uMkhanyakude District Municipality and its Municipal Entity
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	DC27 Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, and sanitation) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
The following is included in the scope of operation	Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Finance Management Act (Act no.56 of 2003) Municipal Systems Act (Act 32 of 2000) Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 1 of 2007)

Mayoral committee

Executive Mayor	Mr. SF Mdaka
Deputy Mayor	Mr. TM Sibiya
Speaker	Mr TS Mkhombo
Chief Whip	Mr. SR Khumalo
MPAC Chair	Miss. MZ Nyawo
	Mr. BP Madlopha
	Mr. GP Moodley
	Mr. BS Mthembu
	Mr. ME Ndlela
	Mr. MC Zungu
Councillors	Mr. MA Gina
	Mr. NL Gumbi
	Mr. JM Gumede
	Mr. TS Khumalo
	Mr. R TN Magagula
	Miss. TP Manzini
	Mr. TM Malu
	Mr B Mdluli
	Mr. MZ Mhlongo
	Mrs. MM Mkhwamubi
	Ms. LM Mkhwanazi
	Mr. N Mlambo
	Mr. JP Msezane
	Mr. KC Mthembu
	Mr. NS Mthethwa
	Mr. NS Myeni
	Mr. DA Ncube
	Mr. HS Ndlovu
	Miss. MS Ngcobo
	Mr. SW Nkonyane
	Mr. TZ Nyawo
	Mrs. SN Nzuza
	Mr. BW Shangase
	Mr. KC Thembitshe
	Mr. BI Zungu
Traditional Leaders	Inkosi Mr. Z Gumede
	Inkosi Mr. KTH Nxumalo

General Information

	Inkosi Mr. NI Zikhali
Grading of local authority	Grade 4
Accounting Officer	Mr. WM Nxumalo
Chief Financial Officer (CFO)	Mr. S Ndabandaba
Registered office	Harlingen No. 13433 Kingfisher Road Mkuze 3965
Business address	Harlingen No. 13433 Kingfisher Road Mkuze 3965
Postal address	P.O. Box 449 Mkuze 3965
Bankers	ABSA FNB Nedbank
Auditors	Auditor-General South Africa Registered Auditors

Index

Abbreviations used:

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
KM	Kilometers
KL	Kilolitres
SARS	South African Revenue Service
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
SDL	Skills Development Levy
COGTA	Cooperative Governance and Traditional Affairs
SETA	Services Sector Education & Training Authority
PPE	Property Plant and Equipment
NJNPF	Natal Joint Municipal Pension Fund
WIP	Work in Progress
CPI	Consumer Price Index
UIF	Unemployment Insurance Fund
IT	Information Technology
VAT	Value Added Tax
WSSA	Water and Sanitation Services South Africa

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 International Financial Reporting Standards (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 economic entity’s cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The internal auditors are responsible for independently reviewing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the economic entity's internal auditors.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the council on 30 September 2025 and were signed on its behalf by:

WM Nxumalo
Accounting Officer

Statement of Financial Position as at 30 June 2025

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2025	2024 Restated*	2025	2024 Restated*
Assets					
Current Assets					
Inventories	3	79 201 312	86 434 183	77 462 182	82 218 194
Other receivables from exchange transactions	4	1 612 006	2 271 530	1 361 581	1 682 451
VAT receivable	5	45 863 099	50 123 766	45 863 099	49 881 308
Receivables from exchange transactions: Consumer debtors	6	56 058 036	47 961 058	56 058 036	47 961 058
Cash and cash equivalents	7	71 635 292	124 693 752	56 980 643	108 949 081
		254 369 745	**311 484 289**	**237 725 541**	**290 692 092**
Non-Current Assets					
Property, plant and equipment	8	2 194 297 358	2 170 085 631	2 190 068 224	2 166 416 390
Intangible assets	9	3 438 640	3 605 184	3 324 992	3 540 030
Heritage assets	10	586 000	586 000	586 000	586 000
		2 198 321 998	**2 174 276 815**	**2 193 979 216**	**2 170 542 420**
Total Assets		**2 452 691 743**	**2 485 761 104**	**2 431 704 757**	**2 461 234 512**
Liabilities					
Current Liabilities					
Loans: short term portion	11	81 094	933 832	81 094	933 832
Payables from exchange transactions	12	413 391 382	300 304 207	414 556 691	302 719 705
VAT payable	13	1 032 613	-	-	-
Consumer deposits	14	1 120 695	1 104 493	1 120 695	1 104 493
Employee benefit obligation: short term portion	15	1 097 000	1 024 000	1 097 000	1 024 000
Unspent conditional grants and receipts	16	12 397 243	23 502 329	9 897 505	16 897 505
		429 120 027	**326 868 861**	**426 752 985**	**322 679 535**
Non-Current Liabilities					
Loans: long term portion	11	-	81 094	-	81 094
Employee benefit obligation: long term portion	15	13 335 000	11 995 000	13 335 000	11 995 000
		13 335 000	**12 076 094**	**13 335 000**	**12 076 094**
Total Liabilities		**442 455 027**	**338 944 955**	**440 087 985**	**334 755 629**
Net Assets		**2 010 236 716**	**2 146 816 149**	**1 991 616 772**	**2 126 478 883**
Accumulated surplus		2 010 236 719	2 146 816 148	1 991 616 774	2 126 478 883
Total Net Assets		**2 010 236 719**	**2 146 816 148**	**1 991 616 774**	**2 126 478 883**

* See Note 42 & 41

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity 2025	Economic entity 2024 Restated*	Controlling entity 2025	Controlling entity 2024 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	17	55 749 131	46 542 990	55 749 131	46 542 990
Rental of facilities and equipment	18	566 069	448 136	439 938	331 179
Interest on receivables	19	18 457 032	18 118 655	18 457 032	18 118 655
Other Income	20	1 653 006	936 419	1 262 413	656 659
Interest on investment	21	18 028 550	25 370 207	16 881 950	23 941 372
Total revenue from exchange transactions		**94 453 788**	**91 416 407**	**92 790 464**	**89 590 855**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	22	881 713 670	855 407 860	875 664 000	846 988 986
Public contributions and donations	23	-	2 877 400	-	-
Total revenue from non-exchange transactions		**881 713 670**	**858 285 260**	**875 664 000**	**846 988 986**
Total revenue		**976 167 458**	**949 701 667**	**968 454 464**	**936 579 841**
Expenditure					
Employee related costs	24	(199 375 268)	(182 515 128)	(187 881 626)	(170 875 043)
Employee costs - Remuneration of councillors	25	(13 735 557)	(13 249 496)	(13 735 557)	(13 249 496)
Directors emoluments	26	(1 372 230)	(1 471 471)	-	-
Depreciation and amortisation	27	(96 515 054)	(95 518 321)	(95 819 599)	(95 018 044)
Finance costs	28	(2 604 385)	(160 512)	(2 604 385)	(160 512)
Lease rentals on operating lease	29	(8 457 556)	(5 148 757)	(7 876 826)	(4 635 101)
Debt Impairment	30	(39 772 677)	(31 250 257)	(39 772 677)	(31 238 760)
Inventory consumed	31	(407 866 716)	(329 695 207)	(407 866 716)	(329 695 207)
Bulk purchases	32	(22 690 092)	(28 229 517)	(22 690 092)	(28 229 517)
Contracted Services	33	(186 104 827)	(116 687 029)	(184 562 983)	(116 106 264)
General expenses	34	(102 565 015)	(71 131 202)	(108 844 830)	(77 770 674)
Total expenditure		**(1 081 059 377)**	**(875 056 897)**	**(1 071 655 291)**	**(866 978 618)**
Operating (deficit) surplus		**(104 891 919)**	**74 644 770**	**(103 200 827)**	**69 601 223**
Loss on disposal of assets and liabilities	8&9	(9 236 814)	(23 871 198)	(9 210 907)	(23 871 198)
Impairment loss	8	(22 354 373)	(29 551)	(22 354 373)	(29 551)
Fair value adjustments and actuarial gains/(losses)	36	(96 000)	1 249 711	(96 000)	1 249 711
		(31 687 187)	**(22 651 038)**	**(31 661 280)**	**(22 651 038)**
(Deficit) surplus for the year		**(136 579 106)**	**51 993 732**	**(134 862 107)**	**46 950 185**

* See Note 42 & 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Economic entity		
Opening balance as previously reported	2 211 816 913	2 211 816 913
Adjustments		
Correction of errors 41	(116 994 497)	(116 994 497)
Balance at 01 July 2023 as restated*	**2 094 822 416**	**2 094 822 416**
Changes in net assets		
Surplus for the year	51 993 732	51 993 732
Total changes	51 993 732	51 993 732
Restated* Balance at 01 July 2024	**2 146 815 825**	**2 146 815 825**
Changes in net assets		
Surplus for the year	(136 579 106)	(136 579 106)
Total changes	(136 579 106)	(136 579 106)
Balance at 30 June 2025	**2 010 236 719**	**2 010 236 719**
Note(s)		

Figures in Rand	Accumulated surplus / deficit	Total net assets
Controlling entity		
Opening balance as previously reported	2 199 087 213	2 199 087 213
Adjustments		
Correction of errors 41	(119 558 515)	(119 558 515)
Balance at 01 July 2023 as restated*	**2 079 528 698**	**2 079 528 698**
Changes in net assets		
Surplus for the year	46 950 185	46 950 185
Total changes	46 950 185	46 950 185
Restated* Balance at 01 July 2024	**2 126 478 881**	**2 126 478 881**
Changes in net assets		
Surplus for the year	(134 862 107)	(134 862 107)
Total changes	(134 862 107)	(134 862 107)
Balance at 30 June 2025	**1 991 616 774**	**1 991 616 774**
Note(s)		

* See Note 42 & 41

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2025	2024 Restated*	2025	2024 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		28 649 649	21 776 546	28 649 649	21 776 546
Grants		870 684 900	794 815 400	868 664 000	793 717 000
Interest income		18 648 759	24 257 876	17 502 479	22 810 363
Other income		1 580 366	3 288 087	1 262 413	3 056 659
Rental facilities and equipment		266 410	332 336	140 279	215 379
Donations in cash		-	275 000	-	-
		919 830 084	844 745 245	916 218 820	841 575 947
Payments					
Employee costs		(202 236 177)	(194 083 003)	(189 546 475)	(180 944 462)
Suppliers		(583 449 671)	(458 629 669)	(573 670 333)	(446 455 502)
Finance costs		(1 145 385)	(160 512)	(1 145 385)	(160 512)
Grants paid to municipal entities		-	-	(19 097 826)	(19 373 913)
		(786 831 233)	(652 873 184)	(783 460 019)	(646 934 389)
Net cash flows from operating activities	37	**132 998 851**	**191 872 061**	**132 758 801**	**194 641 558**
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(184 368 346)	(220 247 380)	(183 113 057)	(219 125 530)
Purchase of other intangible assets	9	(755 133)	(3 718 316)	(680 350)	(3 718 316)
Other purchases		-	(2 652 254)	-	(2 652 254)
Net cash flows from investing activities		**(185 123 479)**	**(226 617 950)**	**(183 793 407)**	**(225 496 100)**
Cash flows from financing activities					
Repayment of other financial liabilities		(933 832)	(891 795)	(933 832)	(891 795)
Net cash flows from financing activities		**(933 832)**	**(891 795)**	**(933 832)**	**(891 795)**
Net increase/(decrease) in cash and cash equivalents		**(53 058 460)**	**(35 637 684)**	**(51 968 438)**	**(31 746 337)**
Cash and cash equivalents at the beginning of the year		124 693 752	160 331 436	108 949 081	140 695 418
Cash and cash equivalents at the end of the year	7	**71 635 292**	**124 693 752**	**56 980 643**	**108 949 081**

The accounting policies on pages 17 to 37 and the notes on pages 38 to 86 form an integral part of the annual financial statements.

* See Note 42 & 41

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	59 184 461	1 000 000	**60 184 461**	55 749 131	**(4 435 330)**	
Rental of facilities and equipment	335 708	-	**335 708**	566 069	**230 361**	
Interest on receivables	11 128 167	6 531 681	**17 659 848**	18 457 032	**797 184**	
Other Income	987 302	(487 991)	**499 311**	1 653 006	**1 153 695**	
Interest on investment	19 848 106	(750 000)	**19 098 106**	18 028 550	**(1 069 556)**	
Total revenue from exchange transactions	**91 483 744**	**6 293 690**	**97 777 434**	**94 453 788**	**(3 323 646)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	887 129 257	452 152	**887 581 409**	881 713 670	**(5 867 739)**	
Public contributions and donations	201 175 000	-	**201 175 000**	-	**(201 175 000)**	
Total revenue from non-exchange transactions	**1 088 304 257**	**452 152**	**1 088 756 409**	**881 713 670**	**(207 042 739)**	
Total revenue	**1 179 788 001**	**6 745 842**	**1 186 533 843**	**976 167 458**	**(210 366 385)**	
Expenditure						
Employee related costs	(260 297 795)	2 019 831	**(258 277 964)**	(199 375 268)	**58 902 696**	
Remuneration of councillors	(12 126 880)	(1 777 576)	**(13 904 456)**	(13 735 557)	**168 899**	
Directors emoluments	(1 500 000)	82 000	**(1 418 000)**	(1 372 230)	**45 770**	
Depreciation and amortisation	(59 440 517)	(343 077)	**(59 783 594)**	(96 515 054)	**(36 731 460)**	
Finance costs	(1 184 636)	20 000	**(1 164 636)**	(2 604 385)	**(1 439 749)**	
Lease rentals on operating lease	(544 000)	-	**(544 000)**	(8 457 556)	**(7 913 556)**	
Debt Impairment	(12 564 500)	-	**(12 564 500)**	(39 772 677)	**(27 208 177)**	
Inventory consumed	(110 991 367)	17 500 000	**(93 491 367)**	(407 866 716)	**(314 375 349)**	
Bulk purchases	(26 035 000)	-	**(26 035 000)**	(22 690 092)	**3 344 908**	
Contracted Services	(119 979 133)	(12 496 888)	**(132 476 021)**	(186 104 827)	**(53 628 806)**	
General Expenses	(130 573 831)	(11 222 989)	**(141 796 820)**	(102 565 015)	**39 231 805**	
Total expenditure	**(735 237 659)**	**(6 218 699)**	**(741 456 358)**	**(1 081 059 377)**	**(339 603 019)**	
Operating deficit	**444 550 342**	**527 143**	**445 077 485**	**(104 891 919)**	**(549 969 404)**	
Loss on disposal of assets and liabilities	-	-	**-**	(9 236 814)	**(9 236 814)**	
Impairment loss	-	-	**-**	(22 354 373)	**(22 354 373)**	
Fair value adjustments and actuarial gains/(losses)	-	-	**-**	(96 000)	**(96 000)**	
	-	**-**	**-**	**(31 687 187)**	**(31 687 187)**	
Deficit before taxation	**444 550 342**	**527 143**	**445 077 485**	**(136 579 106)**	**(581 656 591)**	
Deficit for the year from continuing operations	**444 550 342**	**527 143**	**445 077 485**	**(136 579 106)**	**(581 656 591)**	
Capital expenditure	(196 143 078)	(9 845 319)	**(205 988 397)**	(187 238 268)	**18 750 129**	

Statement of Comparison of Budget and Actual Amounts

Budegt on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**248 407 264**	**(9 318 176)**	**239 089 088**	**(323 817 374)**	**(562 906 462)**	
Reconciliation						
Basis difference						
Capital Expenditure				187 238 268		
Actual Amount in the Statement of Financial Performance				**(136 579 106)**		

Statement of Comparison of Budget and Actual Amounts

Budegt on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	483 854 260	-	**483 854 260**	79 201 312	**(404 652 948)**	
Other receivables from exchange transactions	-	-	**-**	1 612 006	**1 612 006**	
Receivables from non-exchange transactions	33 555 082	6 500 000	**40 055 082**	-	**(40 055 082)**	
VAT receivable	152 898 553	(1 441 647)	**151 456 906**	45 863 099	**(105 593 807)**	
Receivables from exchange transactions: Consumer debtors	240 115 429	759 000	**240 874 429**	56 058 036	**(184 816 393)**	
Cash and cash equivalents	190 941 686	(13 505 940)	**177 435 746**	71 635 292	**(105 800 454)**	
	1 101 365 010	**(7 688 587)**	**1 093 676 423**	**254 369 745**	**(839 306 678)**	
Non-Current Assets						
Property, plant and equipment	2 476 632 144	8 742 719	**2 485 374 863**	2 194 297 358	**(291 077 505)**	
Intangible assets	29 644	-	**29 644**	3 438 640	**3 408 996**	
Heritage assets	1 758 001	-	**1 758 001**	586 000	**(1 172 001)**	
	2 478 419 789	**8 742 719**	**2 487 162 508**	**2 198 321 998**	**(288 840 510)**	
Total Assets	**3 579 784 799**	**1 054 132**	**3 580 838 931**	**2 452 691 743**	**(1 128 147 188)**	
Liabilities						
Current Liabilities						
Loans	5 612 531	-	**5 612 531**	81 094	**(5 531 437)**	
Payables from exchange transactions	438 633 945	(17 500 000)	**421 133 945**	413 391 382	**(7 742 563)**	
VAT payable	-	-	**-**	1 032 613	**1 032 613**	
Consumer deposits	1 083 292	-	**1 083 292**	1 120 695	**37 403**	
Employee benefit obligation	911 000	(911 000)	**-**	1 097 000	**1 097 000**	
Unspent conditional grants and receipts	(112 589 979)	-	**(112 589 979)**	12 397 243	**124 987 222**	
	333 650 789	**(18 411 000)**	**315 239 789**	**429 120 027**	**113 880 238**	
Non-Current Liabilities						
Loans	8 690 876	-	**8 690 876**	-	**(8 690 876)**	
Employee benefit obligation	24 218 000	(24 218 000)	**-**	13 335 000	**13 335 000**	
	32 908 876	**(24 218 000)**	**8 690 876**	**13 335 000**	**4 644 124**	
Total Liabilities	**366 559 665**	**(42 629 000)**	**323 930 665**	**442 455 027**	**118 524 362**	
Net Assets	**3 213 225 134**	**43 683 132**	**3 256 908 266**	**2 010 236 716**	**(1 246 671 550)**	
Net Assets						
Accumulated surplus	3 232 164 730	(385 464)	**3 231 779 266**	2 010 236 716	**(1 221 542 550)**	

Statement of Comparison of Budget and Actual Amounts

Budegt on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service charges	26 520 750	391 000	**26 911 750**	28 649 649	**1 737 899**	
Grants	884 464 000	(9 446 000)	**875 018 000**	870 684 900	**(4 333 100)**	
Interest income	17 848 106	-	**17 848 106**	18 648 759	**800 653**	
Rental income	-	-	**-**	266 410	**266 410**	
Other receipts	673 564	-	**673 564**	1 580 366	**906 802**	
	929 506 420	**(9 055 000)**	**920 451 420**	**919 830 084**	**(621 336)**	
Payments						
Suppliers and employee costs	(759 102 390)	-	**(759 102 390)**	(786 831 233)	**(27 728 843)**	
Net cash flows from operating activities	**170 404 030**	**(9 055 000)**	**161 349 030**	**132 998 851**	**(28 350 179)**	
Cash flows from investing activities						
Purchase of non current assets	(247 025 948)	11 726 407	**(235 299 541)**	(185 123 479)	**50 176 062**	
Cash flows from financing activities						
Repayment of loans	-	-	**-**	(933 832)	**(933 832)**	
Net increase/(decrease) in cash and cash equivalents	(76 621 918)	2 671 407	**(73 950 511)**	(53 058 460)	**21 825 883**	
Cash and cash equivalents at the beginning of the year	286 332 150	-	**286 332 150**	124 693 752	**(161 638 398)**	
Cash and cash equivalents at the end of the year	**209 710 232**	**2 671 407**	**212 381 639**	**71 635 292**	**(139 812 515)**	

Statement of Comparison of Budget and Actual Amounts

Budegt on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	59 184 461	1 000 000	**60 184 461**	55 749 131	**(4 435 330)**	
Rental of facilities and equipment	335 708	-	**335 708**	439 938	**104 230**	
Interest on receivables	11 018 167	6 500 000	**17 518 167**	18 457 032	**938 865**	
Other income	163 320	-	**163 320**	1 262 413	**1 099 093**	
Interest on investment	17 848 106	-	**17 848 106**	16 881 950	**(966 156)**	
Total revenue from exchange transactions	**88 549 762**	**7 500 000**	**96 049 762**	**92 790 464**	**(3 259 298)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	884 464 000	(9 446 000)	**875 018 000**	875 664 000	**646 000**	
Public contributions and donations	201 175 000	-	**201 175 000**	-	**(201 175 000)**	
Total revenue from non-exchange transactions	**1 085 639 000**	**(9 446 000)**	**1 076 193 000**	**875 664 000**	**(200 529 000)**	
Total revenue	**1 174 188 762**	**(1 946 000)**	**1 172 242 762**	**968 454 464**	**(203 788 298)**	
Expenditure						
Employee costs	(246 260 647)	-	**(246 260 647)**	(187 881 626)	**58 379 021**	
Employee costs - Remuneration of councillors	(12 126 880)	(1 777 576)	**(13 904 456)**	(13 735 557)	**168 899**	
Depreciation and amortisation	(59 283 317)	-	**(59 283 317)**	(95 819 599)	**(36 536 282)**	
Finance costs	(1 163 636)	-	**(1 163 636)**	(2 604 385)	**(1 440 749)**	
Lease rentals on operating lease	-	-	**-**	(7 876 826)	**(7 876 826)**	
Debt Impairment	(12 564 500)	-	**(12 564 500)**	(39 772 677)	**(27 208 177)**	
Collection costs	(110 991 367)	17 500 000	**(93 491 367)**	(407 866 716)	**(314 375 349)**	
Inventory consumed	(26 035 000)	-	**(26 035 000)**	(22 690 092)	**3 344 908**	
Contracted Services	(119 432 133)	(12 235 888)	**(131 668 021)**	(184 562 983)	**(52 894 962)**	
General expenses	(141 780 962)	(1 926 000)	**(143 706 962)**	(108 844 830)	**34 862 132**	
Total expenditure	**(729 638 442)**	**1 560 536**	**(728 077 906)**	**(1 071 655 291)**	**(343 577 385)**	
Operating deficit	**444 550 320**	**(385 464)**	**444 164 856**	**(103 200 827)**	**(547 365 683)**	
Loss on disposal of assets and liabilities	-	-	**-**	(9 210 907)	**(9 210 907)**	
Impairment loss	-	-	**-**	(22 354 373)	**(22 354 373)**	
Fair value adjustments and actuarial gains/losses	-	-	**-**	(96 000)	**(96 000)**	
	-	**-**	**-**	**(31 661 280)**	**(31 661 280)**	
Deficit before taxation	**444 550 320**	**(385 464)**	**444 164 856**	**(134 862 107)**	**(579 026 963)**	
Deficit for the year from continuing operations	**444 550 320**	**(385 464)**	**444 164 856**	**(134 862 107)**	**(579 026 963)**	
Capital expenditure	(195 865 578)	(8 742 719)	**(204 608 297)**	(185 908 519)	**18 699 778**	

Statement of Comparison of Budget and Actual Amounts

Budegt on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**248 684 742**	**(9 128 183)**	**239 556 559**	**(320 770 626)**	**(560 327 185)**	
Reconciliation						
Basis difference						
Capital expenditure				185 908 519		
Actual Amount in the Statement of Financial Performance				**(134 862 107)**		

Statement of Comparison of Budget and Actual Amounts

Budegt on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	483 854 260	-	**483 854 260**	77 462 182	**(406 392 078)**	
Other receivables from exchange transactions	-	-	**-**	1 361 581	**1 361 581**	
Receivables from non-exchange transactions	33 555 082	6 500 000	**40 055 082**	-	**(40 055 082)**	
VAT receivable	152 898 553	(1 441 647)	**151 456 906**	45 863 099	**(105 593 807)**	
Receivables from exchange transactions: Consumer debtors	240 115 429	759 000	**240 874 429**	56 058 036	**(184 816 393)**	
Cash and cash equivalents	190 941 686	(13 505 940)	**177 435 746**	56 980 643	**(120 455 103)**	
	1 101 365 010	**(7 688 587)**	**1 093 676 423**	**237 725 541**	**(855 950 882)**	
Non-Current Assets						
Property, plant and equipment	2 476 632 144	8 742 719	**2 485 374 863**	2 190 068 224	**(295 306 639)**	
Intangible assets	29 644	-	**29 644**	3 324 992	**3 295 348**	
Heritage assets	1 758 001	-	**1 758 001**	586 000	**(1 172 001)**	
	2 478 419 789	**8 742 719**	**2 487 162 508**	**2 193 979 216**	**(293 183 292)**	
Total Assets	**3 579 784 799**	**1 054 132**	**3 580 838 931**	**2 431 704 757**	**(1 149 134 174)**	
Liabilities						
Current Liabilities						
Loans	5 612 531	-	**5 612 531**	81 094	**(5 531 437)**	
Payables from exchange transactions	438 633 945	(17 500 000)	**421 133 945**	414 556 691	**(6 577 254)**	
Consumer deposits	1 083 292	-	**1 083 292**	1 120 695	**37 403**	
Employee benefit obligation	911 000	-	**911 000**	1 097 000	**186 000**	
Unspent conditional grants and receipts	(112 589 979)	-	**(112 589 979)**	9 897 505	**122 487 484**	
	333 650 789	**(17 500 000)**	**316 150 789**	**426 752 985**	**110 602 196**	
Non-Current Liabilities						
Loans	8 690 876	-	**8 690 876**	-	**(8 690 876)**	
Employee benefit obligation	24 218 000	-	**24 218 000**	13 335 000	**(10 883 000)**	
	32 908 876	**-**	**32 908 876**	**13 335 000**	**(19 573 876)**	
Total Liabilities	**366 559 665**	**(17 500 000)**	**349 059 665**	**440 087 985**	**91 028 320**	
Net Assets	**3 213 225 134**	**18 554 132**	**3 231 779 266**	**1 991 616 772**	**(1 240 162 494)**	
Net Assets						
Accumulated surplus	3 232 164 730	(385 464)	**3 231 779 266**	1 991 616 770	**(1 240 162 496)**	

Statement of Comparison of Budget and Actual Amounts

Budegt on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Services charges	26 520 750	391 000	**26 911 750**	28 649 649	**1 737 899**	
Grants	884 464 000	(9 446 000)	**875 018 000**	868 664 000	**(6 354 000)**	
Interest income	17 848 106	-	**17 848 106**	17 502 479	**(345 627)**	
Rental income	-	-	**-**	140 279	**140 279**	
Other receipts	673 564	-	**673 564**	1 262 413	**588 849**	
	929 506 420	**(9 055 000)**	**920 451 420**	**916 218 820**	**(4 232 600)**	
Payments						
Suppliers and employee costs	(759 102 390)	(36 302 347)	**(795 404 737)**	(783 460 018)	**11 944 719**	
Net cash flows from operating activities	**170 404 030**	**(45 357 347)**	**125 046 683**	**132 758 802**	**7 712 119**	
Cash flows from investing activities						
Purchase of non current assets	(247 025 948)	11 726 407	**(235 299 541)**	(183 793 408)	**51 506 133**	
Cash flows from financing activities						
Repayment of loans	-	-	**-**	(933 832)	**(933 832)**	
Net increase/(decrease) in cash and cash equivalents	(76 621 918)	(33 630 940)	**(110 252 858)**	(51 968 438)	**58 284 420**	
Cash and cash equivalents at the beginning of the year	286 332 150	-	**286 332 150**	108 949 081	**(177 383 069)**	
Cash and cash equivalents at the end of the year	**209 710 232**	**(33 630 940)**	**176 079 292**	**56 980 643**	**(119 098 649)**	

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

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

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 economic entity.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the economic entity 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.

1.5 Interests in other entities

Consolidated financial statements

Presentation of consolidated financial statements

The entity as controlling entity presents consolidated annual financial statements.

1.6 Significant judgements and sources of estimation uncertainty

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

Significant Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Receivables

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

The impairment for receivables is calculated per each customer, 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. In the event of no enough observable data for specific customers, the municipality uses the aggregate of all receivables data to measure the pattern of receivables collections over the past years to estimate expected recoverability.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value or net replacement cost. The write down is included in the operation surplus note.

Impairment testing

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

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Useful lives of non-current assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property plant and equipment and intangible assets. This estimate is based on industry norm. Management revises the depreciation charge prospectively where useful lives are different from 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 economic entity 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 economic entity 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 15.

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings		
• Residential dwellings	Straight-line	10 - 30 years
• Non-residential dwellings	Straight-line	15 - 50 years
Infrastructure		
• Electricity	Straight-line	5 - 60 years
• Water	Straight-line	5 - 100 years
• Sewerage	Straight-line	5 - 100 years
• Airports	Straight-line	15 - 40 years
• Roads and Stormwater	Straight-line	5 - 80 years
Plant and machinery	Straight-line	5 - 25 years
Furniture and fittings	Straight-line	5 - 25 years
Motor vehicles	Straight-line	4 - 15 years
IT equipment	Straight-line	3 - 25 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.

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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 economic entity. 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 economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

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

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 8).

1.8 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 economic entity 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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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

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

Significant Accounting Policies

1.8 Intangible assets (continued)

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 - 10 years

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).

1.9 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.10 Separate financial statements

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

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

1.11 Financial instruments

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

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

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.

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.

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

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

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

Significant Accounting Policies

1.11 Financial instruments (continued)

Classification

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

Class	Category
Receivables from Exchange transactions: Consumer debtors	Financial asset measured at amortised cost
Other Receivables from Exchange transactions	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
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Loans	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

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

1.12 Statutory receivables

Identification

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

Recognition

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

Initial measurement

The economic entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The economic entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

1.13 Tax

VAT

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

1.14 Leases

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

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.15 Inventories

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

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

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

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

Current replacement cost is the cost the economic entity 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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

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

Water inventory:

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

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

Significant Accounting Policies

1.15 Inventories (continued)

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

Redundant and slow moving inventories are identified and written down from cost to the net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lowest of cost and net realisable value are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was solid, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.16 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

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

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

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

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

1.17 Impairment of cash-generating assets

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

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

Identification

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

Basis for estimates of future cash flows

In measuring value in use the economic entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

Significant Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Significant Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.18 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.

Identification

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

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

Significant Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

Significant Accounting Policies

1.19 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.

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

Defined benefit cost

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

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

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

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

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

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

1.20 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Significant Accounting Policies

1.20 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 economic entity 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.21 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.22 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.

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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 economic entity;
- 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.

Revenue from water and sanitation service includes a fixed fee for connection and a variable fee based on usage as per meter readings. Electricity for non-prepaid customers is charged based on usage, as per meter readings. Prepaid electricity is recognised when customers buy electricity (recharge meters).

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Significant Accounting Policies

1.23 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Significant Accounting Policies

1.23 Provisions and contingencies (continued)

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

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

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

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset 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.

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.

Services in-kind

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

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

Significant Accounting Policies

1.24 Investment income

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

1.25 Borrowing costs

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

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 Water Losses

Water losses are the sum of the real and apparent losses and are calculated from the difference between the system input volume and the authorised consumption. In most countries, the water losses were also considered to be unaccounted for water.

Real losses are the physical water losses from the pressurised system, up to the point of measurement of customer use. In most cases, the real losses represent the unknown component in the overall water balance and the purpose of most water balance models is therefore to estimate the magnitude of the real losses so that the municipality can gauge whether or not it has a serious leakage problem.

The real losses are calculated as the difference between the total losses and the estimated apparent losses. Apparent losses or commercial losses are made up from the unauthorised consumption (theft or illegal use), plus all technical and administrative inaccuracies with customer metering. While it should be noted that the apparent losses should not be a major component of the water balance in most developed countries, it can represent the major element of the total losses in many developing countries. A systematic estimate should be made form local knowledge of the system and analysis of the technical and administrative aspects of the customer metering system.

1.27 Consumer deposits

Consumer deposits represents security held by the municipality in respect of the new consumer accounts opened. Once application for connection of services are made consumers are required to pay a nominal fee which is recognised as a Consumer deposit.

Consumer deposits are recognised at their nominal carrying value.

Upon closure of a consumer's account the deposit is subsequently refunded by the municipality to the consumer.

1.28 Comparative figures

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

1.29 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality’s approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

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.

1.30 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 related 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.

1.31 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 in relation to a municipality, means:

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of MFMA, and which has not been condoned in terms of section 170 that Act
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of Municipal Systems Act, and which has not been condoned in terms of that Act
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of Public Office-Bears Act, 1998 (Act 30 No.20 of 1998); or
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury, or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created is such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant Programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.32 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.

Significant Accounting Policies

1.32 Segment information (continued)

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.

1.33 Budget information

Economic Entity 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 economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

The 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.

Comparative information is not required.

1.34 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.

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

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

1.35 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).

1.35 Events after reporting date (continued)

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

The economic entity 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.

1.36 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or arrears where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately differ from these estimates.

1.37 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets. Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure.

The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability. Generally, expenses are accounted for an accrual basis at fair value.

Under the accrual basis of the accounting expenses are recognised when incurred usually when goods are received, or services are consumed. This may not be when the goods or services are actually paid for. 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.

Generally, expenses are accounted for on an accrual basis at the fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received, or services are consumed. This may not be when the goods or services are actually paid for. 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.

Major expenses includes:

- Bulk purchases - expenditure on the procurement of bulk electricity.
- Contracted services - includes all the expenditure under long term contracts with suppliers except bulk purchases as this is presented separately as material class of expenditure. Major costs included in contracted services are Business and Advisory, Legal Cost, Maintenance of assets, Safeguard and Security, Sewerage Services and Catering Services.
- General Expenses which constitute several of all other expenses items which are not individually significant.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity'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	No effective date determined	Unlikely there will be a material impact
• GRAP 106 Transfer of Functions Between Entities Not Under Common Control	No effective date determined	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	No effective date determined	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date determined	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	No effective date determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

3. Inventories

Assets held for distribution	1 739 130	4 215 989	-	-
Electricity meters	237 275	1 527 518	237 275	1 527 518
Water for distribution	815 267	2 165 919	815 267	2 165 919
Water pipes	76 409 640	78 524 757	76 409 640	78 524 757
	79 201 312	**86 434 183**	**77 462 182**	**82 218 194**

Inventory is carried at the lower of its original cost and net replacement value.

Inventory balance comprise of water pipes, electricity meters, water stock and assets held for distribution to community.

Electricity meters: held for installation in municipal households and bulk customers

Water for distribution: Purified water for distribution to consumers

Water pipes: Held for construction projects and infrastructure works

Total water pipes movement for the year is R2 115 117 due to issue/usage of stock transferred to the Jozini Regional Bulk project.

Total electricity meters movement for the year is R1 290 243.54.

Total water for distribution movement is R1 350 652 due to consumption and higher distribution volumes

Total assets held for distribution that were handed over to the community during the year R2 476 859

Inventory pledged as security

No inventory was pledged as security.

Water inventory in Kilo litres

Opening balance	180 450	202 850	180 450	202 850
System input volume	30 246 628	27 815 098	30 246 628	27 815 098
Billed authorised consumption	(2 560 982)	(2 078 838)	(2 560 982)	(2 078 838)
Unbilled authorised consumption	(16 648 391)	(15 445 937)	(16 648 391)	(15 445 937)
Commercial losses	(2 590 076)	(2 410 618)	(2 590 076)	(2 410 618)
Physical losses	(8 447 180)	(7 879 705)	(8 447 180)	(7 879 705)
Valuation adjustments	(109 590)	(22 400)	(109 590)	(22 400)
Closing balance	**70 859**	**180 450**	**70 859**	**180 450**

Water: production costs
Figures in Rands

Raw water	12 833 806	9 488 875	12 833 806	9 488 875
Water treatment costs - service provider	164 042 940	151 366 258	164 042 940	151 366 258
Labour costs	74 374 738	71 166 398	74 374 738	71 166 398
Depreciation	35 086 845	33 355 314	35 086 845	33 355 314
Electricity	86 435 432	68 481 580	86 435 432	68 481 580
	372 773 761	**333 858 425**	**372 773 761**	**333 858 425**

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

4. Other receivables from exchange transactions

Trade debtors	435 642	435 642	435 642	435 642
Deposits	39 840	20 600	-	-
Rental facilities	415 459	115 800	415 459	115 800
Accrued Interest	603 935	1 224 144	510 480	1 131 009
Prepaid expenses	117 130	475 344	-	-
Agri-house Market debtor	-	1 958 452	-	-
Debt impairment: Agri-house Market debtor	-	(1 958 452)	-	-
	1 612 006	**2 271 530**	**1 361 581**	**1 682 451**

5. VAT receivable

VAT receivable per 201: Statutory receivables	10 766 740	9 669 013	10 766 740	9 426 555
Net VAT receivable accrual	35 096 359	40 454 753	35 096 359	40 454 753
	45 863 099	**50 123 766**	**45 863 099**	**49 881 308**

VAT is payable on the payment basis. VAT is submitted to SARS only once payment has been made to suppliers and when money has been received from debtors. VAT is levied in terms of Value Added Tax Act, 89 of 1991 at 15% on vatable supplies.

VAT as disclosed in the annual financial statements accounted for on accrual basis. There were no late payments to SARS in the current year.

6. Receivables from exchange transactions: Consumer debtors

Gross balances				
Electricity	17 040 439	17 839 774	17 040 439	17 839 774
Water	245 982 170	214 829 341	245 982 170	214 829 341
Sanitation	33 713 196	37 668 426	33 713 196	37 668 426
	296 735 805	**270 337 541**	**296 735 805**	**270 337 541**
Less: Allowance for impairment				
Electricity	(14 283 352)	(15 850 194)	(14 283 352)	(15 850 194)
Water	(196 210 987)	(173 012 223)	(196 210 987)	(173 012 223)
Sanitation	(30 183 430)	(33 514 066)	(30 183 430)	(33 514 066)
	(240 677 769)	**(222 376 483)**	**(240 677 769)**	**(222 376 483)**
Net balance				
Electricity	2 757 087	1 989 580	2 757 087	1 989 580
Water	49 771 183	41 817 118	49 771 183	41 817 118
Sanitation	3 529 766	4 154 360	3 529 766	4 154 360
	56 058 036	**47 961 058**	**56 058 036**	**47 961 058**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

6. Receivables from exchange transactions: Consumer debtors (continued)

Electricity				
Current (0 -30 days)	422 478	654 607	422 478	654 607
31 - 60 days	240 403	280 997	240 403	280 997
61 - 90 days	205 234	90 588	205 234	90 588
91 - 120 days	157 847	93 296	157 847	93 296
121 - 150 days	25 348	71 267	25 348	71 267
151 - 180 days	40 830	79 972	40 830	79 972
> 180 days	15 948 299	16 569 047	15 948 299	16 569 047
Less impairment allowance	(14 283 352)	(15 850 194)	(14 283 352)	(15 850 194)
	2 757 087	**1 989 580**	**2 757 087**	**1 989 580**

Water				
Current (0 -30 days)	5 853 727	5 983 473	5 853 727	5 983 473
31 - 60 days	4 367 928	5 173 352	4 367 928	5 173 352
61 - 90 days	4 116 833	5 428 257	4 116 833	5 428 257
91 - 120 days	4 368 707	4 411 953	4 368 707	4 411 953
121 - 150 days	4 460 925	5 345 283	4 460 925	5 345 283
151 - 180 days	5 425 799	5 095 593	5 425 799	5 095 593
> 180 days	217 388 251	183 391 430	217 388 251	183 391 430
Less impairment allowance	(196 210 987)	(173 012 223)	(196 210 987)	(173 012 223)
	49 771 183	**41 817 118**	**49 771 183**	**41 817 118**

Sanitation				
Current (0 -30 days)	45 984	50 551	45 984	50 551
31 - 60 days	22 838	27 923	22 838	27 923
61 - 90 days	12 446	22 631	12 446	22 631
91 - 120 days	12 108	3 161	12 108	3 161
121 - 150 days	18 673	44 858	18 673	44 858
151 - 180 days	20 996	47 601	20 996	47 601
> 180 days	33 580 151	37 471 701	33 580 151	37 471 701
Less impairment allowance	(30 183 430)	(33 514 066)	(30 183 430)	(33 514 066)
	3 529 766	**4 154 360**	**3 529 766**	**4 154 360**

Reconciliation of allowance for impairment				
Balance at beginning of the year	(222 376 483)	(191 379 593)	(222 376 483)	(191 379 593)
Contributions to allowance	(18 301 286)	(30 996 890)	(18 301 286)	(30 996 890)
	(240 677 769)	**(222 376 483)**	**(240 677 769)**	**(222 376 483)**

Consumer debtors pledged as security

No consumer debt pledged as security.

Consumer debtors past due but not impaired

No consumer debtors past due were not considered for impairment.

Consumer debtors impaired

The amount of the provision was R (240 677 769) as of 30 June 2025 (2024: R(222 376 483)).

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

7. Cash and cash equivalents (continued)

Cash on hand	(17 635)	823	(17 883)	636
Bank balances	57 230 819	111 918 105	56 998 526	108 948 445
Fleet account balance	44 760	42 906	-	-
Call investments	14 377 348	12 731 918	-	-
	71 635 292	**124 693 752**	**56 980 643**	**108 949 081**

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
First National Bank - Demand Deposit - 62092993809	849 008	811 352	769 035	849 008	811 352	769 035
First National Bank - Main Account - 62026865321	3 718 477	7 970 934	8 691 645	3 718 477	7 970 934	8 691 645
ABSA Bank - Call Account - 4053107423	1 782 825	2 880 872	1 936 514	1 782 825	2 880 872	1 936 514
ABSA Bank - Call Account - 9364530392	49 495 051	97 285 286	129 292 708	49 495 051	97 285 286	129 292 708
FNB BANK - Account Type - 63119842987	1 153 256	-	-	1 153 256	-	-
	-	-	-	(17 883)	636	5 517
Municipal entity Accounts:						
Account number / description	Bank statement balances			Cash book balances		
Primary Bank : Nedbank Account number 1029736839	232 293	2 969 660	4 349 667	232 293	2 969 660	4 349 667
ABSA Investment call accounts Account number 9377697426	14 377 348	12 731 918	15 285 201	14 377 348	12 731 918	15 285 201
Nedbank Fleet card Account number 00009106566	44 760	42 905	-	44 760	42 905	-
Cash on hand	-	-	-	248	187	1 150
Total	**71 653 018**	**124 692 927**	**160 324 770**	**71 635 383**	**124 693 750**	**160 331 437**

Restricted cash balances

No cash balances were restricted.

8. Property, plant and equipment

Economic entity	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4 407 250	-	4 407 250	4 407 250	-	4 407 250
Buildings	78 182 927	(40 054 007)	38 128 920	78 346 640	(35 443 830)	42 902 810
Infrastructure	3 177 721 495	(1 046 980 483)	2 130 741 012	3 027 464 738	(926 247 736)	2 101 217 002
Other property, plant and equipment	61 578 600	(40 558 424)	21 020 176	54 963 794	(33 405 225)	21 558 569
Total	**3 321 890 272**	**(1 127 592 914)**	**2 194 297 358**	**3 165 182 422**	**(995 096 791)**	**2 170 085 631**

Controlling entity	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	4 407 250	-	4 407 250	4 407 250	-	4 407 250
Buildings	77 956 161	(40 052 931)	37 903 230	78 346 640	(35 443 830)	42 902 810
Infrastructure	3 177 083 017	(1 046 980 483)	2 130 102 534	3 027 464 738	(926 247 736)	2 101 217 002
Other property, plant and equipment	56 805 837	(39 150 627)	17 655 210	50 538 752	(32 649 424)	17 889 328
Total	**3 316 252 265**	**(1 126 184 041)**	**2 190 068 224**	**3 160 757 380**	**(994 340 990)**	**2 166 416 390**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2025

	Opening balance	Additions through acquisition	Additions through construction	Disposals/ Write off	Transfers from inventory	Depreciation	Impairment loss	Total
Land	4 407 250	-	-	-	-	-	-	4 407 250
Buildings	42 902 810	226 766	-	(41 874)	-	(3 373 425)	(1 585 357)	38 128 920
Infrastructure	2 101 217 002	1 909 200	175 575 245	(9 169 033)	2 115 117	(121 126 730)	(19 779 789)	2 130 741 012
Other property, plant and equipment	21 558 569	6 656 807	-	(16 433)	-	(6 189 540)	(989 227)	21 020 176
	2 170 085 631	**8 792 773**	**175 575 245**	**(9 227 340)**	**2 115 117**	**(130 689 695)**	**(22 354 373)**	**2 194 297 358**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2024

	Opening balance	Additions through acquisition	Additions through construction	Disposals/ Write off	Transfers from inventory	Donations	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	3 250 000	-	-	-	4 407 25
Buildings	48 537 021	299 000	-	(2 193 875)	-	-	-	(65 369)	(3 673 967)	-	42 902 81
Infrastructure	2 001 773 926	887 240	211 845 348	(19 738 590)	23 744 520	-	-	339 125	(117 605 016)	(29 551)	2 101 217 00
Other property, plant and equipment	21 051 290	7 215 792	-	(1 894 904)	-	2 602 400	-	(271 124)	(7 144 885)	-	21 558 56
	2 072 519 487	**8 402 032**	**211 845 348**	**(23 827 369)**	**23 744 520**	**2 602 400**	**3 250 000**	**2 632**	**(128 423 868)**	**(29 551)**	**2 170 085 63**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2025

	Opening balance	Additions through acquisition	Additions through construction	Disposals/ Write off	Transfers from inventory	Depreciation	Impairment loss	Total
Land	4 407 250	-	-	-	-	-	-	4 407 250
Buildings	42 902 810	-	-	(41 874)	-	(3 372 349)	(1 585 357)	37 903 230
Infrastructure	2 101 217 002	1 909 200	174 936 767	(9 169 033)	2 115 117	(121 126 730)	(19 779 789)	2 130 102 534
Other property, plant and equipment	17 889 328	6 267 085	-	-	-	(5 511 976)	(989 227)	17 655 210
	2 166 416 390	**8 176 285**	**174 936 767**	**(9 210 907)**	**2 115 117**	**(130 011 055)**	**(22 354 373)**	**2 190 068 224**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2024

	Opening balance	Additions through acquisition	Additions through construction	Disposals/ Write off	Transfers from inventory	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	3 250 000	-	-	-	4 407 250
Buildings	48 537 021	299 000	-	(2 193 875)	-	-	(65 369)	(3 673 967)	-	42 902 810
Infrastructure	2 001 773 926	887 240	211 845 348	(19 738 590)	23 744 520	-	339 125	(117 605 016)	(29 551)	2 101 217 002
Other property, plant and equipment	20 622 305	6 093 942	-	(1 894 904)	-	-	(271 124)	(6 660 891)	-	17 889 328
	2 072 090 502	**7 280 182**	**211 845 348**	**(23 827 369)**	**23 744 520**	**3 250 000**	**2 632**	**(127 939 874)**	**(29 551)**	**2 166 416 390**

Pledged as security

No items of property, plant and equipment has been pledged as security.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

8. Property, plant and equipment (continued)

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected				
1. BULK PIPELINE FROM MTUBATUBA TO KWAMSANE The project is now part of Section 63 Intervention by DWS and the programme is being by an Implementing Agent (Umgeni-Uthekela Water Board - currently at a Business Plan stage. This project has since been completed and commissioned via Section 63 UUW Programme.	18 882 344	18 882 344	18 882 344	18 882 344
2. MPUKUNYONI COMMUNITY WATER SUPPLY The project is now part of Section 63 Intervention by DWS and the programme is being by an Implementing Agent (Umgeni-Uthekela Water Board - currently at a Business Plan stage.	35 036 447	35 036 447	35 036 447	35 036 447
3. JOZINI REGIONAL COMMUNITY WATER SUPPLY SCHEME PHASE 1 Two contracts of the bulk pipeline extending for 11KM have since been completed and commissioned as at 30 June 2025 and has been capitalised in the asset register.	-	162 843 159	-	162 843 159
4. MKUZE WATER TREATMENT WORKS UPGRADE AND REFURBISHMENT The project is now part of Section 63 Intervention by DWS and the programme is being by an Implementing Agent (Umgeni-Uthekela Water Board - currently at a Business Plan stage. The business plan covers the outstanding scope of works comprising of M&E components which will upgrade the plant from 1.2ML/day to 4.5ML/d. The next phase will cover an upgrade from 4.5 to 9ML/d taking account the current and future population growth.	38 543 460	38 543 460	38 543 460	38 543 460
5. MSELENI WATER SUPPLY The project is on hold, management is currently assessing the cost to completion given the period the project has been on hold, the result of this assessment will determine away forward for this project	330 341	330 341	330 341	330 341
6. INFRASTRUCTURE ASSETS/REFURBISHMENT The project is on hold, management is currently assessing the cost to completion given the period the project has been on hold, the result of this assessment will determine away forward for this project	3 192 982	3 192 982	3 192 982	3 192 982
7. UPGRADING SEWERAGE WORKS - HLABISA MASSIFICATION The project is on hold, management is currently assessing the cost to completion given the period the project has been on hold, the result of this assessment will determine away forward for this project.	4 510 092	4 510 092	4 510 092	4 510 092
8. JOZINI LOW COST HOUSING SEWER UPGRADE A new consultant has been appointed to ensure that sufficient funding for the project is secured in order to take the project to completion.	31 893 996	31 893 996	31 893 996	31 893 996

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024
8. Property, plant and equipment (continued)				
9. NONDABUYA WATER SUPPLY SCHEME The assessment was undertaken and the cost-completion was estimated to be R30,571,034,07 incl VAT. The outstanding scope of work was then advertised prior KZN COGTA requesting to take-over the project with their own funds. The project is being implemented by KZN COGTA.	127 224 798	127 224 798	127 224 798	127 224 798
10. UPGRADE OF HLABISA TOWN SANITATION The detailed design for Hlabisa Waste Water Treatment Works has since been finalised and the project is ready for procurement stage.	7 532 584	7 532 584	7 532 584	7 532 584
11. HLABISA-MANDLAKAZI The project is now part of Section 63 Intervention by Department of Water and Sanitation and the programme is being by an Implementing Agent (Umgeni-Uthekela Water Board. The Water Board is currently busy reviewing an option to construct a dedicated bulk pipeline from Mandlakazi Water Treatment Works to Hlabisa Area.	120 696 565	120 696 565	120 696 565	120 696 565
	387 843 609	**550 686 768**	**387 843 609**	**550 686 768**

Included within property, plant and equipment are the following work-in-progress:

Reconciliation of Work-in-Progress Economic entity - 2025

	Included within Infrastructure	Total
Opening balance	738 378 896	738 378 896
Additions/capital expenditure	175 575 245	175 575 245
Transfer from inventory	2 115 117	2 115 117
Transferred to completed items	(286 582 427)	(286 582 427)
	629 486 831	**629 486 831**

Reconciliation of Work-in-Progress Economic entity - 2024

	Included within Infrastructure	Total
Opening balance	624 973 341	624 973 341
Additions/capital expenditure	211 845 348	211 845 348
Transfer from inventory	23 744 520	23 744 520
Transferred to completed items	(122 184 340)	(122 184 340)
	738 378 869	**738 378 869**

Reconciliation of Work-in-Progress Controlling entity - 2025

	Included within Infrastructure	Total
Opening balance	738 378 896	738 378 896
Additions/capital expenditure	174 936 767	174 936 767
Transfer from inventory	2 115 117	2 115 117
Transferred to completed items	(286 582 427)	(286 582 427)
	628 848 353	**628 848 353**

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Controlling entity - 2024

	Included within Infrastructure	Total
Opening balance	624 973 341	624 973 341
Additions/capital expenditure	211 845 348	211 845 348
Transfer from inventory	23 744 520	23 744 520
Transferred to completed items	(122 184 340)	(122 184 340)
	738 378 869	**738 378 869**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance				
Buildings and Facilities	2 662 914	3 008 556	2 662 914	3 008 556
Machinery & Equipment	9 830 836	17 561 579	9 830 836	17 561 579
Infrastructure assets	13 516 092	1 529 083	12 802 961	1 500 305
Other assets	2 380 216	220 450	2 380 216	220 450
	28 390 058	**22 319 668**	**27 676 927**	**22 290 890**

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.

9. Intangible assets

Economic entity	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 225 261	(1 786 621)	3 438 640	4 519 813	(914 629)	3 605 184

Controlling entity	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 652 039	(1 327 047)	3 324 992	3 971 689	(431 659)	3 540 030

Reconciliation of intangible assets - Economic entity - 2025

	Opening balance	Additions	Disposals/ Write off	Amortisation	Total
Computer software	3 605 184	755 133	(9 474)	(912 203)	3 438 640

Reconciliation of intangible assets - Economic entity - 2024

	Opening balance	Additions	Disposals/ Write off	Amortisation	Total
Computer software	383 092	3 718 316	(43 829)	(452 395)	3 605 184

Notes to the Annual Financial Statements

Figures in Rand

9. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	3 540 030	680 350	(895 388)	3 324 992

Reconciliation of intangible assets - Controlling entity - 2024

	Opening balance	Additions	Disposals/ Write off	Impairment loss	Total
Computer software	301 655	3 718 316	(43 829)	(436 112)	3 540 030

Pledged as security

No intangible asset pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand

10. Heritage assets

Economic entity	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral regalia	586 000	-	586 000	586 000	-	586 000

Controlling entity	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral regalia	586 000	-	586 000	586 000	-	586 000

Reconciliation of heritage assets Economic entity - 2025

	Opening balance	Total
Mayoral regalia	586 000	586 000

Reconciliation of heritage assets Economic entity - 2024

	Opening balance	Total
Mayoral regalia	586 000	586 000

Reconciliation of heritage assets Controlling entity - 2025

	Opening balance	Total
Mayoral regalia	586 000	586 000

10. Heritage assets (continued)

Reconciliation of heritage assets Controlling entity - 2024

	Opening balance	Total
Mayoral regalia	586 000	586 000

Pledged as security

No Heritage assets pledged as security.]

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.

11. Loans

At amortised cost				
Loans from DBSA	81 094	1 014 926	81 094	1 014 926
Terms and conditions				

The municipality received two (2) loans from Development Bank of Southern Africa (DBSA) to fund the construction of the municipal buildings.

The interest rates per each loan are as follows:

Loan 61000800, fixed interest rate at 6.75%

Loan 6100019, semi- floating interest rate. Interest reference is 6 Month Jibar (current base interest plus the margin).

Loan repayments are due bi-annually (i.e. on 31 March and 30 September each calendar year) with the final redemption date being 30 September 2025 for loan 61000800 and 31 March 2025 for Loan 61000191.

Non-current liabilities				
At amortised cost	-	81 094	-	81 094

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

11. Loans (continued)

Current liabilities				
At amortised cost	81 094	933 832	81 094	933 832

12. Payables from exchange transactions

Trade payables	167 485 995	199 901 180	166 999 332	199 771 937
Debtors with credit balances	3 836 588	2 987 843	3 836 588	2 987 843
Payroll suspense	8 110 385	(1 024 727)	8 110 385	(1 024 727)
Payments received in advance	3 677	-	-	-
Accrued leave pay	20 899 879	18 010 110	20 222 198	17 508 599
Accrued bonus	4 785 353	4 421 356	4 785 353	4 421 356
Accrued expenses	167 782 065	40 372 624	167 782 065	40 372 624
Operating lease payable	4 877	-	-	-
Deposits received	4 619 845	2 322 906	4 619 845	2 322 906
Retentions	35 862 718	33 312 915	35 862 718	32 020 960
Other payables - Umhlosinga Development Agency	-	-	2 338 207	4 338 207
	413 391 382	**300 304 207**	**414 556 691**	**302 719 705**

13. VAT payable

VAT payable per 201	1 032 613	-	-	-

14. Consumer deposits

Water	1 120 695	1 104 493	1 120 695	1 104 493

15. Employee benefit obligations

Defined benefit plans - Long service awards

The independent valuer's carried out a statutory valuation on the Long Service Awards benefit as at 30 June 2025.

The most recent valuation was carried out at 30 June 2025 conducted by ZAQ Consultants and Actuaries.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation.The accrued liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Sensitivity Analysis
The valuation is only an estimate of the cost of providing Long service award benefits. The actual cost to the Municipality will be dependent on actual levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables , we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates.
- 1% increase/decrease in the Normal Salary cost inflation
- 1 year increase/decrease in the average retirement age.
- 1% increase/decrease in the discount rate

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

Carrying value				
Opening balance	(13 019 000)	(14 501 000)	(13 019 000)	(14 501 000)
Interest cost	(1 459 000)	(1 822 000)	(1 459 000)	(1 822 000)
Current service cost	(1 024 000)	(1 132 000)	(1 024 000)	(1 132 000)
Benefits paid	1 166 000	3 300 000	1 166 000	3 300 000
Actuarial gains.(Losses)	(96 000)	1 136 000	(96 000)	1 136 000
	(14 432 000)	**(13 019 000)**	**(14 432 000)**	**(13 019 000)**

Non-current liabilities	(13 335 000)	(11 995 000)	(13 335 000)	(11 995 000)
Current liabilities	(1 097 000)	(1 024 000)	(1 097 000)	(1 024 000)
	(14 432 000)	**(13 019 000)**	**(14 432 000)**	**(13 019 000)**

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

15. Employee benefit obligations (continued)

Key assumptions used

(CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 1 July 2025.

The following financial variables were used in the valuation:

Discount rates used	9,31 %	5,50 %	9,31 %	5,50 %
CPI inflation	4,13 %	3,00 %	4,13 %	3,00 %
Normal salary increases rate	5,13 %	5,40 %	5,13 %	5,40 %
Net effective discount rate	3,98 %	- %	3,98 %	- %

Long service awards liability

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval bu allowing for future growth. The table below contains a summary of the benefit policy:

Completed service (Years)	Total long service benefit Award (% of Annual salary)	Long service bonus award (% of Annual salary
10	4%	(10/250)*Annual Salary
15	8%	(20/250)*Annual Salary
20, 25, 30, 35, 40, and 45	12%	30/250)*Annual Salary

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Municipal Infrastructure Grant	-	7 000 000	-	7 000 000
Ndumo Learners Shelter Grant	9 441 505	9 441 505	9 441 505	9 441 505
Kwazibi National Lottery Grant	122 667	122 667	122 667	122 667
Mabibi National Lottery Grant	166 667	166 667	166 667	166 667
Mqobela National Lottery Grant	166 666	166 666	166 666	166 666
Mkuze Airfield Terminal Building	665 029	1 079 335	-	-
COGTA Grant	37 996	3 961 064	-	-
EDTEA Co-operatives	-	290	-	-
Cathseta Bursary Grant	133 707	120 624	-	-
MTN Grant	515 703	515 703	-	-
KwaZulu Natal Trade and Investment	163 608	-	-	-
EDTEA: Fire and rescue	771 522	620 000	-	-
IDC Grant	-	95 635	-	-
National Treasury : ILO	212 173	212 173	-	-
	12 397 243	**23 502 329**	**9 897 505**	**16 897 505**

Movement during the year

Balance at the beginning of the year	23 502 329	84 143 123	16 897 505	70 169 491
Additions during the year	250 620 900	259 734 400	248 600 000	258 636 000
Income recognition during the year	(261 649 669)	(271 399 861)	(255 600 000)	(262 980 986)
Management fees recognised	(76 317)	(48 333)	-	-
Grant withheld	-	(48 927 000)	-	(48 927 000)
	12 397 243	**23 502 329**	**9 897 505**	**16 897 505**

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

16. Unspent conditional grants and receipts (continued)

See note 22 for reconciliation of grants from National/Provincial Government.

17. Service charges

Sale of electricity	4 343 547	3 249 875	4 343 547	3 249 875
Sale of water	46 389 642	41 380 334	46 389 642	41 380 334
Sale of pre-paid electricity	4 389 784	1 567 725	4 389 784	1 567 725
Sewerage and sanitation charges	626 158	345 056	626 158	345 056
	55 749 131	**46 542 990**	**55 749 131**	**46 542 990**

18. Rental of facilities and equipment

Premises				
Premises	439 938	331 179	439 938	331 179
Venue hire	126 131	116 957	-	-
	566 069	**448 136**	**439 938**	**331 179**

The municipality leases out a portion of its building to several customers as office space at Thusong Centre.

Venue hire comprises of occasional rent out of the airport runway and boardroom to third parties for drag racing competitions and meetings respectively.

19. Interest on receivables

Electricity	674 795	600 621	674 795	600 621
Sewerage and sanitation	2 893 691	3 040 557	2 893 691	3 040 557
Water	14 888 546	14 477 477	14 888 546	14 477 477
	18 457 032	**18 118 655**	**18 457 032**	**18 118 655**

20. Other income

Sundry sales	3 478	-	-	-
Insurance Refund	44 174	35 889	21 806	-
LGSETA Recoveries	1 003 099	320 813	1 003 099	320 813
Commission	183 118	335 846	183 118	335 846
Fines and penalties	30 500	-	30 500	-
Connection fees	23 890	-	23 890	-
Administration fees	76 317	48 333	-	-
Airport fees and truck hire charges	288 430	195 538	-	-
	1 653 006	**936 419**	**1 262 413**	**656 659**

Other income compromise income sources of income other that the main source of income.

21. Interest on investment

Interest revenue comprises of interest from:				
Bank	18 028 550	25 370 207	16 881 950	23 941 372

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

22. Government grants & subsidies

Operating grants				
Equitable share	620 064 000	584 008 000	620 064 000	584 008 000
Rural Roads Asset Management Grant	3 591 000	3 733 536	3 591 000	3 733 536
Expanded Public Works Programme	4 270 000	5 082 000	4 270 000	5 082 000
Finance Management Grant	3 500 000	2 200 000	3 500 000	2 200 000
Municipal Infrastructure Grant	12 316 668	10 339 482	12 316 668	10 339 482
Cogta grant	3 923 069	6 038 936	-	-
KwaZulu Natal Trade and Investment	246 392	-	-	-
IDC Grant	95 635	13 500	-	-
EDTEA: Fire and rescue	848 478	380 000	-	-
EDTEA Co-operatives	290	262 196	-	-
Cathseta Bursary Grant	521 500	112 000	-	-
	649 377 032	**612 169 650**	**643 741 668**	**605 363 018**
Capital grants				
Municipal Infrastructure Grant	231 922 332	241 625 968	231 922 332	241 625 968
EDTEA Grant - Mkuze Terminal Building	414 306	1 612 242	-	-
	232 336 638	**243 238 210**	**231 922 332**	**241 625 968**
	881 713 670	**855 407 860**	**875 664 000**	**846 988 986**

Conditional and Unconditional

Included in above are the following grants and subsidies cash receipts:

Conditional grants received	250 620 900	259 734 400	248 600 000	258 636 000
Unconditional grants received	620 064 000	535 081 000	620 064 000	535 081 000
	870 684 900	**794 815 400**	**868 664 000**	**793 717 000**

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	7 000 000	52 221 450	7 000 000	52 221 450
Current-year receipts	237 239 000	248 535 000	237 239 000	248 535 000
Conditions met - transferred to revenue	(244 239 000)	(251 965 450)	(244 239 000)	(251 965 450)
Grant withheld from equitable share	-	(41 791 000)	-	(41 791 000)
	-	**7 000 000**	**-**	**7 000 000**

Financial Management Grant

Current-year receipts	3 500 000	2 200 000	3 500 000	2 200 000
Conditions met - transferred to revenue	(3 500 000)	(2 200 000)	(3 500 000)	(2 200 000)
	-	-	-	-

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

Rural Roads Asset Management Grant

Balance unspent at beginning of year	-	914 536	-	914 536
Current-year receipts	3 591 000	2 819 000	3 591 000	2 819 000

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

22. Government grants & subsidies (continued)

Conditions met - transferred to revenue	(3 591 000)	(3 733 536)	(3 591 000)	(3 733 536)
	-	-	-	-

Water Services infrastructure Grant

Balance unspent at beginning of year	-	7 136 000	-	7 136 000
Grant withheld from equitable share	-	(7 136 000)	-	(7 136 000)
	-	-	-	-

Ndumo Learners Shelter Grant

Balance unspent at beginning of year	9 441 505	9 441 505	9 441 505	9 441 505

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

Kwazibi National Lottery Grant

Balance unspent at beginning of year	122 667	122 667	122 667	122 667

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

Mqobela National Lottery Grant

Balance unspent at beginning of year	166 667	166 667	166 667	166 667

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

Mabibi National Lottery Grant

Balance unspent at beginning of year	166 666	166 666	166 666	166 666

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

EDTEA Grant -Mkuze Terminal Building

Balance unspent at beginning of year	1 079 335	2 691 577	-	-
Conditions met - transferred to revenue	(414 306)	(1 612 242)	-	-
	665 029	**1 079 335**	-	-

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

COGTA Re-asset Grant

Balance unspent at beginning of year	3 961 064	10 000 000	-	-
Conditions met - transferred to revenue	(3 923 068)	(6 038 936)	-	-
	37 996	**3 961 064**	-	-

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

EDTEA Co-operatives

Balance unspent at beginning of year	290	291 620	-	-
Conditions met - transferred to revenue	(290)	(262 197)	-	-

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

22. Government grants & subsidies (continued)

Management fees	-	(29 133)	-	-
	-	**290**	**-**	**-**

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

CATHSETA Bursary Grant

Balance unspent at beginning of year	120 624	153 424	-	-
Current-year receipts	610 900	98 400	-	-
Conditions met - transferred to revenue	(521 500)	(112 000)	-	-
Management fees	(76 317)	(19 200)	-	-
	133 707	**120 624**	**-**	**-**

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

MTN Grant

Balance unspent at beginning of year	515 703	515 703	-	-

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

KwaZulu Natal Trade and Investment

Current-year receipts	410 000	-	-	-
Conditions met - transferred to revenue	(246 392)	-	-	-
	163 608	**-**	**-**	**-**

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

EDTEA: Fire and rescue

Balance unspent at beginning of year	620 000	-	-	-
Current-year receipts	1 000 000	1 000 000	-	-
Conditions met - transferred to revenue	(848 478)	(380 000)	-	-
	771 522	**620 000**	**-**	**-**

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

IDC Grant

Balance unspent at beginning of year	95 635	109 135	-	-
Conditions met - transferred to revenue	(95 635)	(13 500)	-	-
	-	**95 635**	**-**	**-**

National Treasury : ILO

Balance unspent at beginning of year	212 173	212 173	-	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

23. Public contributions and donations

Donations for mayoral program	-	275 000	-	-
Donated fleet of motor vehicles	-	2 602 400	-	-
	-	**2 877 400**	**-**	**-**

During the prior year, the economic entity received fleet of vehicles form KZN Department of Economic Development, Tourism and Environmental Affairs with fair value of R2 602 400 as donations.

Notes to the Annual Financial Statements

24. Employee related costs

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024
Basic	129 676 286	120 107 596	120 129 185	111 131 536
Bonus	9 854 329	13 030 614	9 854 329	13 030 614
Medical aid - company contributions	10 029 979	9 517 931	8 609 301	7 841 219
UIF	574 588	558 338	574 588	558 338
Leave pay provision charge	3 747 424	268 861	3 546 428	152 258
Bargaining council	32 267	31 272	32 267	31 272
Group life insurance	1 221 353	974 194	1 221 353	974 194
Workmen's compensation	23 726	26 234	-	-
Defined contribution plans	19 291 966	18 049 853	19 291 966	18 049 853
Travel, motor car, accommodation, subsistence and other allowances	5 034 845	5 959 809	4 733 704	5 115 333
Overtime payments	1 358 264	1 316 846	1 358 264	1 316 846
Long-service awards	1 044 550	(1 001 633)	1 044 550	(1 001 633)
Car allowance	14 218 951	10 431 723	14 218 951	10 431 723
Housing benefits and allowances	1 876 386	1 665 438	1 876 386	1 665 438
Cellphone allowance	323 662	225 068	323 662	225 068
Stand-by allowance	840 711	1 037 668	840 711	1 037 668
Nightshift allowance	225 981	315 316	225 981	315 316
	199 375 268	**182 515 128**	**187 881 626**	**170 875 043**

Remuneration of Municipal Manager

Annual Remuneration	1 750 605	1 141 500	1 750 605	1 141 500
Travel, housing and other allowances	103 274	141 603	103 274	141 603
Rebursement of KM	29 058	121 582	29 058	121 582
Contributions to UIF, Medical and Pension Funds	1 240	13 540	1 240	13 540
	1 884 177	**1 418 225**	**1 884 177**	**1 418 225**

Remuneration of Chief Finance Officer

Annual Remuneration	912 601	719 856	912 601	719 856
Travel, housing and other allowances	516 213	423 878	516 213	423 878
Reimbursement KM	-	19 312	-	19 312
Contributions to UIF, Medical and Pension Funds	9 860	13 036	9 860	13 036
	1 438 674	**1 176 082**	**1 438 674**	**1 176 082**

Remuneration of General Manager - Corporate Service (Appointed 3 June 2024)

Annual Remuneration	579 575	48 298	579 575	48 298
Travel, housing and other allowances	476 500	37 833	476 500	37 833
Reimbursement of KM	11 841	-	11 841	-
Contributions to UIF, Medical and Pension Funds	8 963	16 410	8 963	16 410
	1 076 879	**102 541**	**1 076 879**	**102 541**

The General Manager Corporate Services was appointed on the 1st of June 2024.

Remuneration of General Manger: Community Services (Appointed 6 January 2025)

Annual Remuneration	289 787	-	289 787	-
Travel, housing and other allowance	225 633	-	225 633	-
Reimbursement of KM	8 808	-	8 808	-
Contributions to UIF, Medical and Pension Funds	4 658	-	4 658	-
	528 886	**-**	**528 886**	**-**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

24. Employee related costs (continued)

Remuneration of General Manger :Technical Services

Annual Remuneration	756 372	693 341	756 372	693 341
Travel, housing and other allowances	511 556	468 926	511 556	468 926
Contributions to UIF, Medical and Pension Funds	11 048	18 699	11 048	18 699
	1 278 976	**1 180 966**	**1 278 976**	**1 180 966**

Remuneration of Chief Executive Officer (uMhlosinga Development Agency)

Annual Remuneration	925 290	1 000 952	-	-
Travel, motor car, accommodation, subsistence and expense reimbursive	500 544	448 204	-	-
Rental allowance	89 400	79 900	-	-
Contributions to UIF, Medical and SDL	116 905	106 404	-	-
	1 632 139	**1 635 460**	**-**	**-**

Remuneration Chief Financial Officer (appointed May 2024)

Annual Remuneration	678 752	120 000	-	-
Travel and reimbursive allowance	411 386	31 106	-	-
Contributions to UIF, Medical and Pension Funds	57 877	5 162	-	-
	1 148 015	**156 268**	**-**	**-**

Remuneration of General Manger :Planning and Economic Development (Appointed 3 June 2024))

Annual Remuneration	579 575	48 298	579 575	48 298
Contributions to UIF, Medical and Pension Funds	8 963	942	8 963	942
Travel, housing and other allowances	454 000	37 833	454 000	37 833
Reimbursement of KM	66 533	-	-	-
	1 109 071	**87 073**	**1 042 538**	**87 073**

25. Remuneration of councillors

Mayor	1 023 034	1 002 132	1 023 034	1 002 132
Mayoral Committee Members	5 623 662	4 830 004	5 623 662	4 830 004
Councillors	6 261 611	6 606 908	6 261 611	6 606 908
Speaker	827 250	810 452	827 250	810 452
	13 735 557	**13 249 496**	**13 735 557**	**13 249 496**

In-kind benefits

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

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

The Mayor, Deputy Mayor and speaker have two full-time bodyguards each (1 full time and 1 contracted through appointed security company) at the cost of the Council.

26. Directors emoluments

Total emoluments for the year	1 372 230	1 471 471	-	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

27. Depreciation and amortisation

Property, plant and equipment	95 602 850	95 065 926	94 924 210	94 581 932
Intangible assets	912 204	452 395	895 389	436 112
	96 515 054	**95 518 321**	**95 819 599**	**95 018 044**

Depreciation and amortisation for non-current assets excludes a portion that was capitalised to inventory and expensed through consumables as per note 3.

28. Finance costs

DBSA loan and long service awards	2 604 385	160 512	2 604 385	160 512

29. Lease rentals on operating lease

Premises				
Contractual amounts	410 768	260 097	-	-
Motor vehicles				
Contractual amounts	5 316 069	3 077 461	5 316 069	3 077 461
Equipment				
Contractual amounts	2 730 719	1 811 199	2 560 757	1 557 640
	8 457 556	**5 148 757**	**7 876 826**	**4 635 101**

Operating lease payments represent rentals payable by the municipality for office buildings, vehicles and photocopier machines.
Photocopiers leases are contracted for a period of three (3) years. No contingent rent is payable. Lease rentals are charged at a fixed amount of R 209 449,04 per month (Incl. VAT).

30. Debt impairment

Contributions to debt impairment provision	18 301 286	30 996 890	18 301 286	30 996 890
Bad debts written off	21 471 391	253 367	21 471 391	241 870
	39 772 677	**31 250 257**	**39 772 677**	**31 238 760**

31. Inventory consumed

Inventory consumed comprises of the following:				
Water	406 576 472	326 723 788	406 576 472	326 723 788
Material and suppliers	1 290 244	1 720 256	1 290 244	1 720 256
Water pipes	-	1 251 163	-	1 251 163
	407 866 716	**329 695 207**	**407 866 716**	**329 695 207**

32. Bulk purchases

Electricity - Eskom	22 690 092	28 229 517	22 690 092	28 229 517

33. Contracted services

Outsourced Services				
Cleaning Services	612 402	325 500	612 402	325 500
Internal Auditors	2 471 565	2 143 948	2 211 465	1 975 078
Organisational	73 146	16 000	73 146	16 000
Audit Committee Fees	914 682	689 428	404 682	443 372
Researcher	5 654 994	663 028	5 654 994	663 028
Transport Services	142 888	-	142 888	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

33. Contracted services (continued)

Consultants and Professional Services				
Business and Advisory IT support	42 435 193	12 114 708	42 435 193	12 114 708
Infrastructure and Planning	4 993 988	5 510 916	4 993 988	5 510 916
Laboratory Services	52 219	37 873	52 219	37 873
Legal Cost	23 308 497	18 300 859	23 304 222	18 290 806
Contractors				
Catering Services	6 676 880	611 104	6 676 880	611 104
Interior Decorator	265 805	8 604 395	265 805	8 604 395
Maintenance of Buildings and Facilities	2 662 914	3 008 556	2 662 914	3 008 556
Maintenance of Equipment	9 830 836	17 561 579	9 830 836	17 561 579
Maintenance of infrastructure assets	13 516 092	1 529 083	12 802 961	1 500 305
Medical Services	506 890	25 420	506 890	25 420
Safeguard and Security	55 368 734	36 435 102	55 314 396	36 308 094
Sewerage Services	16 617 102	9 109 530	16 617 102	9 109 530
	186 104 827	**116 687 029**	**184 562 983**	**116 106 264**

34. General expenses

Advertising	526 701	1 783 569	241 348	1 681 252
Assessment rates & municipal charges	13 139	203 669	13 139	203 669
Auditors remuneration	5 633 615	7 006 846	5 056 860	6 312 078
Bank charges	199 457	176 461	177 529	145 351
Communication	2 332 107	854 089	2 332 107	854 089
Community project expenses and donations to communities	6 508 059	6 570 575	-	-
Consumables and minor assets expensed	161 801	201 642	-	-
Donation/transfer of assets to parent municipality	-	380 575	-	-
Electricity	13 248 592	5 815 529	12 906 884	5 544 114
Fines and penalties	11	6 889	-	-
Fuel and oil	13 679 539	26 094 873	13 453 081	26 065 671
Grants paid	521 500	862 000	-	-
Hire	33 346 638	1 743 540	33 338 170	1 743 540
IT expenses	7 300 570	3 070 122	7 080 749	2 954 743
Insurance	3 482 626	3 479 629	3 262 576	3 337 904
Licenses	527 101	997 358	-	557 543
Motor vehicle expenses	1 336 598	1 435 759	1 336 598	1 435 759
Printing and stationery	2 006 336	948 838	1 852 386	784 820
Professional fees and training	549 066	348 052	-	-
Protective clothing	799 822	2 575 725	749 848	2 567 195
Repairs and maintenance	2 380 216	220 450	2 380 216	220 450
Samples and specimens	-	59 820	-	59 820
Skills development levy	1 573 080	1 433 810	1 573 080	1 433 810
Subscriptions and membership fees	-	95 186	-	95 186
Telephone and fax	1 913 185	1 798 325	1 715 063	1 624 083
Travel and accomodation	4 525 256	2 967 871	4 277 370	2 775 684
Umhlosinga Development Agency Grant	-	-	17 097 826	17 373 913
	102 565 015	**71 131 202**	**108 844 830**	**77 770 674**

35. Auditors' remuneration

Fees	5 633 615	7 006 846	5 056 860	6 312 078

Notes to the Annual Financial Statements

Figures in Rand	Economic entity 2025	Economic entity 2024	Controlling entity 2025	Controlling entity 2024

36. Fair value adjustments and actuarial gains/(losses)

PPE fair value gain and Actuarial loss	(96 000)	1 249 711	(96 000)	1 249 711

37. Cash generated from operations

(Deficit) surplus	(136 579 106)	51 993 732	(134 862 107)	46 950 185
Adjustments for:				
Depreciation and amortisation	96 515 054	95 518 321	95 819 599	95 018 044
Gain on sale of assets and liabilities	9 236 814	23 871 198	9 210 907	23 871 198
Impairment losses	22 354 373	29 551	22 354 373	29 551
Fair value adjustments	-	(113 711)	-	(113 711)
Debt impairment	39 772 677	31 250 257	39 772 677	31 238 760
Movements in employee benefit obligations	1 413 000	(1 482 000)	1 413 000	(1 482 000)
Inventory transfered to property, plant and equipment	(2 115 117)	(23 744 520)	(2 115 117)	(23 744 520)
Depreciation and amortisation included under inventory consumed	35 086 845	33 357 942	35 086 845	33 357 942
Public contributions and donations	-	(2 602 400)	-	-
Changes in working capital:				
Inventories	7 232 871	24 416 155	4 756 012	24 229 105
Other receivables from exchange transactions	659 524	1 038 444	320 870	1 153 191
Receivables from exchange transactions: Consumer debtors	(47 869 655)	(42 211 287)	(47 869 655)	(42 211 287)
Payables from exchange transactions	113 087 175	56 200 255	111 836 986	54 216 319
VAT	5 293 280	4 969 617	4 018 209	5 379 467
Unspent conditional grants and receipts	(11 105 086)	(60 640 793)	(7 000 000)	(53 271 986)
Consumer deposits	16 202	21 300	16 202	21 300
	132 998 851	**191 872 061**	**132 758 801**	**194 641 558**

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	149 370 613	179 241 425	149 370 613	179 241 425
Total capital commitments				
Already contracted for but not provided for	149 370 613	179 241 425	149 370 613	179 241 425

This committed expenditure relates to property plant and equipment and will be financed by Municipal Infrastructure Grant (MIG) funding. Capital Commitments are disclosed inclusive of Value Added Tax (VAT).

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	4 432 320	728 518	3 925 555	728 518
- in second to fifth year inclusive	2 488 746	5 828 147	1 747 037	5 828 147
	6 921 066	**6 556 665**	**5 672 592**	**6 556 665**

Office machinery & Equipment
The municipality leases office equipment, including multifunction printers and copiers. These lease contracts commenced on 1 March 2024 and terminate on 28 February 2027, with a total lease period of 36 months. The lease includes a fixed monthly rental for equipment availability and a variable portion is based on usage.

The municipal entity entered into a lease agreement for the rental of multifunction printers and copiers. Leases are negotiated for an average term of three years and rentals are fixed for three years. The initial lease is from 1 October 2023 to 30 September 2026.

These leases do not transfer substantially all the risks and rewards incidental to ownership and are therefore classified as operating leases in accordance with GRAP 13 – Leases.

Lease payments are recognised as an expense on a straight-line basis over the lease term. There are no escalation clauses, or sublease arrangements associated with these leases.

Motor vehicles
The municipality also leases motor vehicles for operational use. These lease agreements commenced on 1 September 2024 and terminate on 31 August 2026, resulting in a total lease period of 24 months, with 14 months committed at year-end. The lease includes a fixed monthly rental for equipment availability and a variable portion is usage.

These agreements do not result in the transfer of ownership or significant risks and rewards, they are accounted for as operating leases in accordance with GRAP 13 – Leases.

Lease payments are recognised as an expense on a straight-line basis over the lease period. There are no purchase options, or subleasing arrangements included in these contracts.

Property lease
The municipal entity entered into a lease agreement for the rental of office building for a period of 3 years commencing from 18 November 2024 to 17 November 2027. Initial rental is R39 840 including VAT but excluding electricity, and a deposit of R39 840 was paid in advance. The lease contract has an annual escalation of 9%

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

39. Contingencies

The municipality had the following contingent liabilities as at the end of the reporting period:

Supplier name and details of the cases				
Sakhokuhle Consulting: Claim against the municipality for services rendered for the Shemula Water Scheme	-	3 640 000	-	3 640 000
UKDM: Claim by the municipality against Jozini Tiger Lodge for services provided by UKDM	2 508 145	2 092 106	2 508 145	2 092 106
Minister of Water and Sanitation: Claim against the municipality for failure to pay service provider for professional services rendered	135 000 000	18 690 614	135 000 000	18 690 614
Employees: Labour matter between UKDM and its employees	88 628	630 584	88 628	630 584
Nxumalo and Partners: Claim against the municipality for services rendered	-	14 950 000	-	14 950 000
Legal costs: Legal costs that may be incurred by the municipality on the transfer of Lot 1861 - Hluhluwe	-	2 100 000	-	2 100 000
Transfer of Portion 7 OF 13433 OF HARLINGEN FARM	100	-	100	-
Maximum Profit Recovery (PTY)LTD - Claim against UKDM for decision to invite 3 panelist members to submit for quotation for VAT Recovery Services	32 000 000	-	32 000 000	-
Mhlongo Transcoin Security (PTY)LTD - Action against UKDM to sign a service level agreement with the applicant and to pay outstanding invoices.	88 628	-	88 628	-
Water and Sanitation Services SA// - Action against the municipality for failure to pay plaintiff professional services rendered	420 412 000	-	420 412 000	-
Nkwenyama Water Scheme (PTY) LTD - Action against UKDM on dispute to levying of water charges by the municipality on Nkwenyana	865 000	-	865 000	-
Nyala Security Services - Action against UKDM for banking services rendered in Mtubatuba office	700 000	-	700 000	-
Spaat and Others - The matter of eviction was handled by WEICK & KRIEL IN 2014 CASE NO 2806/14 at PMB HIGH COURT - Claims that the occupier of the HANGAR and counter claim against UKDM that he has improvements made	1 600 000	-	1 200 000	-
Thonga Beach Lodge (PTY) LTD - action against UKDM for installing a package plant in the private property	1 200 000	-	1 200 000	-
Nxumalo ME & Others - Action against UKDM for salary pay discrimination	7 000 000	-	7 000 000	-
XB Construction: XB construction issued multiple summons at the regional magistrate court of Ingwavuma under case no 62/2023/ to 78/2023 seeking a judgement after stealing our pipes and his driver caught and arrested but SAPS	9 800 000	-	9 800 000	-
Dreyer Jacobus Senekal &Others: Action instituted against the municipality for failure to pay arrears rates and taxes in respect of the plantiffs property.	6 800 000	-	6 800 000	-
Simamane BB - Labour Matter for salary pay discrimination	320 000	-	320 000	-
	618 382 501	**42 103 304**	**617 982 501**	**42 103 304**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

40. Related parties

Relationships

Cooperative Governance and Traditional Affairs (COGTA)	During the 2021 financial year, the municipality was placed under administration by COGTA, enabling it to excess control or significant influence on the municipality through s139(4) intervention.
Umhlosinga Development Agency	Umhlosinga Development Agency is a municipal entity under the control of Umkhanyakude District Municipality to spearhead the economic development within the district.

Related party balances

Payables - Owing to related parties				
Umhlosinga Development Agency			2 388 207	4 388 207

Expenditure incurred and Transfers paid to related parties				
Umhlosinga Development Agency: Grants for the year paid	-	-	16 347 826	17 373 913
Umhlosinga Development Agency: donations	-	-	750 000	-
Umhlosinga Development Agency: Repayment of grant payable	-	-	2 000 000	2 000 000
	-	**-**	**19 097 826**	**19 373 913**

Key management information

Class	Description	Number
Mayor		1
Councillors		34
Municipal Managers		1

Remuneration of management

Refer to note 24 and note 25 for remuneration of senior management and councillors

Refer to note 49 for councillors areas account

41. Prior period errors

Error 1

During the prior year, the municipality did not accrue for all invoices and in some instances, VAT was not correctly accounted for. Further, expenses related to inventory were consumed were incorrectly included under employee costs, bulk purchases, general expenses and contracted services.

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

Statement of Financial Position				
Increase in payables from exchange	-	(34 430 890)	-	(34 430 890)
Increase in VAT receivable	-	6 642 754	-	6 642 754
Decrease in inventory	-	(219 630)	-	(219 630)
Decrease in opening Accumulated Surplus	-	5 316 859	-	5 316 859

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

41. Prior period errors (continued)

Statement of financial performance				
Decrease in depreciation expense reallocated to inventory consumed	-	33 357 942	-	33 357 942
Decrease in contracted services	-	2 913 096	-	2 913 096
Increase in inventory consumed	-	(204 082 305)	-	(204 082 305)
Decrease in general expense	-	77 008 285	-	77 008 285
Decrease in employee costs	-	65 237 112	-	65 237 112

Error 2

During the prior year, property plant and equipment was overstated as a result of assets under construction that were not impaired. Impairment amounting to R8 033 415 was recognised directly to accumulated surplus, and depreciation adjustment as noted in error 1 of R38 186. Further, assets were incorrectly overstated by R1 891 064 that was incorrectly accrued in prior year whilst delivery was of the vehicles was after year end.

Work in progress project for greater Ingwavuma was completed in prior year and erroneously not capitalised. This project was capitalised retrospectively, with total cost of R29 653 427.

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

Statement of Financial Position				
Decrease in property, plan and equipment	-	(9 955 767)	-	(9 955 767)
Decrease in payables (included in error 1)	-	1 891 064	-	1 891 064
Decrease in opening accumulated surplus	-	8 033 415	-	8 033 415
	-	**(31 288)**	**-**	**(31 288)**

Statement of Financial Performance				
Decrease in depreciation expense	-	38 186	-	38 186

Error 3

During the prior year, receivables from exchange transactions were incorrectly overstated as a result of impairment that was incorrectly provided for. Total impairment as at 30 June was adjusted by R104 418 093, of which an increase in opening accumulated impairment of R106 208 241 and a decrease in impairment expense for the 2024 financial year of R1 790 148.

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

Statement of Financial Position				
Decrease in receivables (accumulated impairment increase)	-	(104 418 093)	-	(104 418 093)
Decrease in accumulated surplus opening	-	106 208 241	-	106 208 241
	-	**1 790 148**	**-**	**1 790 148**

Statement of Financial Performance				
Decrease in impairment expense	-	1 790 148	-	1 790 148
	-	-	-	1
	-	**1 790 148**	**-**	**1 790 149**

Error 4

Government grants income was incorrectly overstated as a result of other income that was incorrectly mapped to grants. The error was corrected by mapping the LG Seta income to other income.

The correction of the error resulted in the following adjustments:

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

41. Prior period errors (continued)

Statement of Financial Performance				
Decrease in grants and subsidies	-	320 813	-	320 813
Increase in other income	-	(320 813)	-	(320 813)
	-	**-**	**-**	**-**

Error 5

During the prior year, the municipal entity incorrectly claimed COGTA grant income from 2 invoices that were not funded from the grant by error. The error was corrected by reversing the grant revenue and reinstating the unspent grant liability.Further, the municipal enitity did not claim grant revenue (Mkuze Airfield Terminal Building) from retention that was held by the entity when work was done, this resulted in overstatement of unspent grants liability and understatement of accumulated surplus by R1 485 748.

During the prior years, the entity incorrectly overstated VAT payable by R1 078 163. The error was corrected by reducing VAT payable and increasing accumulated surplus by the same amount.

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

Statement of financial position				
Decrease in VAT payable	-	1 078 163	-	-
Decrease in unspent grants	-	1 425 908	-	-
Increase in opening accumulated surplus	-	(2 563 911)	-	-
	-	**(59 840)**	**-**	**-**

Statement of Financial Performance				
Decrease in grants revenue	-	59 840	-	-

Error 6

Cashflow from operations, investing and financing was incorrectly calculated and presented in the prior year. The calculations were revised and corrected retrospectively of the annual financial statements.

Error 7

During the prior year consolidation, in-kind benefits recognised by the municipal entity of R201 742 were not eliminated as inter company transactions during consolidation. The adjustment of this transaction resulted in decrease in public contributions and donation of R201 742 and decrease in general expenses (electricity and utilities) by the same amount.

Administration and management fees were reclassified from the face of statement of financial performance to other income as this amount is not material class of income for the economic entity. The total reclassification for prior year is R48 333.

During prior year consolidation,municipal entity's expenses were not reclassified to comply with expenditure classifications of the economic entity. The table below represents all reclassifications of expenditure in prior year.

Reclassifications of expenditure for the municipal entity	**General expenses**	**Contracted services**	**Repairs and maintenance**	**Lease rentals on operating lease**
Audit Committee Fees	246 056	(246 056)	-	-
Internal Auditors	168 870	(168 870)	-	-
Legal costs	10 053	(10 053)	-	-
Safeguard and Security	127 008	(127 008)	-	-
Cellphone and telephone contracts	(174 242)	174 242	-	-
Rental of office equipment	253 559	-	-	(253 559)
Maintenance of infrastructure assets	-	(28 778)	28 778	-
	631 304	**(406 523)**	**28 778**	**(253 559)**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

42. 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

Economic entity - 2024

	Note	As previously reported	Correction of error	Restated
Inventories		86 653 712	(219 630)	86 434 082
Other receivables from exchange transactions		3 171 633	(900 102)	2 271 531
Receivables from exchange - Consumer debtors		152 379 152	(104 418 094)	47 961 058
VAT receivables		43 238 555	6 885 212	50 123 767
Property, plant and equipment		2 180 041 397	(9 955 767)	2 170 085 630
Payables from exchange transactions		(265 873 325)	(34 430 890)	(300 304 215)
VAT payable		(835 705)	835 705	-
Unspent conditional grants and receipts		(24 928 237)	1 425 908	(23 502 329)
Accumulated surplus		(2 287 593 698)	140 777 657	(2 146 816 041)
		(113 746 516)	**(1)**	**(113 746 517)**

Controlling entity - 2024

	Note	As previously reported	Correction of error	Restated
Inventories		82 437 824	(219 630)	82 218 194
Other receivables from exchange transactions		2 582 553	(900 102)	1 682 451
Receivables from exchange - Consumer debtors		152 379 152	(104 418 094)	47 961 058
VAT receivables		43 238 555	6 642 754	49 881 309
Property, plant and equipment		2 176 372 157	(9 955 767)	2 166 416 390
Payables from exchange transactions		(268 288 815)	(34 430 890)	(302 719 705)
Accumulated surplus		(2 269 760 611)	143 281 728	(2 126 478 883)
		(81 039 185)	**(1)**	**(81 039 186)**

Statement of financial performance

Economic entity - 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment		347 441	100 695	-	448 136
Other income		577 273	(10 000)	369 146	936 419
Administration and management fees received		48 333	-	(48 333)	-
Government grants & subsidies		855 788 513	(59 840)	(320 813)	855 407 860
Public contributions and donations		3 078 442	(201 042)	-	2 877 400
Employee related cost		(247 752 240)	65 237 112	-	(182 515 128)
Depreciation and amortisation		(128 838 077)	(38 186)	33 357 942	(95 518 321)
Inventory consumed		(125 612 902)	(170 724 363)	(33 357 942)	(329 695 207)
Repairs and maintenance		(28 778)	-	28 778	-
Lease rentals on operating lease		(4 895 198)	-	(253 559)	(5 148 757)
Debt impairment		(33 040 405)	1 790 148	-	(31 250 257)
Contracted services		(119 193 602)	2 913 096	(406 523)	(116 687 029)
General expenditure		(148 971 833)	77 209 327	631 304	(71 131 202)
Surplus (deficit) for the year		**51 506 967**	**(23 783 053)**	**-**	**27 723 914**

42. Prior-year adjustments (continued)

Controlling entity - 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment		230 484	100 695	-	331 179
Other income		345 846	(10 000)	320 813	656 659
Government grants & subsidies		847 309 799	-	(320 813)	846 988 986
Employee related cost		(236 112 155)	65 237 112	-	(170 875 043)
Depreciation and amortisation		(128 337 800)	(38 186)	33 357 942	(95 018 044)
Inventory consumed		(125 612 902)	(170 724 363)	(33 357 942)	(329 695 207)
Debt impairment		(33 028 908)	1 790 148	-	(31 238 760)
Contracted services		(119 019 360)	2 913 096	-	(116 106 264)
General expenditure		(154 778 959)	77 008 285	-	(77 770 674)
Surplus (deficit) for the year		**50 996 045**	**(23 723 213)**	**-**	**27 272 832**

Cash flow statement

Economic entity - 2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		16 989 344	4 787 202	21 776 546
Grants		867 782 112	(72 966 712)	794 815 400
Interest income		43 507 539	(19 249 663)	24 257 876
Other income		348 384	2 939 703	3 288 087
Rental facilities and equipment		-	332 336	332 336
Payments for employee costs		(262 500 192)	68 417 189	(194 083 003)
Payments to suppliers		(474 724 033)	16 094 334	(458 629 699)
		191 403 154	**354 389**	**191 757 543**
Cash flow from investing activities				
Purchase of property, plant and equipment		(222 519 019)	2 271 639	(220 247 380)
Other purchases		-	(2 652 254)	(2 652 254)
		(222 519 019)	**(380 615)**	**(222 899 634)**
Cash flow from financing activities				
Repayment of loans		(917 992)	26 197	(891 795)

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

42. Prior-year adjustments (continued)

Controlling entity - 2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and rendering of services		16 989 344	4 787 202	21 776 546
Grants		847 309 799	(53 592 799)	793 717 000
Interest income		42 060 027	(19 249 664)	22 810 363
Other income		-	3 056 659	3 056 659
Rental facilities and equipment		-	215 329	215 329
Payments for employee costs		(249 361 651)	68 417 189	(180 944 462)
Payments to suppliers		(462 930 443)	16 474 942	(446 455 501)
Grants paid to municipal entities		-	(19 373 913)	(19 373 913)
		194 067 076	**734 945**	**194 802 021**
Cash flow from investing activities				
Purchase of property, plant and equipment		(221 016 594)	1 891 064	(219 125 530)
Other purchases		-	(2 652 254)	(2 652 254)
		(221 016 594)	**(761 190)**	**(221 777 784)**
Cash flow from financing activities				
Repayment of loans		(917 992)	26 197	(891 795)

43. Risk management

Financial risk management

43. Risk management (continued)

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments, credit facilities and grant allocations and existing cash resources.

Budgets are prepared and monitored regularly to help manage the economic entity's liquidity risk.

The table below analyses the municipality's liabilities and their maturity.

Economic entity

At 30 June 2025	Within 12 months	> 12 months	Between 2 and 5 years	Over 5 years
Loans	81 094	-	-	-
Payables from exchange transactions	413 391 382	-	-	-
Unspent grants	12 397 243	-	-	-
Employee benefit obligation	1 097 000	13 335 000	-	-
VAT payable	1 032 613	-	-	-
Consumer Deposits	1 120 695	-	-	-

At 30 June 2024	Within 12 months	> 12 months	Between 2 and 5 years	Over 5 years
Loans	933 832	81 094	-	-
Payables from exchange transactions	300 304 207	-	-	-
Unspent grants	23 502 329	-	-	-
Employee benefit obligation	1 024 000	11 995 000	-	-
Consumer Deposits	1 104 493	-	-	-

Controlling entity

At 30 June 2025	Within 12 months	> 12 months	Between 2 and 5 years	Over 5 years
Loans	81 094	-	-	-
Payables from exchange transactions	414 556 691	-	-	-
Unspent grants	9 897 505	-	-	-
Employee benefit obligation	1 097 000	13 335 000	-	-
Consumer Deposits	1 120 695	-	-	-

At 30 June 2024	Within 12 months	> 12 months	Between 2 and 5 years	Over 5 years
Loans	933 832	81 094	-	-
Payables from exchange transactions	302 719 705	-	-	-
Unspent grants	16 897 505	-	-	-
Employee benefit obligation	1 024 000	11 995 000	-	-
Consumer Deposits	1 104 493	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

43. Risk management (continued)

Credit risk

Liabilities exposed to credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Assets exposed to credit risk at year end were as follows:

Financial instrument	Economic entity - 2025	Economic entity - 2024	Controlling entity - 2025	Controlling entity - 2024
Receivables from exchange transactions - Consumer debtor	56 058 036	47 961 058	56 058 036	47 961 058
Other receivables from exchange transactions	1 612 007	2 271 531	1 361 581	1 682 451
Cash and cash equivalents	71 635 292	124 693 752	56 980 643	108 949 081

Market risk

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

The economic entity's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the economic entity to cash flow interest rate risk.

The municipality's interest rate risk arises from long-term borrowings from DBSA. At year end, financial instruments exposed to interest rate risk were as follows:

-A portion of the loan from Development Bank of South Africa that has semi- floating interest rate linked to Jibar.

The municipality does not have any hedge cover for the risk of changes in interest rate, however it invests all its surplus funds from time to time during the year with banks, which yield interest income to help cover for any losses from change in interest rate.

- FNB Bank and ABSA deposits: The municipality invests surplus funds from time to time to earn interest income.

Interest earned on surplus funds is variable bases on the changes in prime rate. The municipality does not have any cover for the risk of changes interest in interest rate.

44. Going concern

As at 30 June 2025, the municipality had an accumulated surplus (deficit) of R 1 991 616 774 and that the municipality's total assets exceed its total liabilities by R 1 991 616 774.

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

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

45. Events after the reporting date

The municipality was not aware of any material events that may have occurred between 30 June 2025 and the date when the annual financial statements were authorised.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

46. Unauthorised expenditure

Opening balance as previously reported	777 218 021	647 324 029	777 218 021	647 324 029
Add: Unauthorised expenditure - current	492 285 881	129 893 992	492 285 881	129 893 992
Less: Amounts written off by council	(777 218 021)	-	(777 218 021)	-
Closing balance	**492 285 881**	**777 218 021**	**492 285 881**	**777 218 021**

Unauthorised expenditure in the current financial year was incurred as a result of expenditure which exceeded the approved budget.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	96 476 717	96 209 977	96 469 828	96 161 234
Add: Fruitless and wasteful expenditure identified - current	36 890	315 483	36 879	308 594
Less: Amount written off	(6 889)	(48 743)	-	-
Closing balance	**96 506 718**	**96 476 717**	**96 506 707**	**96 469 828**

48. Irregular expenditure

Opening balance	1 823 886 455	4 858 093 068	1 823 684 841	4 857 510 198
Opening balance as restated	**1 823 886 455**	**4 858 093 068**	**1 823 684 841**	**4 857 510 198**
Add: Irregular Expenditure - current	194 765 661	1 183 240 774	194 765 661	1 183 039 160
Less: Amount written off - current	(448 480 878)	(433 097 209)	(448 279 264)	(432 514 339)
Less: Amount written off - prior period	-	(3 784 350 178)	-	(3 784 350 178)
Closing balance	**1 570 171 238**	**1 823 886 455**	**1 570 171 238**	**1 823 684 841**

Irregular expenditure is presented inclusive of VAT

49. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Opening balance	2 073 460	2 024 679	2 073 460	2 024 699
Current year subscription / fee	49 048 413	37 814 042	45 302 461	34 836 840
Amount paid - current year	(49 163 759)	(37 765 261)	(45 417 807)	(34 788 059)
	1 958 114	**2 073 460**	**1 958 114**	**2 073 480**

Pension and Medical Aid Deductions

Opening balance	(13 163)	2 905	(13 163)	2 905
Current year fee	60 694 962	55 838 189	60 694 962	55 838 189
Amount paid - current year	(60 694 962)	(55 854 257)	(60 694 962)	(55 854 257)
	(13 163)	**(13 163)**	**(13 163)**	**(13 163)**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Tzisari Family Trust	9 271	373 989	383 260
Malu Thembinkosi Michael (B) TM	18 535	24	18 559
Gina Mnongeleli Alfred	148	4 433	4 581
	27 954	**378 446**	**406 400**

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Tzisari Family Trust	8 968	339 328	348 296
Councillor B	102	1 580	1 682
	9 070	**340 908**	**349 978**

50. Actual operating expenditure versus budgeted operating expenditure

Changes from the approved budget to the final budget
The changes between the approved and final budget are a consequence of changes in organisational plans and predictions for the year.

Material differences between final budget and actual amounts
Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

51. Deviation from supply chain management regulations

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

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

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

Total deviations for the year are as follows:				
Current year deviations	-	27 288 196	-	27 053 346

52. Distribution losses

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

52. Distribution losses (continued)

Distribution losses are as follows:

Electricity distribution losses	25 119 091	22 626 287	25 119 091	22 626 287
Water distribution losses	153 499 975	136 038 070	153 499 975	136 038 070
	178 619 066	**158 664 357**	**178 619 066**	**158 664 357**

	2025		2024	
Electricity losses	KWh Units	Rand	KWh Units	Rand
	13 281 593	33 052 052	12 934 585	28 229 517
	(3 881 622)	(7 932 961)	(2 134 316)	(5 603 229)
Subtotal	9 399 971	25 119 091	10 800 269	22 626 288
	9 399 971	**25 119 091**	**10 800 269**	**22 626 288**
Electricity loss %	29,23		16,50	

	2025		2024	
Water distribution losses	KL Units	Rand	KL Units	Rand
Water distribution losses	11 037 256	153 499 975	10 290 323	136 038 070
Subtotal	11 037 256	153 499 975	10 290 323	136 038 070
	11 037 256	**153 499 975**	**10 290 323**	**136 038 070**
	36,49	36,49	37,00	37,00

Water losses (Unit value in KL)

Units produced	30 246 628	27 815 098	30 246 628	27 815 098
Units authorised for consumption - billed	(2 560 982)	(2 078 838)	(2 560 982)	(2 078 838)
Units authorised for consumption - unbilled	(16 648 390)	(15 445 937)	(16 648 390)	(15 445 937)
	11 037 256	**10 290 323**	**11 037 256**	**10 290 323**

53. Segment information

General information

Identification of segments

The economic entity is organised and reports to management on the basis of three major functional areas: water, electricity and sanitation services. The segments were organised around the type of service delivered. 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

The economic entity operates in the northern part of Kwa Zulu Natal province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout the district were sufficiently similar to warrant aggregation.

53. Segment information (continued)

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**
Segment 1	Water
Segment 2	Electricity
Segment 3	Sanitation

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Economic entity - 2025

	Water	Electricity	Sanitation	Unallocated	Total
Revenue					
Service charges	46 389 642	8 733 331	626 158	-	55 749 131
Rental of facilities and equipment	-	-	-	566 069	566 069
Interest on receivables	14 888 546	674 795	2 893 691	-	18 457 032
Other Income	-	-	-	1 653 006	1 653 006
Interest on investment	-	-	-	18 028 550	18 028 550
Government grants and subsidies	-	-	-	881 713 670	881 713 670
Total segment revenue	**61 278 188**	**9 408 126**	**3 519 849**	**901 961 295**	**976 167 458**
Entity's revenue					**976 167 458**
Expenditure					
Employee related costs	-	-	-	199 375 268	199 375 268
Employee costs - Remuneration of councillors	-	-	-	13 735 557	13 735 557
Directors emoluments	-	-	-	1 372 230	1 372 230
Depreciation and amortisation	-	-	-	96 515 054	96 515 054
Finance costs	-	-	-	2 604 385	2 604 385
Lease rentals on operating lease	-	-	-	8 457 556	8 457 556
Debt Impairment	-	-	-	39 772 677	39 772 677
Inventory consumed	-	-	-	407 866 716	407 866 716
Bulk purchases	-	22 690 092	-	-	22 690 092
Contracted Services	-	-	-	186 104 827	186 104 827
General expenses	-	-	-	102 565 015	102 565 015
Loss on disposal of assets and liabilities	-	-	-	9 236 814	9 236 814
Impairment loss	-	-	-	22 354 373	22 354 373
Fair value adjustments and actuarial gains/(losses)	-	-	-	96 000	96 000
Total segment expenditure	**-**	**22 690 092**	**-**	**1 090 056 472**	**1 112 746 564**
Total segmental surplus/(deficit)	**61 278 188**	**(13 281 966)**	**3 519 849**	**(188 095 177)**	**(136 579 106)**

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

	Water	Electricity	Sanitation	Unallocated	Total
Assets					
Inventories	77 224 907	237 275	-	1 739 130	79 201 312
Other receivables from exchange transactions	-	-	-	1 612 007	1 612 007
VAT receivable	-	-	-	45 863 099	45 863 099
Receivables from exchange transactions: Consumer debtors	49 771 183	2 757 087	3 529 766	-	56 058 036
Cash and cash equivalents	-	-	-	71 635 292	71 635 292
Property, plant and equipment	-	-	-	2 194 297 358	2 194 297 358
Intangible assets	-	-	-	3 438 640	3 438 640
Heritage assets	-	-	-	586 000	586 000
Total segment assets	**126 996 090**	**2 994 362**	**3 529 766**	**2 319 171 526**	**2 452 691 744**
Total assets as per Statement of financial Position					**2 452 691 744**
Liabilities					
Loans: short term portion	-	-	-	81 094	81 094
Payables from exchange transactions	-	-	-	413 391 382	413 391 382
VAT payable	-	-	-	1 032 613	1 032 613
Consumer deposits	1 120 695	-	-	-	1 120 695
Employee benefit obligation: short term portion	-	-	-	1 097 000	1 097 000
Unspent conditional grants and receipts	-	-	-	12 397 243	12 397 243
Employee benefit obligation: long term portion	-	-	-	13 335 000	13 335 000
Total segment liabilities	**1 120 695**	**-**	**-**	**441 334 332**	**442 455 027**
Total liabilities as per Statement of financial Position					**442 455 027**

Economic entity 2024

	Water	Electricity	Sanitation	Unallocated	Total

53. Segment information (continued)

Revenue					
Service charges	41 380 334	4 817 600	345 056	-	46 542 990
Rental of facilities and equipment	-	-	-	448 136	448 136
Interest on receivables	14 477 477	600 621	3 040 557	-	18 118 655
Other Income	-	-	-	936 419	936 419
Interest on investment	-	-	-	25 370 207	25 370 207
Government grants & subsidies	-	-	-	855 407 860	855 407 860
Public contributions and donations	-	-	-	2 877 400	2 877 400
Total segment revenue	**55 857 811**	**5 418 221**	**3 385 613**	**885 040 022**	**949 701 667**
Entity's revenue					**949 701 667**
Expenditure					
Employee related costs	-	-	-	182 515 128	182 515 128
Employee costs - Remuneration of councillors	-	-	-	13 249 496	13 249 496
Directors emoluments	-	-	-	1 471 471	1 471 471
Depreciation and amortisation	-	-	-	95 518 321	95 518 321
Finance costs	-	-	-	160 512	160 512
Lease rentals on operating lease	-	-	-	5 148 757	5 148 757
Debt Impairment	-	-	-	31 250 257	31 250 257
Inventory consumed	-	-	-	329 695 207	329 695 207
Bulk purchases	-	-	-	28 229 517	28 229 517
Contracted Services	-	-	-	116 687 029	116 687 029
General expenses	-	-	-	71 131 202	71 131 202
Loss on disposal of assets and liabilities	-	-	-	23 871 198	23 871 198
Impairment loss	-	-	-	29 551	29 551
Fair value adjustments	-	-	-	(1 249 711)	(1 249 711)
Total segment expenditure	**-**	**-**	**-**	**897 707 935**	**897 707 935**
Total segmental surplus/(deficit)	**55 857 811**	**5 418 221**	**3 385 613**	**(12 667 913)**	**51 993 732**

53. Segment information (continued)

	Water	Electricity	Sanitation	Unallocated	Total
Assets					
Inventories	80 690 676	1 527 518	-	4 215 989	86 434 183
Other receivables from exchange transactions	-	-	-	2 271 531	2 271 531
VAT receivable	-	-	-	50 123 766	50 123 766
Receivables from exchange transactions: Consumer debtors	41 817 118	1 989 580	4 154 360	-	47 961 058
Cash and cash equivalents	-	-	-	124 693 752	124 693 752
Property, plant and equipment	-	-	-	2 170 085 631	2 170 085 631
Intangible assets	-	-	-	3 605 184	3 605 184
Heritage assets	-	-	-	586 000	586 000
Total segment assets	**122 507 794**	**3 517 098**	**4 154 360**	**2 355 581 853**	**2 485 761 105**
Total assets as per Statement of financial Position					**2 485 761 105**
Liabilities					
Loans: short term portion	-	-	-	933 832	933 832
Payables from exchange transactions	-	-	-	300 304 207	300 304 207
Consumer deposits	1 104 493	-	-	-	1 104 493
Employee benefit obligation: short term portion	-	-	-	1 024 000	1 024 000
Unspent conditional grants and receipts	-	-	-	23 502 329	23 502 329
Loans: long term portion	-	-	-	81 094	81 094
Employee benefit obligation: long term portion	-	-	-	11 995 000	11 995 000
Total segment liabilities	**1 104 493**	**-**	**-**	**337 840 462**	**338 944 955**
Total liabilities as per Statement of financial Position					**338 944 955**

Information about geographical areas

The economic entity’s operations are in the northern part of Kwa Zulu Natal Province.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2025	2024	2025	2024

53. Segment information (continued)

uMkhanyakude District Municipality is located in the far Northern region of KwaZulu-Natal Province in South Africa. At 12 818 km2 and with a population totalling 625,846, the District is the 2nd largest District in KwaZulu-Natal, in terms of size, behind its neighbouring District, Zululand District Municipality. UMkhanyakude District also has the World Heritage Site known as Isimangaliso Wetland Park which encompasses the entire coastline of more than 200 km.

The District consists of the local municipalities of: Jozini, Mtubatuba, uMhlabuyalingana and The Big 5 Hlabisa local municipalities.

The municipality does not have separate financial information per each geographical area.