS 13 - Payables from exchange transactions - represents trade payables, DWS accrual in respect of bulk raw water, Umgeni Water accrual in respect of bulk purified water, retentions, trust funds and other creditors at year end.

POS 14 - VAT payable - vat returns where vat is payable to SARS.

POS 15 - Consumer deposits - this represents deposits held by the Municipality in respect of consumer debtors accounts.

POS 16 - Employee benefit obligation - this relates to ling service awards and post retirement medical aid current liability.

POS 17 - Unspent conditional grants - this represents the unspent portion of conditional grants at financial year end which remains a liability. Application has been made for the approval for roll over to the next financial year.

POS 18 - Provisions - relates to the leave provision accrual as at year end.

POS 19 - Other liabilities (sundry debtors) - this represents sundry debtor accounts with credit balances at year end.

POS 20 - Other liabilities (consumer debtors) - this represents consumer debtors accounts with credit balances at year end.

POS 21- Other liabilities - (salaries clearing suspense account) relates to the salary clearing suspense account at year end.

POS 22 - Provision for retirement benefit obligation - is the medical aid and long service award obligation at year end.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	129 153 000	(10 957 000)	**118 196 000**	387 741 277	**269 545 277**	CAS 1
Grants	912 030 000	(956 000)	**911 074 000**	911 678 588	**604 588**	CAS 2
Interest income	10 482 000	24 667 000	**35 149 000**	6 612 659	**(28 536 341)**	CAS 3
VAT refunds received	-	-	**-**	65 062 137	**65 062 137**	CAS 4
Other receipts	69 392 000	11 163 000	**80 555 000**	1 775 822	**(78 779 178)**	CAS 5
	1 121 057 000	**23 917 000**	**1 144 974 000**	**1 372 870 483**	**227 896 483**	
Payments						
Employee costs	(369 292 000)	(32 886 000)	**(402 178 000)**	(423 405 719)	**(21 227 719)**	CAS 6
Suppliers	(477 460 000)	(86 936 000)	**(564 396 000)**	(696 871 789)	**(132 475 789)**	CAS 7
Transfers and grants	(5 830 000)	5 830 000	**-**	(3 800 000)	**(3 800 000)**	CAS 8
Interest incurred	-	-	**-**	(19 697 856)	**(19 697 856)**	CAS 9
Rent paid	-	-	**-**	(4 391 776)	**(4 391 776)**	CAS 10
	(852 582 000)	**(113 992 000)**	**(966 574 000)**	**(1 148 167 140)**	**(181 593 140)**	
Net cash flows from operating activities	**268 475 000**	**(90 075 000)**	**178 400 000**	**224 703 343**	**46 303 343**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(308 529 000)	57 102 000	**(251 427 000)**	(222 142 593)	**29 284 407**	CAS 11
Proceeds from sale of property, plant and equipment	-	-	**-**	2 621 155	**2 621 155**	CAS 12
Net cash flows from investing activities	**(308 529 000)**	**57 102 000**	**(251 427 000)**	**(219 521 438)**	**31 905 562**	
Net increase/(decrease) in cash and cash equivalents	(40 054 000)	(32 973 000)	**(73 027 000)**	5 181 905	**78 208 905**	CAS 13
Cash and cash equivalents at the beginning of the year	(67 302 000)	73 017 000	**5 715 000**	5 715 178	**178**	CAS 14
Cash and cash equivalents at the end of the year	**(107 356 000)**	**40 044 000**	**(67 312 000)**	**10 897 083**	**78 209 083**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

References to cash flow statement.

Cash flow statement.

CAS 1 - Sale of goods and services (water & sanitation) - is the movement in cash received from consumers.

CAS 2 - Grants- is the operating and capital grants for the year.

CAS 3 - Interest income - is the interest earned on external investments.

CAS 4 - VAT refunds received.

CAS 5 - Other receipts - is the unterest raised on sale of goods and services, fines and sundry income.

CAS 6 - Employee costs - is the actual expenditure on employee costs and Councillors remuneration.

CAS 7 - Suppliers - is the payment of suppliers for the provision of goods and services.

CAS 8 - Transfer payments - is the transfer payments made to the Uthukela Economic Development Agency.

CAS 9 - Interest incurred - is interest paid with regards to the late payment of creditors.

CAS 10 - Rent paid - is the rent paid in respect of office space, laboratory space and satelite offices.

CAS 11 - PPE - is property, plant and equipment aquired and capitalized during the year (capital expenditure).

CAS 12 - Proceeds from sale of assets - is cash income generated from tender documents, printing of maps and water clearance certificates

CAS 13 - Is the nett increase/decrease in cvash & cash equivalents for the year.

CAS 14 - Is the cash & cash equivalents at the beginning of the year - which is the closing balance of cash and cash equivelants at the end of the previous financial year (petty cash, cashiers floats, current account balance and investments held at year end).

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

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.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

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

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 function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

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:

Significant Accounting Policies

1.4 Transfer of functions between entities not under common control (continued)

- 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.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the municipality as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:
(a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets; and
(b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

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 60.

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Bulk purchases

Water for distribution is measured using the weighted average formula. Additions to water for distribution is accounted for in two ways i.e. bulk purchases and own production (natural sources). Bulk purchases are capitalised in inventory based on actual costs from the service provider and own production is capitalised based on costs associated with the production of naturally sourced water. Capitalised production costs are accounted for as inventory water gains in the statement of financial performance and inventory water in the statement of financial position. Water is sold and thus subsequently measured at the lower of cost and net realisable value.

Contracted services

Contracted services are services that are agreed upon and sold through a contract between a provider and the municipality.

Municipalities often appoint private service providers to provide one or more services on a temporary basis to the municipalty. These service providers are referred to as contractors.

A contract for services, also known as a service level agreement, is a legally binding agreement that outlines the responsabilities and expectations of both parties.

General expenditure

General expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or incurrences of liabilities that results in a decrease in net assets.

In the accrual environment the expenditure is recognised when goods and/or services are received from parties.

General expenses are costs the business incurs to run its daily operations, like rent, utilities, postage, office supplies, computer equipment and insurance.

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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 is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Dams	Straight-line	100 years
Buildings	Straight-line	30 years
Meters and components	Straight-line	15 years
Supply / reticulation	Straight-line	60 years
Reservoirs and tanks	Straight-line	38 years
Water and sewerage pumps	Straight-line	15 years
Mains	Straight-line	60 years
Purification works	Straight-line	30 years
Boreholes	Straight-line	30 years
Hand pumps	Straight-line	15 years
Flood lights	Straight-line	20 years
Yoyo tanks	Straight-line	20 years
Sewers	Straight-line	60 years
Sludge machines	Straight-line	22 years
Computer software	Straight-line	5 years
Office buildings	Straight-line	30 years
Motor vehicles	Straight-line	5 years
Computer equipment	Straight-line	5 Years
Office machines	Straight-line	3-5 years
Air conditioners	Straight-line	7 years
Furniture and fittings	Straight-line	5-7 years
Emergency equipment	Straight-line	5-15 years
Graders	Straight-line	15 years
Tractors	Straight-line	15 years
Mechanical equipment	Straight-line	15 years
Lawnmowers	Straight-line	2 years
Compressors	Straight-line	5 years
Laboratory equipment	Straight-line	5 years
Radio equipment	Straight-line	5 years
Telecommunication equipment	Straight-line	5 years
Irrigation equipment	Straight-line	15 years
Lathes and machinery	Straight-line	15 years
Tippers	Straight-line	15 years
Tools	Straight-line	5 Years
General	Straight-line	5 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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

1.7 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.

1.7 Intangible assets (continued)

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 years

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

1.8 Separate financial statements

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

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. The investor’s surplus or deficit includes its share of the investee’s surplus or deficit and the investor’s net assets includes its share of changes in the investee’s net assets that have not been recognised in the investee’s surplus or deficit.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, that has the purpose of investing funds solely for returns from capital appreciation, investment revenue, and which measures and evaluates the performance of substantially all of its investments on a fair value basis.

Separate financial statements are those presented by the entity, in which the entity could elect to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the GRAP Standard on Financial Instruments or using the equity method as described in the accounting policies on Investments in Associates and Joint Ventures.

In the entity's separate financial statements, investments in controlled entities, associates and joint ventures are carried at cost;

In the entity's separate financial statements, investments in controlled entities are carried at cost;

In the entity's separate financial statements, investments in associates are carried at cost;

In the entity's separate financial statements, investments in joint ventures are carried at cost.

Separate financial statements are prepared in accordance with all applicable accounting policies, except:
- Similar investments in controlled entities are accounted for at cost;
- Joint ventures are accounted for at cost;
- Associates are accounted for at cost.

1.8 Separate financial statements (continued)

The entity as a controlling entity, which is not itself an investment entity, measures its investment in a controlled investment entity in accordance with the above, in its separate financial statements.

When the entity as controlling entity ceases to be an investment entity, or becomes an investment entity, it accounts for the change from the date when the change in status occurred, as follows:

- When the entity ceases to be an investment entity, the entity accounts for an investment in a controlled entity in accordance with the above. The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration when accounting for the investment as above.
- When the entity becomes an investment entity, it accounts for an investment in a controlled entity at fair value. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status is recognised as a gain or loss in surplus or deficit. The cumulative amount of any gain or loss previously recognised directly in net assets in respect of those controlled entities is treated as if the investment entity had disposed of those controlled entities at the date of change in status.

When the entity elects to measure its investments in associates or joint ventures at fair value, it also accounts for those investments in the same way in its separate financial statements.

Where the entity as controllong entity is required to measure its investment in a controlled entity at fair value, it also accounts for that investment in the same way in its separate financial statements.

Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements of the entity when the entity's right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognised in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.

When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:

- The new controlling entity obtains control of the original controlling entity either (a) by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or (b) by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;
- The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and
- The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;

and the new controlling entity accounts for its investment in the original controlling entity at cost in its separate financial statements, the new controlling entity measures cost at the carrying amount of its share of the net asset items shown in the separate financial statements of the original controlling entity at the date of the reorganisation

1.9 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.

Significant Accounting Policies

1.9 Financial instruments (continued)

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.

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.

1.9 Financial instruments (continued)

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.

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.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at fair value
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
Statutory receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Other accruals	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost

Significant Accounting Policies

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.11 Leases

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

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 0.

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

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

Significant Accounting Policies

1.11 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

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

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

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

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

1.13 Construction contracts and receivables

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

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

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

Significant Accounting Policies

1.13 Construction contracts and receivables (continued)

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

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

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

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

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

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

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

1.14 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 cash-generating assets

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

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

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

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

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

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

Significant Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable 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 a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

Depreciation (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.

Significant Accounting Policies

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

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.

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

Reversal of an impairment loss

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

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

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

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

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

1.17 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

Significant Accounting Policies

1.18 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.

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.

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.

1.18 Employee benefits (continued)

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.

Post-employment benefits: Defined contribution plans

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

1.18 Employee benefits (continued)

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).

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.

1.19 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

1.19 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 42.

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Capital commitments should be disclosed exclusive of retentions.

Significant Accounting Policies

1.20 Commitments (continued)

Operating leases requires that lessors shall, disclose the following for the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:

* not later than one year.

* later than one year and not later than five years; and.

* later than five years.

In calculating commitments the following should be taken into account pertaining to tenders awarded.

* the period of the tender awarded
* amounts already paid pertaining to that tender/contract
* amounts for which invoices have been received and which are therefore included in accruals should be deducted
* commitments loaded on the procurement and contractors register system
* commitments not loaded on the procurement and contractors register system.

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

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

1.21 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.

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Significant Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

1.22 Revenue from non-exchange transactions (continued)

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

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

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

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.

1.23 Investment income

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

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

Significant Accounting Policies

1.24 Accounting by principals and agents (continued)

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

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

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

1.25 Comparative figures

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

1.26 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).

1.27 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).

1.28 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).

1.29 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.

1.30 Budget information

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

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

Significant Accounting Policies

1.30 Budget information (continued)

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

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

The 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.

1.31 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.

1.32 Events after reporting date

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

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

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

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

Significant Accounting Policies

1.33 Water losses

Water losses is calculated based on the templet that has been adopted for use in South Africa, that was originally produced by the Water Loss Task Force of the International Water Association (IWA).

The Municipality has to provide a volumetric account of all water produced/purchased and distributed within its area of jurisdiction on an annual bases. The production of an annual water balance is therefore mandatory, and commences with the determination of bulk water purchased/production and consumer sales volumes.

The difference between the purchases/production and sales volumes is Non-revenue water (NRW) and is required as a primary KPI by the Department Of Water and Sanitation for reporting purposes.

Water losses can be determined by conducting a water balance, which is based on the measurement or estimation of water produced, imported, exported, consumed or lost. The water balance calculation provides a guide to how much is lost as leakage from the network (real losses), and how much is due to apparent or non-physical losses.

A water balance should identify the priorities to address in a water loss strategy. Infrastructure improvement and program to address apparent losses will be dependency on longer term changes to metering, regulatory and legislative policies.

1.34 VAT

VAT is an indirect tax based on consumption of goods and services in the economy. Revenue is raised for the government by requiring certain traders or vendors to register and to charge VAT on taxable supplies of goods or services. The essential characteristics of VAT are:
• it is charged at each stage of the production and distribution process;
• the taxable person (vendor) may deduct the tax paid during the preceding stages; and
• the burden of the tax is on the final consumer.
The municipality renders goods and services to consumers, it is responsible to collect taxes from its consumers for the goods and services provided. The municipality (VAT vendor) is a deemed debtor to the national government when collecting and remitting VAT.
The municipality is registered to declare VAT transactions on the cash basis to SARS. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis and VAT is settled between the VAT vendor and SARS, based on the cash collected by the municipality and the cash paid by the municipality.

VAT receivable due/from SARS.

In accordance with GRAP 108, the VAT Receivable to/from SARS is considered to be a statutory arrangement, as this is based on legislation, being the VAT Act.
Taking into account that the VAT due/from to the national government by the municipality (VAT vendor) results in a deemed debtor-creditor relationship, it is therefore considered to be a receivable or payable from exchange transaction.

VAT accrual.

In accordance with the accounting standards, the municipality recognises transactions on an accrual basis of accounting. Therefore, the transaction between the municipality and customer includes the provision of goods or services in cash or credit; and the levying and/or collection of VAT by the municipality from the customer.
Similarly, the transaction between the municipality and the supplier includes the supply of goods or services in cash or credit; and the obligation to recognise VAT by the supplier to the municipality from the customer.
The VAT accrual accounts therefore does not represent amounts to be received or paid to SARS, but rather amounts that are associated with transactions that are yet to be settled. As a result, the accrual transactions are considered to be contractual in nature, and therefore do not meet the definition of a statutory arrangement.
As there is no transaction to “settle” with a specific counterparty at this point, the municipality considers the offsetting of the amounts as inappropriate, and has separately disclosed these transactions in the notes to the annual financial statements.

Input VAT Accrual represents amounts that are yet to be claimed from SARS, subject to settlement of the outstanding creditors by the municipality. This therefore shall be disclosed as a receivable from exchange transaction in accordance with GRAP 9.

Output VAT Accrual represents amounts that are yet to be paid to SARS, subject to collection from outstanding debtors of the municipality. This shall be accounted for as a trade and other payables in accordance with GRAP 19.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Improvements to the Standards of GRAP (2023)	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

4. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	8 473 772	-	8 473 772	8 473 772	-	8 473 772
Buildings	39 698 004	(12 006 233)	27 691 771	39 580 178	(10 718 097)	28 862 081
Infrastructure	4 640 792 933	(1 141 260 002)	3 499 532 931	4 435 877 890	(1 070 717 116)	3 365 160 774
Other property, plant and equipment	69 663 732	(54 014 264)	15 649 468	58 464 589	(53 419 586)	5 045 003
Total	**4 758 628 441**	**(1 207 280 499)**	**3 551 347 942**	**4 542 396 429**	**(1 134 854 799)**	**3 407 541 630**

Reconciliation of property, plant and equipment - 2025

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Work in progress**	**Other changes, movements**	**Depreciation**	**Impairment loss**	**Total**
Land	8 473 772	-	-	-	-	-	-	-	8 473 772
Buildings	28 862 082	117 826	-	-	-	-	(1 288 136)	(44 280)	27 647 492
Infrastructure	3 365 160 764	205 330 912	(2 559 376)	(171 696 439)	207 334 192	(19 826 445)	(84 166 395)	-	3 499 577 213
Other property, plant and equipment	5 044 905	14 690 575	(189 978)	-	-	-	(3 896 130)	-	15 649 372
	3 407 541 523	**220 139 313**	**(2 749 354)**	**(171 696 439)**	**207 334 192**	**(19 826 445)**	**(89 350 661)**	**(44 280)**	**3 551 347 849**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Work in progress	Other changes, movements	Depreciation	Impairment loss	Total
Land	8 473 772	-	-	-	-	-	-	-	8 473 772
Buildings	30 152 085	-	-	-	-	-	(1 290 004)	-	28 862 081
Infrastructure	3 209 589 336	19 868 324	-	(15 561 144)	233 046 343	(1 629 300)	(79 373 206)	(779 590)	3 365 160 763
Other property, plant and equipment	8 808 655	1 530 659	(262 107)	-	-	-	(5 032 303)	-	5 044 904
	3 257 023 848	**21 398 983**	**(262 107)**	**(15 561 144)**	**233 046 343**	**(1 629 300)**	**(85 695 513)**	**(779 590)**	**3 407 541 520**

Gains on disposal of transport assets		
Cost	-	(26 381 286)
Accumulated depreciation and impairment	-	26 085 414
Accumulated impairment	-	33 764
Debtors	-	6 094 000
	-	**5 831 892**

Council took a resolutionon 27 March 2024, to dispose Municipal vehicles that are costly to maintain. The first auction took place on 26 June 2024 for 34 vehicles.

The second auction took place after financial year end on 31 July 2024 for 9 vehicles.

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Capital work in progress - infrastructure	1 056 494 632	1 043 401 184
Capital work in progress - buildings	1 917 057	1 961 337
	1 058 411 689	**1 045 362 521**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Buildings	1 917 057	1 961 337
The contract with the service provider was terminated and three buildings were not completed.		
Infrastructure	301 173 191	361 429 237
These projects are halted due to various reasons, such as work suspended due to cash flow constraints, other phases are on hold until some phases are completed, and other project contractors terminated themselves.		
Impairment losses have been recognised for property, plant and equipment that has been halted as follows.		
Infrastructure	(11 130 895)	(11 086 615)
The impairment losses are as a result of floods which affected some boreholes where the holes were closed by soil during the heavy rains. In addition to this some projects were not done as per the expected scope which resulted to no benefit that will flow to the Municipality and the contractor was terminated. A new contractor was appointed to fix the affected project. The newly appointed contractor laid a new pipeline since the existing lines were damaged during digging.		
	291 959 353	**352 303 959**

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	**Total**
Opening balance	1 042 644 660	1 042 644 660
Additions/capital expenditure	207 334 192	207 334 192
Other movements	(19 826 444)	(19 826 444)
Transferred to completed items	(171 696 439)	(171 696 439)
Impairment	(44 280)	(44 280)
	1 058 411 689	**1 058 411 689**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	**Total**
Opening balance	827 877 321	827 877 321
Additions/capital expenditure	233 046 343	233 046 343
Other movements	(1 629 300)	(1 629 300)
Transferred to completed items	(16 649 703)	(16 649 703)
	1 042 644 661	**1 042 644 661**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

4. 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		
Employee related costs	32 221 351	26 493 082
Maintenance of buildings and office	2 022 312	325 022
Maintenance of vehicles	3 741 633	5 514 453
Maintenance of pipelines and reservoirs	27 970 770	75 290 921
Blue drop green drop	-	157 903
Maintenance of pumps	134 008 466	133 909 509
Maintenance electrical	1 879	1 343 213
	199 966 411	**243 034 103**

Employee related costs (overtime, standby and night shift allowances) to the amounts of R26,493,082 (2023/2024) and R32,221,351 (2024/2025) is included in employee related costs in the statement of financial performance.

Repairs and maintenance of property, plant and equipment to the amounts of R216,541,021 (2023/2024) and R167,745,060 (2024/2025) is included in contracted services in the statement of financial performance.

Funding of property, plant and equipment acquisitions

	Funding type		
Additions to property, plant and equipment was funded from the following sources:			
Infrastructure Assets			
Municipal Infrastructure Grant	Reticulation	183 673 000	254 000 000
Municipal Water Services Intrastructure Grant	Boreholes	100 000 000	60 000 000

4. Property, plant and equipment (continued)

Maintenance of property, plant and equipment

Maintenance of property, plant and equipment by condition - 2025

	Preventative Maintenance	Corrective Maintenance		
	Total	Emergency	Total	Total
Buildings	-	2 022 312	2 022 312	2 022 312
Motor vehicles	-	3 741 633	3 741 633	3 741 633
Infrastructure	-	161 979 236	161 979 236	161 979 236
Electrical	-	1 879	1 879	1 879
	-	**167 745 060**	**167 745 060**	**167 745 060**

Maintenance of property, plant and equipment by condition - 2024

	Preventative Maintenance	Corrective Maintenance		
	Total	Emergency	Total	Total
Buildings	-	325 022	325 022	325 022
Motor vehicles	-	5 514 453	5 514 453	5 514 453
Infrastructure	-	209 200 430	209 200 430	209 200 430
Laboratory equipment	-	157 903	157 903	157 903
Electrical	-	1 343 213	1 343 213	1 343 213
	-	**216 541 021**	**216 541 021**	**216 541 021**

Maintenance of property, plant and equipment by nature and type of expenditure - 2025

	Direct Costs Contracted services
Buildings	2 022 312
Motor vehicles	3 741 633
Infrastructure	161 979 236
Electrical	1 879

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

	167 745 060

Maintenance of property, plant and equipment by nature and type of expenditure - 2024

	Direct Costs Contracted services
Buildings	325 022
Motor vehicles	5 514 453
Infrastructure	209 200 430
Laboratory equipment	157 903
Electrical	1 343 213
	216 541 021

5. Intangible assets

	2025			2024		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Patents, trademarks and other rights	786 557	(412 521)	374 036	786 557	(394 403)	392 154

Reconciliation of intangible assets - 2025

	Opening balance	**Amortisation**	**Total**
Computer software, other	392 154	(18 118)	374 036

Reconciliation of intangible assets - 2024

	Opening balance	**Amortisation**	**Total**
Computer software, other	410 322	(18 168)	392 154

6. Operating lease asset (liability)

Current liabilities	59 378	2 415 940

The Municipality currently occupies satelite offices in Estcourt, Bergville,Colenso and Weenen.

Operating leases are in place for the rental of these offices.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Payables from exchange transactions

Creditors	100 570 393	110 120 516
Other payables	218 819 851	184 543 443
Output VAT accrual	329 418 181	303 303 237
Accrued bonus	11 804 044	11 030 666
Accruals	93 259 730	94 211 015
Department of Water and Sanitation (DWS) accrual	176 676 639	118 917 689
Umgeni Water accrual	151 300 861	166 500 861
RASAP accrual	137 077 845	71 945 257
Advance payments - new connections	112 094	-
Trust funds - estate late accounts	7 326 456	6 821 019
Retentions	43 481 911	36 855 285
Unallocated deposits	3 918 690	3 614 424
	1 273 766 695	**1 107 863 412**

Creditors - is expenses incurred during the financial year however is unpaid at financial year end.

Other payables - is the payments due to suppliers. These payables are expected to mature within one year or and operating cycle.

Accruals - other trade payables (an accrued expence, also known as an accrued liability, is an expence which is recognised on the books before it has been paid. The expence is recorded in the accounting period in which it is incurred.

Department of Water and Sanitation (DWS) - is the amount owed in respect of raw water purchases.

Umgeni Water accrual - is the amount due to Umgeni Water after the contract between the two parties were terminated. A payment plan is in place for the redemption of this debt.

Trust funds - estate late accounts - is monies held in trust be the Municipality in respect of deceased employees where the beneficiaries has not come forward to claim the money.

Output VAT accrual accounts has been re-classified from the consolidated disclosure on the Statement of Financial Position to payables from exchange transactions in accordance with the National Treasury Accounting Guidelines and Accounting Standards Board Guidelines.

Unallocated deposits - is monies deposited into the Municipal bank account where there was no clear reference as to what the deposit relates to. These deposits are re-allocated as and when it has been clearly identified what the deposit was for.

Retentions - provides an incentive for contractors to complete their work to the required standard and within the specified timeframe. By withholding a portion of the payment until project completion, the Municipality can encourage contractors to remain committed to the project's success.

8. Consumer deposits

Water	20 552 010	19 703 690

Refundable deposits paid in respect of consumer debtors accounts.

9. Bank reconciliation clearing account

The table below represents unreconciled items on the bank reconcilliations as at 30 June 2025.

Clearing control account balance		
Bank reconcilliation clearing control account	-	94 867

Figures in Rand		2025	2024

10. Inventories

Chemical stock	1 149 631	2 347 901
Purified water stock	2 620 089	3 009 361
Stores stock	13 662 031	13 240 268
	17 431 751	**18 597 530**

The Municipality procured the services of an Engineer from Joat Group to perform water stock and water loss calculations utilizing the accepted International Water Association (IWA) water balance methodology.

This was done in conjunction with the guidelines stipulated by the Department of Human Settlement, Water and Sanitation (DHDWS).

The total water stock as at 30 June 2025 was calculated as 190,569 kiloliters amounting to R2,620,089.

Water for distribution

Opening balance		236 050	255 343
Volume associated to updated reservoir in Loskop area		(45 481)	(19 293)
System input volume		39 760 107	40 043 391
Billed authorised consumption		(14 029 019)	(16 158 506)
Water losses	37	(20 711 174)	(19 069 398)
Unbilled authorised consumption		(5 019 913)	(4 815 487)
Closing balance		**190 570**	**236 050**

11. Receivables from exchange transactions

Deposits	1 658 406	1 658 406
Input VAT accrual	245 142 965	230 317 296
VAT control receivable - due from SARS	5 995 308	842 139
Sundry debtors accounts	5 089 555	10 781 961
	257 886 234	**243 599 802**

Non-current assets	1 658 406	1 658 406
Current assets	256 227 828	241 941 396
	257 886 234	**243 599 802**

The amount of R1,658,406 is in respect of deposits paid to third party vendors such as Eskom.

The amount of R5,089,555 is in respect of sundry debtors accounts such as staff deductions etc.

The amount of R5,995,308- Vat control receivable is Vat refunds due by SARS to the Municipality at financial year end. It is in respect of the VAT return for June 2025.

The amount of R245,087,668 is the Input Vat accrual accounts which has been reclassified from the consolidated disclosure on the Statement of Financial Position (VAT payable) to receivables from exchange transactions in accordance with the National Treasury Accounting Guidelines and Accounting Standards Board guidelines.

Sundry debtors included in receivables from exchange transactions in the table above

Gross sundry debtors	5 089 555	17 581 776
Impairment provision	-	(6 799 815)
	5 089 555	**10 781 961**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Receivables from exchange transactions (continued)

Other non-financial asset receivables included in receivables from exchange transactions above are as follows:

Deposits paid	-	-
Input VAT accrual	245 142 965	230 317 296
	245 142 965	**230 317 296**
Financial asset receivables included in receivables from exchange transactions above	**7 653 714**	**2 500 545**
Total receivables from exchange transactions	257 886 234	243 599 802

Reconciliation of provision for impairment of trade and other receivables

Opening balance	6 799 814	5 775 095
Provision for impairment	58 950	1 024 719
Unused amounts reversed	(6 799 814)	-
	58 950	**6 799 814**

12. Receivables from non-exchange transactions

Receivables from non-exchange transaction	75 703	75 703
Other receivables from non-exchange transactions	143 626	143 626
	219 329	**219 329**

Non-current assets	46 349	46 349
Current assets	172 980	172 980
	219 329	**219 329**

The amount of R46,349 (non-current assets) is made up of R28,064 which relates to an ABSA card 410374032427 unauthorized debit order against the Municipal bank account and R18,285 which relates to a RASP (Viva Technologies) duplicate payment processed.

The amount of R172,980 (current assets) is made up of R143,626 in respect of overpayments made to creditors, R29,354 in respect of RD (stale cheques) issued in favour of the Municipality.

13. Consumer debtors

Gross balances		
Water	1 199 495 908	1 234 269 500
Consumer debtors agreements on arrears	2 143 942	2 773 421
	1 201 639 850	**1 237 042 921**
Less: Allowance for impairment		
Water	(1 103 161 214)	(1 162 490 309)
Net balance		
Water	96 334 694	71 891 477
Consumer debtors agreements on arrears	2 143 942	2 661 135
	98 478 636	**74 552 612**
Water		
Current (0 -30 days)	96 334 694	71 891 476

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Consumer debtors (continued)

Consumer debtors agreements on arrears

> 365 days	2 143 942	2 661 135

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

13. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	81 752 323	26 685 858
31 - 60 days	20 347 196	22 410 897
61 - 90 days	20 279 491	21 385 657
91 - 120 days	20 252 711	20 495 316
121 - 365 days	925 085 034	1 012 249 841
> 365 days	2 143 942	2 773 421
	1 069 860 697	1 106 000 990
Less: Allowance for impairment	(1 004 249 862)	(1 050 356 992)
	65 610 835	**55 643 998**

Industrial/ commercial		
Current (0 -30 days)	18 055 350	6 594 690
31 - 60 days	1 034 966	1 383 160
61 - 90 days	784 932	1 671 920
91 - 120 days	745 434	1 058 886
121 - 365 days	45 724 751	43 188 878
	66 345 433	53 897 534
Less: Allowance for impairment	(44 136 942)	(44 420 387)
	22 208 491	**9 477 147**

National and provincial government		
Current (0 -30 days)	8 599 880	5 580 170
31 - 60 days	4 889 258	4 819 858
61 - 90 days	1 265 238	4 516 151
91 - 120 days	894 485	4 513 523
121 - 365 days	49 784 859	57 714 695
	65 433 720	77 144 397
Less: Allowance for impairment	(54 774 410)	(67 712 930)
	10 659 310	**9 431 467**

Total		
Current (0 -30 days)	108 407 552	39 317 091
31 - 60 days	26 271 419	29 138 405
61 - 90 days	22 329 661	28 083 247
91 - 120 days	21 892 631	26 319 602
121 - 365 days	1 020 594 645	1 111 411 155
> 365 days	2 143 942	2 773 421
	1 201 639 850	1 237 042 921
Less: Allowance for impairment	(1 103 161 214)	(1 162 490 309)
	98 478 636	**74 552 612**

Less: Allowance for impairment		
31 - 60 days	(48 575 346)	(27 183 219)
61 - 90 days	(20 989 881)	(26 195 041)
91 - 120 days	(20 579 073)	(24 764 338)
121 - 365 days	(1 013 016 914)	(1 084 235 425)
> 365 days	-	(112 286)
	(1 103 161 214)	**(1 162 490 309)**

Figures in Rand	2025	2024

13. Consumer debtors (continued)

Reconciliation of allowance for impairment

	2025	2024
Balance at beginning of the year	(1 162 490 309)	(926 340 914)
Contributions to allowance	59 329 095	(236 149 395)
	(1 103 161 214)	**(1 162 490 309)**

Fair value of consumer debtors

	2025	2024
Consumer debtors	91 909 088	74 552 612

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	12 400	12 400
Bank balances	3 128 241	4 657 637
Short-term deposits	7 756 442	1 045 141
	10 897 083	**5 715 178**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2025	Bank statement balances 30 June 2024	Cash book balances 30 June 2025	Cash book balances 30 June 2024
FNB main account 62252306280	3 021 323	4 657 636	3 021 323	4 657 636
FNB water account 62253072385	106 918	-	106 918	-
Fnb business money market account 62283176644	442 762	416 777	442 762	416 777
Nedbank call deposit account 037881184698/000001	32	7 689	32	7 689
Investec call deposit account 1100433766501	-	399 309	-	399 309
ABSA liquidity plus account 9349109796	-	159 367	-	159 367
ABSA investment traker account 9387051602	-	60 559	-	60 559
FNB call deposit account 63081036759	7 031 813	95	7 031 813	95
FNB call deposit account 63081030496	41 305	1 345	41 305	1 345
Standard Bank 48 hour notice account 068455364-006	89 792	-	89 792	-
ABSA Bank Investment tracker 9396828771	150 738	-	150 738	-
	-	-	-	-
	-	-	-	-
Total	**10 884 683**	**5 702 777**	**10 884 683**	**5 702 777**

The average interest rate earned on investments in respect of the 2024/2025 finacial year was 8.13%.

No cash and cash equivalents have been pledged as security.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

	2025	2024
Municipal Water & Sanitation Infrastructure Grant WSIG)	15 538 995	-
Local Government Sector Education and Training Authority Grant (LGSETA)	295 685	-
Disaster relief grant	3 291 760	-
Rural Road Asset Management Grant (RRAM)	103	99 113
	19 126 543	**99 113**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

15. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	99 113	13 665 301
Additions during the year	297 654 588	288 776 715
Income recognition during the year	(278 627 158)	(298 494 420)
Roll over application disallowed (WSIG grant)	-	(3 848 483)
	19 126 543	**99 113**

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited; and

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

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

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

16. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Reversed during the year	Total
Leave provision	36 722 303	4 464 382	41 186 685

Reconciliation of provisions - 2024

	Opening Balance	Reversed during the year	Total
Leave provision	41 781 164	(5 058 861)	36 722 303

Bonus provision is disclosed as an accrual under payables from exchange transactions.

17. Other liability - sundry debtors with credit balances

Credit balances		
Sundry debtors with credit balances	158 961	112 829

The table below represents the age analysis of sundry debtors with credit balances.

Ageing of sundry debtors with credit balances		
Current (0 - 30 Days)	178	9 148
31 - 60 days	29 976	779
61 - 90 days	5 112	1 687
91 to 120 days	20 649	-
120 days and older	103 046	101 215
	158 961	**112 829**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Other liabilities - consumer debtors with credit balances

Credit balances		
Consumer debtoirs with credit balance	20 245 013	15 781 592

The table below represents the age analysis of consumer debtors with credit balanced as at year end.

Ageing of consumer debtors with credit balances		
Current (0 - 30 days)	612 107	341 249
31 - 60 days	310 163	490 518
61 - 90 days	724 386	531 806
91-120 days	284 546	286 152
120 days and older	18 313 811	14 131 867
	20 245 013	**15 781 592**

19. Other liabilities - salaries suspence account

The table below represents unclaimed wages and salary advances at year end.

Suspence accounts		
Unclaimed wages	209 405	308 293
Salaries controls	13 563 453	21 704
	13 772 858	**329 997**

20. Revenue

Service charges	280 733 240	298 773 004
Interest received (trading)	71 604 966	60 477 691
Other income	890 384	979 920
Proceeds from sale of assets	2 621 155	133 300
Interest received - investment	6 612 659	11 078 696
Government grants & subsidies	892 651 158	877 733 904
Public contributions and donations	25 824 045	-
Fines, Penalties and Forfeits	43 300	41 700
	1 280 980 907	**1 249 218 215**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	280 733 240	298 773 004
Interest received (trading)	71 604 966	60 477 691
Other income	890 384	979 920
Proceeds from sale of assets	2 621 155	133 300
Interest received - investment	6 612 659	11 078 696
	362 462 404	**371 442 611**

The amount of R2,621,155 in other income (proceeds from sale of assets) is in respect of Municipal vehicles sold by public auction during July 2024.

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	892 651 158	877 733 904
Public contributions and donations	25 824 045	-
Fines, Penalties and Forfeits	43 300	41 700
	918 518 503	**877 775 604**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

21. Service charges

Sale of water - pre-paid	-	8 000 000
Sale of water - conventional	249 739 035	268 371 967
Sewerage and sanitation charges	19 588 330	17 907 693
Other service charges	11 405 875	4 493 344
	280 733 240	**298 773 004**

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Sale of water R276,371,967 (2023/2024) and R249,739,035 (2024/2025) is in respect of water sales generated through convensional meters and the billing system.

Sewerage and sanitation charges R17,907,693 (2023/2024) and R19,588,330 (2024/2025) is in respect of sewerge and sanitation charges generated through the billing system.

Other service charges R4,493,344 (2023/2024) consists of R20,637 sewerage connections, R4,389,270 in respect of water connections and R83,437 in respect of disconnection fees.

Other service charges R11,405,875 (2024/2025) consists of R8,034 sewerage connections, R7,745,125 in respect of water connections and R3,399,096 in respect of disconnection fees and penalty fees R 253,620.

22. Fines, Penalties and Forfeits

Fines, Penalties and Forfeits	43 300	41 700

The Health Services Department issues fines in terms of the general hygiene requirements for food premises and the transport of food in terms of (Government Notice No. 638 of 22 June 2018) foodstuffs, cosmetics and disinfectants ACT, 1972 (ACT No. 54 of 1972).

23. Lease rentals on operating lease

Premises		
Contractual amounts	1 425 879	5 343 723
Equipment		
Contractual amounts	609 335	14 323 044
	2 035 214	**19 666 767**

Lease rentals - premises - is lease agreements in place for the rental of satelite offices.

Lease rentals - equipment - is contracts in place for the rental of office machines (photo copiers and shredders).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

24. Other revenue

Other income	890 384	979 920
Proceeds from sale of assets	2 621 155	133 300
	3 511 539	**1 113 220**

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

Clearance certificates	-	347 370
Penalty fees	340 355	16 723
Maps	100 637	163 708
Cashier surpluses	-	149 490
Tender documents	156 361	177 348
Collections - staff cell phones	293 031	98 401
Discount on early settlement	-	26 880
Proceeds from sale of assets	2 621 155	133 300
	3 511 539	**1 113 220**

25. Investment revenue

Interest revenue

Interest earned on investment accounts	6 612 659	8 557 289
Interest earned - other	-	2 521 407
	6 612 659	**11 078 696**

26. Transfer and subsidies

Grants paid to ME's

uThukela Economic Development Agency	3 800 000	3 285 000

The amount of R3,285,000 (2023/2024) and R3,800,000 (2024/2025) relates to funds transferred to the Uthukela Economic Development Agency.

Figures in Rand	2025	2024

27. Government grants & subsidies

Operating grants		
Equitable share	614 024 000	579 239 484
Finance Management Grant (FMG)	2 000 000	2 100 000
Expanded Public Works Program Grant (EPWP	1 685 000	1 816 000
Local Government Sector Education and Training Authority Grant (LGSETA)	308 902	677 298
	618 017 902	**583 832 782**
Capital grants		
Municipal Infrastructure Grant (MIG)	183 673 000	204 528 235
Municipal Water & Sanitation Infrastructure Grant (WSIG)	84 461 006	86 800 000
Rural Road Asset Management Grant (RRAM)	2 891 010	2 572 887
Disaster Relief Grant	3 608 240	-
	274 633 256	**293 901 122**
	892 651 158	**877 733 904**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	278 627 158	298 494 420
Unconditional grants received	614 024 000	579 239 484
	892 651 158	**877 733 904**

Equitable Share

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

All registered indigent consumers receive a monthly subsidy of 6 kiloliters amounting to R96.90 (2024/2025) which is funded from the grant.

The 6 kiloliter free basic subsidy/rebate in respect of indigent consumers amounted to R3,752,799 (2023/2024) and R1,491,488 (2024/2025).

The cost of free basic services, water supplied by water tankers amounted to R16,659,353 (2023/2024) and R5,440,624 (2024/2025) disclosed under contracted services.

Municipal Infrastructure Grant MIG)

Balance unspent at beginning of year	-	7 990 235
Current-year receipts	183 673 000	196 538 000
Conditions met - transferred to revenue	(183 673 000)	(204 528 235)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The Municipal Infrastructure Grant program is aimed at providing all South Africans with at least the basic level of services through the provision of grant funding aimed at covering the capital cost of basic infrastructure to the poor. The MIG Program Is a key part of Governments overall drive to alleviate poverty in the Country, and therefore, infrastructure is to be provided in such a way that employment is maximized and opportunities are created for enterprises to flourish.

The MIG grant is the major funding mechanism for all Municipal infrastructure for basic services to the poor such as roads, electricity, recreational facilities and water and sanitation infrastructure. MIG funding is provided to Municipalities with certain conditions attached.

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

Transfers from the National Fiscus was received on 27 September 2023, 28 November 2023, 29 January 2024 and 26 March 2024. R24,804,000 was held back from the last transfer due to slow spending during the financial year.

Municipal Water & Sanitation Infrastructure Grant (WSIG)

	2025	2024
Balance unspent at beginning of year	-	5 648 483
Current-year receipts	100 000 000	85 000 000
Conditions met - transferred to revenue	(84 461 005)	(86 800 000)
Roll over application declined - recovered from equity share	-	(3 848 483)
	15 538 995	**-**

Conditions still to be met - remain liabilities (see note 15).

The Municipal Water & Sanitation Infrastructure Grant is to assist (WSA's (Water Services Authorities) to provide water supply services to consumers currently without services, particular those in rural areas.

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply.

Access to water supply enabled through the development of new infrastructure and/or refurbishment and/or upgrading of existing infrastructure to communities identified as not having a basic water supply.

It is also aimed at the reduction of water losses and non-revenue water.

Local Government Sector education and Training Authority Grant (LGSETA)

	2025	2024
Balance unspent at beginning of year	-	26 583
Current-year receipts	604 587	650 714
Conditions met - transferred to revenue	(308 902)	(677 297)
	295 685	**-**

Conditions still to be met - remain liabilities (see note 15).

LGSETA is a discretionary grant which assisted the Local Government Sector to adapt to changes in the economy and needs of the Country and ensuring that the skills levy is effectively targeted to meet the skills needs of employers and employees in the Local Government Sector.

The strategic objective of the LGSETA grant is for the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective Local Government System, through a range of learning programs that focuses on scarce and critical skills.

Disaster Relief Grant

	2025	2024
Current-year receipts	6 900 000	-
Conditions met - transferred to revenue	(3 608 240)	-
	3 291 760	**-**

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Rural Road Asset management Grant (RRAM)

	2025	2024
Balance unspent at beginning of year	99 113	-
Current-year receipts	2 792 000	-
Conditions met - transferred to revenue	(2 891 010)	2 672 000
Roll over application declined - recovered from equity share	-	(2 572 887)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Government grants & subsidies (continued)

	103	**99 113**

Conditions still to be met - remain liabilities (see note 15).

The purpose of this grant is to assist Rural District Municipalities in setting up their road asset management system, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.

Finance Management Grant (FMG)

Current-year receipts	2 000 000	2 100 000
Conditions met - transferred to revenue	(2 000 000)	(2 100 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Expanded Public Works Program (EPWP)

Current-year receipts	1 685 000	1 816 000
Conditions met - transferred to revenue	(1 685 000)	(1 816 000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

The Expanded Public Works Program is one of Government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. The EPWP is a National program covering all spheres of Government.

28. Public contributions and donations

Donated assets	25 824 045	-

The donated assets is in respect of three water tanker trucks which were donated by the Development Bank of Sourt Africa.

Figures in Rand	2025	2024

29. Employee related costs

Basic	263 255 543	245 105 651
Bonus	20 584 388	20 131 306
Medical aid - employers contributions	11 267 595	10 215 439
UIF	1 651 461	1 593 328
SDL	3 317 453	2 996 756
Bargaining Council	108 123	103 055
Leave pay	9 513 976	(979 900)
Standby allowances	9 588 997	8 958 153
Defined contribution plans	(1 339 000)	694 000
Travel, motor car, accommodation, subsistence and other allowances	9 371 959	8 286 260
Overtime payments	23 670 560	14 934 770
Acting allowances	1 585 047	1 861 062
Car allowance	19 074 980	18 237 704
Housing benefits and allowances	1 093 702	1 053 002
Surcharge pension funds	40 296 218	38 393 753
Shift allowances	3 804 212	2 600 159
	416 845 214	**374 184 498**

Remuneration of Municipal Manager (Accounting Officer) - L.S. Jili

Salary	1 341 109	595 299
Car Allowance	307 425	75 000
Subsistance and travelling	82 307	12 181
Contributions to UIF	2 125	886
Backpay	35 392	-
SDL	16 603	6 596
Cash gratuity	8 475	-
	1 793 436	**689 962**

The Municipal Manager (Accounting Officer) M.B. Mnguni was repalced by L.S. Jili.

Municipal Manager (Accounting Officer) - M.B. Mnguni

Salary	-	787 397
Subsistance and travelling	-	193 624
Contribvutions to UIF	-	1 417
SDL	-	9 602
Leave paid out	-	157 209
	-	**1 149 249**

Remuneration of Chief Finance Officer - B.B. Sithole

Salary	883 907	1 077 894
Car Allowance	109 797	180 000
Subsistance and travelling	28 109	33 941
Contributions to UIF	1 417	2 125
Backpay	144 578	-
SDL	13 767	12 268
Leave paid out	218 227	-
Cash gratuity	40 680	-
	1 440 482	**1 306 228**

The salary and allowances for B.B. Sithole is for the period 1 July 2024 to 31 January 2025 which is his termination date.

Chief Financial Officer - B.W. Ndlovu

Salary	508 744	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Employee related costs (continued)

Car allowance	15 000	-
Contributions to UIF	886	-
SDL	5 207	-
	529 837	**-**

The salary and allowances for B.W. Ndlovu is for ther period 12 February 2025 to 30 June 2025.

Remuneration of Manager Water, Sanitation and Technical Services - E.X. Mthembu

Salary	1 050 411	209 650
Subsistance and travelling	-	9 415
Contributions to UIF	2 126	531
Backpay	104 291	114 929
SDL	11 551	3 479
Leave paid out	-	20 207
Cash gratuity	408	-
	1 168 787	**358 211**

The Manager Water, Sanitation and Technical Services S. Cele was replaced by E.X. Mthembu.

Manager Water, Sanitation and Technical Services - N.N. Khuzwayo

Salary	314 474	-
Contributiond to UIF	708	-
SDL	4 559	-
Leave paid out	141 450	-
	461 191	**-**

The salary and allowances for N.N. Khuzwayo is for the period 1 July 2024 to 30 Septembner 2024.

Remuneration of Manager Corporate and Human Resources (Corporate Services) - O.S. Mnguni

Salary	1 295 915	1 108 275
Backpay	312 734	-
Subsistance and travelling	4 794	52 172
Contributions to UIF	2 126	2 125
SDL	15 297	11 379
Acting allowance	-	9 701
Cash gratuity	20 340	-
	1 651 206	**1 183 652**

30. Remuneration of councillors

Mayor	543 544	548 979
Deputy Mayor	67 222	415 674
Mayoral Committee Members (EXCO)	201 667	943 736
Speaker	705 529	712 584
Councillors	5 042 543	3 722 235
	6 560 505	**6 343 208**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

30. Remuneration of councillors (continued)

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

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

31. Depreciation and amortisation

Property, plant and equipment	89 350 661	85 695 513
Intangible assets	18 118	18 168
	89 368 779	**85 713 681**

32. Impairment loss

Impairments		
Property, plant and equipment	44 280	779 590

The main classes of assets affected by impairment losses are:

Infrastructure assets.

Motor vehicles.

33. Interest incurred

Other interest paid	19 697 856	16 352 222

The amount of R16,352,222 (2023/2024) and R19,697,856 (2024/2025) relates to interest charges on the late payment of creditors. This includes interest charges on Eskom and DWS accounts.

34. Auditors' remuneration

Fees	5 635 000	5 668 449

35. Debt impairment

Contributions to debt impairment provision	(59 329 095)	237 174 114

Debt impairment is the contribution made to the bad debt provision in respect of consumer debtors for the financial year.

The decrease in the debt impairmrnt provision during the 2024/2025 financial year is as aresult of bad debt written off during the year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. General expenses

Advertising	319 786	263 047
Auditors remuneration	5 635 000	5 668 449
Bank charges	1 922 958	1 374 358
Cleaning	181 377	222 078
Computer expenses	6 783 668	14 159 786
Consulting and professional fees	7 864 721	9 404 390
Hire	17 588 436	15 482 219
Insurance	-	3 052
Conferences and seminars	276 239	824 505
Fleet	85 326	132 978
Medical expenses	3 780	14 080
Motor vehicle expenses	683 500	1 015 503
Fuel and oil	15 701 535	10 737 420
Printing and stationery	189 865	536 954
Protective clothing	-	3 447 045
Subscriptions and membership fees	7 943 328	-
Telephone and fax	3 747 549	2 564 515
Electricity - water purification and pump stations	101 327 680	73 277 101
Electricity and water - internal use (municipal services)	40 536 397	50 752 406
Audit Committee	375 164	342 853
Grant expenditure	52 081 072	29 150 687
Chemicals	53 232 764	58 757 335
Other expenses	-	50 000
	316 480 145	**278 180 761**

Grant expenditure represents project expenditure funded by grants which are not of a capital nature and are not capitalized and is not reflected as PPE (property, plant and equipment) in the fixed asset register.

Assets expensed relates to expenditure incurred against a capital budget however these items are not of a capital nature and have not being capitalized and are not reflected as PPE in the fixed asset register.

Printing and stationery includes amounts paid to Bidvest for the printing of consumer debtors statements.

Hire represents amounts paid for the hire of plant and equipment such as TLB's, jetting machines and excavators.

Consulting and professional fees		
VAT audit - Maxprof (Maximum Profit Recovery (Pty) Ltd	6 396 323	8 777 395
Isandiso - prepaid sales	1 421 625	626 995
Other consulting fees	46 773	-
	7 864 721	**9 404 390**

Consulting and professional fees are included in general expenditure above.

Grant expenditure		
District wide VIP (ventilated improved pit latrines)	49 410 138	24 809 597
Project management RRAMS (Rural Road Asset management System)	2 670 934	2 237 250
FMG (Finance Management Grant) expenditure	-	2 103 840
	52 081 072	**29 150 687**

Grant expenditure is included in general expenditure above.

37. Bulk purchases

Water	43 145 386	40 221 720

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

37. Bulk purchases (continued)

Bulk purchases represents raw water purchased from DWS (Department of Water and Sanitation) for purification and distribution through the reticulation networks to consumers in the district.

The raw water is abstracted from rivers, dams and boreholes.

37. Bulk purchases (continued)

Water losses

Apparent losses: Unauthorised consumption	66 263 764	53 389 836
Apparent losses: Customer meter inaccuracies	4 924 468	5 841 192
Real losses: Leakage on transmission and distribution mains	149 495 289	128 716 980
Real losses: Leakage and overflows at storage tanks/ reservoirs	1 067 823	919 407
Real losses: Leakage on service connections up to the point of customer meter	63 001 586	54 245 013
Total	**284 752 930**	**243 112 428**

	June 2025	June 2024		
Units purchased	39 760 107	40 043 391	546 652 106	510 506 202
Units sold	(14 029 019)	(16 158 506)	(229 058 170)	(243 882 291)
Total	**25 731 088**	**23 884 885**	**317 593 936**	**266 623 911**
Comprising of:				
Technical losses	20 711 174	19 069 398	284 752 931	243 112 428
Non-technical losses	5 019 913	4 815 487	69 017 577	61 391 798
Total	**25 731 087**	**23 884 885**	**353 770 508**	**304 504 226**
Percentage Loss:				
Technical losses	- %	- %	52 %	48 %
Non-technical losses	- %	- %	13 %	12 %
Total	**- %**	**- %**	**65 %**	**60 %**

The use of the IWA (International Water Association) templet was introduced in June 2017 and therefore the calculation of water losses was based on the new templet.

The Municipality appointed an Engineer from an independant company "Joat Consulting" to prepare the water loss calculations.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

38. Contracted services

	2025	2024
Outsourced Services		
Burial Services	63 000	50 000
Security Services	42 475 932	29 533 784
Electrical	1 879	1 343 213
Water Takers	5 440 624	16 659 353
Consultants and Professional Services		
Legal Cost	3 708 808	21 019 594
Contractors		
Maintenance of Buildings and Facilities	2 022 312	325 022
Maintenance of Equipment	137 750 099	139 423 962
Maintenance of Unspecified Assets	27 970 770	75 448 824
Stage and Sound Crew	-	48 696
Prepaid Water Vendors	2 870 257	-
	222 303 681	**283 852 448**

2024/2025	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	2 022 312	-	-	2 022 312
Vehicles	-	-	3 741 633	-	3 741 633
Pipelines and reservoirs	-	-	-	27 970 770	27 970 770
Pumps	-	-	134 008 466	-	134 008 466
Electrical	1 879	-	-	-	1 879
Burial services	63 000	-	-	-	63 000
Prepaid water vendors	2 870 257	-	-	-	2 870 257
Security services	42 475 932	-	-	-	42 475 932
Water tankering	5 440 624	-	-	-	5 440 624
Legal fees	3 708 808	-	-	-	3 708 808
	54 560 500	**2 022 312**	**137 750 099**	**27 970 770**	**222 303 681**

2023/2024	Other contractors	Maintenance of buildings and facilities	Maintenance of equipment	Maintenance of unspecified assets	Total
Buildings	-	325 022	-	-	325 022
Vehiles	-	-	5 514 453	-	5 514 453
Pipelines and reservoirs	-	-	-	75 290 921	75 290 921
Pumps	-	-	133 909 509	-	133 909 509
Blue drop green drop	-	-	-	157 903	157 903
Electrical	1 343 213	-	-	-	1 343 213
Burial services	50 000	-	-	-	50 000
Stage, sound and tent	48 696	-	-	-	48 696
Security services	29 533 784	-	-	-	29 533 784
Water tankering	16 659 353	-	-	-	16 659 353
Legal fees	21 019 594	-	-	-	21 019 594
	68 654 640	**325 022**	**139 423 962**	**75 448 824**	**283 852 448**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

39. Cash generated from operations

(Deficit) surplus	(50 766 551)	51 163 630
Adjustments for:		
Depreciation and amortisation	89 368 779	85 713 681
(Loss) gain on sale of assets	2 749 354	(5 831 893)
(Loss) gain on actuarial valuations	-	660 000
Impairment deficit	44 280	779 590
Debt impairment	(59 329 095)	237 174 114
Bad debts written off	265 695 139	3 123 596
Movements in operating lease assets and accruals	(2 356 562)	1 467 127
Movements in retirement benefit assets and liabilities	2 351 000	(2 865 593)
Movements in provisions	4 464 382	-
Other non-cash items Public Contributions and Donations	(25 824 045)	-
Movement in employee benefits	6 353 000	-
Changes in working capital:		
Inventories	1 165 779	1 095 924
Receivables from exchange transactions (current assets)	(14 286 432)	5 174 528
Receivables from exchange transactions (Consumer debtors)	35 403 071	(253 209 731)
Other receivables from non-exchange transactions	-	85 294
Payables from exchange transactions	(68 156 920)	115 266 929
Unspent conditional grants and receipts	19 027 430	(13 566 189)
Sundry debtors	46 132	12 833
Consumer deposits	848 320	735 745
Consumer debtors	4 463 421	(604 734)
Other financial liabilities	13 442 861	(79 786)
	224 703 343	**226 295 065**

40. Operating lease

Lease rentals on operating leases		
Kone	-	3 125
Moon Magic Investments - rental of satelite office in Estcourt	87 319	107 496
A Good - rental of satelite office in Colenso	3 537	27 459
Laytam Investments - rental of workshop at 35 Progress Road Ladysmith	(360 196)	401 017
EXTEC PMB (Pty) (Ltd) - Rental of office machines	302 220	453 605
MAELEC (Mike Anderson Electrical) - monthly rental of wireless internet equipment	277 891	185 261
The Rosco Family Trust - Rental of laboratory space	1 328 834	1 856 310
Maratodi Metsi - rental of pre-paid meters (smart meters)	-	13 684 178
Reoyo Trading - workshop space	366 385	2 909 026
Other	29 224	-
K2 Commodites	-	39 290
	2 035 214	**19 666 767**

The lease agreement with Moon Magic Investments is in respect of the satelite office at 123 Albert Street in Estcourt is for the periods March 2022 to February 2023, March 2023 to February 2024 and March 2024 to February 2025.

Additional office equipment (photo copiers) is leased from EXTEC.

Wireless internet equipment is leased from MAELEC.

The lease agreement with The Rosco Family Trust is in respect of office space for the laboratory staff in Murchison Street, Ladysmith from September 2021 to August 2024 and September 2024 to August 2027.

The rental agreement with Reoyo Trading in respect of workshop space is for the period October 2023 to September 2026.

The lease agreement with Dedekind Real Estate IT (Sarosma Trust) is for the office space occupied by the Economic Development Agency at 1321 Murchison Street, ladysmith.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	341 045 073	520 798 771
Infrastructure grants - MIG and WSIG		
Water supply to Ekuvukeni sitting, drilling, testing and equipping of boreholes - Nickelodia Trading (Pty) Ltd	10 429 012	17 021 969
Construction of Wembezi water consevation and demend management Phase 1A- Amahle Building	9 688 721	-
Ezakheni E sanitation refurbishment - TZDN Trading Construction Services	-	1 421 393
Ezakheni AC pipe replacement (phase 2 Ezakheni C section subzone 3) - Perfect Defects	14 211 889	26 402 068
Ladysmith AC pipe replacement phase 1 - DLV Consultants	146 284	1 185 056
Loskop abstraction and commissioning of the water treatment - Yimpie Projects	21 835 133	28 144 220
Loskop abstraction and commissioning of the water treatment - Owethu Owabo	490 938	3 121 759
Ntabamhlophe community wate supply scheme Bosch reservoir - SiyajulukaTrading Enterprise	1 144 857	4 139 667
Kwanobamba/Ezitendeni refurbishment of sewer network - Madudla Contractors	8 219 534	-
Okhahlamba wards 2, 3 and 14 water supply - Amangwe water reticulation 01 west - R and D Contractors	76 137	728 333
Sanitation coverage VIP Toilet phase 4 - DLV Consultants	12 503 200	-
Okhahlamba wards 2, 3 and 14 water sitting, drilling, testing and equipping of boreholes - Yimpie Projects	273 756	2 085 144
Upgrade of bergville water treatment works	-	9 772 667
Kwanobamba/Ezitendeni water project - rising main for new abstraction point - Sinethemba Construction	440 851	194 083
Kwanobamba/Ezitendeni water project - rising main for new abstraction - ECA Consulting	-	279 533
Kwanobamba/Ezitendeni sanitation project - sewer reticulation and pump station phase 1B - Sinethemba Construction	9 702 448	12 095 277
Kwanobamba/Ezitendeni sanitation project - sewer reticulation and pump station phase 1B - ECA Consulting	851 806	1 121 530
Kwanobamba/Ezitendeni refurbishment of network - ECA Consulting	888 448	331 815
Okhahkamba wards 2, 3 and 14 water supply - Amanwane water reticulation 01 east - R and D Contractors	63 961	494 487
Okhahlamba LM water - ECA Consulting	2 052 663	3 135 471
Weenen/Ezitendeni sewerage treatment works - Klomac Engineering	-	2 609 547
Weenen/Ezitendeni sewerage treatment works - ECA Consulting	959 457	724 072
Weenen/Ezitendeni sanitation project - Maxode Trading	219 565	510 001
Weenen/Ezitendeni sanitation project - ECA Consulting	1 862 500	2 202 069
Construction of Fitty Park community water supply scheme phase 2 - R and D Contractors	8 220 255	16 823 996
Construction of Loskop (Mqedanda) water reticulation ward 4 phase 1 - Owethu Owabo	-	1 478 901
Construction of Loskjop (mqedanda) water reticulation ward 4 phase 1 - Sanoqwabe Consultants CC	1 478 901	-
Upgrade of Langkloof package plant & bulk supply phase 1 - Sinethemba Construction	13 536 092	22 004 445
Upgrade of Langkloof package plant & bulk supply phase 1 - TLS Engineering Consultants	-	91 454
Steadville water conservation and demand management phase 1 - Mela Okuhle Trading Enterprise	16 356 961	30 015 745
Steadville water conservation and demand management phase 1 - DLV Consultants	493 818	1 323 538
Ladysmith AC replacement phase 1 - Sinethemba Construction	16 452 223	26 038 980
Sanitation coverage VIP toilets phase 2 - DLV Consultants	346 382	346 382
Sanitation coverage VIP toilets phase 3 - DLV Consultants	932 896	25 841 074
Wembezi WCDM phase 1 - JG Africa	9 272 734	9 742 908

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

41. Commitments (continued)

District wide spring and boreholes - Sydwalt Consultants	5 573 235	25 565 487
Upgrade of Bergville WTW - ICON Construction	2 558 342	25 850 017
Upgrade of Bergville WTW - Impande Consulting	7 830 875	-
Weenen/Ezitendeni sanitation AFA wetlands - Sinethemba Construction	8 243 182	14 118 652
Weenen/Ezitendeni sanitation AFA wetlands - ECA Consulting	456 944	1 095 607
Winterton water supply - ECA Consulting	981 426	981 426
Winterton sanitation - ECA Consulting	608 259	608 259
Okhahlamba wards 2, 3 and 14 groundwater program - ECA Consulting	-	3 613 872
Okhahlamba wards 2, 3 and 14 Vimbukhalo water reticulation 03 - Zamisanani Projects	10 274 314	23 804 069
Okhahlamba wards 2, 3 and 14 Vimbukhalo water reticulation 04 - Lethokuhle Investments	16 712 164	24 997 631
Amangwe abstractionand water treatment works - Owetho Owabu	80 952 302	-
Fitty Park, Umhlumayo, Sunday River and upgrade to Tugela Estate water treatment works - Royal Haskoning/RDHV	1 473 172	1 473 172
Roosboom and Colenso water supply - DLV Consultants	20 598	20 598
Ezakheni WCDM phase 2 - DLV Consultants	153 914	1 120 224
Repair and refurbish phase 3 - Pawacons	13 735 439	15 630 830
Construction of water supply to Ekuvukeni bulk pipeline - R and D Contractors	-	24 438 784
Water supply to Ekuvukeni ground water - ECA Consulting	1 510 700	1 693 076
Amangwe abstraction and water treatment works - Owethu Owabo	-	82 786 269
Completion of outstanding work to ward 2 (C-side) - Owethu Owabo	21 573 214	21 573 214
Ekuvukeni Refurbishment - ECA	867 299	-
Okhahlamba LM water- ECA	3 135 471	-
Okhahlamba LM water- in house	1 232 801	-
	341 045 073	**520 798 771**

Total capital commitments		
Already contracted for but not provided for	341 045 073	520 798 771

Authorised operational expenditure

Already contracted for but not provided for		
• Provision of financial management system	13 109 898	2 751 745
• Accredited service provider to provide laboratory space	-	10 446 834
• Service provider for the management of the rural road asset management system	1 164 320	1 253 404
• Provision of insurance broker services	-	8 220 934
• Leasing of premises - satelite offices and workshop	2 839 983	5 418 360
• Privision of armed security services	42 569 377	57 951 368
• Leasing of photo copiers and fax machine	-	905 070
	59 683 578	**86 947 715**

Total operational commitments		
Already contracted for but not provided for	59 683 578	86 947 715

Total commitments

Total commitments		
Authorised capital expenditure	341 045 073	520 798 771
Authorised operational expenditure	59 683 578	86 947 715
	400 728 651	**607 746 486**

This committed expenditure relates to property, plant and equipment as well as operational commitments with a contractual obligation at year end which will be financed by grant funding, retained surpluses, existing cash resources and funds internally generated.

Figures in Rand	2025	2024

41. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	4 098 988	3 791 291
- in second to fifth year inclusive	3 517 466	7 616 453
	7 616 454	**11 407 744**

Operating lease payments represent rentals payable by the municipality for certain of its office space. Leases are negotiated for an average term of three years and rentals are fixed for the first year with an annual escalation as per the lease agreements.

Figures in Rand	2025	2024

42. Contingencies

A contingent liability is a potential financial obligation that may arise from past events and is dependent on the outcome of uncertain future events that are not fully within the municipalities control. These are not recorded as liabilities on the municipalities balabce sheet , but their existance and potential iompact are disclosed in the notes below.

The municipality has received a number of summons and letters of demand, demanding payment for outstanding unpaid invoices. Most of these claims are in relation to projects from the Technical Services Department where service providers are claiming for the payment of outstanding invoices due to them.

Contingent liabilities		
Justin Heunis & Associates - Wise security rendered armed security services to the Municipality and invoices were not paid	407 668	-
Justin Heunis & Associates - Rosco Family Trust demand rental due	635 911	396 294
Mdledle Inc. - Pearl Ndaba Attorneys claim for assisting the Municipality with debt collection	-	12 465 832
Mbele& Ngcobo Attorneys - Mr S Khumalo claims that the Municipality installed a elevated water tanker near his home causing water leakage and damages to his property	258 886	-
Garlicke & Bousefield Attorneys - Fore C Electrical claim for unpaid invoices in respect of the installation of water pump and hire of electrical generator in the Ekuvukeni area	-	2 218 375
Lalpersadh Inc. - R & D Contractors for a claim in respect of retention money in respect of the Fitty Park water supply scheme phase 2	-	2 218 770
Godide Engineering Services - claim for unpaid invoices in respect of Fitty park water supply scheme phase 2	-	8 462 743
Nompumelelo Hadebe Inc. - Mpembe family claim in respect of minor child which was electricuted to death at the Colenso pump station after it was vandalized	2 040 000	2 040 000
Okaluqa Trading & Projects - claim for services rendered	105 059	-
Gule Nathi Attorneys - Mr majola sustained injuries while on duty and had to pay for his medical bills	65 641	-
Maree & Pace, Mpulo Attorneys - Mark Tyres (Pty) Ltd claim in respect of unpaid invoices for services rendered	36 858	36 858
Macaully and Riddle, Venns attorneys - G.P. Govender claim in respect of damages he has incurred as a result of Municipal employees which were fixing a burst pipe in his property	-	50 139
Illungelo Lami Trading CC - claim in respect of unpaid invoices for a project in Ekuvukeni	615 570	615 570
Daly Morris Fuller Inc - Bonakude consultants (Pty) Ltd - plaintiff rendered internal audit services namely AGRAP and MSCOA - claim outstanding amount due	871 170	-
Gule Nathi Inc. - Aztec Trading claim in respect of various repairs done to Municipal vehicles	-	22 143
T. Shabalala Attorneys Inc. - easy to Work claim in respect of the supply and delivery of laptops which were not paid for	47 100	45 000
Khulalo masondo Attorneys - SABC (South African Broad Casting Corporation) claim in respect of a TV licence account in arrears	-	15 370
Schults Incorporated - Europcars claim in respect of unpaid car rental invoices	455 082	455 082
Amadubandlela Attorneys - Jozzy Auto Centre claim in respect of unpaid invoices for the service and maintenance of Municipal vehicles	-	542 496
Symington De Kok Attorneys - FNB (First Nataional Bank_ claim in respect of payment of fuel, oil and vehicle repairs	3 267 044	3 267 044
SABC TV licence - claim for the recovery of outstanding balance	20 670	-
Dlalisa Attorneys - Dr. Makhoba for the provision of medical surveilance for a priod of 3 years not paid	131 840	131 840
Kgolo Institute - as demand for the provision of safety representative training to be conducted to the Municipality	-	199 500
Maree & Pace, Mpulo Attorneys - Simprador Trading Projects C for the hire of plant and equipment under a contract, 10/2021 PEH, for a period of 3 years - invoices not paid	10 510 250	6 603 800

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
42. Contingencies (continued)		
Maree & Pace, Mpulo Attorneys - Yenweni Enterprices (Pty) Ltd for the hire of plant and equipment under a contract, 10/2021 PEH, for a period of 3 years - invoices not paid	9 447 710	9 447 710
Dotcom Africa - Municipality enters into an agreement without proper SCM processes followed	154 272	154 272
Maree & Pace, Mpulo Attorneys - Quickstep 453 CC t/a Guinea Fowl Service Station for the hire of TLB - invoices not paid	-	57 557
Glen Marais Incorporated - Zanamazi Services (Pty) Ltd for the supply and repairs of pumps under tender 16/2019 EQM- invoices not paid	2 412 040	2 412 040
Maree & Pace, Mpulo Attorneys - Lunasisis Ideas CC for plant and equipment hire for a period of 3 years under tender 10/2021 PEF panel of service providers - invoices not paid	22 399 528	22 399 528
Justin Heunis & Associates - Pramesh Singh damages caused to his vehicle as a result of negligence of the Municipality not repairing or maintaining the road (corner of Burger Street)	-	83 070
NJM Attorneys - Goverspride Trading was appointed on a panel of service providers for plant and equipment hire - invoices not paid	1 200 000	1 200 000
Itabiro Investments - Hiring of machinery - unpaid invoices	29 785	-
Multi Solutions - Demand for outstanding payments which was submitted to the Municipality	-	13 278 600
LS Incorporated - Massmart Holdings LTD - claim in respect of a collision between plaintiff and Municipal vehicle	16 273	16 273
REOYO Trading - final demand received in respect of unpaid invoices due by the Municipality	91 141	91 141
Nompumelelo Hadebe INC. - preperation of investigation report regarding a sewerage spillage - Municipality failed to pay the invoice submitted	-	530 083
ACE Motor Spares - letter of demand received regarding unpaid invoices	92 933	120 823
Justin Heunis & Associates - Daves Panel Beaters - agreement entered into during the course of 2016 regarding towing and panel beating services	205 372	205 372
Nqaba and Associates - Egxeni Engineering CC - contract 16/2018 construction of Ekuvukeni bulk rising main booster pump station to Zandbuild reservoir - claim in respect of breach of contract and unpaid invoices	28 016 249	28 016 249
Emnambithi Engineering - Denesh R Latchman Attorneys for services rendered and materials provided.	105 012	-
Netstar Blignaut Neerahoo Inc-Oustanding invoices for service rendered to municipality	472 558	-
RASP Consulting- Claim for outstanding invoices related to repairs to pump	13 332 324	-
Rasp Consultants - Rerfubishment of the Eastcourt Water Treatment works	15 419 010	-
	112 862 956	**117 799 574**

Contingent assets

.

Prepaid meter sales

Accumulative amount due to the Municipality at financial year end	-	9 294 902

43. Related parties

Relationships

Controlling entity	Uthukela District Municipality

Related party balances

	2025	2024
Uthukela Economic Development Agency		
Total expenditure incurred	985 619	1 373 858

The transactions below relates to payments made by the Municipality on behalf of the Uthukela Economic Development Agency (UEDA) in respect of employee related costs during the financial year.

A service level agreement was signed on the 20th of March 2019 between the Municipality and the UEDA.

The UEDA has been appointed to provide and support the Municipality with the implimentation of the RASET program (Radical Agrarian Social Economic Transformation program).

	2025	2024
Employee related costs		
D.C. P. mazibuko	-	868 876
F. Mbuyisa (Intern)	-	19 647
S. Sibisi (Acting CEO)	985 619	485 335

S.B. Sibisi is acting in the position which was vacated by D.C.P. Mazibuko as CEO of the Agency.

	2025	2024
Compensation to accounting officer and other key management		
Basic salary	506 962	476 783
Car allowance	155 015	155 015
Subsistance and travelling	332	161
Backpay	3 646	-
UIF	2 126	2 125
Acting allowance	175 098	103 215
SDL	8 048	6 985
Bonus	42 339	38 634
Provident Fund	91 910	85 821
SALGA BC	143	137
	985 619	**868 876**

Key management information

Class	Description	Number
Mr. S.B. Sibisi	Acting CEO	1
Mr. K.H. Nduli	Chairperson	1
Mrs. M. Asmal	Deputy Chairperson	1
Mr. A.M. Msomi	Non-executive Board Member	1
Mr. N.F. Zikalala	Non-executive Board Member	1
Mr. M.S. Sithole	Non-executive Board Member	1
Mr. W.S.Z. Kunene	Non-executive Board Memebr	1
Mr. B.W. Kubheka	Non-executive Board Member	1

Remuneration of management

44. Prior period errors

Prior period errors is corrections done in the current financial year which relates to the previous financial year.

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

44. Prior period errors (continued)

Statement of Financial Position		
Payables from exchange transactions	-	(156 788 251)
PPE (Property, Plant and Equipment)	-	2 375 818
Statement of financial performance		
Service charges	-	(11 409 311)
Interest received trading services	-	1 901 487
Depreciation and amortisation	-	9 434
Lease rentals on operating leases	-	1 905 506
Bulk purchases	-	8 157 757
Contracted Service	-	128 344 570
General expenditure	-	18 380 419

45. 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:

The correction of errors disclosed below are omissions from, and misstatements in, the financial statements of the municipality in respect of the prior period arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those financial statements.

The correction of errors is as a result of invoices relating to the 2022/2023 financial year which were received after the financial statemnents in respect of 2022/2023 were finalized. As it relates to the 2022/2023 financial year the comparative figure in respect of the financial year had to be restated.

A re-classification is to move a disclosure item from one class, classification, or category to another.

A re-classification is correcting errors, adjusting for changes in accounting policies, or enhancing comparability between periods.

The re-classification disclosed below was to correct the disclosure of VAT (input accrual, output accrual and control account).

Statement of financial position

45. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	10	18 597 530	-	-	18 597 530
Receivables from exchance transactions (current assets)	11	242 267 176	-	(325 780)	241 941 396
Receivables from non-exchange transactions (current assets)	12	172 980	-	-	172 980
Consumer debtors	13	65 044 788	9 507 824	-	74 552 612
Bank reconcilliation clearing account	9	94 867	-	-	94 867
Cash and cash equivalents	14	5 715 178	-	-	5 715 178
Property, plant and equipment	4	3 405 165 812	2 375 818	-	3 407 541 630
Intangable assets	5	392 154	-	-	392 154
Receivables from exchange transactions	11	1 658 406	-	-	1 658 406
Receivables from non-exchange transactions	12	46 349	-	-	46 349
Other liabilities - sundry debtors with credit balances	17	(112 829)	-	-	(112 829)
Operating lease liability	6	(2 415 940)	-	-	(2 415 940)
Payables from exchange transactions	7	(951 075 161)	(156 788 251)	-	(1 107 863 412)
Consumer deposits	8	(20 029 470)	-	325 780	(19 703 690)
Employee benefit obligation	60	(5 470 000)	-	-	(5 470 000)
Unspent conditional grants	15	(99 113)	-	-	(99 113)
Provisions	16	(36 722 303)	-	-	(36 722 303)
Other liabilities - consumer debtors with credit balances	18	(15 781 592)	-	-	(15 781 592)
Other liabilities - salaries clearing suspence account	19	(329 997)	-	-	(329 997)
Employee benefit obligation	60	(49 527 000)	-	-	(49 527 000)
		2 657 591 835	**(144 904 609)**	**-**	**2 512 687 226**

The correction of errors above is as a result of omissions and mistatements in the previous period.

The re-classifications above is in respect of VAT and is due to the change in accounting standards GRAP108.

Statement of financial performance

45. Prior-year adjustments (continued)

2024

	Note	As previously reported	Correction of error	Restated
Service charges	21	287 363 693	11 409 311	298 773 004
Interest received (trading)	20	62 379 178	(1 901 487)	60 477 691
Other income	20	979 920	-	979 920
Proceeds from sale of assts		133 300	-	133 300
Interest received - investments	20	11 078 696	-	11 078 696
Gains on disposal of assets and liabilities	4	5 831 893	-	5 831 893
Actuarial gains	60	-	-	-
Goverment grants and subsidies	27	877 733 904	-	877 733 904
Fines, penalties and forfeits	22	41 700	-	41 700
Employee related costs	29	(374 224 859)	40 361	(374 184 498)
Remuneration of Councillors	30	(6 302 847)	(40 361)	(6 343 208)
Depreciation and amortisation	31	(85 704 247)	(9 434)	(85 713 681)
Impairment loss	32	(779 590)	-	(779 590)
Interest incurred	33	(16 352 222)	-	(16 352 222)
Lease rentals on operating leases	23&40	(17 761 261)	(1 905 506)	(19 666 767)
Debt impairment	35	(237 174 114)	-	(237 174 114)
Incentive discounts	57	(3 123 596)	-	(3 123 596)
Bulk purchases	37	(32 063 963)	(8 157 757)	(40 221 720)
Contracted services	38	(155 507 878)	(128 344 570)	(283 852 448)
Transfers and subsidies	26	(3 285 000)	-	(3 285 000)
Loss on disposal of assets and liabilities	4	(660 000)	-	(660 000)
General expenditure	36	(259 800 343)	(18 380 418)	(278 180 761)
Surplus for the year		**52 802 364**	**(147 289 861)**	**(94 487 497)**

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services (water & sanitation)		34 392 746	-	34 392 746
Interest raised on sale of goods and services (water & sanitation)	20	62 379 178	-	62 379 178
Grants and subsidies	27	864 167 715	-	864 167 715
Interest income	20	11 078 696	-	11 078 696
Fines, penalties and firfeits		41 700	-	41 700
Other cash items	20	979 920	-	979 920
Employee costs	29&30	(380 527 706)	-	(380 527 706)
Suppliers		(330 285 828)	-	(330 285 828)
Interest incurred	33	(16 352 222)	-	(16 352 222)
Transfer payments	26	(3 285 000)	-	(3 285 000)
Rent paid		(16 294 134)	-	(16 294 134)
		226 295 065	**-**	**226 295 065**
Cash flow from investing activities				
Property, plant and equipment	4	(234 210 902)	-	(234 210 902)
Proceeds from sale of assets		133 300	-	133 300
		(234 077 602)	**-**	**(234 077 602)**

45. Prior-year adjustments (continued)

Reclassifications

Due to 2013 amendments to GRAP 1 and GRAP 3 - Presentation of Financial Statements - operational grants has been disclosed by nature of expense and therefore has been reclassified in the statement of financial performance.

Due to GRAP 17 - Presentation of Financial Statements, repairs and maintenance has to be disclosed by nature of expence and has been diclosed in note 4 under PPE (property, plant and equipment) and note 38 (contracted services).

The following reclassifications adjustment occurred:

Reclassification 1

Burial services has been reclassified as contracted services - from general expenditure - other.

Artist and performers has been reclassified as contracted services - from general expenditure - other.

Employee wellness has been reclassified as contracted services - from general expenditure - other.

Maintenance and repairs has been reclassified as contracted services - from general expenditure.

Legal costs has been reclassified as contracted services - from general expenditure - consulting and professional fees.

Reclassification 2

Plant and equipment hire has been reclassified as general expenditure - from contracted services.

Insurance has been reclassified as general expenditure - from contracted services.

Chemicals has been reclassified as general expenditure - from contracted services.

46. Risk management

Liquidity risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	**2025**	**2024**
Bank balance and cash	10 897 083	5 715 178
Consumer debtors from exchange transactions	98 478 636	74 552 612
Receivables from Exchange transactions	257 886 234	243 599 802
Receivables from non-exchange transactions	219 329	219 329

47. Going concern

We draw attention to the fact that at June 2025, the municipality had an operating deficit of R66,099,437 and that the municipality's total assets exceed its liabilities by R2,485,597,868.

Futhermore the municipality's current liabilities (R1,400,691,143) far exceeds current assets (R383,208,278).

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

The audited 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. This bases presumes that funds will be available to finance future operations from various sources of Government as well as its own resources to fund operations. Thus the realization of assets and settlement of liabilities, contingent obligations and commitments wil occcure in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The Municipality still has power to levy water and sanitation charges and it will continue to receive funding from Government as evident from the equity share allocation received in terms of the Division of Revenue Act.

The Municipality started experiencing cash flow difficulties from the 2016/2017 financial year. An Interim Finance Committee was established during the 2018/2019 financial year to manage cash flow and monitor the implementation of cost containment measures. It must be noted that the drought related expenditure incurred during previous financial years had the most significant impact on the Municipality's cash reserves. Covid-19 pandemic also impacted negatively in the implementation of the credit control and debt collection policies.

The financial situation of the Municipality is however improving. We also draw attention to that although the Municipality has had legacy issues in terms of net deficit running from year to year, the Municipality has, in the year under reporting been able to cut its liabilities by R36,540,453 and suggest to continue decreasing it's liabilities and improving revenue collection in the forth-coming financial years.

Management acknowledges the decrease in the cost coverage ratio with great concern and a budget funding plan was developed during the 2019/2020 financial year to address the situation. All high cost drivers has been identified and a strategy to address each cost driver has been developed, implemented and is being monitored.

Management has developed a revenue enhancement strategy and is implementing the revenue enhancement plan in and effort to improve the cash position and reduce water losses.

Management has, in addition, also implemented MFMA Circular 82 (Cost containment measures) in an effort to cut down on operational expenditure. This is evident in the reduction of it's liabilities in the year under reporting when compared to the comparative figure from the 2020/2021 financial year.

Ageing infrastructure and water purification plants operating beyond their design capacity also contributes to high maintenance costs; as did the floods and vandalism experienced during the 2021/2022 and 2022/2023 financial years contributing to a significant increase in maintenance and repair costs.

The Municipality entered into an agreement with Umgeni Water to perform the bulk water function on behalf of the Municipality. Umgeni Water took over three water purification plants as from 1 January 2019: Oliphantskop, Tugela Estate and the Ezakheni plant.

This has put further strain on the budget of the Municipality and on the 26th of March 2020 Council resolved to terminate the contract due to unsustainability in the long run. A termination letter was issued to Umgeni Water on the 16th of July 2020.

The matter was resolved out of Court and Uthukela has taken over the operations of the three plants as from 1 July 2021.

The two parties (uThukela DM and Umgeni Water) has finalizing a payments plant in order to pay the debt due to Umgeni Water.

It must be noted that the Municipality is still under Section 139(1) (b) Constitution intervention.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Going concern (continued)

As from the 1ts of July 2022 forensic investigators has been appointed to investigate absorbent expenditure incurred with the use of the Wesbank fleet cards and as part of their scope of work, the same forensic investigators are investigating excessive overtime and standby claims submitted by employees.

The Municipality appointed a service provider to install smart pre-paid meters and to manage revenue collection from the sales through these meters, however due to some complications the service providers contract was terminated and the Municipality has not received any of the revenue collected by the service provider.

The Municipality was unable to determine the amount collected through the sales of the pre-paid meter and the commission due to the service provider. There is therefore a strong possibility of a potential financial loss.

Legal action has been instituted and the matter is sub judice.

The Municipality has however received an amount of R8,000,000 during the 2023/2024 financial year in respect of pre-paid water sales recovered by the legal firm Garlicke and Bousefield.

It must be noted that the municipality entered into a Water Debt Relief program with DWS (Department of Water and Sanitation) whereby the department will write of one third of the outstanding debt over three years on condition that the municipality keeps the current account up to date.

The Municipality entered into a four way section 63, of The Water Sevices Act Intervention, between The Department Of Water and Sanitation, The Department of Cooperative Governance, Uthukela District Municipality and Umgeni Water.

The above two interventions will assist the municpality with their financial recovery.

48. Events after the reporting date

Non-adjusting events after reporting date.

The Municipality entered into a four way section 63, of The Water Sevices Act Intervention, between The Department Of Water and Sanitation, The Department of Cooperative Governance, Uthukela District Municipality and Umgeni Water.

The agreement was signed on 19 August 2025.

49. Unauthorised, Irregular and Fruitless and Wasteful Expenditure

Unauthorised expenditure	601 212 050	256 334 920
Irregular expenditure	643 433 052	385 199 722
Fruitless and wasteful expenditure	69 366 170	56 333 789
Closing balance	**1 314 011 272**	**697 868 431**

50. Unauthorised expenditure

Opening balance as previously reported	256 334 920	293 171 448
Add: Unauthorised expenditure - current period	344 877 130	256 334 920
Less: Amount authorised - prior period	-	(293 171 448)
Closing balance	**601 212 050**	**256 334 920**

Unauthorized expenditure is the result of overspending of the total amount appropriated in the Municipalities budget for the financial year excluding non-cash items.

Overall the Municipality spent R1,,296,762,882 against the budget of R1,083,473,638 which did not resulted in an overspending for the financial year (2024/2025).

There has however been overspending on certain line items in the budget for the 2024/2025 financial year.

Refer to the tables below.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	187 208 112	74 866 547
Cash	157 669 018	181 468 373
	344 877 130	**256 334 920**

In accounting, a non-cash item refers to an expense listed on an income statement, such as capital depreciation, investment gains, or losses, that does not involve a cash payment.

Cash items in simple terms, any money leaving the Municipality. include employees salaries, the maintenance of assets and the purchase of goods and services.

Analysed as follows: non-cash

Depreciation and amortization	4 696 245	(9 904 753)
Impairment loss	-	779 590
Debt impairment provision	-	80 208 114
Incentive discounts	-	3 123 596
Bad debt write-off	179 952 491	-
Gains and losses on disposal of assets	2 559 376	-
Actuarial losses	-	660 000
	187 208 112	**74 866 547**

Amounts disclosed as (XXXXXX) represents a saving against the budget.

Analysed as follows: cash

Employee related costs	18 269 163	20 502 859
Remuneration of Councillors	-	138 847
Interest incurred	8 441 241	15 852 222
Lease rental on operating leases	-	17 761 261
Bulk purchases	5 501 029	(16 019 037)
Contracted services	86 675 668	19 723 878
Transfers and subsidies	-	(2 200 000)
General expenditure	38 781 917	125 708 343
	157 669 018	**181 468 373**

Amounts disclosed as (XXXXXX) represents a saving against the budget.

Unauthorised expenditure: Budget overspending – per municipal department:

Municipal Governance and Administration	-	154 511 788
Community and Public Safety	-	(7 435 843)
Planning, Economic Development and Social Services	27 308 868	83 832
Trading Services (water and sanitation)	317 568 262	109 175 143
	344 877 130	**256 334 920**

Recoverability steps taken/criminal proceedings

No recoverability steps or criminal proceedings has been instituted.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

50. Unauthorised expenditure (continued)

Disciplinary steps taken/criminal proceedings

No disciplinary steps has been taken and no criminal proceedings has been instituted.

Unauthorized expenditure written off		
Council resolution No. A05/01/24 - Council meeting 31 January 2024	-	293 171 448

51. Fruitless and wasteful expenditure

Opening balance as previously reported	56 333 789	62 941 563
Add: Fruitless and wasteful expenditure identified - current period	13 032 381	11 797 950
Less: Amount written off - prior period	-	(18 405 724)
Closing balance	**69 366 170**	**56 333 789**

Fruitless and wasteful expenditure is presented inclusive of VAT and is incurred due to the late payment of creditors.

Expenditure identified in the current year		
Eskom	585 330	346 789
Alfred Duma Local municipality	3 790 506	318 292
Auditor General	95 516	48 880
Maree & Pace - Quickstep	9 968	-
KZN Transport	75 738	-
Nompmumelelo Attorneys	11 123	-
DLV Contractors	-	730 327
Munsoft	126 253	3 667
DWS (Department of Water and Sanitation)	8 046 200	8 554 377
Justin Heunis & Associates (ROSCO Family Trust)	-	25 276
Justin Heunis & Associates (RASP)	-	1 530 122
PHZ Kubheka	-	56 347
Macaulay & Riddel (Compu Supplies)	-	1 471
Mason Incorporated (Wilcocks, Reed and Korze)	-	180 997
Telkom SA Limited	-	1 405
Icon Construction	291 747	-
	13 032 381	**11 797 950**

Notes to the Annual Financial Statements

Figures in Rand		2025	2024

51. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Fruitless and wasetfull expenditure - 2023/2024	No disciplinary steps and no criminal proceedings instituted	-	11 797 950
Fruitless and wastefull expenditure - 2024/2025	No disciplinary steps and no criminal proceedings instituted	13 032 381	-
		13 032 381	**11 797 950**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Fruitless and wasteful expenditure (continued)

Amount written-off

	Condoned by (Condoning authority)		
Council resolution No. A05/01/2024 - Council meeting 31 January 2024	Council - 31 January 2024	-	18 405 724

Recoverability steps taken/criminal proceedings

No disciplinary steps has been taken and no criminal proceedings has been instituted.

Disciplinary steps taken/criminal proceedings

No disciplinary steps has been taken and no criminal proceedings has been instituted.

52. Irregular expenditure

Opening balance as previously reported	385 199 722	772 631 018
Add: Irregular expenditure - current period	258 233 330	385 199 722
Less: Amount written off - prior period	-	(772 631 018)
Closing balance	**643 433 052**	**385 199 722**

Figures in Rand	2025	2024

52. Irregular expenditure (continued)

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

Nature of contravention		
Section 32 deviations	1 687 247	835 130
Section 36 deviations	27 128 999	50 961 993
Non-compliance with SCM regulations	181 589 595	245 649 213
Expired contracts	3 337 547	13 381 103
Order splitting	3 896 110	3 401 040
Section 37 deviations	-	25 196 550
Section 114 deviations	36 083 210	38 503 874
State employees	-	67 500
Overtime payments	4 510 622	7 203 319
	258 233 330	**385 199 722**

Management went as far back as possible to identify irregular expenditure for the disclosure in the financial statements.

Amounts disclosed are inclusive of VAT.

	Disciplinary steps taken/criminal proceedings		
Irregular expenditure incurred 2023/2024	No diciplinary steps and no criminal proceedings instituted	-	385 199 722
Irregular expenditure incurred 2024/2025	No diciplinary steps and no criminal proceedings instituted	$ 258 233 330	$ -
		258 233 330	**385 199 722**

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off the following amounts from the total irregular expenditure amount as it was proven without reasonable doubt that the amount were not recoverable.

Council resolution No. A0/01/24 - Council meeting 31 January 2024	-	772 631 018

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Irregular expenditure (continued)

Disciplinary steps taken/criminal proceedings

No disciplinary steps and no criminal proceeings has been instituted.

53. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	5 635 000	5 615 069
Amount paid - current year	(5 635 000)	(5 615 069)
	-	-

The above is payments made to the Auditor General.

PAYE, UIF and SDL

Current year subscription / fee	70 574 771	62 460 079
Amount paid - current year	(70 574 771)	(62 460 079)
	-	-

The above is PAYE, UIF and SDL deductions from the payroll paid to SARS.

Pension and Medical Aid Deductions

Current year subscription / fee	79 065 262	74 143 576
Amount paid - current year	(72 224 405)	(74 143 576)
	6 840 857	-

The above is pension and medical aid contributions paid to the pension funds and medical aid schemes.

The contributions of R6,840,857 in respect of June 2025 was paid on 8 July 2025.

Figures in Rand	2025	2024

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Bhubhesi Trading	6 432 312	-
BN KIRK	239 718	-
PSS Distribution	111 314	-
Bezwangendaba	1 945 800	-
Istatanyiswa	1 926 308	-
Kone	-	17 165
Huge Telecom	-	9 001
Liyasantinda	182 900	-
Zenth car rental	-	2 292 703
K2 Commodoties	-	180 733
Lalpersad	-	21 144
Lunasis Ideas	2 264 385	-
Okuhlenathi	7 916 968	-
Laytam	-	492 511
Phakamo Holdings	-	3 447 956
Ntantana Indoda Trading	-	36 756 362
Lukhwishi Trading Enterprise	5 835 767	694 548
Okuhlenathi	-	1 601 530
MBE Construction	-	313 685
Vuyimpie Trading	-	289 881
Siyajuluka Trading	1 800 067	3 954 180
Kantech Services	-	991 784
Nguqumlithi	-	105 708
	28 655 539	**51 168 891**

Investments as at the end of the financial year

The Municipality had the following investments as at 30 June 2025.

Summary of all investments		
UTDM - First National Bank	7 515 880	418 217
UTDM - Nedbank	32	7 689
UTDM - Investec	-	399 309
UTDM - ABSA Bank	150 738	219 926
UTDM - Standard Bank	89 792	-
	7 756 442	**1 045 141**

Surplus fund are transferred from the Municipalities primary bank account to investment accounts to safeguard the Municipality against fraudulent transactions.

Refer to cash and cash equivalents.

54. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E for the comparison of actual operating expenditure versus budgeted expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Deviation from supply chain management regulations

Supply chain deviations		
Lees than three quotations obtained	-	1 060 367
Sole service providers	419 261	389 751
	419 261	**1 450 118**

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.

56. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

The Municipalities operations are in the KwaZulu Natal Province.

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
Municipal Governance and Administration	Governance and Administration is the process of activities of running the organization
Community and Public Safety	Community safety is a partnership approach to reduce crime and disorder in local communities. It also manages disaster caused by humans or nature
Trading Services	Trading services are the main source of income for the Municipality and are water, sanitation and sewerage services renderd
Economic and Environmental Services	Consolidates a district perspective in economic planning and co-ordinates/enables/impliments district wide catalytic projects and interventions

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Municipal Governance and Administration	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
Revenue					
Service charges	-	-	280 376 171	-	280 376 171
Interest received - trading sevices	-	-	71 604 966	-	71 604 966
Sale of goods	262 973	-	340 355	-	603 328
Interest received on investments	6 612 659	-	-	-	6 612 659
Grants and subsidies	616 332 902	-	272 710 017	3 608 240	892 651 159
Operational revenue	2 914 186	-	351 093	-	3 265 279
Fines, penalties & forfeits	-	43 300	-	-	43 300
Public donations	25 824 045	-	-	-	25 824 045
Total segment revenue	**651 946 765**	**43 300**	**625 382 602**	**3 608 240**	**1 280 980 907**
Entity's revenue					**1 280 980 907**

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

	Municipal Governance and Administration	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
Expenditure					
Employee related costs	144 035 103	32 348 713	214 054 808	26 406 590	416 845 214
Remuneration of Councillors	6 560 505	-	-	-	6 560 505
Depreciation and amortization	1 675 905	109 714	84 903 841	2 679 319	89 368 779
Impairment loss	-	-	-	44 280	44 280
Interest incurred	6 160 000	-	-	13 537 856	19 697 856
Lease rentals on operating leases	1 936 219	-	-	98 995	2 035 214
Debt impairment	(59 329 095)	-	-	-	(59 329 095)
Bad debt write-off	-	-	260 434 891	-	260 434 891
Incentive discounts	-	-	-	5 260 248	5 260 248
Loss on disposal of assets and liabilities	189 978	-	2 559 376	-	2 749 354
Bulk purchases	-	-	43 145 386	-	43 145 386
Transfers and subsidies	3 800 000	-	-	-	3 800 000
Contracted services	67 631 746	608 804	153 735 409	327 722	222 303 681
Actuarial losses	2 351 000	-	-	-	2 351 000
General expenditure	112 109 241	3 211 070	200 849 245	310 589	316 480 145
Total segment expenditure	**287 120 602**	**36 278 301**	**959 682 956**	**48 665 599**	**1 331 747 458**
Total segmental surplus/(deficit)	**364 826 163**	**(36 235 001)**	**(334 300 354)**	**(45 057 359)**	**(50 766 551)**
Assets					
Current assets	2 105 463 153	(16 857 559)	(1 686 510 305)	(18 887 011)	383 208 278
Non-current assets	3 119 773 787	(1 241 579)	438 552 326	(3 657 801)	3 553 426 733
Total segment assets	**5 225 236 940**	**(18 099 138)**	**(1 247 957 979)**	**(22 544 812)**	**3 936 635 011**
Total assets as per Statement of financial Position					**3 936 635 011**

56. Segment information (continued)

	Municipal Governance and Administration	Community and Public Safety	Trading Services	Economic and Environmental Services	Total
Liabilities					
Current liabilities	(1 348 797 817)	(5 590 936)	(47 703 081)	1 400 691	(1 400 691 143)
Non-current liabilities	(41 620 671)	-	(8 725 329)	-	(50 346 000)
Total segment liabilities	**(1 390 418 488)**	**(5 590 936)**	**(56 428 410)**	**1 400 691**	**(1 451 037 143)**
Total liabilities as per Statement of financial Position					**(1 451 037 143)**

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

2024

	Municipal Governance and Administration	Community and Public Safety	Trading Services	Total
Revenue				
Service charges	-	-	298 773 004	298 773 004
Interest received - trading services	-	-	60 477 691	60 477 691
Other income	979 920	-	-	979 920
Interest received on investments	11 078 696	-	-	11 078 696
Grants and subsidies	583 832 782	2 572 887	291 328 235	877 733 904
Fines, penalties and forfeits	-	41 700	-	41 700
Proceeds on sale of assets	133 300	-	-	133 300
Gains on disposal of assets	5 831 893	-	-	5 831 893
Total segment revenue	**601 856 591**	**2 614 587**	**650 578 930**	**1 255 050 108**
Entity's revenue				**1 255 050 108**

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Expenditure				
Employee related costs	126 535 432	61 380 979	186 268 087	374 184 498
Remuneration of Councillors	6 343 208	-	-	6 343 208
Depreciation and amortization	18 168	-	85 695 513	85 713 681
Impairment loss	-	-	779 590	779 590
Interest incurred	16 352 222	-	-	16 352 222
Lease rentals on operating leases	19 666 767	-	-	19 666 767
Debt impairment	1 024 719	-	236 149 395	237 174 114
Incentive discounts	-	-	3 123 596	3 123 596
Bulk purchases	-	-	40 221 720	40 221 720
Transfers and subsidies	-	3 285 000	-	3 285 000
Contracted services	16 764 949	-	267 087 499	283 852 448
Loss on disposal of assets and liabilities	660 000	-	-	660 000
General expenditure	75 750 898	-	202 429 863	278 180 761
Total segment expenditure	**263 116 363**	**64 665 979**	**1 021 755 263**	**1 349 537 605**
Total segmental surplus/(deficit)	**338 740 228**	**(62 051 392)**	**(371 176 333)**	**(94 487 497)**
Assets				
Current assets	248 250 201	-	92 824 362	341 074 563
Non-current assets	40 691 575	-	3 368 946 964	3 409 638 539
Total segment assets	**288 941 776**	**-**	**3 461 771 326**	**3 750 713 102**
Total assets as per Statement of financial Position				**3 750 713 102**
Liabilities				
Current liabilities	697 723 178	-	490 775 698	1 188 498 876
Non-current liabilities	49 527 000	-	-	49 527 000
Total segment liabilities	**747 250 178**	**-**	**490 775 698**	**1 238 025 876**
Total liabilities as per Statement of financial Position				**1 238 025 876**

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

57. Incentive discounts

Incentive discounts (consumer debtors)		
1/3 discount (one third)	5 260 428	3 123 596

The municipality offers incentive discount(1/3) to consumers in order to encourage consumers to pay their accounts and reduce outstanding debt.

58. Bad debt written off

Bad debt written off during financial period		
Consumer debtors	260 434 891	-

.After assessing the recoverability of outstanding debt the above was written of as disclosed.

59. Fraudulant activities

Fraudulant activities identified		
KZN Transport - vehicle licences - fleet related	14 775	14 775
Various service providers - fuel and oil - fleet related	6 000 000	6 000 000
	6 014 775	**6 014 775**

The above relates to the ongoing investigation on fleet related matters (2017/2018).

60. Employee benefit obligations

Defined benefit plans - General information

Post Retirement Medical Aid Plan.

The municipality provides post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds with which the municipality is affiliated, a member (who is on the current condition of service) may continue to be a member of the medical aid fund upon retirement, in which case the municipality is liable for a portion of the medical aid contributions.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2025 by ARCH Actuarial Consulting (Pty) Ltd, a member of the Actuarial Society of South Africa.

The municipality subsidies monthly contributions to the following medical aid schemes:

Bonitas, Keyhealth, Samwumed, and LA Health.

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

Carrying value		
Medical aid post retirement benefit	(37 349 000)	(30 996 000)
Long service awards	(24 820 000)	(24 001 000)
	(62 169 000)	**(54 997 000)**
Non-current liabilities	(50 346 000)	(49 527 000)
Current liabilities	(11 823 000)	(5 470 000)
	(62 169 000)	**(54 997 000)**

Figures in Rand	2025	2024

60. Employee benefit obligations (continued)

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

Opening balance	30 996 000	27 113 000
Other net expences recognised in the statement of financial performance	6 353 000	3 883 000
	37 349 000	**30 996 000**

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

Service cost	1 864 000	916 000
- Current service cost	1 864 000	916 000
Net interest on the net defined benefit liability (asset)	3 750 000	3 349 000
Remeasurements of the net defined benefit liability (asset)	739 000	(382 000)
- Actuarial gains and losses arising from:	739 000	(382 000)
- Changes in financial assumptions	739 000	(382 000)
	6 353 000	**3 883 000**

Calculation of actuarial gains and losses

Financial assumption changes	1 345 000	(416 000)
Subsidy inflationary increase higher / lower than assumed	221 000	(23 000)
Changes to membership profile different than assumed	161 000	57 000
	1 727 000	**(382 000)**

Changes in the fair value of plan assets are as follows:

Opening balance	30 996 000	27 113 000
Return on plan assets	5 614 000	5 057 000
Interest cost	3 750 000	3 349 000
Current service costs	1 864 000	1 708 000
Actuarial loss / (gain)	1 727 000	(382 000)
Expected subsidy (benefit) payments	(988 000)	(792 000)
	37 349 000	**30 996 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.30 %	12.29 %
CPI inflation rate	5.30 %	6.26 %
Medical aid contribution inflation rate	7.10 %	7.76 %
Net discount rate (medical aid contribution)	3.90 %	4.20 %
Maximum subsidy inflation rate	4.70 %	5.45 %
Net discount rate (maximum subsidy)	6.30 %	6.49 %

Retirement age and mortality.

Average retirement age	62 years	62 years
Continuation of membership at retirement	75%	75%
Proportion with a spouse dependent at retirement	60%	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	10%	10%
Mortality during employment	SA 85-90 light	SA85-90 light
Mortality post retirement	PA (90) - 1	PA (90) light

Members withdraw from service: (average for males and females).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

60. Employee benefit obligations (continued)

Average for males and females	**Males**	**Females**
Age 20-24	9%	9%
Age 25-29	8%	8%
Age 30-34	6%	6%
Age 35-39	5%	5%
Age 40-44	5%	5%
Age 45-49	4%	4%
Age 50-54	3%	3%
Age 55+	0%	0%

Long Service Awards.

Employees are eligible for a long service award as per the long service award policy after completing fixed periods of continuous service (every five years, from five to forty-five years).

The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2025 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2025 by ARCH Actuarial Consulting (Pty) Ltd, a member of the Actuarial Society of South Africa.

Changes in present value of long service awards are as follows		
Value at the beginning of the year	24 001 000	20 945 000
Increase in value obligation	819 000	3 056 000
	24 820 000	**24 001 000**

Calculation of actuarial gains and losses		
Financial assumption changes	(185 000)	(122 000)
Earnings increases higher than assumed	252 000	70 000
Changes in employee profile different from assumed	557 000	1 094 000
	624 000	**1 042 000**

The principal actuarial assumptions were as follows.

Rates	**2025**	**2024**
Discount rate	9.8%	11.05%
General earnings inflation	4.8%	6.20%
Net discount rate	4.8%	4.56%
CPI inflation rate	3.8%	5.20%

The valuation was performed at the end of June 2024 and the next one will be at the end of June 2025.

Employee mortality rates	**2025**	**2024**
Average retirement age	62	62
Pre-retirement mortality	SA 85-90 light	SA 85-90 light

Members withdrawn from service: (average for males and females)	**Males**	**Females**
Age 20-24	9%	9%
Age 25-29	8%	8%
Age 30-34	6%	6%
Age 35-39	5%	5%
Age 40-44	5%	5%
Age 45-49	4%	4%
Age 50-54	3%	3%
Age 55+	0%	0%

The amounts recognised in the statement of financial position were determined as follows.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

60. Employee benefit obligations (continued)

Valuation of the liability in the statement of financial position

Present value of funded obligation	24 820 000	24 001 000

Movement in the long service obligation

Balance at the beginning of the year	24 001 000	20 945 000
Current service costs	2 267 000	2 210 000
Interest costs	2 410 000	2 236 000
Expected benefits vesting	(4 482 000)	(2 432 000)
Actuarial loss / (gain)	624 000	1 042 000
	24 820 000	**24 001 000**

The amounts recognised in the statement of financial position and the statement of financial performance are as follows.

Statement of financial position

Long service award liability	24 820 000	24 001 000

Statement of financial performance

Long service award liability	624 000	1 042 000

Reasons for the movement in the liability is as follows:

The average defined benefit obligation has increased by 2% since the last valuationdue to.

* an increase in the average earnings.

* an increase in the average past service.

* an increase in the net discount rate.

The total defined benefit obligation has increased by 3% (or R819,000) due to the above, combined with an increase in the number of eligible employees since the last valuation.

The Municipality expects to contribute R1,030,000 to its defined benefit plans in the 2025/2026 financial year.

POST-EMPLOYMENT MEDICAL AID SUBSIDY POLICY

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.

Continuation members and their eligible dependants receive a 60% subsidy.

All post-employment subsidies are subject to a maximum subsidy. The maximum subsidy is R 5,791 per principal member per month for the year ending 30 June 2026, and has been assumed to increase annually on 1 July at 75% of salary inflation.

Upon a member's death-in-service, surviving dependants are not entitled to commence receipt of the subsidy. Upon a member's death-in-retirement, surviving dependants are not entitled to continue to receive the subsidy.

Monthly contributions for health care arrangements

Medical Aid Scheme	Medical Aid Option	Income Band	Main	Adult	Child
Bonitas	Save		3,782	2,859	1,132
	Fit Select		2,524	1,890	849
	Standard		5,439	4,715	1,596
	Primary		3,307	2,587	1,052
Keyhealth	Gold		7,951	5,377	1,562
	Silver		5,423	2,918	1,133
	Equilibrium		3,054	1,886	939
LA Health	Keyplus	0	1,500	1,310	548
		11,601	1,581	1,383	577
		16,201	2,381	2,119	889
	Focus		3,133	2,023	919
	Active		3,833	2,578	1,271
Samwumed	A	0	1,728	1,728	609
		4,221	2,040	2,040	716
		6,811	2,598	2,598	907
		10,491	2,853	2,853	1,006
	B	0	2,916	2,916	1,023
		6,271	3,528	3,528	1,239
		8,651	3,616	3,616	1,271
		16,001	3,998	3,998	1,317

Characteristics of Plan and Associated Risks

Notable benefit plan risks faced by the Municipality can be summarised as follows:

- **Inflation**: The risk that future CPI inflation and medical aid contribution inflation are higher than assumed and present in an uncontrolled manner.

- **Longevity**: The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer 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 the post-employment medical aid benefit, including tax legislation, may increase the DBO for the Municipality.

- The **administration** of this DBO poses a burden on the Municipality.

Past year and future projected defined benefit obligation

	Year Ending 30/06/2025	Year Ending 30/06/2026	Year Ending 30/06/2027
Opening DBO	**30,996,000**	**37,349,000**	**42,633,000**
Current service cost	1,864,000	2,211,000	2,461,000
Interest cost	3,750,000	4,161,000	4,738,000
Expected subsidy (benefit) payments	* (988,000)	(1,088,000)	(1,453,000)
Projected closing DBO	**35,622,000**	**42,633,000**	**48,379,000**
Actuarial loss / (gain)	1,727,000	0	0
Actual closing DBO	**37,349,000**	**42,633,000**	**48,379,000**
Current portion (due in next 12 months)	1,030,000	1,376,000	1,712,000
Non-current portion	36,319,000	41,257,000	46,667,000

Notes to Table

- These projections assume that the Municipality's subsidy policy will remain as outlined in Section 3, and that all the actuarial assumptions made are borne out in practice.
- Benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.
- There are no curtailments or settlements to reflect.
- The **service cost** is equal to the **current service cost** of the DBO as there are no **past service costs** or **settlement gains / losses** to consider.

- With no plan asset in place there is no **interest revenue**, and thus the **net interest** is equal to the **interest cost** of the DBO.
- Similarly, without a plan asset present, there is no **return on plan asset** nor **change in the effect of the asset ceiling** to consider, and as such the **remeasurements** component of the net defined benefit liability is equal to the **actuarial loss / (gain)** in respect of the DBO.

* This is an estimate of subsidies (benefits) paid in respect of continuation members, based on the data at the previous valuation date. If the actual amount of subsidies paid is used instead of this estimate, then the actuarial loss / (gain) must change to exactly offset the impact, such that the closing defined benefit obligation remains unchanged. For example, if the actual amount of subsidies paid is R100,000 less than the estimate, then the actuarial loss / (gain) would have to reduce by R100,000 to leave the closing defined benefit obligation as is.

Comparison of Valuation Assumptions

Assumption	30/06/2024	30/06/2025
Discount rate	12.3%	11.3%
CPI inflation rate	6.3%	5.3%
Medical aid contribution inflation rate	7.8%	7.1%
Net discount rate (medical aid contributions)	**4.2%**	**3.9%**
Maximum subsidy inflation rate	5.4%	4.7%
Net discount rate (maximum subsidy)	**6.5%**	**6.3%**
Average retirement age	62	
Mortality during employment	SA 85-90 light	
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	
Termination of service	See Table A4.2	
Proportion with a spouse dependant at retirement	60%	
Continuation of membership at retirement	75%	
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement	10%	

Sensitivity Analysis Results

The DBO at this valuation was recalculated to show the effect of:

(i) a one percentage point increase and decrease in the assumed medical aid contribution inflation rate;
(ii) a one percentage point increase and decrease in the discount rate;
(iii) a one-year age increase and decrease in the assumed rates of post-employment mortality;
(iv) a one-year decrease in the assumed average retirement age; and
(v) a decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

Sensitivity analysis on the defined benefit obligation (R Millions)

Assumption	Change	Eligible Employees	Continuation Members	Total DBO	% Change
Central assumptions		28.656	8.693	37.349	
Medical aid contribution inflation rate	+1%	30.768	9.015	39.783	7%
	-1%	25.972	8.346	34.318	-8%
Discount rate	+1%	24.711	8.120	32.831	-12%
	-1%	33.543	9.345	42.888	15%
Post-employment mortality	+1 yr	27.941	8.411	36.352	-3%
	-1 yr	29.358	8.974	38.332	3%
Average retirement age	-1 yr	32.203	8.693	40.896	9%
Membership continuation	-10%	24.836	8.693	33.529	-10%

Sensitivity analysis on current service and interest costs for year ending 30/06/2025

Assumption	Change	Current Svc. Cost	Interest Cost	Total Cost	% Change
Central assumptions		1,864,000	3,750,000	5,614,000	
Medical aid contribution inflation rate	+1%	2,031,000	4,014,000	6,045,000	8%
	-1%	1,652,000	3,433,000	5,085,000	-9%
Discount rate	+1%	1,595,000	3,566,000	5,161,000	-8%
	-1%	2,198,000	3,954,000	6,152,000	10%
Post-employment mortality	+1 yr	1,816,000	3,650,000	5,466,000	-3%
	-1 yr	1,907,000	3,850,000	5,757,000	3%
Average retirement age	-1 yr	2,026,000	4,100,000	6,126,000	9%
Membership continuation	-10%	1,613,000	3,371,000	4,984,000	-11%

Sensitivity analysis on current service and interest costs for year ending 30/06/2026

Assumption	Change	Current Svc. Cost	Interest Cost	Total Cost	% Change
Central assumptions		2,211,000	4,161,000	6,372,000	
Medical aid contribution inflation rate	+1%	2,394,000	4,436,000	6,830,000	7%
	-1%	1,975,000	3,818,000	5,793,000	-9%
Discount rate	+1%	1,893,000	3,973,000	5,866,000	-8%
	-1%	2,610,000	4,363,000	6,973,000	9%
Post-employment mortality	+1 yr	2,157,000	4,048,000	6,205,000	-3%
	-1 yr	2,265,000	4,272,000	6,537,000	3%
Average retirement age	-1 yr	2,370,000	4,554,000	6,924,000	9%
Membership continuation	-10%	1,918,000	3,730,000	5,648,000	-11%

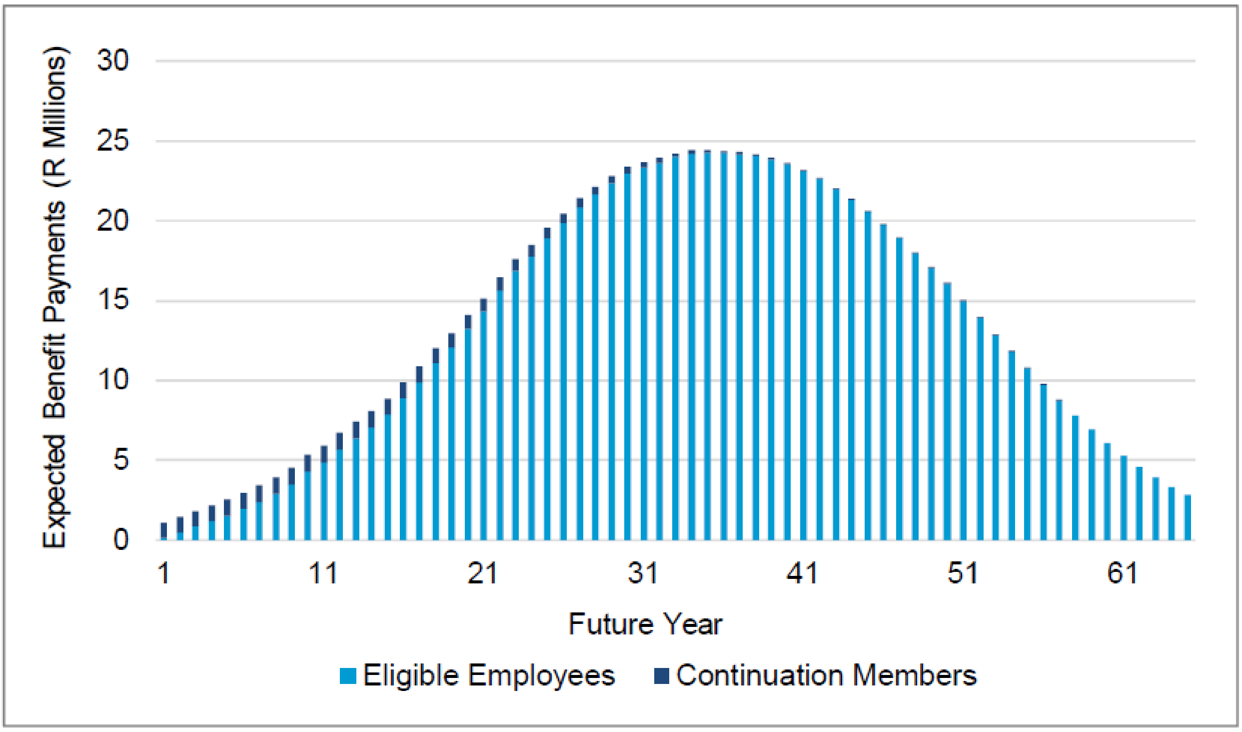
Maturity Analysis

The following figure shows the DBO's maturity analysis (undiscounted expected benefit payments) for the next 65 years. The benefit payments that are expected to occur thereafter are relatively insignificant and thus add little information to the graph.

Current continuation members' expected benefit payments are shown in a darker colour. The **post-employment** expected benefit payments of eligible employees currently in active service is displayed in a lighter shade.

It is important to note that this graph does not show the total post-employment benefit payments that the Municipality will need to pay in each future year, but just the expected payments in respect of the **current** eligible employees and continuation members i.e. no allowance has been made for future new eligible employees.

Maturity analysis of the DBO (up to 65 years)



Maturity analysis of the DBO (up to 80 years, R millions)

Future Year	Expected Benefit Payments		Future Year	Expected Benefit Payments		Future Year	Expected Benefit Payments
1	1.088		6 to 10	20.136		31 to 40	241.160
2	1.453		11 to 15	36.970		41 to 50	199.556
3	1.808		16 to 20	59.828		51 to 60	103.498
4	2.177		21 to 25	87.279		61 to 70	28.040
5	2.543		26 to 30	110.211		71 to 80	2.991

LONG SERVICE AWARD POLICY

The Municipality offers employees LSA for every five years of service completed, from five vears of service to 45 vears of service. inclusive.

Long service awards for levels of past service

Completed Service (In Years)	Long Service Award (% of Annual Earnings)	Description
5	2.0%	5 / 249 x annual earnings
10	4.0%	10 / 249 x annual earnings
15	8.0%	20 / 249 x annual earnings
20, 25, 30, 35, 40, 45	12.0%	30 / 249 x annual earnings

In the month that each "completed service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/249th of annual earnings per day.

The Municipality indicated that employees' basic salaries, referred to as "earnings" in this report, are used to determine the Rand value of LSA.

An employee with five or more years' service with the Municipality, who leaves the service of the Municipality for any reason whatsoever, excluding reasons relating to misconduct, shall receive a pro-rata LSA for any uncompleted (five-year) period of service. The pro-rata factor applicable is the number of years of service since an employee's most recent service milestone, divided by five.

The encashment or taking of LSA leave days must occur in the same year that the employee qualifies for the award.

Information on Characteristics of Plan and Associated Risks

Notable benefit plan risks faced by the Municipality can be summarised as follows:

- **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.

SENSITIVITY ANALYSIS

The assumptions which tend to have the greatest impact on the results are:

(i) the general earnings inflation rate assumption;
(ii) the discount rate assumption;
(iii) the average retirement age of employees; and
(iv) assumed service termination rates.

Sensitivity Analysis Results

The DBO at this valuation was recalculated to show the effect of:

(i) a one percentage point increase and decrease in the assumed general earnings inflation rate;
(ii) a one percentage point increase and decrease in the assumed discount rate;
(iii) a two-year increase and decrease in the assumed average retirement age of eligible employees; and
(iv) a two-fold increase and a 50% decrease in the assumed rates of termination of service.

Sensitivity analysis on the DBO

Assumption	Change	DBO	% Change
Central assumptions		24,820,000	
General earnings inflation rate	+1%	26,242,000	6%
	-1%	23,521,000	-5%
Discount rate	+1%	23,514,000	-5%
	-1%	26,271,000	6%
Average retirement age	+2 yrs	26,446,000	7%
	-2 yrs	23,102,000	-7%
Rates of termination of service	x2	21,891,000	-12%
	x0.5	26,729,000	8%

Sensitivity analysis on current service and interest costs for year ending 30/06/2025

Assumption	Change	Current Svc. Cost	Interest Cost	Total	% Change
Central assumptions		2,267,000	2,410,000	4,677,000	
General earnings inflation rate	+1%	2,429,000	2,556,000	4,985,000	7%
	-1%	2,121,000	2,278,000	4,399,000	-6%
Discount rate	+1%	2,141,000	2,483,000	4,624,000	-1%
	-1%	2,408,000	2,327,000	4,735,000	1%
Average retirement age	+2 yrs	2,411,000	2,586,000	4,997,000	7%
	-2 yrs	2,110,000	2,222,000	4,332,000	-7%
Rates of termination of service	x2	1,878,000	2,090,000	3,968,000	-15%
	x0.5	2,530,000	2,620,000	5,150,000	10%

Sensitivity analysis on current service and interest costs for year ending 30/06/2026

Assumption	Change	Current Svc. Cost	Interest Cost	Total	% Change
Central assumptions		2,393,000	2,241,000	4,634,000	
General earnings inflation rate	+1%	2,562,000	2,380,000	4,942,000	7%
	-1%	2,240,000	2,113,000	4,353,000	-6%
Discount rate	+1%	2,262,000	2,329,000	4,591,000	-1%
	-1%	2,540,000	2,139,000	4,679,000	1%
Average retirement age	+2 yrs	2,541,000	2,410,000	4,951,000	7%
	-2 yrs	2,228,000	2,058,000	4,286,000	-8%
Rates of termination of service	x2	1,994,000	1,944,000	3,938,000	-15%
	x0.5	2,662,000	2,432,000	5,094,000	10%

Past and Future Changes in the Net Defined Benefit Liability

Past year and future projected defined benefit obligation

	Year Ending 30/06/2025	Year Ending 30/06/2026	Year Ending 30/06/2027
Opening DBO	**24,001,000**	**24,820,000**	**25,445,000**
Current service cost	2,267,000	2,393,000	2,628,000
Interest cost	2,410,000	2,241,000	2,337,000
Expected benefits vesting	* (4,482,000)	(4,009,000)	(3,274,000)
Projected closing DBO	**24,196,000**	**25,445,000**	**27,136,000**
Actuarial loss / (gain)	624,000	0	0
Actual closing DBO	**24,820,000**	**25,445,000**	**27,136,000**
Current portion (due in next 12 months)	3,726,000	3,043,000	2,944,000
Non-current portion	21,094,000	22,402,000	24,192,000

- These projections assume that the LSA arrangements remain as outlined in Section 3, and that all the actuarial assumptions made are borne out in practice.
- There are no curtailments or settlements to reflect.
- The **service cost** is equal to the **current service cost** of the DBO as there are no **past service costs** or **settlement gains / losses** to consider.
- With no plan asset in place there is no **interest revenue**, and thus the **net interest** is equal to the **interest cost** of the DBO.
- Similarly, without a plan asset present, there is no **return on plan asset** nor **change in the effect of the asset ceiling** to consider, and as such the **remeasurements** component of the net defined benefit liability is equal to the **actuarial loss / (gain)** in respect of the DBO.

* This is the total value of the long service awards that were expected to be awarded to eligible employees over the year, based on the data at the previous valuation date. Employees are usually entitled to take this award in whole or in part as cash, with the remainder taken as leave. Therefore, this figure should not be confused as being only the amount of cash paid out in respect of the award. It represents the amount actually paid out in cash and the portion that was either taken or "stored" as leave.

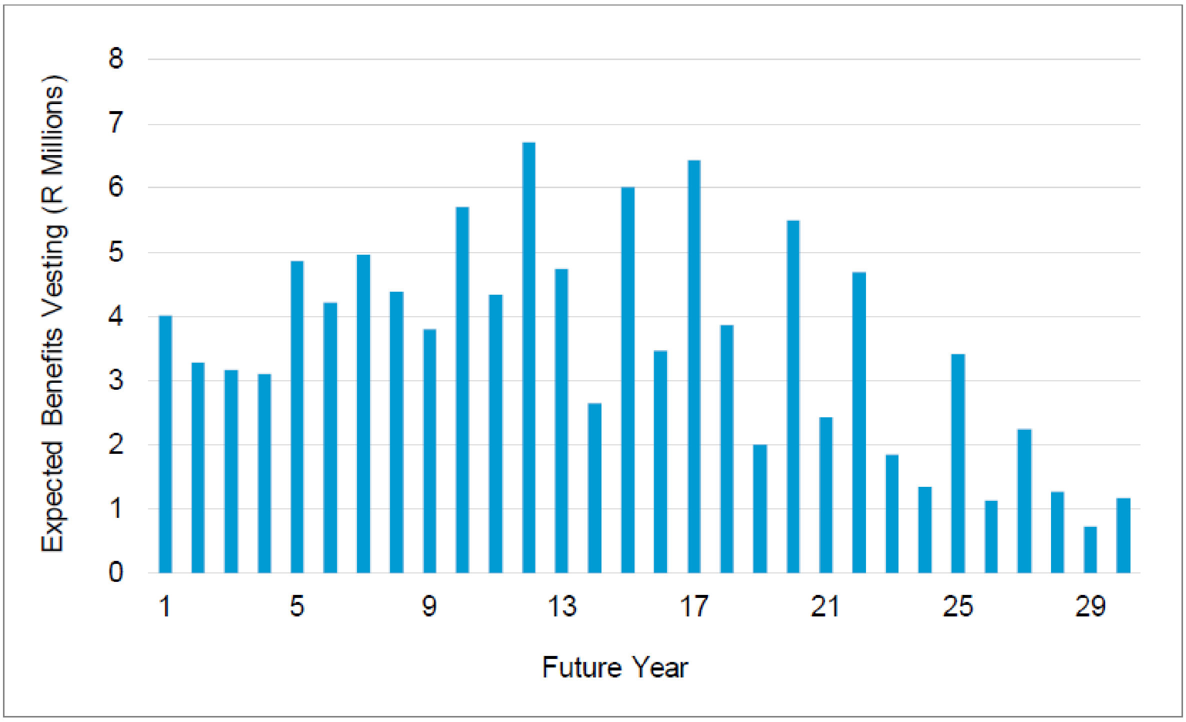
If the actual amount of benefits vested is to be included instead in the above table, then the actuarial loss / (gain) must change to exactly offset the impact, such that the closing DBO remains unchanged. For example, if the actual amount of benefits vested was R100,000 lower than the estimate (based on last year's data), then the actuarial loss / (gain) would have to reduce by R100,000 to leave the closing DBO as is.

Maturity Analysis

The following figure shows the DBO's maturity analysis (undiscounted expected benefits vesting) for the next 30 years. The expected benefits vesting thereafter are relatively insignificant and thus add little information to the graph.

It is important to note that this graph does not show the total benefits vesting in each future year, but just the expected benefits vesting in respect of the **current** eligible employees i.e. no allowance has been made for future new eligible employees.

Maturity analysis of the DBO (up to 30 years)



Maturity analysis of the DBO (up to 40 years, R millions)

Future Year	Expected Benefits Vesting		Future Year	Expected Benefits Vesting
1	4.009		6 to 10	23.053
2	3.274		11 to 15	24.452
3	3.168		16 to 20	21.255
4	3.106		21 to 30	20.218
5	4.867		31 to 40	1.652

Uthukela District Municipality
Uthukela District Municipality
Appendix B
June 2025

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an errer Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	4 770 772	-	-	-	3 703 000	-	**8 473 772**	-	-	-	-	-	**-**	8 473 772
Buildings (Separate for AFS purposes)	37 618 841	117 826	-	-	-	-	**37 736 667**	(10 718 096)	-	-	(1 288 136)	-	**(12 006 232)**	25 730 435
	42 389 613	**117 826**	**-**	**-**	**3 703 000**	**-**	**46 210 439**	**(10 718 096)**	**-**	**-**	**(1 288 136)**	**-**	**(12 006 232)**	**34 204 207**
Infrastructure														
Water and wastewater infrastructure	3 383 019 379	205 330 912	(5 096 269)	-	1 088 560	-	**3 584 342 582**	(1 036 751 565)	2 536 643	(54 548)	(84 166 394)	(22 824 138)	**(1 141 260 002)**	2 443 082 580
	3 383 019 379	**205 330 912**	**(5 096 269)**	**-**	**1 088 560**	**-**	**3 584 342 582**	**(1 036 751 565)**	**2 536 643**	**(54 548)**	**(84 166 394)**	**(22 824 138)**	**(1 141 260 002)**	**2 443 082 580**
Community Assets														

Uthukela District Municipality

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an errer Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	45 526 315	13 970 603	(2 273 149)	-	-	**-**	**57 223 769**	(43 102 957)	2 273 149	-	(3 022 052)	-	**(43 851 860)**	13 371 909
Computer Equipment	5 651 002	617 487	(758 975)	-	366 100	**-**	**5 875 614**	(4 309 758)	624 780	(9 434)	(548 258)	(38 235)	**(4 280 905)**	1 594 709
Office Equipment	6 921 533	102 485	(459 307)	-	-	**-**	**6 564 711**	(5 860 938)	313 332	-	(325 820)	(8 530)	**(5 881 956)**	682 755
Work in progress	1 056 449 136	207 334 192	(19 826 444)	(171 696 439)	(2 717 860)	**-**	**1 069 542 585**	-	-	-	-	(11 130 895)	**(11 130 895)**	1 058 411 690
	1 114 547 986	**222 024 767**	**(23 317 875)**	**(171 696 439)**	**(2 351 760)**	**-**	**1 139 206 679**	**(53 273 653)**	**3 211 261**	**(9 434)**	**(3 896 130)**	**(11 177 660)**	**(65 145 616)**	**1 074 061 063**

Uthukela District Municipality
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Appendix B
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Analysis of property, plant and equipment as at 30 June 2025

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an errer Rand	Donations received Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of an error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	42 389 613	117 826	-	-	3 703 000	-	**46 210 439**	(10 718 096)	-	-	(1 288 136)	-	**(12 006 232)**	34 204 207
Infrastructure	3 383 019 379	205 330 912	(5 096 269)	-	1 088 560	-	**3 584 342 582**	(1 036 751 565)	2 536 643	(54 548)	(84 166 394)	(22 824 138)	**(1 141 260 002)**	2 443 082 580
Other assets	1 114 547 986	222 024 767	(23 317 875)	(171 696 439)	(2 351 760)	-	**1 139 206 679**	(53 273 653)	3 211 261	(9 434)	(3 896 130)	(11 177 660)	**(65 145 616)**	1 074 061 063
	4 539 956 978	**427 473 505**	**(28 414 144)**	**(171 696 439)**	**2 439 800**	**-**	**4 769 759 700**	**(1 100 743 314)**	**5 747 904**	**(63 982)**	**(89 350 660)**	**(34 001 798)**	**(1 218 411 850)**	**3 551 347 850**
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	786 557	-	-	-	-	-	**786 557**	(394 403)	-	-	(18 118)	-	**(412 521)**	374 036
	786 557	**-**	**-**	**-**	**-**	**-**	**786 557**	**(394 403)**	**-**	**-**	**(18 118)**	**-**	**(412 521)**	**374 036**
Investment properties														
Total														
Land and buildings	42 389 613	117 826	-	-	3 703 000	-	**46 210 439**	(10 718 096)	-	-	(1 288 136)	-	**(12 006 232)**	34 204 207
Infrastructure	3 383 019 379	205 330 912	(5 096 269)	-	1 088 560	-	**3 584 342 582**	(1 036 751 565)	2 536 643	(54 548)	(84 166 394)	(22 824 138)	**(1 141 260 002)**	2 443 082 580
Other assets	1 114 547 986	222 024 767	(23 317 875)	(171 696 439)	(2 351 760)	-	**1 139 206 679**	(53 273 653)	3 211 261	(9 434)	(3 896 130)	(11 177 660)	**(65 145 616)**	1 074 061 063
Intangible assets	786 557	-	-	-	-	-	**786 557**	(394 403)	-	-	(18 118)	-	**(412 521)**	374 036
	4 540 743 535	**427 473 505**	**(28 414 144)**	**(171 696 439)**	**2 439 800**	**-**	**4 770 546 257**	**(1 101 137 717)**	**5 747 904**	**(63 982)**	**(89 368 778)**	**(34 001 798)**	**(1 218 824 371)**	**3 551 721 886**

Uthukela District Municipality
Uthukela District Municipality
Appendix B
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Analysis of property, plant and equipment as at 30 June 2024

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Correction of an error Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Correction of ans error Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Land and buildings														
Land (Separate for AFS purposes)	4 770 772	-	-	-	-	-	**4 770 772**	-	-	-	-	-	**-**	4 770 772
Buildings (Separate for AFS purposes)	37 618 841	-	-	-	-	-	**37 618 841**	(9 428 092)	-	-	(1 290 004)	-	**(10 718 096)**	26 900 745
	42 389 613	**-**	**-**	**-**	**-**	**-**	**42 389 613**	**(9 428 092)**	**-**	**-**	**(1 290 004)**	**-**	**(10 718 096)**	**31 671 517**
Infrastructure														
Water and wastewater infrastructure	3 363 151 055	4 307 180	-	15 561 144	-	-	**3 383 019 379**	(957 378 358)	-	-	(79 373 207)	(22 824 387)	**(1 059 575 952)**	2 323 443 427
	3 363 151 055	**4 307 180**	**-**	**15 561 144**	**-**	**-**	**3 383 019 379**	**(957 378 358)**	**-**	**-**	**(79 373 207)**	**(22 824 387)**	**(1 059 575 952)**	**2 323 443 427**
Community Assets														

Uthukela District Municipality
Uthukela District Municipality
Appendix B
June 2025

Analysis of property, plant and equipment as at 30 June 2024

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of ans error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	71 225 935	681 665	(26 381 286)	-	-	**-**	**45 526 314**	(64 936 682)	26 085 414	-	(4 251 689)	-	**(43 102 957)**	2 423 357
Computer Equipment	5 168 108	482 894	-	-	-	**-**	**5 651 002**	(3 937 317)	-	-	(410 676)	-	**(4 347 993)**	1 303 009
Office Equipment	6 921 533	-	-	-	-	**-**	**6 921 533**	(5 500 433)	-	-	(360 504)	(98 723)	**(5 959 660)**	961 873
Work in progress	838 963 937	233 046 343	-	(15 561 144)	-	**-**	**1 056 449 136**	-	-	-	-	(11 086 616)	**(11 086 616)**	1 045 362 520
	922 279 513	**234 210 902**	**(26 381 286)**	**(15 561 144)**	**-**	**-**	**1 114 547 985**	**(74 374 432)**	**26 085 414**	**-**	**(5 022 869)**	**(11 185 339)**	**(64 497 226)**	**1 050 050 759**

Uthukela District Municipality
Uthukela District Municipality
Appendix B
June 2025

Analysis of property, plant and equipment as at 30 June 2024

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Correction of an error Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Correction of ans error Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	42 389 613	-	-	-	-	-	**42 389 613**	(9 428 092)	-	-	(1 290 004)	-	**(10 718 096)**	31 671 517
Infrastructure	3 363 151 055	4 307 180	-	15 561 144	-	-	**3 383 019 379**	(957 378 358)	-	-	(79 373 207)	(22 824 387)	**(1 059 575 952)**	2 323 443 427
Other assets	922 279 513	234 210 902	(26 381 286)	(15 561 144)	-	-	**1 114 547 985**	(74 374 432)	26 085 414	-	(5 022 869)	(11 185 339)	**(64 497 226)**	1 050 050 759
	4 327 820 181	**238 518 082**	**(26 381 286)**	**-**	**-**	**-**	**4 539 956 977**	**(1 041 180 882)**	**26 085 414**	**-**	**(85 686 080)**	**(34 009 726)**	**(1 134 791 274)**	**3 405 165 703**
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	786 557	-	-	-	-	-	**786 557**	(376 235)	-	-	(18 167)	-	**(394 402)**	392 155
	786 557	**-**	**-**	**-**	**-**	**-**	**786 557**	**(376 235)**	**-**	**-**	**(18 167)**	**-**	**(394 402)**	**392 155**
Investment properties														
Total														
Land and buildings	42 389 613	-	-	-	-	-	**42 389 613**	(9 428 092)	-	-	(1 290 004)	-	**(10 718 096)**	31 671 517
Infrastructure	3 363 151 055	4 307 180	-	15 561 144	-	-	**3 383 019 379**	(957 378 358)	-	-	(79 373 207)	(22 824 387)	**(1 059 575 952)**	2 323 443 427
Other assets	922 279 513	234 210 902	(26 381 286)	(15 561 144)	-	-	**1 114 547 985**	(74 374 432)	26 085 414	-	(5 022 869)	(11 185 339)	**(64 497 226)**	1 050 050 759
Intangible assets	786 557	-	-	-	-	-	**786 557**	(376 235)	-	-	(18 167)	-	**(394 402)**	392 155
	4 328 606 738	**238 518 082**	**(26 381 286)**	**-**	**-**	**-**	**4 540 743 534**	**(1 041 557 117)**	**26 085 414**	**-**	**(85 704 247)**	**(34 009 726)**	**(1 135 185 676)**	**3 405 557 858**

Uthukela District Municipality
Appendix E(1)
June 2025

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

	Forecast # 1 2025 Bud. Amt Rand	Forecast # 1 2025 Act. Bal. Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods in agricultural activities	493 000	890 384	(397 384)	(44.6)	
Service charges	291 842 000	280 733 240	11 108 760	4.0	When the budget was compiled the collection rate was conciddered - actuals is based on actual consumption
Penalties, fines & forfeits	626 000	43 300	582 700	345.7	The Municipality intensified inspections on food premises and issues fine wher businesses did not comply
Interest received (trading)	69 487 000	71 604 966	(2 117 966)	(3.0)	This was not realistically budgeted for
Public contributions and donations	-	25 824 045	(25 824 045)	(100.0)	This was not budgeted for
Government grants and subsidies	625 100 000	892 651 158	(267 551 158)	(30.0)	Final allocation for the year is scheduled for March 2025
Operational revenue	2 934 000	2 621 155	312 845	11.9	Other income was not accurately budgeted for
Interest received - investment	7 007 000	6 612 659	394 341	6.0	This is as a result of surplus funds in the current account transfered to investment accounts
	997 489 000	280 980 907	(283 491 907)	(22.1)	
Expenses					
Personnel	(395 959 000)	(416 845 214)	20 886 214	(5.0)	Salary increases and overtime were not budgeted for
Remuneration of councillors	(6 219 000)	(6 560 505)	341 505	(5.2)	Spending in line with budget (6 months only)
Depreciation	(84 528 000)	(89 368 779)	4 840 779	(5.4)	Depreciation was not accurately budgeted for
Reversal of impairments	-	(44 280)	44 280	(100.0)	This was not budgeted for
Interest incurred	(6 456 000)	(19 697 856)	13 241 856	(67.2)	This was not budgeted for
Debt Impairment	(80 482 000)	59 329 095	(139 811 095)	(235.7)	Due to the low collection rate the debtors book increased and impairment was made accordingly
Incentive discounts	-	(5 260 248)	5 260 248	(100.0)	Incentive discounts to encourage consumers to pay outstanding debt was not budgeted for
Bad debt written off	-	(260 434 891)	260 434 891	(100.0)	Bad debt written off relating to indigent consumers were not budgeted for
Lease rentals	-	(2 035 214)	2 035 214	(100.0)	This was not budgeted for
Bulk purchases	(86 497 000)	(43 145 386)	(43 351 614)	100.5	This was not accuratley budgeted for
Contracted Services	(154 212 000)	(222 303 681)	68 091 681	(30.6)	The variance is as a result of low spending on M&Rr
Transfers and Subsidies	(5 830 000)	(3 800 000)	(2 030 000)	53.4	The municipality did not transferred the full allocation to the Development Agency
General Expenses	(263 290 000)	(316 480 145)	53 190 145	(16.8)	Slow spending due to cashflow challenges
	083 473 000)	326 647 104)	243 174 104	(18.3)	The variance is as a result of expenditure reported for only 6 months of the year
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	-	(2 749 354)	2 749 354	(100.0)	Thid was not budgeted for
Actuarial losses	-	(2 351 000)	2 351 000	(100.0)	This was not budgeted for
	-	(5 100 354)	5 100 354	(100.0)	
Net surplus/ (deficit) for the year					
	(85 984 000)	(50 766 551)	(35 217 449)	69.4	