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

General Information

Nature of business and principal activities	The provision of services (water and sanitation) to communities in a sustainable manner; to promote social and economic development and to provide a safe and healthy environment.
Mayoral committee	
Mayor	Cllr MN Zulu (resigned in December 2024)
Mayor	Cllr TE Mthembu (from June 2025)
Deputy Mayor	Cllr TE Mthembu (until June 2025)
Deputy Mayor	Cllr IS Sithole (from June 2025)
Speaker	Cllr SO Zulu
Chief Whip	Cllr AT Nkosi
MPAC chairperson	Cllr ES Kunene
Exco Member	Cllr S Sizani
Exco Member	Cllr JP Phakathi
Councillors	Cllr S Singh Cllr LN Zulu Cllr AN Zulu Cllr SN Ndlovu Cllr BG Madi Cllr GMB Thwala Cllr ME Hlatshwayo Cllr RS Langa Cllr SE Myaka Cllr SEC Kunene Cllr SK Thwala Cllr T Dlamini Cllr EJC Cronje Cllr MTD Makhoba Cllr NP Shabalala Cllr SM Khoza Cllr ZC Msibi Cllr SB Buthelezi Cllr VF Hadebe Cllr NSF Masondo
Traditional leaders	Inkosi MG Nkosi Inkosi M Mbatha Inkosi TG Khumalo
Grading of the municipality	Grade 2
Chief Financial Officer	Mr ZJ Ndlovu

General Information

Registered office	B9356 Section 1 Madadeni Newcastle 2951
Business address	B9356 Section 1 Madadeni Newcastle 2951
Contact details	Telephone: 034 329 7200 Email address: info@Amajuba.gov.za Website: www.Amajuba.gov.za Facebook: Amajuba District Municipality Twitter/X: Amajuba District Municipality TikTok: Amajuba District Municipality
Bankers	Standard Bank SA
Auditors	Auditor General South Africa Registered Auditors
Attorneys	CS Zondi and Associates Inc. DBM Attorneys Roy Ramdaw and Associates Inc. S. Sithebe Attorneys Inc. Clyde & Company Nompumelelo Hadebe Inc. Matthew Francis Inc
Audit committee members	Mr M Ngubane (Chairperson) Mr S Ngobeni Mr S Khanyile Ms T Ndlovu (contract ended in August 2024) Mr T Baloyi Mr T Malunga

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
COGTA	KZN Department of Co-operative governance and Traditional Affairs

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 judgments and estimates.

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

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

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

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

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act..

As required by Section 126(1)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Gazette number 43582 the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31st August 2025.

Mrs AN Dlamini
Acting Municipal Manager

Accounting officer's Report

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

1. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 741 324 295 and that the municipality's total assets exceed its liabilities by R 741 324 295.

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.

2. Subsequent events

1. COGTA seconded Mrs AN Dlamini as the new acting Accounting Officer for the Municipality from the September 2025 until the recruitment processes of the Accounting Officer are finalised.

2. In the Council meeting that was held on the 14th of November 2025, Council approve the write off of 2022/23 unauthorised, irregular, fruitless and wasteful expenditure totaling R130 621 951,70 after the recommendations by the investigation report.

3. Auditors

Auditor General South Africa will continue in office for the next financial period.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 28 November 2025 and were signed on its behalf by:

Mrs AN Dlamini
Acting Municipal Manager

Statement of Financial Position as at 30 June 2025

	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	9	1 167 979	1 492 251
Receivables from exchange transactions	10&13	7 546 885	11 006 595
Receivables from non-exchange transactions	11	15 135	15 135
Statutory receivables - VAT	12	32 765 692	25 784 336
Prepayments	8	5 206 065	6 246 973
Cash and cash equivalents	14	39 810 539	62 411 619
		86 512 295	**106 956 909**
Non-Current Assets			
Property, plant and equipment	3	758 656 504	674 817 064
Intangible assets	4	3 121 090	3 010 652
Heritage assets	6	350 000	350 000
Investments in associates	5	104 586 592	122 054 166
		866 714 186	**800 231 882**
Non-Current Assets		866 714 186	800 231 882
Current Assets		86 512 295	106 956 909
Total Assets		**953 226 481**	**907 188 791**
Liabilities			
Current Liabilities			
Other financial liabilities	17	-	1 484 502
Finance lease obligation	15	283 291	382 080
Payables from exchange transactions	19	158 082 598	130 871 193
VAT payable	20	21 106 734	18 478 428
Employee benefit obligation	7	847 000	721 516
Unspent conditional grants and receipts	16	8 693 863	25 499 937
Provisions	18	14 723 593	12 633 996
		203 737 079	**190 071 652**
Non-Current Liabilities			
Finance lease obligation	15	59 087	197 395
Employee benefit obligation	7	8 106 020	7 176 085
		8 165 107	**7 373 480**
Non-Current Liabilities		8 165 107	7 373 480
Current Liabilities		203 737 079	190 071 652
Total Liabilities		**211 902 186**	**197 445 132**
Assets		953 226 481	907 188 791
Liabilities		(211 902 186)	(197 445 132)
Net Assets		**741 324 295**	**709 743 659**
Accumulated surplus		741 324 295	709 743 659
Total Net Assets		**741 324 295**	**709 743 659**

* See Note 43

Statement of Financial Performance

	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	21	25 150	255 211
Service charges	22	32 397 831	27 645 095
Rental of facilities and equipment	23	24 780	24 780
Profit from sale of assets	21	95 105	1 663 727
Other income	25	636 430	7 289 674
Interest income	26	14 632 931	31 836 279
Share of surpluses or deficits from associates	5	-	3 470 695
Total revenue from exchange transactions		**47 812 227**	**72 185 461**
Revenue from non-exchange transactions			
Transfer and taxation revenue			
Government grants & subsidies	27	403 467 175	325 218 838
Fines, Penalties, Forfits, Licenses & Permits	24	759 523	-
Total revenue from non-exchange transactions		**404 226 698**	**325 218 838**
		47 812 227	72 185 461
		404 226 698	325 218 838
Total revenue	21	**452 038 925**	**397 404 299**
Expenditure			
Employee related costs	28	(151 574 766)	(140 389 707)
Employee costs - Remuneration of councillors	29	(9 365 889)	(9 250 426)
Depreciation and amortisation	30	(21 915 058)	(20 840 157)
Impairment of assets	31	(1 210 342)	(913 372)
Finance costs	32	(7 433 529)	(5 321 602)
Debt Impairment	33	(28 747 247)	(39 656 681)
Bad debts written off	33	(491 991)	(269 397)
Bulk purchases	34	(27 492 234)	(23 684 817)
Contracted Services	35	(111 630 362)	(62 233 711)
Share of surpluses or deficits from associates or joint ventures accounted for using the equity method	5	(17 467 574)	-
General expenses	36	(43 125 357)	(52 522 127)
Total expenditure		**(420 454 349)**	**(355 081 997)**
Total revenue		452 038 925	397 404 299
Total expenditure		(420 454 349)	(355 081 997)
Surplus for the year		**31 584 576**	**42 322 302**

* See Note 43

Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	666 934 137	666 934 137
Prior year adjustments 43	487 220	487 220
Balance at 01 July 2023 as restated*	**667 421 357**	**667 421 357**
Changes in net assets		
Surplus for the year	42 322 302	42 322 302
Total changes	42 322 302	42 322 302
Restated* Balance at 01 July 2024	**709 739 719**	**709 739 719**
Changes in net assets		
Surplus for the year	31 584 576	31 584 576
Total changes	31 584 576	31 584 576
Balance at 30 June 2025	**741 324 295**	**741 324 295**

Note(s)

* See Note 43

Cash Flow Statement

	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Taxation - VAT receipts		28 709 906	27 604 506
Sale of goods and services		16 303 578	12 737 262
Grants		386 477 003	331 761 537
Interest received		8 125 925	9 971 762
Other income		636 430	7 289 674
		440 252 842	389 364 741
Payments			
Employee costs		(157 227 331)	(149 459 631)
Suppliers		(191 128 773)	(164 569 388)
Finance costs		(6 493 145)	(4 316 040)
		(354 849 249)	(318 345 059)
Total receipts		440 252 842	389 364 741
Total payments		(354 849 249)	(318 345 059)
Net cash flows from operating activities	38	**85 403 593**	**71 019 682**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(106 537 524)	(85 460 312)
Proceeds from sale of property, plant and equipment	3	281 454	1 500 000
Purchase of other intangible assets	4	(126 369)	-
Net cash flows from investing activities		**(106 382 439)**	**(83 960 312)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1 484 502)	(1 359 078)
Interest paid		(137 732)	(232 865)
Net cash flows from financing activities		**(1 622 234)**	**(1 591 943)**
Net increase/(decrease) in cash and cash equivalents		**(22 601 080)**	**(14 532 573)**
Cash and cash equivalents at the beginning of the year		62 411 619	76 944 192
Cash and cash equivalents at the end of the year	14	**39 810 539**	**62 411 619**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	404 000	-	**404 000**	25 150	**(378 850)**	53
Service charges	45 012 000	-	**45 012 000**	32 397 831	**(12 614 169)**	53
Rental of facilities and equipment	58 000	-	**58 000**	24 780	**(33 220)**	53
Profit on sale of assets	-	-	**-**	95 105	**95 105**	53
Other income	10 850 000	3 000	**10 853 000**	636 430	**(10 216 570)**	53
Interest received	30 874 000	-	**30 874 000**	14 632 931	**(16 241 069)**	53
Total revenue from exchange transactions	**87 198 000**	**3 000**	**87 201 000**	**47 812 227**	**(39 388 773)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	371 905 000	25 073 000	**396 978 000**	403 467 175	**6 489 175**	53
Fines, Penalties and Forfeits	-	-	**-**	759 523	**759 523**	53
Total revenue from non-exchange transactions	**371 905 000**	**25 073 000**	**396 978 000**	**404 226 698**	**7 248 698**	
'Total revenue from exchange transactions'	87 198 000	3 000	**87 201 000**	47 812 227	**(39 388 773)**	
'Total revenue from non-exchange transactions'	371 905 000	25 073 000	**396 978 000**	404 226 698	**7 248 698**	
Total revenue	**459 103 000**	**25 076 000**	**484 179 000**	**452 038 925**	**(32 140 075)**	
Expenditure						
Personnel	(127 233 000)	(3 090 000)	**(130 323 000)**	(151 574 766)	**(21 251 766)**	53
Remuneration of councillors	(11 791 000)	3 880 000	**(7 911 000)**	(9 365 889)	**(1 454 889)**	53
Depreciation and amortisation	(18 630 000)	17 000	**(18 613 000)**	(21 915 058)	**(3 302 058)**	53
Impairment of assets	-	-	**-**	(1 210 342)	**(1 210 342)**	53

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note Reference
Finance costs	(97 000)	20 000	**(77 000)**	(7 433 529)	**(7 356 529)**	53
Debt Impairment	(8 678 000)	-	**(8 678 000)**	(28 747 247)	**(20 069 247)**	53
Bad debts written off	-	-	**-**	(491 991)	**(491 991)**	53
Bulk purchases	(15 000 000)	-	**(15 000 000)**	(27 492 234)	**(12 492 234)**	53
Contracted Services	(39 542 000)	(38 124 000)	**(77 666 000)**	(111 630 362)	**(33 964 362)**	53
Gereral expenses	(35 644 000)	(2 851 000)	**(38 495 000)**	(43 125 357)	**(4 630 357)**	53
Total expenditure	**(256 615 000)**	**(40 148 000)**	**(296 763 000)**	**(402 986 775)**	**(106 223 775)**	
	459 103 000	25 076 000	**484 179 000**	452 038 925	**(32 140 075)**	
	(256 615 000)	(40 148 000)	**(296 763 000)**	(402 986 775)	**(106 223 775)**	
Operating surplus	**202 488 000**	**(15 072 000)**	**187 416 000**	**49 052 150**	**(138 363 850)**	
Share of surpluses or deficits from associates	-	-	**-**	(17 467 574)	**(17 467 574)**	53
	202 488 000	(15 072 000)	**187 416 000**	49 052 150	**(138 363 850)**	
	-	-	**-**	-	**-**	
Surplus before taxation	**202 488 000**	**(15 072 000)**	**187 416 000**	**49 052 150**	**(138 363 850)**	

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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

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

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

1.5 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.

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

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

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 18 - Provisions.

Inventory water and water losses

Water inventory is considered to be inventory at the point of extraction from natural water sources or at the point where water passes into the municipal network provided by bulk water suppliers.

Certain assumptions are made during the stock take process to facilitate the analysis and interpretation of data. It is assumed that the data obtained from various sources accurately represented actual water consumption, distribution, losses, and regulatory compliance.

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 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows for receivables from exchange transactions.

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.

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

1.6 Property, plant and equipment

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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land		indefinite
Buildings	Straight-line	50
Leased assets	Straight-line	3
Plant and machinery	Straight-line	5-15 years
Furniture and fixtures	Straight-line	5
Motor vehicles	Straight-line	5
Office equipment	Straight-line	3
Infrastructure	Straight-line	15-120 years
Community Assets	Straight-line	15-50 years

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

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

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

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

Assets capitalisation threshold

Threshold	Capitalize /Expense
Cost/fair value greater or equal to R5 000	Recognise as PPE, record on the asset register.
Cost/fair value less than R5 000 (excluding computer equipment, office furniture and office equipment)	Recognise as an ordinary operating expense Maintain a register for all assets expensed because of being below the capitalisation threshold.

All assets with a cost price of less than R5 000.00 (excluding computer equipment, office furniture and office equipment) are classified as minor assets, and these assets are recorded in the fixed asset register (in their particular categories, e.g. office furniture) and are fully depreciated/written-off to R1.00 at time of acquisition irrespective of their estimated useful life.

The depreciation or the difference between cost price of such assets and R5 000.00, is expensed to current expenditure in the statement of financial performance.

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

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

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.

Significant Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

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

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

1.8 Heritage assets

Assets are resources controlled by the municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

1.8 Heritage assets (continued)

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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.

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.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability 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 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, 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.

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 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.

Significant Accounting Policies

1.9 Financial instruments (continued)

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

Financial Assets

Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables including statutory receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.
An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.
Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.
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.

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

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Financial liabilities

Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Borrowings and other financial liabilities

Borrowings/loans payable are financial liabilities, other than short-term payables on normal credit terms. Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Other financial liabilities are carried at amortised cost.

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.

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.

Significant Accounting Policies

1.9 Financial instruments (continued)

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
Trade and other receivables	Financial asset measured at amortised cost
Cash and cash equivalents	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
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

1.9 Financial instruments (continued)

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the municipality reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

Derecognition
Financial assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

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

Significant Accounting Policies

1.9 Financial instruments (continued)

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the municipality adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the municipality obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the municipality recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

1.10 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. Statutory receivables relate to VAT receivables. Statutory receivable are derecognised when the rights to the cash flows from the receivable are settled, expire or are waived.

VAT receivable:

Significant Accounting Policies

1.10 Statutory receivables (continued)

VAT is levied in accordance with the VAT Act.

VAT receivable is initially measured at the rate applicable to the transaction amount and subsequently measured using the cost method, which changes the initial measurement to reflect any interest or other charges that may have accrued on the receivable, impairment or amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that the VAT receivable is impaired. If impairment indicators exist, an impairment loss is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount is calculated as the estimated cash flows from the VAT returns filed with SARS.

Where the carrying amount is higher than the recoverable amount, the carrying amount is reduced using a Provision for Bad Debts account to reflect the recoverable amount. The amount of the loss is recognised in the Statement of Financial Performance.

1.11 Tax

Tax expenses

The municipality is exempt from income tax in terms of section 10(1)(A) of the Income Tax Act.

Value Added Tax

The municipality is registered with the South African Revenue Services (SARS) for Value Added Tax (VAT) on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality. Permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

1.12 Leases

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement 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.

1.13 Inventories (continued)

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

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

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

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

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

1.14 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.

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

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

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

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

1.15 Employee benefits

Identification

Employee benefits

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

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

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

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

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

Classification of plans

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

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

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

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

Net defined benefit liability (asset)

The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The deficit or surplus is: (a) the present value of the defined benefit obligation; less (b) the fair value of plan assets (if any); plus (c) any liability that may arise as a result of a minimum funding requirement.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Plan assets comprise: (a) assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

Assets held by a long-term employee benefit fund are assets (other than nontransferable financial instruments issued by the reporting entity) that: (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and (b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or (ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in GRAP 20) of the reporting entity, if the proceeds of the policy: (a) can be used only to pay or fund employee benefits under a defined benefit plan; and (b) are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either: (i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or (ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

1.15 Employee benefits (continued)

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.

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.

1.15 Employee benefits (continued)

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.

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.

Measurement

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

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

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

1.16 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.

1.16 Provisions and contingencies (continued)

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.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

  Only contracted capital commitments as prescribed by other GRAP standards are disclosed and operational commitments or commitments not contracted are not disclosed

  These contractual capital commitments as prescribed are:
  a) Property, plant and equipment (GRAP 17.86); and
  b) Intangible assets (GRAP 31.123);
  c) Lessees (GRAP13.38(b) & .42(a))
  d)The acquisition, maintenance and restoration of heritage assets (GRAP 103)

1.18 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.

Significant Accounting Policies

1.18 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

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

Interest

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.

1.19 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.

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.

Gifts and donations, including goods in-kind

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

1.20 Comparative figures

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

1.21 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).

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

Significant Accounting Policies

1.22 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).

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

1.23 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).

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Irregular Expenditure is disclosed inclusive of Value Added Tax (VAT) in the notes.

1.24 Segment information

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

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

Measurement

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

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

1.25 Budget information

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

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

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

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

Significant Accounting Policies

1.25 Budget information (continued)

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.

Variance between budget and actual is considered significant or material if its exceed 8%.

1.26 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.

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.

1.27 Events after reporting date

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

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

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

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.

1.28 Investment in Associate

An investment in an associate is carried at cost using the equity method.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Amajuba District owns 33% of uThukela Water (Pty) Ltd, which is jointly controlled with Newcastle Local Municipality and uMzinyathi District Municipality

Notes to the Annual Financial Statements

	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 (as revised) Mergers	To be determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	To be determined	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	To be determined	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

Notes to the Annual Financial Statements

Figures in Rand

3. 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	569 591	-	569 591	569 591	-	569 591
Buildings	67 727 332	(13 423 070)	54 304 262	25 470 554	(10 853 006)	14 617 548
Plant and machinery	26 745 575	(14 792 791)	11 952 784	69 954 513	(12 802 630)	57 151 883
Furniture and office equipment	16 960 602	(11 738 918)	5 221 684	15 732 255	(9 375 861)	6 356 394
Motor vehicles	11 178 387	(7 093 417)	4 084 970	11 446 809	(6 052 369)	5 394 440
Leased assets	949 036	(453 921)	495 115	793 849	(195 708)	598 141
Community assets	36 338 845	(28 120 574)	8 218 271	36 338 845	(27 572 633)	8 766 212
Infrastructure Assets	996 232 494	(322 422 667)	673 809 827	890 661 438	(309 298 583)	581 362 855
Total	**1 156 701 862**	**(398 045 358)**	**758 656 504**	**1 050 967 854**	**(376 150 790)**	**674 817 064**

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2025

	Opening balance	Difference	Additions	Work in Progress	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	569 591	-	-	-	-	-	-	-	569 591
Buildings	14 617 548	42 403 395	-	-	(36 365)	-	(2 680 316)	-	54 304 262
Plant and machinery	57 151 883	(42 403 395)	7 500	-	-	-	(2 803 082)	(122)	11 952 784
Furniture and office equipment	6 356 394	-	1 251 532	-	-	-	(2 383 809)	(2 433)	5 221 684
Motor vehicles	5 394 440	-	-	-	-	-	(1 309 470)	-	4 084 970
Leased assets	598 141	-	155 188	-	-	-	(181 737)	(76 477)	495 115
Community assets	8 766 212	-	-	-	-	-	(547 941)	-	8 218 271
Infrastructure assets	581 362 855	-	40 577 187	106 426 332	-	(41 432 463)	(11 992 773)	(1 131 311)	673 809 827
	674 817 064	**-**	**41 991 407**	**106 426 332**	**(36 365)**	**(41 432 463)**	**(21 899 128)**	**(1 210 343)**	**758 656 504**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Work in Progress	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	569 591	-	-	-	-	-	-	569 591
Buildings	55 979 358	52 386 795	11 894 395	(9 617)	(62 370 443)	(859 614)	-	14 617 548
Plant and machinery	12 869 040	21 400	-	(576 303)	5 101 490	(2 674 475)	-	57 151 883
Furniture and office equipment	2 119 991	1 449 148	-	(24 154)	4 348 884	(1 538 786)	-	6 356 394
Motor vehicles	5 147 501	2 026 446	-	(140 542)	-	(1 638 965)	-	5 394 440
Leased assets	268 363	442 432	-	-	-	(112 654)	-	598 141
Community	9 626 645	-	-	-	-	(860 139)	-	8 766 212
Infrastructure Assets	524 282 948	81 248 460	70 598 400	(41 446)	(80 657 205)	(13 155 462)	(913 372)	581 362 855
	610 863 437	**137 574 681**	**82 492 795**	**(792 062)**	**(133 577 274)**	**(20 840 095)**	**(913 372)**	**674 817 064**

Pledged as security

There is no property, plant and equipment that has been pledged as security for any financial liabilities

Assets subject to finance lease (Net carrying amount)

Other computer equipment	495 115	598 141

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Total
Opening balance	302 309 325	302 309 325
Additions/capital expenditure	106 426 332	106 426 332
Transferred to completed items	(41 432 463)	(41 432 463)
	367 303 194	**367 303 194**

Notes to the Annual Financial Statements

	2025	2024

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	312 901 404	40 492 400	353 393 804
Additions/capital expenditure	70 598 400	11 894 395	82 492 795
Transferred to completed items	(81 190 479)	(52 386 795)	(133 577 274)
	302 309 325	**-**	**302 309 325**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Maintenance of property plant and equipment	48 046 862	9 375 920

Repairs and maintenance expenditure relating to property, plant and equipment amounted to R48 046 862 (2024: R9 375 920) for the financial year. In accordance with paragraph 89 of GRAP 17, this amount comprises costs incurred to maintain municipal assets in a serviceable condition and includes payments made to external contractors for the repair and maintenance of infrastructure, buildings and operational equipment, as well as materials, consumables and spare parts issued for use in repairing and maintaining assets. The amount disclosed excludes capital upgrades and improvements, which are recognised separately as additions to property, plant and equipment.

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

Infrustructure work in progress includes reservoirs, pump stations, boreholes and water reticulation. Commitments that relate to PPE have been disclosed in Note 39.

Projects taking longer to complete

1. Construction of a 20ml reiforced concrete reservoir and asssociated infrustructure at Braakfontein reservoirs
The Braakfontein 20ML reservoir (cost: R64 177 728.36) was completed in 2024 but did not meet the required performance standards during commissioning tests, resulting in a temporary non-operational status. An impairment loss of R1 057 067.07 has been recognised, reducing the carrying amount to R63 120 661.29. The project has experienced significant delays (original duration: 18 months; current delay: over three years) due to contractual and technical challenges. Remedial processes, including legal actions against the contractor and consulting engineer, are underway.

Full commissioning is targeted for Q4 2026 (30 June 2026) but no later than Q2 2027 (31 December 2026), depending on the outcome of the ongoing legal and technical resolution processes.

2. Emergency water supply to Ramaphosa settlement, Skobaren and 2ml reservoir at Hilltop - Phase 1-1
Phase 1-1 forms part of the larger Hattingspruit and Ramaphosa Gravity Bulk Pipeline (H&RGBP) initiative, which consists of three phases (1-1, 1-2 and 1-3). The pipeline is designed as an integrated system and all phases must be completed before water can be supplied to the community. Although construction on Phase 1-1 was temporarily halted following contractor termination in the previous financial year(FY ended, 30 June 2024), Phase 1-2 is progressing and the municipality remains committed to completing the full project, subject to future COGTA funding. The project is included in the municipality’s IDP and WSDP.

An impairment assessment was performed in accordance with GRAP 21, and no impairment loss was recognised, as the recoverable service amount exceeds the carrying amount. The carrying value of Phases 1-1 is R24 827 150.30.

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 104 034	(3 993 460)	110 574	3 977 665	(3 977 529)	136
Intangible assets under development	3 010 516	-	3 010 516	3 010 516	-	3 010 516
Total	**7 114 550**	**(3 993 460)**	**3 121 090**	**6 988 181**	**(3 977 529)**	**3 010 652**

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	136	126 369	(15 931)	110 574
Intangible assets under development	3 010 516	-	-	3 010 516
	3 010 652	**126 369**	**(15 931)**	**3 121 090**

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	197	(61)	136
Intangible assets under development	3 010 516	-	3 010 516
	3 010 713	**(61)**	**3 010 652**

Pledged as security

There is no intangible asset that has been pledged as security for any financial liabilities pledged as security:

Notes to the Annual Financial Statements

	2025	2024

5. Interests in other entities

Investments in associates

Name	Jurisdiction	Determination of ownership interest	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025	Carrying amount 2024
uThukela Water (Pty) Ltd		Agreement	33,00 %	33,00 %	104 586 592	122 054 166
					104 586 592	122 054 166
					104 586 592	122 054 166

Amajuba district owns 33% equity in uThukela Water (Pty) Ltd.

Movements in carrying amount

	2025	2024
Opening balance	122 054 166	118 583 471
Share of profit or loss from associate	(17 467 574)	3 470 695
	104 586 592	**122 054 166**

Notes to the Annual Financial Statements

	2025	2024

Interests in joint arrangements and associates

Material joint arrangements and associates

Associate	
Name of the joint arrangement or associate:	uThukela Water (Pty) Ltd
Nature of the entity's relationship with the joint arrangement or associate:	The entity operates as a bulk water services provider to its controlling shareholders, and performs no other functions outside the scope of the agreement between the parties.
Domicile and legal form of the joint arrangement or associate:	79 Harding Street, Newcastle, 2940 uThukela Water (Pty) Ltd is a Water Service Provider operating under awater services provider agreement signed with the Shareholder municipalities of: Newcastle, Umzinyathi and Amajuba, in accordance with the provisions of Section 78 of the Municipal Systems Act 32 of 2000, for the purposes of providing bulk water services to these municipalities
Proportion of ownership interest or participating share held by the entity:	33%
Proportion of voting rights held:	33%
The investment in the joint venture or associate is measured using:	Equity Method

Summarised financial information for the associate

	2025	2024
Current assets	329 856 779	270 616 841
Non-current assets	870 761 099	926 032 418
Current liabilities	(573 911 389)	(518 999 905)
Non-current liabilities	(13 181 178)	(11 192 000)
Revenue	(291 668 488)	(341 041 710)
Expenditure	344 600 531	330 524 453
Surplus or deficit	(52 932 043)	10 517 257
Cash flows from operating activities	17 874 417	1 907 635
Cash flows from investing activities	(13 674 048)	(2 787 514)
Cash flows from financing activities	-	-
Current assets - Cash and cash equivalents	4 439 932	239 613
Current liabilities - Current financial liabilities (excluding taxes and transfers payable, payables under exchange transactions and provisions)	(651 877)	(2 201 000)
Non-current liabilities - Non-current financial liabilities (excluding taxes and transfers payable, payables under exchange transactions and provisions)	(13 181 178)	(11 192 000)
Depreciation and amortisation	69 409 977	54 779 913
Interest revenue	(31 527 064)	(28 167 815)
Interest expense	23 122 267	28 357 017

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	350 000	-	350 000	350 000	-	350 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral chain	350 000	350 000

Reconciliation of heritage assets 2024

	Opening balance	Total
Mayoral chain	350 000	350 000

7. Employee benefit obligations

Defined benefit plans - General information

Post employment medical aid benefit liability

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 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 present value of the defined benefit obligation and the related current service cost, were measured using the projected unit credit funding method. No other post retirement benefits are provided by the municipality.

The post employment health care benefit plan is a defined benefit plan, of which the members as per the most recent valuation as at 30 June 2025 were made up of 1 continuation member employee (2024: 1). No further employees are entitled to a post-employment medical aid subsidy in the terms of the policy. Continuation members and their eligible dependants receive a 60% subsidy. However, the last continuation member passed away during the 2024/2025 financial year.

Other long-term employee benefits - Long service awards

Employees are eligible for a long service award per the long service award policy after completing fixed periods of continuous service with the municipality, which includes their uninterrupted service with the former Local Authorities that were amalgamated in December 2000. The aforementioned award consists of a certain number of vacation leave days that, depending on the beneficiary employee’s election, can be converted into an amount based on his or her basic salary at the time the award became payable, or alternatively, credited to the employee’s vacation leave accrual. The present value of the defined benefit obligation and the related current service cost, were measured using the projected unit credit funding method.

The provision represents an estimation of the awards to which employees in the service of the municipality at the reporting date may become entitled to in future, based on the actuarial valuation performed at 30 June 2025. 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 offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive. 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.

Long service awards for levels of past service

Completed Service (In Years)	Long Service Award (%)	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

Notes to the Annual Financial Statements

	2025	2024
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation - post employment medical aidbenefits (PEMAB)	-	(450 280)
Present value of the defined benefit obligation - long service awards(LSA)	(8 953 020)	(7 447 321)
	(8 953 020)	**(7 897 601)**
Non-current liabilities	(8 106 020)	(7 176 085)
Current liabilities	(847 000)	(721 516)
	(8 953 020)	**(7 897 601)**
Net amount recognised in the statement of financial performance		
Post employment medical aid benefit - current service cost	-	-
Long service awards - current service cost	(650 445)	(561 390)
Post employment medical aid benefit - interest cost	(44 709)	(47 380)
Long service awards - interest cost	(757 943)	(725 315)
Post employment medical aid benefit - actual benefits paid	4 222	48 377
Long service awards - actual benefits paid	1 006 473	662 736
Remeasurements	-	-
Actuarial (gains) losses – PEMAB	(490 767)	27 313
Actuarial (gains) losses – LSA	1 103 784	268 681
	170 615	**(326 978)**
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(7 897 581)	(6 978 615)
Service cost	(650 445)	(561 390)
Interest cost	(802 652)	(772 695)
Remeasurements	(613 017)	(295 994)
Contributions by employer	1 010 675	711 113
	(8 953 020)	**(7 897 581)**

Notes to the Annual Financial Statements

	2025	2024

Key assumptions used - PEMAB

Assumptions used at the reporting date:

	2025	2024
Discount rates used	10,50 %	10,53 %
Expected pension increases	5,40 %	5,41 %
Proportion of employees opting for early retirement	- %	- %
Expected increase in healthcare costs	3,40 %	3,38 %

The Municipality's defined benefit obligation as at 30 June 2025 was zero, given that the last eligible member passed away during the 2024/2025 financial year. There are no current service costs as there are no eligible employees. There is also no past service cost, i.e. the service cost is nil.

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average. A healthcare cost inflation rate of 6.90% was assumed. This is 0.01% in excess of the expected inflation over the expected term of the liability.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration-specific. At the previous valuation date, 30 June 2024 the duration of liabilities was 6.05 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2025 is 10.50% per annum, and the yield on the inflation-linked bonds of a similar term was about 5.4% per annum, implying an underlying expectation of inflation of 6.90% per annum.

The table below summarises the results of the following analysis on the interest cost for the year ending 30 June 2025.
(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; and
(iii) a one-year age increase and decrease in the assumed rates of post-employment mortality.

Sensitivity analysis

Assumption	**Change**	**Interest Cost**	**% Change**
Central assumptions		R44 709	
Medical aid contribution	+1%	R47 998	7%
Inflation rate	-1%	R41 716	-7%
Discount rate	+1%	R46 029	3%
Discount rate	-1%	R43 153	-3%
Post-employment mortality	+1 yr	R42 799	-4%
Post-employment mortality	-1 yr	R46 649	4%

Key assumptions used - LSA

It In estimating the LSA net defined benefit liability of the Municipality a number of actuarial assumptions are required. The GRAP 25 standard places the responsibility on management to set these assumptions, as guided by the principles set out in the standard and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the DBO and current service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Assumption	30 June 2025	30 June 2024
Discount rate	9.80%	10.66%
CPI	3.8%	5.02%
Salary increase rate	5.01%	6.02%
Net Discount Rate	4.80%	4.37%

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The average DBO has increased by 23% since the last valuation due to an increase in the average earnings and an increase in the average past service. These impacts were partially offset by an increase in the net discount rate. We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.02% per annum.

The total DBO has increased by 20% (or R 1,505,699) due to the above, partially offset by a decrease in the number of eligible employees since the last valuation.

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	30 June 2025	30 June 2024
Retirement age (years)	65	65
Average retirement age (years)1	62	62
Mortality	SA85-90	SA85-90

It has been assumed that employees will retire at age 62, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Notes to the Annual Financial Statements

	2025	2024

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.

Table below summarises the results of the sensitivity analysis.

Assumption	Change	DBO	% Change
Central assumptions		R8 953 000	
General earnings inflation rate	+1%	R9,476,000	6%
General earnings inflation rate	-1%	R8,474,000	-5%
Discount rate	+1%	R8,468,000	-5%
Discount rate	-1%	R9,491,000	6%
Average retirement age	+2 yrs	R9,403,000	5%
Average retirement age	-2 yrs	R8,437,000	-6%
Rates of termination of service	x2	R7,863,000	-12%
Rates of termination of service	x0.5	R9,646,000	8%

Table below summarises the results of this analysis on the current service and interest costs for the year ending 30 June 2025. These figures were derived at the last valuation and were presented in that report.

Assumption	Change	Current Svc. Cost	Interest Cost	Total	% Change
Central assumptions		R650,445	R757,943	R1,408,388	
General earnings inflation rate	+1%	R704,312	R810,852	R1,515,164	8%
General earnings inflation rate	-1%	R602,113	R709,671	R1,311,784	-7%
Discount rate	+1%	R604,432	R778,816	R1,383,248	-2%
Discount rate	-1%	R702,428	R733,102	R1,435,530	2%
Average retirement age	-2 yrs	R654,789	R762,805	R1,417,594	1%

	2025	2024

Table below summarises the results of this analysis on the current service and interest costs for the year ending 30 June 2026.

Assumption	Change	Current Svc. Cost	Interest Cost	Total	% Change
Central assumptions		R790,000	R833,000	R1,623,000	
General earnings inflation rate	+1%	R845,000	R885,000	R1,730,000	7%
General earnings inflation rate	-1%	R741,000	R786,000	R1,527,000	-6%
Discount rate	+1%	R747,000	R866,000	R1,613,000	-1%
Discount rate	-1%	R839,000	R796,000	R1,635,000	1%
Average retirement age	+2 yrs	R827,000	R878,000	R1,705,000	5%
Average retirement age	-2 yrs	R747,000	R780,000	R1,527,000	-6%
Rates of termination of service	x2	R658,000	R723,000	R1,381,000	-15%
Rates of termination of service	x0.5	R877,000	R903,000	R1,780,000	10%

The municipality is under no obligation to cover any unfunded benefits.

8. Prepayments

	2025	2024
Software & motor vehicle licences	2 033 717	1 346 898
Insurance premium	-	1 558 708
Staff debt	1 696 933	1 840 961
Other prepayment (including fuel, legal fees and disputed costs)	1 475 415	1 500 405
	5 206 065	**6 246 972**

9. Inventories

	2025	2024
Maintenance materials	1 033 492	1 247 207
Water for distribution	134 487	245 044
	1 167 979	**1 492 251**

	2025	2024
Maintenance materials Inventories recognised as an expense during the year	213 716	540 655
Water for distribution inventories recognised as an expense during the year	27 492 234	23 684 817

Assumptions made during the stock take

Certain assumptions were made during the stock take process to facilitate the analysis and interpretation of data. It was assumed that the data obtained from various sources accurately represented actual water consumption, distribution, losses, and regulatory compliance.

While every effort was made to ensure the reliability of the findings, it is important to acknowledge that these assumptions may introduce a level of uncertainty in the results. The subsequent sections of this report will provide a detailed overview of the water stock situation, consumption patterns, losses, regulatory compliance, and recommendations based on the findings of this stock take. This will ensure that the best reliable estimate is provided.

Notes to the Annual Financial Statements

	2025	2024

10. Receivables from exchange transactions

Receivable from asset disposal	131 470	281 454
Interest receivable from investments	-	44 771
Unauthorised debit orders	-	2 239 411
Consumer debtors - Water	5 150 572	6 667 517
Consumer debtors - Waste water	2 264 843	1 773 442
	7 546 885	**11 006 595**

11. Receivables from non-exchange transactions

Grant receivable	15 135	15 135

12. Statutory receivables - VAT

VAT receivable	1 895 758	855 917
VAT Input accrual	30 869 934	24 928 419
	32 765 692	**25 784 336**

Statutory receivables general information

Transaction(s) arising from statute

The municipality raises input and output value added tax in terms of the Value Added Tax Act no. 89 of 1991.

Determination of transaction amount

The municipality raises output VAT on services rendered and claims input VAT on qualifying purchases. As the municipality receives grant funding that is predominately zero rated, VAT claimed against these grants thus results in the municipality being in a net refund status at reporting year end.

13. Consumer debtors disclosure

Gross balances		
Consumer debtors - Water	66 051 906	47 409 721
Consumer debtors - Waste water	28 322 557	19 234 049
	94 374 463	**66 643 770**
Less: Allowance for impairment		
Consumer debtors - Water	(60 901 334)	(40 742 204)
Consumer debtors - Waste water	(26 057 714)	(17 460 607)
	(86 959 048)	**(58 202 811)**
Net balance		
Consumer debtors - Water	5 150 572	6 667 517
Consumer debtors - Waste water	2 264 843	1 773 442
	7 415 415	**8 440 959**

Notes to the Annual Financial Statements

	2025	2024
Total		
Current (0 -30 days)	13 520 397	16 423 653
31 - 60 days	3 985 753	3 579 201
61 - 90 days	3 219 898	4 831 120
91 - 120 days	2 410 668	5 955 109
121 - 365 days	2 023 470	4 574 156
> 365 days	69 199 679	28 711 557
	94 359 865	**64 074 796**
Water		
Current (0 -30 days)	6 844 732	175 438
31 - 60 days	2 587 927	1 293 244
61 - 90 days	1 958 429	2 379 520
91 - 120 days	1 395 151	3 273 705
121 - 365 days	1 543 746	2 359 336
> 365 days	34 377 364	16 103 020
	48 707 349	**25 584 263**
Waste water		
Current (0 -30 days)	2 279 064	(79 530)
31 - 60 days	852 535	565 141
61 - 90 days	680 532	756 923
91 - 120 days	499 179	1 060 326
121 - 365 days	477 956	633 221
> 365 days	10 465 116	3 409 047
	15 254 382	**6 345 128**
Other		
Current (0 -30 days)	4 396 601	16 327 744
31 - 60 days	545 291	1 720 816
61 - 90 days	580 938	1 694 677
91 - 120 days	516 337	1 621 078
121 - 365 days	521 100	1 581 599
> 365 days	23 837 867	9 199 490
	30 398 134	**32 145 404**
Consumers		
Current (0 -30 days)	10 749 907	12 109 241
31 - 60 days	2 862 019	3 070 233
61 - 90 days	2 604 246	4 501 275
91 - 120 days	1 939 016	5 711 537
121 - 365 days	1 649 426	4 273 556
> 365 days	50 398 048	19 285 755
	70 202 662	**48 951 597**

Notes to the Annual Financial Statements

	2025	2024
Industrial Commercial		
Current (0 -30 days)	914 524	86 756
31 - 60 days	209 907	78 870
61 - 90 days	194 195	80 970
91 - 120 days	166 221	74 892
121 - 365 days	177 271	71 895
> 365 days	4 193 050	484 109
	5 855 168	**877 492**
Provincial government		
Current (0 -30 days)	1 855 967	1 109 017
31 - 60 days	913 828	748 881
61 - 90 days	421 457	273 852
91 - 120 days	305 431	271 793
121 - 365 days	196 772	258 917
> 365 days	14 608 579	11 583 246
	18 302 034	**14 245 706**
Less allowance for impairment	(86 949 271)	(58 202 025)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(58 202 025)	(201 428 947)
Contributions to allowance	(28 747 246)	(39 656 681)
Debt impairment written off against allowance	-	182 883 603
	(86 949 271)	**(58 202 025)**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	1 215	5 501
Bank balances	944 404	7 356 034
Short-term deposits	38 864 920	55 050 084
	39 810 539	**62 411 619**
Cash and cash equivalents held by the entity that are not available for use by the economic entity (i.e. unspent conditional grants)	8 693 863	25 499 937

Notes to the Annual Financial Statements

	2025	2024

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
Absa Cheque Account - 405 347 2593	216 930	1 951 743	221 496	216 930	1 951 743	221 496
Standard Bank Main - 062 156 624	727 467	5 399 031	39 771 280	727 467	5 399 031	39 771 280
Standard Bank Call Deposit - 068 448 3090 02	-	7 430 672	2 149	-	7 430 672	2 149
Standard Bank Call Deposit - 068 448 3090 08	-	-	91 177	-	-	91 177
Standard Bank Call Deposit - 068 448 3090 06	-	-	12 037	-	-	12 037
Standard Bank Call Deposit - 068 448 3090 10	-	-	8 120	-	-	8 120
Standard Bank Call Deposit - 068 448 3090 11	-	-	818 273	-	-	818 273
Standard Bank Call Deposit - 068 448 3090 13	-	-	7 506	-	-	7 506
Standard Bank Call Deposit - 068 448 3090 16	-	245 303	4 799 144	-	245 303	4 799 144
Standard Bank Call Deposit - 068 448 3090 20	-	-	4 577	-	-	4 577
Standard Bank Call Deposit - 068 448 3090 38	93	93	69 295	93	93	69 295
Standard Bank Call Deposit - 068 448 3090 39	-	-	2 423 676	-	-	2 423 676
Standard Bank Call Deposit - 068 448 3090 46	-	-	1 395 385	-	-	1 395 385
Standard Bank Call Deposit - 068 448 3090 47	771 850	-	-	771 850	-	-
Standard Bank Call Deposit - 068 448 3090 68	5 908	-	-	5 908	-	-
Standard Bank Call Deposit - 068 448 3090 70	1 073 240	-	-	1 073 240	-	-
Standard Bank Call Deposit - 068 448 3090 79	20 600 000	-	-	20 600 000	-	-
Investec Call Deposit - 1100 5016 86513	-	-	956 884	-	-	956 884
FNB Call Deposit - 627 978 868 38	416 557	386 051	356 086	416 557	386 051	356 086
Nedbank Call Deposit - 0378 8112 40670 00003	-	6 642 811	6 642 811	-	6 642 811	6 642 811
Nedbank Call Deposit - 0378 8112 16370 00003	5 900 380	-	-	5 900 380	-	-
Nedbank Call Deposit - 0378 8112 14320 00003	1 311 419	-	-	1 311 419	-	-
ABSA Call Deposit - 9370 7896 66	-	-	29 624	-	-	29 624
ABSA Call Deposit - 9364 7430 40	-	6 597 910	6 324 078	-	6 597 910	6 324 078
ABSA Call Deposit - 9369 9834 37	-	-	567 185	-	-	567 185
ABSA Call Deposit - 9378 6228 90	-	-	258 160	-	-	258 160
Standard Bank Call Deposit - 068 448 3090 47	-	1 813 007	1 749 383	-	1 813 007	1 749 383
ABSA Call Deposit - 9380 8903 14	3 260 576	190 929	-	3 260 576	190 929	-

Notes to the Annual Financial Statements

					2025	2024
ABSA Call Deposit - 9381 3177 87	-	129 996	-	-	129 996	-
ABSA Call Deposit - 9384 4481 35	-	2 161 251	-	-	2 161 251	-
ABSA Call Deposit - 9384 4642 76	3 431 000	283 747	-	3 431 000	283 747	-
ABSA Call Deposit - 9387 2333 93	836 485	25 812 793	-	836 485	25 812 793	-
ABSA Call Deposit - 9388 0119 60	-	677 251	-	-	677 251	-
Standard Bank Call Deposit - 068 448 3090 59	190 384	1 653 985	-	190 384	1 653 985	-
Standard Bank Call Deposit - 068 448 3090 60	990 406	915 980	-	990 406	915 980	-
Standard Bank Call Deposit - 068 448 3090 61	-	34 914	-	-	34 914	-
Standard Bank Call Deposit - 068 448 3090 48	37 846	36 250	34 545	37 846	36 250	34 545
Standard Bank Call Deposit - 068 448 3090 49	38 724	37 090	35 193	38 724	37 090	35 193
Standard Bank Call Deposit - 068 448 3090 50	-	5 260	1 183 047	-	5 260	1 183 047
Standard Bank Call Deposit - 068 448 3090 51	-	-	9 176 339	-	-	9 176 339
Total	**39 809 265**	**62 406 067**	**76 937 450**	**39 809 265**	**62 406 067**	**76 937 450**

Reconciliation of interest accrual and cash on hand

Cashbook balance before accrual	39 532 498	62 101 690
Add: Interest accrual for the year	276 767	304 377
Cashbook balance after accrual	39 809 265	62 406 067

Notes to the Annual Financial Statements

	2025	2024

15. Finance lease obligation

	2025	2024
Minimum lease payments due		
- within one year	328 148	464 843
- in second to fifth year inclusive	63 233	213 218
	391 381	678 061
less: future finance charges	(49 003)	(98 586)
Present value of minimum lease payments	**342 378**	**579 475**

	2025	2024
Present value of minimum lease payments due		
- within one year	283 291	382 080
- in second to fifth year inclusive	59 087	197 395
	342 378	**579 475**

	2025	2024
Non-current liabilities	59 087	197 395
Current liabilities	283 291	382 080
	342 378	**579 475**

It is municipality policy to lease certain equipment (i.e. cellphones and tablets) under finance leases.

The average lease term was 24 months and the average effective borrowing rate was 15% (2024: 15%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2025	2024
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	5 585 204	-
Disaster Recovery Management Grant	3 108 659	24 930 137
Rural Road Asset Management Grant	-	569 800
	8 693 863	**25 499 937**

The nature and extent of government grants recognised in the annual financial statements and 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.

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

Notes to the Annual Financial Statements

	2025	2024

17. Other financial liabilities

At amortised cost		
DBSA Loan	-	1 484 502
Terms and conditions		

DBSA loan was inherited from uThukela Water Pty (Ltd). The original loan transferred to Amajuba was R10 475 279.30 for a period of 9 years at 9% interest and is repayable semi-annually. The redemption date is 31 January 2025. The loan was fully paid in January 2025 and there is no financial liability obligation as at 30 June 2025.

Current liabilities		
At amortised cost	-	1 484 502

18. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Total
Bonus provision	2 778 281	3 125 597	(2 778 281)	3 125 597
Provision for leave days	9 557 297	2 185 723	(463 521)	11 279 499
Provision for workmen's compensation	298 418	318 497	(298 418)	318 497
	12 633 996	**5 629 817**	**(3 540 220)**	**14 723 593**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Total
Bonus provision	2 332 268	2 714 090	(2 268 077)	2 778 281
Provision for leave days	9 901 135	775 378	(1 119 216)	9 557 297
Provision for workmen's compensation	249 853	298 418	(249 853)	298 418
	12 483 256	**3 787 886**	**(3 637 146)**	**12 633 996**

The provision for workmens compansation represents management's best estimate of the municipality's liability to department of labour (COIDA) for four months not included in current year filing.

Bonus provisions are for 13th cheque bonuses paid to all permanents staff members on their birthday except for s56 and s57 employees.

19. Payables from exchange transactions

Trade payables	133 605 370	108 611 892
Payments received in advance	1 443 929	2 609 399
Retentions	22 359 495	18 525 279
Deposits control account	-	488 531
Consumer deposits	673 804	636 092
	158 082 598	**130 871 193**

Notes to the Annual Financial Statements

	2025	2024

Trade payables are due for payment within 30 days from date of receipt of a valid invoice. Retentions remains a liability until defect liability period has lapsed.

20. VAT payable

VAT Output Accrual	21 106 734	18 478 428

VAT Payable are exchange transactions relating to VAT charged on services rendered by the municipality which were unsettled by debtors at year end.

21. Revenue

Sale of goods	25 150	255 211
Service charges	32 397 831	27 645 095
Rental of facilities and equipment	24 780	24 780
Profit on sale of assets	95 105	1 663 727
Other income	636 430	7 289 674
Interest income	14 632 931	31 836 279
Government grants & subsidies	403 467 175	325 218 838
Fines, Penalties and Forfeits	759 523	-
	452 038 925	**393 933 604**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	25 150	255 211
Service charges	32 397 831	27 645 095
Rental of facilities and equipment	24 780	24 780
Profit on sale of assets	95 105	1 663 727
Other income	636 430	7 289 674
Interest income	14 632 931	31 836 279
	47 812 227	**68 714 766**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	403 467 175	325 218 838
Fines, Penalties and Forfeits	759 523	-
	404 226 698	**325 218 838**

The actuarial losses disclosed on this note in prior year has been reclassified to expenses. The impact was an increase in total revenue in note 20 by R295 994 and increase in total expenditure. This reclassification has no impact on the face of the annual financial statements.

Basis on which fair value of inflowing resources was measured

22. Service charges

Sale of water	23 376 986	21 432 311
Sewerage and sanitation charges	9 020 845	6 212 784
	32 397 831	**27 645 095**

The municipality has registered indigents who qualify for free water as outlined in the municipal policy amounting to 6Kl per month. The revenue forgone amounts to R195 621 (2024: R323 429).

Notes to the Annual Financial Statements

	2025	2024

23. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	24 780	24 780

Rental of facilities is for squash court and hall facility at Monte Vista Casino.

24. Fines, Penalties, Forfeits, Licences & Permits

Unclaimed Money Forfeits	733 436	-
Licences & permits	26 087	-
	759 523	**-**

Forfiets relates to inactive customer accounts with credit balances older than 3 years as per the revised customer care, credit control and debt management policy.

25. Other income

SDL levy refund	266 654	222 499
Guarantees and other income	295 214	7 047 018
Reconnection fees	74 562	20 157
	636 430	**7 289 674**

Other income relates to insurance claims

26. Interest income

Interest revenue		
Bank	8 053 544	10 320 910
Interest charged on trade and other receivables	6 579 387	21 515 369
	14 632 931	**31 836 279**

Waiver of Interest – February 2025 Cyber Incident
In February 2025, a cyber-attack disrupted Microsoft Office 365, delaying the Revenue Section's billing of January 2025 consumer statements. In the interest of fairness to consumers and compliance of Credit Control, Customer Care and Debt Collection Policy, management waived interest charges of R528 938.45 that would otherwise have been billed. In line with GRAP 9 and the FAQ on Standards of GRAP (March 2019), the waiver represents foregone revenue. The matter was reported to Council for noting on 3 April 2025.

Notes to the Annual Financial Statements

	2025	2024

27. Government grants & subsidies

Operating grants		
Equitable share	222 325 000	213 997 000
Finance Management Grant	3 800 000	2 750 000
Expanded Public Works Programme	1 551 000	2 901 000
Rural Roads Asset Management Grant	3 045 800	1 800 200
	230 721 800	**221 448 200**
Capital grants		
Municipal Infrastructure Grant	40 729 796	45 323 000
Water Services Infrastructure Grant	100 000 000	53 377 775
KZN Cogta Disaster Management Grant	32 015 579	5 069 863
	172 745 375	**103 770 638**
	230 721 800	221 448 200
	172 745 375	103 770 638
	403 467 175	**325 218 838**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Unconditional grants received	222 325 000	213 997 000
Conditional grants received	180 958 074	111 221 838
	403 283 074	**325 218 838**

Notes to the Annual Financial Statements

	2025	2024

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.
Also in terms of Section 74 (2)(i) of the Municipal act requires the extent of subsidisation of tariffs for poor households and other categories of users to fully disclosed.

Municipal Infrastructure Grant

	2025	2024
Balance unspent at beginning of year	-	11 339 463
Current-year receipts	46 315 000	45 323 000
Conditions met - transferred to revenue	(40 729 796)	(45 323 000)
Rollover not approved	-	(11 339 463)
	5 585 204	**-**

Conditions still to be met - remain liabilities (see note 16).

Water Services Infrastructure Grant (WSIG)

	2025	2024
Balance unspent at beginning of year	-	7 617 775
Current-year receipts	100 000 000	46 600 000
Conditions met - transferred to revenue	(100 000 000)	(53 377 775)
Rollover not approved	-	(840 000)
	-	**-**

These grants are used for:
- restoration of water & wastewater infrastructure services;
- the reduction of water and sanitation backlogs;
- the sustainability of water and sanitation infrastructure;
- the upgrading and development of regional bulk water infrastructure; and
- the implementation of water conservation and water demand management programs.

Expanded Public Works Programme

	2025	2024
Current-year receipts	1 551 000	2 901 000
Conditions met - transferred to revenue	(1 551 000)	(2 901 000)
	-	**-**

The following areas have been identified:
- basic services infrastructure, including water and sanitation reticulation;
- sustainable land based livelihoods, and
- social services programmes.

KZN Cogta Disaster Management Grant

	2025	2024
Balance unspent at beginning of year	24 930 139	-
Current-year receipts	10 010 000	30 000 000
Conditions met - transferred to revenue	(32 015 579)	(5 069 861)
	2 924 560	**24 930 139**

Conditions still to be met - remain liabilities (see note 16).

These grants are used for restoration of water & wastewater infrastructure services damaged by floods and other natural disasters.

Notes to the Annual Financial Statements

	2025	2024

Rural Road Asset Management Systems Grant (RRAMS)

Balance unspent at beginning of year	569 800	-
Current-year receipts	2 476 000	2 370 000
Conditions met - transferred to revenue	(3 045 800)	(1 800 200)
	-	**569 800**

The Department of Transport grant is used to co-ordinate Rural Roads Asset Management Systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

Finance Management Grant

Current-year receipts	3 800 000	2 750 000
Conditions met - transferred to revenue	(3 800 000)	(2 750 000)
	-	**-**

The Financial Management Grant is used to promote and support reforms to municipal financial management, and for the implementation of the Municipal Finance Management Act(Act no. 56 of 2003).

28. Employee related costs

Basic	99 220 665	92 711 562
Bonus	6 445 616	5 963 375
Medical aid - company contributions	5 434 619	4 751 786
UIF	557 334	543 787
Leave pay provision charge	2 229 858	128 916
Telephone and cellphone allowances	881 252	866 375
Defined contribution plans remeasurements (LSA & PEMAB)	613 017	295 994
Overtime payments	9 139 605	9 769 499
Long-service awards	650 445	561 390
Car allowance	10 848 397	10 478 869
Housing benefits and allowances	662 463	626 406
Bargain council	34 691	28 348
Group life insurance	473 316	414 605
Standby allowances	3 523 682	3 399 422
Pension	10 859 806	9 849 373
	151 574 766	**140 389 707**

Remuneration of municipal manager

Annual Remuneration	652 242	1 373 848
Cellphone Allowance	8 952	22 500
Car allowance	125 784	348 311
	786 978	**1 744 659**

On the 31st of August 2024 former Accounting Officer Mr PM Manqele resigned and Mr ZG Dhlamini was appointed by Council as Acting Accounting Officer from the 16th of September 2024 for the period of three months. Mr TB Dube and Mr TS Buthelezi were appointed as Acting Accounting Officers for the remainder of the financial year. As at 30 June 2025 the recruitment process of the new Accounting Officer was not finalised.

Notes to the Annual Financial Statements

	2025	2024
Remuneration of chief finance officer		
Annual Remuneration	1 144 370	352 004
Cellphone Allowance	24 000	7 741
Car Allowance	283 866	88 001
	1 452 236	**447 746**
Remuneration of director corporate services		
Annual Remuneration	1 234 018	1 179 637
Cellphone Allowance	24 000	22 500
Acting Allowance	73 849	-
Car Allowance	308 310	296 647
	1 640 177	**1 498 784**
Remuneration of director engineering services		
Annual Remuneration	1 236 010	1 057 710
Cellphone Allowance	24 000	22 500
Car Allowance	289 848	256 618
Acting allowance	-	49 187
	1 549 858	**1 386 015**
Remuneration of director planning and development		
Annual Remuneration	1 215 230	1 072 343
Cellphone Allowance	24 000	22 500
Car Allowance	308 553	285 982
Acting Allowance	74 820	-
	1 622 603	**1 380 825**
Remuneration of director community services		
Annual Remuneration	1 215 230	1 054 447
Cellphone Allowance	24 000	22 500
Car Allowance	289 848	303 878
	1 529 078	**1 380 825**

29. Remuneration of councillors

	2025	2024
Mayor	401 259	693 877
Deputy Mayor	600 488	566 044
Mayoral Committee Members	2 506 432	2 962 434
Speaker	855 737	864 535
Councillors	5 001 973	4 163 535
	9 365 889	**9 250 425**

	2025	2024

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chairperson and Mayoral Committee Members are full-time. They are provided with office space and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker are each allocated Council owned vehicles for official duties. All Council members are provided with tools of trade including laptops, tablets and cellphones.

The Mayor, Deputy Mayor and Speaker are each provided two full-time bodyguards. Other council members are provided with bodyguards upon Council approval after threat and risk analysis.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

30. Depreciation and amortisation

	2025	2024
Property, plant and equipment	21 899 126	20 840 096
Intangible assets	15 932	61
	21 915 058	**20 840 157**

31. Impairment loss

	2025	2024
Impairments		
Property, plant and equipment	1 210 342	913 372
	1 210 342	913 372
	-	-

32. Finance costs

	2025	2024
Borrowings	44 111	172 661
Finance leases	93 621	60 206
Unauthorised debit orders not recovered*	951 838	-
Trade and other payables	5 541 307	4 316 040
Post-retirement medical interest	44 709	47 380
Long service awards interest	757 943	725 315
	7 433 529	**5 321 602**

* These have been disclosed under Fruitless and Wasteful Expenditure, see note 46 for details.

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33. Debt impairment

	2025	2024
Debt impairment	28 747 247	39 656 681
Bad debts written off	491 991	269 397
	29 239 238	**39 926 078**

Bad debts written off includes incentives write offs granted to customers on long debt settlement as per council resolution and credit control policy.

Notes to the Annual Financial Statements

	2025	2024

34. Bulk purchases

Water	27 492 234	23 684 817

35. Contracted services

Outsourced Services		
Administrative and Support Staff	385 794	1 342 019
Catering services and public events	144 583	741 936
Hygiene Services	24 587	17 159
Security Services	24 653 773	23 122 467
Sewerage Services	5 087 285	11 737 466
Water Tankers	15 955 972	9 096 541
Consultants and Professional Services		
Business and Advisory	10 269 598	8 465 313
Infrastructure and Planning	3 034 871	1 677 148
Engineering Services	5 028 561	304 155
Legal Costs	452 961	1 147 493
Contractors		
Employee Wellness	28 050	37 649
Fire services and disaster relief	879 871	287 384
Gardening Services	66 528	28 797
Maintenance of Buildings and Facilities	692 483	54 972
Maintenance of Equipment	678 906	542 722
Maintenance of Infrustructure and Other Assets	41 389 707	2 741 432
Pest Control and Fumigation	-	23 900
Sports and Recreation	2 856 832	865 158
	-	-
Outsourced Services	46 251 994	46 057 588
Consultants and Professional Services	18 785 991	11 594 109
Contractors	46 592 377	4 582 014
	111 630 362	**62 233 711**

Notes to the Annual Financial Statements

	2025	2024

36. General expenses

Advertising publicity and marketing	514 476	772 424
Auditors remuneration	4 267 303	6 010 942
Bank charges	228 977	298 451
Entertainment	69 130	131 342
Hire	1 044 964	3 001 870
Insurance	3 724 141	2 684 542
Conferences and seminars	352 712	345 940
IT expenses	2 325 254	4 207 743
Levies	1 130 113	1 124 134
Fuel and oil	8 331 359	14 308 390
Postage and courier	246 072	327 085
Printing and stationery	266 605	160 285
Protective clothing	1 143 976	236 998
Staff welfare	1 003 516	1 126 093
Subscriptions membership fees and training	1 589 444	1 451 023
Telephone and fax	1 853 816	2 253 617
Travel - local	4 885 579	3 587 974
Assets expensed	40 956	24 650
Water and electricity	8 628 369	9 252 946
Other expenses*	1 478 595	1 215 678
	43 125 357	**52 522 127**

*Other expenses relates mainly to learnership and training related costs.

37. Auditors' remuneration

Fees	4 267 303	6 010 942

Notes to the Annual Financial Statements

	2025	2024

38. Cash generated from operations

	2025	2024
Surplus	31 584 576	42 322 302
Adjustments for:		
Depreciation and amortisation	21 915 058	20 840 157
Fines, penalties & forfeits	(759 523)	-
Share of (profit)/losses from assiciate	17 467 574	(3 470 695)
Finance costs - Finance leases	93 621	60 206
Finance costs - Borrowings	44 111	172 661
Impairment of assets	1 210 342	913 372
Debt impairment	28 747 247	39 656 681
Bad debts written off	491 991	269 397
Movements in retirement benefit assets and liabilities	1 055 419	918 966
Movements in provisions	2 089 597	150 740
Changes in working capital:		
Inventories	324 272	319 496
Receivables from exchange transactions	(25 937 183)	(43 832 370)
Other receivables from non-exchange transactions	-	463
Statutory receivables	(6 981 356)	877 081
Prepayments	1 040 908	(1 948 199)
Payables from exchange transactions	27 194 707	3 272 617
VAT payable	2 628 306	3 954 108
Unspent conditional grants and receipts	(16 806 074)	6 542 699
	85 403 593	**71 019 682**

39. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Property, plant and equipment	86 307 591	346 755 298
Total capital commitments		
Already contracted for but not provided for	86 307 591	346 755 298

This committed expenditure will be financed by unspent conditional grants, existing cash resources, funds internally generated and allocations in terms of Division of Revenue Act.

The above commitments are recorded inclusive of Value Added Tax (VAT).

Operating leases - as lessee (expense)

	2025	2024
Minimum lease payments due		
- within one year	565 450	146 901
- in second to fifth year inclusive	799 596	85 692
	1 365 046	**232 593**

Operating lease payments represent rentals payable by the municipality for certain of its office printers. No contingent rent is payable.

Operating lease was erronously not disclosed in the prior year, the corresponding prior year disclosure has been made and there is no impact on the face of annual financial statements.

40. Contingencies

Contingent liabilities - Legal

Matter	Claim value	Comments	Legal costs
Litigation against the municipality was instituted by Stratcon for professional services rendered for the Buffalo Flats Sanitation Project. Management consider the likelihood of the action against the municipality being successful as unlikely.	10 508 997	Attorneys JT Mphela advised that there is a good prospect of being sucessful herein.	124 600
Ex-employee's claim iro monies deducted for overpayment of standby monies on retirement. The matter is held at the Magistrate's Court, Madadeni.	86 000	Attorneys DBM await instructions from ADM regarding the pre-trial.	139 268
Objection received from Inzalo Enterprise Management Systems -Notice of Motion received ito Tender T2020/14.	4 484 354	Attorneys advised that the Municipality will not suffer any prejudice. The longer the Applicant takes, the worst their position becomes. Applicant to proceed further. Therefor no costs claimed.	144 867
Mela Okhuhle - Dispute regarding tender T2024/20	-	Medium prospects of success herein.	250 000
	15 079 351		**658 735**

Contingent Liabilities – Creditor Balance Differences

As at 30 June 2025, the municipality identified a contingent liability arising from discrepancies between supplier statements and the municipality's creditors age analysis. The supplier statements indicate balances totalling R18 198 538.70 higher than those recorded by the municipality.

The municipality recognises a creditor only when supported by a valid invoice and confirmation of delivery of goods or rendering of services by the relevant receiving department. As at reporting date, certain invoices had not yet been received and/or validated. In addition, some of the differences relate to disputed amounts where the municipality and suppliers are still in the process of reconciling balances.

Due to the absence of valid invoices, pending validations, and unresolved disputes as at the reporting date, the outcome of this matter remains uncertain. The timing and amount of any potential obligation cannot be reliably determined at this stage. The municipality has therefore accounted for the difference of **R18 198 538.70** as a contingent liability. A liability will be recognised in the statement of financial position once valid invoices are received, disputes are resolved, and/or the delivery of goods or services has been confirmed.

In terms of GRAP 19 paragraph .111, management has assessed that disclosure of further details, including the identities of individual suppliers, could prejudice the ongoing engagements and may also raise confidentiality concerns for the suppliers involved. Given the sensitive environment in which the municipality operates, such disclosure may create undue risk. For this reason, only the aggregate value of the contingent liability is disclosed, together with the nature of the matter.

Contingent assets

Matter	Claim value	Comments	Legal costs
Ntshiana Trading Enterprise Claim is for money on contract awarded by the Municipality and then cancelled again due to breach thereof by Ntshiana. Ntshiana withdrew the matter. ADM is now claiming for out costs herein.	98 000	Attorneys DBM's costs consultants are in the process of getting the costs taxed in the amount of R98,000-00.	59 246

Notes to the Annual Financial Statements

	2025		2024
Thaka - Tender T2022/08 - Bill of Costs (tender objection). Attorneys application against Thaka was sucessful. They are now in the process to recovered the taxed costs from Thaka.	-	Reasonable possibility of success to recover the monies owed by Thaka.	217 920
	-		-
Litigation against the municipality was instituted by Integrity Forensic Solution for unpaid services. Court awarded in favour of ADM. The costs will now be taxed by the Court and IFS will pay all costs herein.	970 000	The taxation of the Bill of Costs has been set down on 17 September 2025 for R970,000-00.	250 000
RoyaL HaskiningDHV - They sub-contracted a tender for a reservoir. The reservoir was poorly built and cannot be used.	-	Attorneys DBM awaits information to draft opinion herein.	20 000
Uni-span Formwork and Scaffholding - Tender Objection	85 000	Attorneys DBM is in final stages of drafting the Bill of Costs in the amount of R85000,00 herein.	-
	1 153 000		**547 166**

41. Related parties

Related Party	**Relationships**
Councillors	Compansation for Executive Mayor, Mayoral Committee members and Municipal Council members are seperately disclosed under remuneration for councillors note.
Controlled entities	Amajuba Development Agency (Proprietary) Limited: Amajuba Economic Development Agency (Pty) Ltd was registered in December 2014. This entity is fully owned and controlled by Amajuba District Municipality. The agency is currently not carrying on business and has no assets and liabilities
Associates	uThukela Water (Proprietary) Limited The entity, uThukela Water (Pty) Ltd, is jointly owned and controlled by Amajuba DM, Newcastle Local Municipality and uMzinyathi District Municipality and supplies the municipality with bulk water services:
Members of key management	Key management personnel compensations are separately disclosed under employee related costs note.

Related party balances

	2025	2024
Amounts included in Trade receivable (Trade Payable) regarding related parties		
uThukela Water (Pty) Ltd	(79 675 039)	(62 201 829)

Related party transactions

	2025	2024
Interest paid to (received from) related parties		
uThukela Water (Pty) Ltd	4 244 474	3 415 915
Purchases from (sales to) related parties		
uThukela Water (Pty) Ltd (vat incl.)	31 488 928	27 199 777

42. Change in estimate

Property, plant and equipment

Property, plant and equipment requires that the review of the remaining useful life of an item of property, plant and equipment be conducted at least at each reporting period. The municipality performed this review as at June 2025 and the following results were achieved.

Based on the condition assessment and utilisation of the assets ascertained during the physical verification exercise, the remaining useful lives of assets were reviewed.

The impact of the adjustment is that depreciation charges on property, plant and equipment decreased by R6 360 403 in 2025 financial year.

Changes in Accounting Estimates - 2025

	Depreciation after the review of useful life	Depreciation before the review of useful life	Carrying value after review of useful life	Carrying value before review of useful life
Land	-	-	569 591	569 591
Buildings	2 680 316	3 022 604	54 304 262	53 998 339
Plant and machinery	2 803 082	3 184 694	11 952 784	11 571 294
Furniture and office equipment	2 383 809	2 375 863	5 221 683	5 232 062
Motor vehicles	1 309 470	1 816 354	4 084 971	3 578 087
Leased assets	181 737	187 047	495 115	566 281
Community assets	547 941	829 228	8 218 271	7 936 984
Infrastructure assets	11 992 773	16 843 739	307 563 733	303 584 126
	21 899 126	**28 259 530**	**392 410 411**	**387 036 764**

It is impractical to determine the amount of the effect in future periods.

43. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Reclassification	Restated
Receivables from exchange - consumer debtors		21 617 158	(10 610 565)	-	11 006 593
Investment in associate		121 596 729	457 436	-	122 054 166
VAT - Statutory receivable		7 128 227	177 681	18 478 428	25 784 336
VAT payable		-	-	(18 478 428)	(18 478 428)
Payables from exchange transactions: Payments received in advance		(2 174 679)	(434 720)	-	(2 609 399)
Payables from exchange transactions: Cunsumer deposits		(351 881)	(284 211)	-	(636 092)
Provision		(20 081 317)	-	7 447 321	(12 633 996)
Employee benefits		(450 280)	-	(7 447 321)	(7 897 601)
Payables from exchange transactions: Trade payables		(108 301 416)	(310 476)	-	(108 611 892)
		18 982 541	**(11 004 855)**	**-**	**7 977 687**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Reclassification	Restated
Contracted services		63 092 471	-	(858 760)	62 233 711
General Expenses		51 663 367	-	858 760	52 522 127
Service charges		(30 967 790)	3 302 538	20 157	(27 645 095)
Other Income		(7 269 517)	-	(20 157)	(7 289 674)
Employee related cost		140 866 408	-	(772 696)	140 093 712
Finance cost		4 548 907	-	772 696	5 321 603
Interest income		(31 791 508)	(44 771)	-	(31 836 279)
Share of profits from associate		(3 013 259)	(457 436)	-	(3 470 695)
Debt Impairment		31 211 724	8 444 957	-	39 656 680
Surplus for the year		**218 340 803**	**11 245 288**	**-**	**229 586 090**

Accummulated surplus

2024

	As previously reported	Correction of error	Restated
Effect on accumulated surplus balance as at 1 July 2024	720 501 727	(10 762 008)	709 739 719
Effect on accumulated surplus balance as at 1 July 2023	666 934 137	487 220	667 421 357
	-	**-**	**-**

Errors

The following prior period errors and adjustments occurred:

Notes to the Annual Financial Statements

	2025	2024

Receivables from exchange

Receivables from exchange was adjusted as a result of debtors data cleansing and correction prior period estimates and change in debt impairment calculation.

Payables from exchange transactions
Payables from exchange transactions was adjusted by due to write-off of legacy balances and correction of opening balances.
Trade payables were also adjusted to correct cut-off error for invoices raised in the incorect period.

VAT Statutory receivable
VAT was adjusted due reversal of debtors write-off, debtors data cleansing and correction prior period estimates. VAT input was also adjusted with correction of cut-off misstatement.

Service charges
Service charges were restated as a result of debtors data cleansing and correction prior period estimates.

Interest income
Interest income was adjusted for interest accrual on investment not recognised.

Investment in associate and share of profit
Investment in associate and share of profit from associate was amended to uThukela Water restated 2024 annual financial statements.

Debt Impairment
Debt impairment increased due to change in calculation of impairment

Provisions and employee benefits
In prior years, long service awards were presented under *Note 18: Provisions* instead of *Employee Benefits*, contrary to GRAP 25, which requires these obligations to be recognised as *other long-term employee benefits*. The classification was initially based on the National Treasury Illustrative Annual Financial Statements format. During the 2024/25 audit cycle, management reassessed this treatment and corrected the classification in accordance with GRAP 25.

Accumulated surplus
2023 financial year accumulated surplus was adjusted due to write-off of legacy balances from debtors and correction of opening balances.

Reclassifications

The following reclassifications adjustment occurred:

Contracted services

Contracted services was adjusted due to reclassification of COIDA expenditure to general expenditure.

General expenditure
General expenditure was adjusted due to reclassification of COIDA expenditure to contracted expenditure.

Other income
Reconnection fees were reclassified from service charges to other income.

Employee related costs
Post-retirement medical interest and long service awards interest has been reclassified from employee cost to finance cost.

VAT payable
VAT output accrual payable was reclassified from statutory recivable- VAT and was disclosed seperately under current liabilities as VAT payable.

44. Risk management

Liquidity risk

The municipality's is exposed to liquidity risk through the payables from exchange transactions and borrowings. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities and available funding from the National Treasury. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash investment deposits, cash equivalents, receivables from exchange and nonexchange transactions. The municipality manages credit risk in its investing activities by only dealing with well established financial institutions of high credit standing and by spreading its exposure over a range of such institutions in accordance with its approved cash banking and investment policy. Credit risk pertaining to consumer debtors comprise of mainly water, sanitation and refuse users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services"(for non-residential customers) and, as a last resort, "handed over for collection", which ever procedure is applicable in terms of Council's credit control and debt collection policy. Furthermore the consumer debtors neither past due nor impaired are considered in the impairment assessment at year end as collectible debts as they are further secured by deposits held.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties have similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with credit ratings. The carrying amount of financial assets recorded in the annual financial statements which is net of impairment losses, represents the municipality's maximum exposure to credit risk.

Financial instruments exposed to credit (financial assets) or liquidity (financial liabiliities) risk at year end were as follows

2025

	Carrying value	Less than 1 year	1 - 2 years	2 -5 years
Cash and cash equivalents *	39 810 539	39 810 539	-	-
Receivables from exchange (gross balance) *	94 359 866	94 359 866	-	-
Payables from exchange transactions **	(158 855 963)	(158 855 963)	-	-
Receivables from non-exchange *	15 135	15 135	-	-

* Financial asset
**Financial liability

2024

	Carrying value	Less than 1 year	1 - 2 years	2 -5 years
Cash and cash equivalents *	62 411 619	62 411 619	-	-
Receivables from exchange (gross balance) *	66 643 770	66 643 770	-	-
Other financial liabilities	1 484 502	1 484 502	-	-
Payables from exchange transactions **	(130 587 390)	(130 587 390)	-	-
Receivables from non-exchange *	15 135	15 135	-	-

* Financial asset
**Financial liability

Restatement of prior year classification error

In the previous financial year, VAT Receivable (2025: R11 735 818 & 2024: R7 268 890)and Unspent Conditional Grants (2025: R8 693 863 & 2024: R25 499 937) were erroneously classified as financial instruments in the financial risk management note. These line items have not been included in this note in the current year as VAT and Unspent Conditional Grants arise from statutory (legislative) arrangements rather than contractual arrangements and therefore do not meet the definition of financial instruments. This treatment is consistent with GRAP 23, paragraph 3(g) and the Accounting Standards Board – Financial Instruments Fact Sheet #1. This has no impact on the face of annual financial statements.

	2025	2024

Market risk

Interest rate risk

The municipality limits exposure to interest rate fluctuations by only dealing with well-established institutions and opting for fixed interest rates rather than variable rates.

45. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 741 324 295 and that the municipality's total assets exceed its liabilities by R 741 324 295.

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 municipality's ability to continue as a going concern is dependent on several factors, the most significant being the continued receipt of funding from the National Treasury in line with DoRA allocations, including both conditional and unconditional grants (equitable share and other grants). Management has no indication of any intention by the National Treasury to reduce or cease this support, which is essential for fulfilling the municipality's mandate under the MFMA and the Constitution of the Republic of South Africa. Other key indicators considered in the assessment, aligned with the factors in GRAP 1.29, include.

Category	Indicator	Assessment Outcome
Financial	Net asset position	The municipality is operating at a positive net asset position, with assets exceeding liabilities.
Financial	Borrowings and financing	Long term loan with DBSA was fully paid during 2024-25 financial year.There are no new fixed-term borrowings, and the municipality is not operating on an overdraft. Adverse financial ratios or inability to pay creditors are not present.
Financial	Budget and surplus	The 2024/25 budget reflects a surplus position, and the municipality reported a surplus for the financial year, with no significant deterioration in the value of assets used to generate cash flows.
Financial	Creditor payments	The municipality remains able to pay its routine creditors required for daily operations, with no indications of withdrawals of support from creditors.
Revenue and Funding	Government allocations	The National Sphere of Government is expected to continue allocating the equitable share of national revenue and other DoRA grants, with no announced reductions or policy changes that would impact funding.
Operating	Labour and operations	There are no labour difficulties or disruptions that could render the municipality dysfunctional.
Operating	Legal and regulatory	There are no material pending legal claims, changes in law, regulation, or government policies that may result in liquidation or cessation of operations. Compliance with MFMA requirements for financial management and reporting is maintained.
Other	External factors	No uninsured catastrophes, economic crises, or other events (e.g., pandemics or natural disasters) have been identified that would adversely affect the municipality's ability to continue operations.

Notes to the Annual Financial Statements

	2025	2024

The following are possible effects of the future implications on the municipality's performance:

- The current ratio reflects possible liquidity issues, poor revenue generation, cash flow constraints and uncontrolled budget spending as well as deterioration in assets used to generate revenue.

Managements plan to deal with these events and circumstances are as follow:

- Implementaion of revenue enhancement strategies.
- Implementation of cost containment measures.

Based on this assessment, management has concluded that the going concern assumption is appropriate, and the municipality will continue as a going concern for the foreseeable future, being at least the next 12 months from the reporting date. This conclusion has been documented and approved by the appropriate governance structures (i.e. audit committee, council) in preparation for the audit and submission of the annual financial statements under section 122 of the MFMA. If any events after the reporting date up to the date of authorisation indicate otherwise, they will be evaluated in accordance with GRAP 14.

46. Events after the reporting date

There was one material subsequent event affecting financial statements after the reporting period that was identified;

- In the Council meeting that was held on the 14th of November 2025, Council approve the write off of 2022/23 unauthorised, irregular, fruitless and wasteful expenditure (UIFWE) totaling R130 621 951,70 after the recommendations by the investigation report.
- This is an adjusting event and the disclosure of UIFWE has been subsequently amended.

47. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	138 103 594	788 246 457
Add: Unauthorised expenditure - current	123 691 349	53 933 511
Less: Amount written off - prior period (2022/23)	(83 818 037)	(704 076 374)
Closing balance	**177 976 906**	**138 103 594**

Analysed as follows: non-cash

	2025	2024
Impairment loss of assets	1 210 342	913 372
Depreciation and amortisation	3 302 058	3 080 703
Share of losses from associate	17 467 574	-
Debt impairement	20 069 247	27 184 394
Actuarial losses	-	295 994
Bad debt written off	491 991	269 397
	42 541 212	**31 743 860**

Analysed as follows: cash

	2025	2024
Bulk purchases	12 492 234	-
Contracted services	33 964 362	7 250 948
General expenditure	4 630 357	2 703 528
Employee related costs	21 251 766	7 903 938
Finance cost	7 356 529	4 331 237
Remuneration of councillors	1 454 889	-
	81 150 137	**22 189 651**

Recoverability steps taken

Unauthorised expenditure incurred during the year is yet to be investigated in terms circular 68, the recoverability of this expenditure will be determined by the outcomes of investigation. Except for expenditure still to be investigated, no prior year expenditure was determined to be recoveraby.

Notes to the Annual Financial Statements

	2025	2024

Disciplinary steps taken/criminal proceedings

There were no disciplinary steps taken or criminal proceedings relating to unauthorised expenditure after investigation.

Notes to the Annual Financial Statements

	2025	2024

48. Fruitless and wasteful expenditure

	2025	2024
Opening balance as previously reported	8 809 685	5 480 323
Add: Fruitless and wasteful expenditure identified - current	6 497 842	3 329 362
Less: Amount written off - prior period (2022/23)	(3 392 529)	-
Closing balance	**11 914 998**	**8 809 685**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	2025	2024
Interest on overdue account: Eskom	None	88 871	58 324
Interest on overdue account: Auditor General	None	116 801	42 544
Interest on overdue account: uThukela Water	None	4 244 474	2 429 237
Interest on overdue account: Department of Labour	None	688 352	596 647
Interest on overdue account: Toyota	None	-	21 745
Unauthorised debit orders not recovered: ABSA Bank	None	951 838	-
Interest on overdue account: eMadlangeni Municipality	None	407 506	180 866
		6 497 842	**3 329 363**

Recoverability steps taken

Fruitless and wasteful expenditure incurred during the year is yet to be investigated in terms circular 68, the recoverability of this expenditure will be determined by the outcomes of investigation. Except for expenditure still to be investigated, no prior year expenditure was determined to be recoveraby.

Disciplinary steps taken/criminal proceedings

There were no disciplinary steps taken or criminal proceedings relating to fruitless and wasteful expenditure.

Notes to the Annual Financial Statements

	2025	2024

49. Irregular expenditure

Opening balance as previously reported	64 361 375	116 910 513
Opening balance as restated	**64 361 375**	**116 910 513**
Add: Irregular Expenditure - current	24 601 983	26 391 991
Less: Amount written off - prior period (2022/23)	(43 411 386)	(78 941 129)
Closing balance	**45 551 972**	**64 361 375**

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

	Disciplinary steps taken/criminal proceedings		
SCM processes not followed	None	20 361 220	22 771 189
BAC not properly composed in terms of Reg. 29(2)	None	3 235 212	2 574 092
Month to month contract extentions	None	983 651	-
Awards to close family members	None	-	64 248
Awards made to persons in the service of the state	None	21 900	982 462
		24 601 983	**26 391 991**

Recoverability steps taken

Irregular expenditure incurred during the year is yet to be investigated in terms circular 68, the recoverability of this expenditure will be determined by the outcomes of investigation. Except for expenditure still to be investigated, no prior year expenditure was determined to be recoveraby.

Disciplinary steps taken/criminal proceedings

There were no disciplinary steps taken or criminal proceedings relating irregular expenditure after investigation.

50. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	4 264 850	6 010 942

PAYE, SDL and UIF

Current year subscription / fee	30 551 922	28 819 616
Amount paid - current year	(30 551 922)	(28 819 616)
	-	**-**

Pension and Medical Aid Contributions

Current year subscription / fee	16 298 647	14 650 972
Amount paid - current year	(16 298 647)	(14 650 972)
	-	**-**

VAT

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

Notes to the Annual Financial Statements

	2025	2024

Councillors' arrear consumer accounts

As at 30 June 2025 there were no councillors with arrear accounts outstanding for more than 90 days.

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor LN Zulu	-	653	653

SALGA Levies

	2025	2024
Current year subscription/fee	1 432 428	1 254 963
Amount paid - current year	(1 432 428)	(1 254 963)
	-	-

Salga levies were erroneously ommited in the prior year disclosure.

Non-compliance with the Municipal Finance Management Act

Some suppliers were not paid within 30 days as required by section 65(1)(e) of MFMA.

The municipality incurred irregular, unauthorised, fruitless and wasteful expenditure in contravention of section 62(1)(d) of MFMA.

Notes to the Annual Financial Statements

	2025	2024

51. Deviation from 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 Accounting Officer and noted by Council.

The following are deviations that were approved by the Accounting Officer.

Description of Goods/ Service/ Works	Date	Supplier	Award Value	Reason for deviation
Repair raw water pumps for Utrecht dam.	25/07/2024	Kantech Services	91 028	Emergency.
Repairs of four 75KW Motors at Chemsford Raw water Pump Station.	16/10/2024	Kantech Services	122 866	Emergency.
Urgent request to replace sliding ring seal on the compressor for Durnacol water treatment plant.	06/02/2025	Kaeser Compressors	35 648	The goods or services are available from single provider.
Emergency repairs.	18/12/2024	Kantech Services	114 594	Emergency.
Request for procuring services of a service provider to provide training on ISO 550012024 Road Asset Management System (RRAMS) Auditing Course (Module 2) from 17th - 19th February 2025.	17/02/2025	ICCASA	67 137	This is an exceptional case where it is impractical or impossible to follow the official procurement processes.
Service Provider to Provide Bodyguards/ Drivers, firearms, Rifle, Backup Vehicle, Safe and Firearms Control Officer for the Bodyguards/ Drivers of Honourable Deputy Mayor of Amajuba District Municipality	20/05/2025	Izinhloli Holdings (PTY) LTD	247 480	Emergency.
Service Provider to Provide Bodyguards/ Drivers for CFO of Amajuba District Municipality (Z.J. Ndlovu)	05/05/2025	Real Sec (PTY) LTD	138 000	Emergency.
			816 753	

Notes to the Annual Financial Statements

	2025	2024

52. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of one major functional areas: Water and Waste Water Management. The segments were organised around the type of service delivered and the mandate of the municipality in terms of MFMA and the Contitution of the Republic of South Africa. 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.

Aggregated segments

Segments were aggregated on the basis of services core fuctions of the municipality.

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**
Water and Waste Water Management	Water and Sanitation Services
Administration and support	Provision of support services - finance, corporate services, planning, community services and municipal manager's office

Notes to the Annual Financial Statements

Figures in Rand

Segment surplus or deficit, assets and liabilities

2024

	Water and Waste Water Management	Administration and support	Total
Revenue			
Revenue from non-exchange transactions	140 729 796	263 496 902	404 226 698
Service charges	32 937 831	-	32 937 831
Interest revenue	6 579 387	8 053 544	14 632 931
Other revenue	-	241 465	241 465
Total segment revenue	**180 247 014**	**271 791 911**	**452 038 925**
Entity's revenue			**452 038 925**
Expenditure			
Bulk purchases	27 492 234	-	27 492 234
Salaries and wages	33 087 625	118 487 141	151 574 766
Depreciation	11 992 773	9 922 285	21 915 058
Share of losses of associates	17 467 574	-	17 467 574
Other expenses	10 145 625	192 428 877	202 574 502
Total segment expenditure	**100 185 831**	**320 838 303**	**421 024 134**
Total segmental surplus/(deficit)	**80 061 183**	**(49 046 392)**	**31 014 791**
Assets			
Consumer Debtors	7 415 415	131 470	7 546 885
Inventory	1 167 979	-	1 167 979
Investment in associates	104 586 592	-	104 586 592
Property, plant and equipment	673 809 827	84 846 677	758 656 504
Other assets	-	81 353 989	81 353 989
Total segment assets	**786 979 813**	**166 332 136**	**953 311 949**

Notes to the Annual Financial Statements

Figures in Rand

	Water and Waste Water Management	Administration and support	Total
Total assets as per Statement of financial Position			**953 311 949**
Liabilities			
Trade and other payables	(24 184 181)	(134 553 670)	(158 737 851)
Unspent conditional grants	(8 693 863)	-	(8 693 863)
Other liabilities	-	(36 960 618)	(36 960 618)
Total segment liabilities	**(32 878 044)**	**(171 514 288)**	**(204 392 332)**
Total liabilities as per Statement of financial Position			**(204 392 332)**

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

2024

	Water and Waste Water Management	Administration and support	Total
Revenue			
Revenue from non-exchange transactions	98 700 775	226 518 063	325 218 838
Service charges	27 645 095	-	27 645 095
Interest revenue	21 515 369	10 320 910	31 836 279
Other revenue	-	9 233 392	9 233 392
Share of surplus from associate	3 470 695	-	3 470 695
Total segment revenue	**151 331 934**	**246 072 365**	**397 404 299**
Entity's revenue			**397 404 299**

Notes to the Annual Financial Statements

Figures in Rand

Expenditure			
Bulk purchases	23 684 817	-	23 684 817
Salaries and wages	25 322 023	114 839 634	140 161 657
Depreciation	13 155 462	7 684 695	20 840 157
Other expenses	10 513 187	159 882 179	170 395 366
Total segment expenditure	**72 675 489**	**282 406 508**	**355 081 997**
Total segmental surplus/(deficit)	**78 656 445**	**(36 334 143)**	**42 322 302**
Assets			
Consumer Debtors	8 440 959	2 565 636	11 006 595
Inventory	1 492 251	-	1 492 251
Investment in associates	122 054 166	-	122 054 166
Property, plant and equipment	581 116 072	93 454 209	674 570 281
Other assets	-	79 303 268	79 303 268
Total segment assets	**713 103 448**	**175 323 113**	**888 426 561**
Total assets as per Statement of financial Position			**888 426 561**
Liabilities			
Borrowings	(1 484 502)	-	(1 484 502)
Trade and other payables	(19 649 902)	(110 937 488)	(130 587 390)
Unspent conditional grants	-	(25 499 937)	(25 499 937)
Other Liabilities	-	(21 111 073)	(21 111 073)
Total segment liabilities	**(21 134 404)**	**(157 548 498)**	**(178 682 902)**
Total liabilities as per Statement of financial Position			**(178 682 902)**

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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

Information about geographical areas

The municipality's operations are in the KwaZulu-Natal province.

53. Budget differences

Material differences between budget and actual amounts

Budget Item	Variance explanation
.	**Statement of financial performance**
Sale of goods	The variance is caused by less projects in the current year, therefore lesser bidders who purchased documents, the budget was based on prior year actuals.
Service charges	The drop in consumption due to data cleansing project which reduced the number of accounts on estimated consumption. Furthermore, there is a transition taken by government departments and commercial businesses to alternative sources of water such as boreholes.
Rental of facilities and equipment	Less number of people that hired the facility during the year, during budget stage the anticipated number of rentals was higher than actuals.
Profit on sale of assets	Disposal of motor vehicle was due to an accident and was written off by the insurance company.
Other income	During the budget stage, prior year actuals which had once of payments were utilised to project for current year.
Interest received	The variance is caused by that during the budget stage, prior year actuals with higher interest from trade and other receivables which was then written off as irrevocable was utilised to project for current year.
Licences and permits	Licences and permits were not budgeted for as there was no baseline in the prior years.
Government grants & subsidies	The variance is due to delays in implementation of MIG infrastructure project which delayed spending of the grant.
Fines penalties & forfeits	The forfeits were not budgeted for as there was no baseline in the prior years.
Employee costs	The variance is due to salary increment as bargaining agreement and filling of vacant positions during the year.
Remuneration of councillors	Remuneration of councillors was over-adjusted for during the adjustment budget due to back payments after implementation of upper limits.
Depreciation and amortisation	The variance is due to increase to purchases of new assets and completion of projects that were transferred from work in progress.
Impairment loss	The municipality over budgeted for impairment based on prior years actuals.
Finance costs	Interest charged due to non-payment of creditors such as uThukela Water that have long outstanding debt, even though there are payment arrangements.
Bad debts written off	This was caused by implementation of incentive programmes that was not anticipated during the budget stage.
Bulk purchases	The variance is caused by unanticipated increases in demand for water consumption and increase in tariffs.
Contracted Services	The variance is due to significant increase in security, fleet and water repairs services.

Notes to the Annual Financial Statements

		2025	2024
General expenses	Variance is caused by increase in insurance premium on property plant and equipment and travel expenses.		
Total expenditure	The overall variance reflects the combined impact of higher contracted services, bulk purchases, depreciation, and employee-related costs.		
Operating surplus/(deficit)	The variance results from lower revenue and higher operating costs as outlined above.		
Actuarial gains/losses	Not budgeted, as these arise from actuarial valuations and are inherently unpredictable.		
Share of surplus/(deficit) from associates	The variance reflects the share of loss recognised from associates; the budget did not anticipate the actual performance outcome.		
Surplus before taxation	The variance follows from revenue and expenditure variances described above.		
.			
	Statement of financial position		
Inventories	The variance is due to higher closing stock levels as a result of increase in water demand and tariff increase.		
Receivables from exchange transactions	The variance reflects year-end billing/collection timing after data cleansing; the balances differ due to stronger collections in the current year.		
Receivables from non-exchange transactions	The variance relates to the timing of grant receivables at year-end that was not anticipated at the budget stage.		
VAT receivable	The variance is due to the VAT claims and refunds been done at year end.		
Cash and cash equivalents	The variance is due to higher supplier payments and loan settlements during the settlements.		
Property, plant and equipment	The variance is due to the capitalisation of completed project compared with budget projections that were based on prior year's actuals.		
Heritage assets	Carrying value remained unchanged in line with the five-year valuation policy; no budget movement was assumed.		
Investment in associates	The variance reflects the share of loss recognised, reducing the carrying value relative to budget expectations.		
Intangible assets	Minor variance.		
Other financial liabilities	The variance is due to full settlement of the loan during the year (January 2025), resulting in a nil year-end balance versus the budget.		
Payables from exchange transactions	The variance is due to higher outstanding balances due to more purchases in the current period being incurred and higher than expected operational expenditure been incurred.		
Unspent conditional grants and receipts	The variance is due to that the actual unspent grants as per previous financial year.		
Finance lease obligation	Finance lease was not accounted for during budgeting..		
Provisions	The variance is due to more employees being employed by the entity and a change in actuarial assumptions that was not anticipated for which resulted in a higher provision than what was budgeted for.		
Total liabilities	The variance reflects lower interest-bearing/long-term balances after settlements, partly offset by higher year-end payables and provisions.		

Notes to the Annual Financial Statements

	2025	2024

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Cash flow statement

Taxation	The variance is caused by the data strings during the budget upload into the system.
Sale of goods and services	Less collection in the sale of goods than the anticipated.
Grants	Variance is caused by roll over amount of unspent grants that actually received in the prior year and was then roll forward into the current year.
Interest income	The variance is caused by less rental received than that of previous financial year.
Other income	Unbudgeted gain resulted from the unanticipated disposal of assets during the year.
Fines, penalties and forfeits	No budget provision was made due to a lack of a prior year baseline, while actual receipts occurred during the year.
Employee costs	Above budget due to the implementation of critical operational structures and vacancies in line with service delivery plans.
Suppliers	The variance is caused by more purchases than the expected due to unforeseen expenditure on contracted services.
Finance costs	Unbudgeted interest charged resulted from the unanticipated overdue accounts.
Property, plant and equipment	The variance is due to the less capitalisation of new completed projects compared with budget projections that were based on prior year's actuals resulting in lower new additions to WIP.
Purchase of other intangible assets	Minor variance.
Repayment of other financial liabilities	The variance is caused by the data strings during the budget upload into the system.
Cash and cash equivalents	The variance is caused by higher adjustment during midyear as results of additional unanticipated grants received during the year.

Notes to the Annual Financial Statements

	2025	2024

54. Water distribution losses

Water Distribution losses were calcluated in terms MFMA circular 71 as follows		
Units lost (Kilolitres)	3 314 214	3 908 055
Annual purified water purchased and produced	5 407 746	5 493 645
Rand value of water losses at average price R10,69 (2024: R9,26)	35 455 827	36 173 439
Water loss percentage 61 % (2024: 71%)	**-**	**-**

Amajuba District Municipality is mostly dominated with rural areas . Some of the rural areas have stand pipes and other areas do not have water infrastructure. The municipality utilises water tanker delivery services to collect water from the water treatment works and other designated water collection points to deliver water to areas that do not have water infrastructure.

Water provided to the rural areas is categorised as unbilled unmetered authorised consumption. Most of these rural areas have a huge impact on water losses due to the fact that consumption by each individual household remains unmetered and uncapped to a minimum basic service of 6kilo-litres for each household per month.