KING CETSHWAYO

DISTRICT MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2025

GENERAL INFORMATION

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (water, sanitation & waste management) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1996) Local Government: Municipal Finance Management Act (Act 56 of 2003) Water Services Act 108 of 1997 Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Division of Revenue Act (Act 1 of 2007)
Mayor	His Worship Councillor SZ Dlamini
Accounting Officer	Mr PP Sibiya
Deputy Municipal Manager Finance (CFO)	Mrs MC Reddy
Registered office	King Cetshwayo District Municipality Prince Mangosuthu Buthelezi House Krugerrand, CBD Richards Bay 3900
Business address	King Cetshwayo District Municipality Prince Mangosuthu Buthelezi House Krugerrand, CBD Richards Bay 3900
Postal address	Private Bag X1025 Richards Bay 3900
Bankers	FirstRand Bank
Auditors	Auditor-General of South Africa (AGSA)
Senior Legal Advisor	Mr G Dlamini
Municipal demarcation code and grade	DC 28 / Grade 5
Members of the audit committee	Mr D Naicker - Chairperson Mr HGS Mpungose CA (SA) Mr AD Gonzalves Dr MJ Ndlovu Mrs CN Khanyile

INDEX

The reports and statements set out below comprise the annual financial statements for the year ended 30 June 2025

INDEX

Abbreviations used:

AUC	Assets Under Construction
CPI	Consumer Price Index
DBO	Defined Benefit Obligation
DWS	Department of Water and Sanitation
EQS	Equitable Share
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Sector Education and Training Authority
LSA	Long Service Awards
MDRG	Municipal Disaster Relief Grant
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSCOA	Municipal Standard Chart of Accounts
MTREF	Medium Term Revenue Expenditure Framework
NRV	Net Realisable Value
PRMB	Post-Retirement Medical Benefits
RBIG	Regional Bulk Infrastructure Grant
RRAMS	Rural Roads Asset Management Systems
RUL	Remaining Useful Lives
SARS	South African Revenue Services
VAT	Value Added Tax Act (Act No. 89 of 1991)
WSIG	Water Services Infrastructure Grant

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITY

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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

I am 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.

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

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

I would like to bring your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 28 and 43 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act (Act no. 20 of 1998) and the Minister of Provincial and Local Government determination in accordance with this Act.

Accounting Officer
Mr PP Sibiya
30 August 2025

ACCOUNTING OFFICER'S REPORT

The Accounting Officer submits his report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is a category C municipality and has specific functions in line with section 85 of the Local Government Municipal Structures Act of 1998, which include planning and promotion of integrated development plan and supplying of the services to the community which are water, sanitation, refuse and environmental health services. The full extent of functions are listed in the published annual report.

Net surplus of the municipality was R268 274 002 (30 June 2024: surplus R294 526 497).

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R3 757 432 663 and that the municipality's total assets exceed total liabilities by R3 757 432 663.

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.

3. Subsequent events

At the date of submission of the annual financial statements, the municipality identified one adjusting event which related to a judgement issued in favour of a plaintiff resulting in the recognition of a liability as at 30 June 2025 - refer to note 42.

4. Accounting Officers' interest in contracts

The Accounting Officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

The annual financial statements were prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

6. Accounting Officer

The Accounting Officer of the municipality is Mr PP Sibiya.

ACCOUNTING OFFICER'S REPORT

7. Corporate governance

General

The Accounting Officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

Audit committee

The chairperson of the audit committee for the full financial year was Mr D Naicker (independent member). The committee met 5 times during the financial year to review matters necessary to fulfil its role.

Internal audit

The municipality has co-sourced its internal audit function wherein the municipality appointed a Chief Audit Executive who oversees the outsourced service provider. This is in compliance with the Municipal Finance Management Act, 2003.

The annual financial statements set out on pages 7 to 104, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2025.

Accounting Officer
Mr PP Sibiya

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

Figures in Rands	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	168 907 480	136 160 780
Receivables from exchange transactions - consumer debtors	3	64 699 236	64 408 356
Receivables from non-exchange transactions - consumer debtors	4	3 103 794	1 273 465
Inventories	5	7 370 883	5 864 055
Receivables from exchange transactions - other	6	151 521 462	165 902 237
		395 602 855	**373 608 893**
Non-Current Assets			
Property, plant and equipment	7	3 799 951 977	3 454 015 908
Intangible assets	8	2 564 944	3 603 395
Heritage assets	9	1 487 200	1 487 200
Receivables from exchange transactions - consumer debtors	10	3 356 306	6 068 976
		3 807 360 427	**3 465 175 479**
Total Assets		**4 202 963 282**	**3 838 784 372**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	308 404 761	240 269 509
Consumer deposits	12	11 992 125	11 739 499
Current portion of employee benefit obligation	13	1 646 000	2 410 000
Current portion of provisions	15	6 340 314	4 273 702
		328 383 200	**258 692 710**
Non-Current Liabilities			
Employee benefit obligations	13	41 379 000	34 456 000
Provisions	15	75 768 419	56 477 000
		117 147 419	**90 933 000**
Total Liabilities		**445 530 619**	**349 625 710**
Net Assets		**3 757 432 663**	**3 489 158 662**
Accumulated surplus		3 757 432 663	3 489 158 662
Total Net Assets		**3 757 432 663**	**3 489 158 662**

* See Note 49

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

Figures in Rands	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	109 289 737	103 461 290
Sale of goods and rendering of services	17	1 053 315	468 975
Licences and permits	18	195 979	151 455
Rental income	19	324 618	357 491
Operational revenue	20	724 354	2 518 349
Interest on receivables from exchange transactions	21	5 063 499	4 350 959
Interest on receivables from investments and bank accounts	22	28 710 090	29 269 268
Gain on disposal of property, plant and equipment	7	1 889 241	833 252
Total revenue from exchange transactions		**147 250 833**	**141 411 039**
Revenue from non-exchange transactions			
Actuarial gains	13	-	8 693 914
Adjustment to rehabilitation provision	15	8 267 549	4 343 840
Transfers and subsidies	23	1 211 947 040	1 177 325 016
Fines, penalties and forfeits	24	3 582 447	11 999 698
Donations	7	-	10 786 868
Service charges - availability charges	25	2 353 186	2 277 889
Interest on receivables from non-exchange transactions	26	196 231	466 846
Total revenue from non-exchange transactions		**1 226 346 453**	**1 215 894 071**
Total revenue		**1 373 597 286**	**1 357 305 110**
Expenditure			
Employee related costs	27	(347 307 761)	(330 089 520)
Remuneration of councillors	28	(15 696 137)	(14 986 734)
Depreciation and amortisation	29	(100 142 051)	(99 214 958)
Finance costs	30	(8 267 548)	(7 451 316)
Debt Impairment	3&4&6&11	(10 222 795)	(3 670 036)
Irrecoverable debts written off	3	(2 903 900)	(4 914 328)
Inventory consumed	31	(232 987 379)	(219 394 982)
Contracted services	32	(196 021 158)	(186 348 862)
Transfers and subsidies	33	(1 623 804)	(3 700 000)
Operating leases	34	(17 259 256)	(18 954 954)
Operational costs	35	(109 557 854)	(99 744 319)
Actuarial losses	13	(135 657)	-
Water losses	36	(60 336 851)	(51 265 131)
Inventories write-downs	5	(75 486)	-
Impairment on property, plant and equipment	7	(2 785 647)	(23 043 473)
Total expenditure		**(1 105 323 284)**	**(1 062 778 613)**
Surplus for the year		**268 274 002**	**294 526 497**

* See Note 49

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2025

Figures in Rands	Accumulated surplus	Total net assets
Opening balance as previously reported	3 180 926 330	3 180 926 330
Prior year adjustments 49	13 705 835	13 705 835
Balance at 01 July 2023 restated	**3 194 632 165**	**3 194 632 165**
Restated surplus for the year	294 526 497	294 526 497
Restated balance at 01 July 2024	**3 489 158 662**	**3 489 158 662**
Opening balance as previously reported	3 478 766 129	3 478 766 129
Prior year adjustments 49	10 392 532	10 392 532
Surplus for the year	268 274 002	268 274 002
Balance at 30 June 2025	**3 757 432 663**	**3 757 432 663**

* See Note 49

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2025

Figures in Rands	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Consumers and other		147 114 668	152 475 637
Transfers and subsidies	14	1 211 947 040	1 172 519 872
Interest		30 291 517	31 120 958
VAT receipts		137 783 728	152 325 735
		1 527 136 953	1 508 442 202
Payments			
Employees		(342 565 441)	(336 658 178)
Suppliers		(678 010 788)	(674 180 667)
		(1 020 576 229)	(1 010 838 845)
Net cash flows from operating activities	38	**506 560 724**	**497 603 357**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles assets		(477 685 970)	(510 724 745)
Proceeds from insurance and sale of property, plant and equipment		3 871 946	2 649 817
Net cash flows from investing activities		**(473 814 024)**	**(508 074 928)**
Cash flows from financing activities			
Repayment of current portion of borrowings		-	(6 285 648)
Finance costs	30	-	(601 700)
Net cash flows from financing activities		**-**	**(6 887 348)**
Net increase / (decrease) in cash and cash equivalents		**32 746 700**	**(17 358 919)**
Cash and cash equivalents at the beginning of the year		136 160 780	153 519 699
Cash and cash equivalents as at the end of the reporting period	2	**168 907 480**	**136 160 780**

* See Note 49

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Year to date Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges - water	78 851 730	(9 139 190)	**69 712 540**	61 846 438	**(7 866 102)**	44.1
Service charges - waste water management	10 606 915	-	**10 606 915**	8 792 368	**(1 814 547)**	44.2
Service charges - waste management	44 175 058	(3 860 810)	**40 314 248**	38 650 931	**(1 663 317)**	
Sale of goods and rendering of services	822 528	-	**822 528**	1 053 315	**230 787**	
Licences and permits	103 000	63 315	**166 315**	195 979	**29 664**	
Rental from fixed assets	343 478	-	**343 478**	324 618	**(18 860)**	
Operational revenue	5 257 487	(2 614 190)	**2 643 297**	724 354	**(1 918 943)**	44.3
Interest earned from receivables	1 699 308	-	**1 699 308**	5 063 499	**3 364 191**	44.4
Interest earned from current and non-current assets	27 560 000	-	**27 560 000**	28 710 090	**1 150 090**	
Gain on disposal of property, plant and equipment	-	-	**-**	1 889 241	**1 889 241**	44.5
Total revenue from exchange transactions	**169 419 504**	**(15 550 875)**	**153 868 629**	**147 250 833**	**(6 617 796)**	
Revenue from non-exchange transactions						
Adjustment to rehabilitation provision	-	-	**-**	8 267 549	**8 267 549**	44.6
Transfers and subsidies - operational	748 534 800	180 771	**748 715 571**	748 715 571	**-**	
Fines, penalties and forfeits	12 585	1 564 220	**1 576 805**	3 582 447	**2 005 642**	44.7
Service charges - availability charges	-	-	**-**	2 353 186	**2 353 186**	44.8
Interest on receivables from non-exchange	-	-	**-**	196 231	**196 231**	
Total revenue from non-exchange transactions	**748 547 385**	**1 744 991**	**750 292 376**	**763 114 984**	**12 822 608**	
Total revenue	**917 966 889**	**(13 805 884)**	**904 161 005**	**910 365 817**	**6 204 812**	
Expenditure						
Employee related costs	(416 354 870)	68 728 689	**(347 626 181)**	(347 307 761)	**318 420**	
Remuneration of councillors	(18 122 446)	2 045 779	**(16 076 667)**	(15 696 137)	**380 530**	
Depreciation, amortisation and impairment	(152 827 217)	2 948 540	**(149 878 677)**	(102 927 698)	**46 950 979**	44.9
Finance costs	(3 419 110)	(4 848 439)	**(8 267 549)**	(8 267 548)	**1**	
Debt Impairment	(9 868 755)	(2 183 924)	**(12 052 679)**	(10 222 795)	**1 829 884**	44.10
Irrecoverable debts written off	(9 122 026)	1 836 838	**(7 285 188)**	(2 903 900)	**4 381 288**	44.11
Inventory consumed	(179 041 303)	(54 629 998)	**(233 671 301)**	(232 987 379)	**683 922**	
Contracted services	(190 824 149)	(9 666 941)	**(200 491 090)**	(196 021 158)	**4 469 932**	
Transfers and subsidies	(5 200 000)	1 576 195	**(3 623 805)**	(1 623 804)	**2 000 001**	44.12
Operational costs	(129 713 217)	339 186	**(129 374 031)**	(126 817 110)	**2 556 921**	
Loss on disposal of assets	-	(1 982 708)	**(1 982 708)**	-	**1 982 708**	44.13
Other losses	(78 276 392)	512 483	**(77 763 909)**	(60 472 508)	**17 291 401**	44.14

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Year to date Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Inventories losses/write-downs	-	-	-	(75 486)	**(75 486)**	
Total expenditure	**(1 192 769 485)**	**4 675 700**	**(1 188 093 785)**	**(1 105 323 284)**	**82 770 501**	
Operating deficit	**(274 802 596)**	**(9 130 184)**	**(283 932 780)**	**(194 957 467)**	**88 975 313**	
Transfers and subsidies - capital (monetary allocation)	491 415 200	(28 183 731)	**463 231 469**	463 231 469	-	
Surplus for the year	**216 612 604**	**(37 313 915)**	**179 298 689**	**268 274 002**	**88 975 313**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Year to date Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	133 631 529	(19 079 414)	**114 552 115**	168 907 480	**54 355 365**	44.15
Trade and other receivables from exchange transactions	86 895 096	(17 181 000)	**69 714 096**	64 699 236	**(5 014 860)**	
Receivables from non-exchange transactions	-	1 273 466	**1 273 466**	3 103 794	**1 830 328**	44.16
Inventory	8 647 238	(2 931 603)	**5 715 635**	7 370 883	**1 655 248**	44.17
VAT	102 873 891	(13 441 905)	**89 431 986**	-	**(89 431 986)**	44.18
Other current assets	8 964 051	5 480 284	**14 444 335**	151 521 462	**137 077 127**	44.18
	341 011 805	**(45 880 172)**	**295 131 633**	**395 602 855**	**100 471 222**	
Non-Current Assets						
Property, plant and equipment	3 576 554 325	166 062 872	**3 742 617 197**	3 799 951 977	**57 334 780**	
Intangible assets	4 852 565	(1 270 000)	**3 582 565**	2 564 944	**(1 017 621)**	44.19
Heritage assets	7 434 783	(5 947 583)	**1 487 200**	1 487 200	**-**	
Receivables from exchange transactions	-	6 068 977	**6 068 977**	3 356 306	**(2 712 671)**	44.20
	3 588 841 673	**164 914 266**	**3 753 755 939**	**3 807 360 427**	**53 604 488**	
Total Assets	**3 929 853 478**	**119 034 094**	**4 048 887 572**	**4 202 963 282**	**154 075 710**	
Liabilities						
Current Liabilities						
Trade and other payables from exchange transactions	172 951 560	73 725 230	**246 676 790**	308 404 761	**61 727 971**	44.21
Consumer deposits	11 666 566	72 933	**11 739 499**	11 992 125	**252 626**	
Provisions	6 560 269	218 520	**6 778 789**	7 986 314	**1 207 525**	44.22
VAT	10 013 739	7 770 027	**17 783 766**	-	**(17 783 766)**	44.21
	201 192 134	**81 786 710**	**282 978 844**	**328 383 200**	**45 404 356**	
Non-Current Liabilities						
Provisions	132 848 999	(24 951 871)	**107 897 128**	117 147 419	**9 250 291**	
Total Liabilities	**334 041 133**	**56 834 839**	**390 875 972**	**445 530 619**	**54 654 647**	
Net Assets	**3 595 812 345**	**62 199 255**	**3 658 011 600**	**3 757 432 663**	**99 421 063**	
Accumulated surplus	3 595 812 345	62 199 255	**3 658 011 600**	3 757 432 663	**99 421 063**	
Total community wealth / equity	**3 595 812 345**	**62 199 255**	**3 658 011 600**	**3 757 432 663**	**99 421 063**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

Figures in Rands	Approved budget	Adjustments	Year to date Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Services charges	130 849 883	(12 999 877)	**117 850 006**	103 588 215	**(14 261 791)**	
Other revenue	114 160 955	54 479 110	**168 640 065**	181 310 182	**12 670 117**	
Transfers and subsidies - operational	745 697 800	3 017 771	**748 715 571**	748 715 571	**-**	
Transfers and subsidies - capital	494 252 200	(31 020 731)	**463 231 469**	463 231 469	**-**	
Interest	27 560 000	-	**27 560 000**	30 291 517	**2 731 517**	
	1 512 520 838	**13 476 273**	**1 525 997 111**	**1 527 136 954**	**1 139 843**	
Payments						
Suppliers and employees	(1 040 841 992)	(63 094 160)	**(1 103 936 152)**	(1 018 952 426)	**84 983 726**	
Transfers and subsidies	(5 200 000)	(50 000)	**(5 250 000)**	(1 623 804)	**3 626 196**	
	(1 046 041 992)	**(63 144 160)**	**(1 109 186 152)**	**(1 020 576 230)**	**88 609 922**	
Net cash flows from operating activities	**466 478 846**	**(49 667 887)**	**416 810 959**	**506 560 724**	**89 749 765**	
Cash flows from investing activities						
Capital assets	(465 007 780)	26 720 668	**(438 287 112)**	(477 685 970)	**(39 398 858)**	
Proceeds on disposal of PPE	-	-	**-**	3 871 946	**3 871 946**	
Net cash flows from investing activities	**(465 007 780)**	**26 720 668**	**(438 287 112)**	**(473 814 024)**	**(35 526 912)**	
Cash flows from financing activities						
Increase / (decrease) in consumer deposits	(132 512)	-	**(132 512)**	-	**132 512**	
Net increase/(decrease) in cash and cash equivalents	1 338 554	(22 947 219)	**(21 608 665)**	32 746 700	**54 355 365**	
Cash and cash equivalents at the beginning of the year	132 027 951	4 132 829	**136 160 780**	136 160 780	**-**	
Cash and cash equivalents at the end of the reporting period	**133 366 505**	**(18 814 390)**	**114 552 115**	**168 907 480**	**54 355 365**	

Variances greater than 10% with a value greater than R500 000 are explained in note 44.

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025

1. Basis of preparation

The annual financial statements for the year ended 30 June 2025 have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rands and the amounts have been rounded to the nearest rand.

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

1.1 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 and sources of estimation uncertainty include:

1.1.1 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15.

1.1.2 Useful lives of property, plant, equipment and intangible assets

As described in accounting policies 1.7&1.9 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and are reviewed annually.

1.1.3 Defined benefit plan liabilities and other long-term employee benefits

As described in accounting policy 1.5, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and other long-term employee benefits i.e. long service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 13 to the financial statements.

1.1.4 Impairment of financial assets

The accounting policy 1.4 on financial instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of the reporting period.

On receivables from exchange transactions consumer debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

The calculation in respect of the impairment of consumer debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per the approved council policy on credit control and debt collection.

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025

1.1 Basis of preparations (continued)

1.1.5 Revenue recognition

Accounting policy 1.14 on Revenue from Exchange Transactions and accounting policy 1.15 on Revenue from Non - Exchange Transactions describe the conditions under which revenue is recorded by the management of the municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 Revenue from Exchange Transactions and GRAP 23 Revenue from Non-Exchange Transactions and in particular, whether the service has been rendered.

1.1.6 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is outlined in 1.4. below and is based on management's judgement.

1.1.7 Impairment of property, plant and equipment, intangible assets, heritage assets and write down of inventory

The accounting policies on impairment of non-cash generating assets 1.10 as well as inventory 1.12 describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Estimates and judgements are made relating to the impairment of property, plant and equipment, intangible assets and heritage assets and the write down of inventories to the lower of cost and net realisable values (NRV).

1.1.8 Inventory water and water losses

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

Water losses are unauthorised losses that occur due to factors other than normal production and utilisations, and are regarded as material if their omission or misstatement will affect the decisions made by users of the information. These losses consist of real and apparent losses and disclosed in note 36.

1.1.9 Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or in aggregate, influence the decisions that users make on the basis of information disclosed in the annual financial statements.

In preparation of the annual financial statements materiality has been considered in:

a) Deciding what to report in the financial statements and how to present it.

b) Assessing the effect of omissions, misstatements and errors on the annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items,transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:

a) The item, transaction or event relates to legal or regulatory requirements.

b) Related party transactions.

c) The regularity or frequency with which an item, transaction or event occurs.

d) The item, transaction or event results in the reversal of a trend.

1.1 Basis of preparations (continued)

e) The item, transaction or event is likely to result in a change in accounting policy.

f) The commencement of a new function, or the reduction or cessation of an existing function.

g) The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.

h) An item, transaction or event that affects the going concern assumption of the municipality.

1.2 New standards of GRAP, guidelines and interpretations

GRAP standards revised and not yet effective

The following Standards have been revised with their amendments being effective for financial years commencing on or after 1 April 2025:

-GRAP 1 (as amended) on Presentation of Financial Statements. The effective date is still to be determined by the Minister of Finance.

The amendment relates to disclosure requirements on going concern and the preparation of annual financial statements thereon.

-GRAP 103 (as revised) on Heritage Assets. The effective date is still to be determined by the Minister of Finance.

The amendments relates to the definition, criteria, recognition, measurement and de-recognition of heritage assets.

-GRAP 104 (as revised) on Financial Instruments. The effective date is 1 April 2025 and as such will be applied in the 2025/2026 financial statements.

Emanating from the global financial crisis, a concern regarding accounting for financial instruments was raised in relation to information on credit losses and defaults on financial assets was received too late to enable proper decision-making, amongst others. The revisions better align the standard with recent international developments. The amendments result in better information being available to make better decisions about financial assets and their recoverability.

-Amendments of Standards of GRAP

The municipality expects that the above standards would not have a material impact on the preparation of the annual financial statements, with the exception of GRAP 104's financial impact which is still being assessed.

1.3 Offsetting

Assets and liabilities, as well as revenue and expenses, are offset and the net amount is reported in the financial statements when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Financial instruments

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions (excluding statutory receivables i.e. VAT)	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

1.4 Financial instruments (continued)

The municipality 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

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting the allowance account. The amount of the reversal is recognised in surplus or deficit.

The municipality de-recognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

The municipality de-recognises financial liabilities when, and only when, the municipalities obligations are discharged, cancelled or expire.

Initial recognition and measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value that are directly attributable to the acquisition or issue of the financial asset or financial liability plus transaction costs. Transaction costs are also added to financial instruments carried at amortised cost.

1.5 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the statement of financial performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is included in payables from exchange transactions.

Defined contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. Contributions are recognised in the statement of financial performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

The municipality contributes to state funds on behalf of its qualifying employees (refer to Note 13 of the annual financial statements for details). The contributions to fund obligations for the payment of retirement benefits are charged to surplus or deficit in the year they become payable.

1.5 Employee benefits (continued)

These contributions are recognised in the statement of financial performance when employees have rendered the service entitling them to the contribution.

Defined benefit plans

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Other long-term employee benefits - long-service awards

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

1.6 Provisions and contingencies

Provisions

The municipality accounts for the following provisions - refer to note 15:

- Performance bonus for section 56 and 57 managers
- Rehabilitation provision for the solid waste landfill site

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. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Contingencies

Contingent assets and contingent liabilities are not recognised in the annual financial statements. Contingencies are disclosed in note 42.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable. The municipality shall disclose a brief description of the nature of the contingent assets at the reporting date, and, where practicable, an estimate of their financial effect.

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2025

1.6 Provisions and contingencies (continued)

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality, or, a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, the amount of the obligation cannot be measured with sufficient reliablity. Unless the possibility of any outflow in settlement is remote, the municipality shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:

- an estimate of its financial effect
- an indication of the uncertainties relating to the amount or timing of any outflow; and
- the possibility of any reimbursement

Contingencies are remeasured annually with relevant adjustments effected to the annual financial statements subject to the latest information available at the reporting date.

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.

Initial recognition

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

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

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the assets at acquisition date.

All property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation on assets other than land is calculated using the Straight-line method.

The depreciation rates are based on the following estimated useful lives:

Item	Useful life
Buildings -other	30 years
Buildings - permanent	30 - 50 years
Plant and equipment	2 - 15 years
Furniture	10 years
Motor vehicles	5 - 15 years
Office equipment	5 years
IT equipment	5 years
Infrastructure - plant and equipment	15 years
Infrastructure - sewerage services	50 years
Infrastructure - solid waste and cemetery services	15 years
Infrastructure - water services	20 - 50 years

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.

1.8 Heritage assets

Heritage assets are assets that have a cultural and historical significance and are held indefinitely for the benefit of present and future generations.

Initial recognition

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

A class of heritage assets is subsequently measured at its cost less any accumulated impairment losses.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.

1.9 Intangible assets

Initial recognition

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

Amortisation is on assets calculated using the straight line method.

The amortisation rates are based on the following useful lives:

Item	Useful life
Computer software, other	3-5 years

1.10 Impairment of non-cash-generating assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. All other assets are classified as non-cash generating assets. The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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

The recoverable (service) amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

For non-cash generating assets the value in use is determined using the Depreciated Replacement Cost approach. An impairment loss is recognised immediately in Surplus or Deficit. An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable (service) amounts of those assets are estimated. 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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss is recognised immediately in Surplus or Deficit.

1.11 Leases

<u>Operating leases - The municipality as a lessor</u>

Operating lease revenue is recognised as revenue on the straight line basis.

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

<u>Operating leases - The municipality as a lessee</u>

Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

1.12 Inventory

Consumables and maintenance materials are inventories used by the municipality which are not sold and thus measured at the lower of cost and current replacement cost. The cost of these inventory items are assigned using the first-in, first out (FIFO) formula.

Water for distribution is measured using the weighted average formula. Additions to water for distribution is accounted for in three ways i.e. bulk purchases, water treatment works and own production (natural sources). Bulk purchases are capitalised in inventory based on actual costs from the service provider and own production/water treatment works is capitalised based on costs associated with the production of water. Water is sold and thus subsequently valued at the lower of cost and net realisable value. Water becomes inventory at the point of extraction/supply and when water is being processed for consumption.

1.13 Water losses

Water losses are determined by the difference between system input volumes and authorised consumption which is then categorised between apparent and real losses.

<u>Apparent losses</u>

Apparent losses are made up from unauthorised consumption (theft or illegal use), plus all technical and administrative inaccuracies associated with customer metering. The guideline used to calculate the volume of apparent losses are those issued by the Department of Water and Sanitation.

A systematic estimate is made from local knowledge of the system and an analysis of technical and administrative aspects of the customer metering system. Calculations used are consumer meter age, prevalence of illegal connections, and data transfer inconsistencies from the billing database.

Metering inaccuracies are based on the various components of billed meterd consumption (BMC) and calculated at 5% of the sum of the following:

- BMC - exported water

1.13 Water losses (continued)

- BMC - billed metered consumption
- BMC - pre-paid meters
- BMC - free basic water (billing database)
- Deemed consumption - pre-paid meters
- Deemed consumption - free basic water (boreholds and springs)
- BMC - tankered water

Real losses

Real losses are calculated by subtracting apparent losses from total water losses.

1.14 Revenue from exchange transactions

Measurement

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

Sale of goods

Charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Other revenue from exchange transactions

Interest and rentals are recognised on a straight line basis.

1.15 Revenue from non-exchange transactions

Revenue from non-exchange transactions includes the following items:

- Donations
- Transfers and subsidies
- Fines, penalties and forfeits
- Availability charges and interest

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

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

1.16 Tax

Tax expenses

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

VAT

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

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

1.17 Transfers and subsidies

The municipality transfers money to individuals, organisations and other sectors of government from time to time.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred and measured at amortised cost.

1.18 Statutory receivables

The municipality has the following categories under the ambit of statutory receivables:

-Receivables from exchange transactions - consumer debtors (Air quality licences)

-VAT receivable (SARS)

The municipality measures statutory receivables using the cost method.

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

1.19 Budget information

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

The annual financial statements for the year ended 30 June 2025 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. Explanatory comments are provided in note 44 of the annual financial statements for a variance of 10% and greater than R500 000, providing reasons for the variance between actuals and budget.

1.20 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—

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- 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
- a grant by the municipality otherwise than in accordance with this Act.

1.20 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in that the expenditure was incurred. Subsequent to investigation of the identified expenditure, should the expenditure not be condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in that the expenditure was incurred. Subsequent to investigation of the identified expenditure, should the expenditure not be condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.22 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means—

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the 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 the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity 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 of the 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 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). Subsequent to investigation of the identified expenditure, should the expenditure not be condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.23 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will result in the future outflow of resources. Capital commitments are not recognised in the statement of Financial Position as a liability but are included in the disclosure note 37 at their undiscounted contractual amounts, where the expenditure has been approved and the contract awarded at the reporting date.

1.24 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

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

1.24 Related parties (continued)

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

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

1.25 Comparative figures

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

1.26 Prior period errors

The purpose of this policy is to prescribe how the Municipality identifies, corrects, and discloses prior period errors in accordance with GRAP 3 – Accounting Policies, Changes in Accounting Estimates and Errors, and to ensure consistent and transparent financial reporting as required by the MFMA.

A prior period error is an omission from, or misstatement in, the Municipality's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue; and
- could reasonably have been expected to be obtained and taken into account in the preparation and presentation of those financial statements.

Prior period errors include errors resulting from:

- Mathematical mistakes
- Mistakes in applying accounting policies
- Oversights or misinterpretations of facts

Recognition and measurement

When a prior period error is identified, the Municipality shall correct the error retrospectively in the first set of financial statements authorised for issue after its discovery by:

- Restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- Restating the opening balances of assets, liabilities and net assets for the earliest prior period presented, if the error occurred before the earliest prior period presented.

The Municipality shall correct all material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery, unless it is impracticable to determine the effects of the error. If it is impracticable to determine the period-specific effects or the cumulative effect of an error, the Municipality shall correct the error prospectively from the earliest date practicable.

Disclosure

The entity shall disclose the following in the period in which a prior period error is corrected:

- The nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;
- the amount of the correction at the beginning of the earliest prior period presented; and

1.26 Prior period errors (continued)

- if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

1.27 Segment information

The amount of each segment item reported is the per measure reported to management. Management applies the measurement requirements per GRAP for the respective segment items and thus aligned to the entity's financial statements measurement basis.

Adjustments and eliminations made in preparing an entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit where relevant. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities are reported for that segment.

Amounts allocated to reported segment surplus or deficit, assets or liabilities, are allocated on total segment expenses or total segment assets or liabilities basis. Revenues are segment specific and are not allocated.

The municipality is organised and operates in six key functional segments being community and public safety, economic and environmental services, trading services water, trading services waste water, trading services waste management and governance and administration. The segment information is outlined in note 48.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

1.28 Events after reporting date

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

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

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

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

1.29 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities. Any surplus / deficit realised during a specific financial year is credited / debited against the accumulated surplus.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash book balances	108 809 988	76 052 070
Call investment deposits	60 000 000	60 000 000
Cash in transit	91 692	102 910
Cash on hand	5 800	5 800
	168 907 480	**136 160 780**

Cash in bank accounts earn interest at a linked rate.

Call investment deposits with financial institutions

Financial institution	**Maturity**		
Absa	On call	-	60 000 000
Absa	On call	60 000 000	-
		60 000 000	**60 000 000**

An average interest rate of 6.96% and 9.15% was received on investments placed for the period ended 30 June 2025 and 30 June 2024 respectively. The detailed investment register is available at the registered office of the municipality.

No cash and cash equivalents have been pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FirstRand Bank Limited						
Primary Account	93 977 769	53 575 177	63 351 103	93 977 769	53 575 177	63 350 411
Account No 629 434 44109						
Billing Account	6 022 746	82 995	20 000	6 022 746	82 995	20 000
Account No 629 434 44125						
Expenditure Account	8 809 473	22 393 898	30 000 000	8 809 473	22 393 898	30 000 000
Account No 629 434 44117						
Total	**108 809 988**	**76 052 070**	**93 371 103**	**108 809 988**	**76 052 070**	**93 370 411**

Detailed bank reconciliations in support of the cash book balances are available at the registered office of the municipality.

First National Bank has provided a guarantee to the value of R80 000 as security for the payment obligations of the municipality in the event of defaulting against the South African Post Office SOC Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

3. Receivables from exchange transactions - consumer debtors

Gross balances		
Water	92 120 391	84 357 504
Sanitation	23 456 352	18 710 621
Solid waste	6 145 571	6 310 630
	121 722 314	**109 378 755**
Less: Allowance for impairment		
Water	(39 551 227)	(34 215 494)
Sanitation	(13 622 553)	(7 500 053)
Solid waste	(3 849 298)	(3 254 852)
	(57 023 078)	**(44 970 399)**
Net balance		
Water	52 569 164	50 142 010
Sanitation	9 833 799	11 210 568
Solid waste	2 296 273	3 055 778
	64 699 236	**64 408 356**

Aged summary of debtors by service type

Water		
Current (0 - 30 days)	6 699 882	7 458 693
31 - 60 days	3 445 135	3 539 434
61 - 90 days	2 051 038	2 262 097
91 - 120 days	1 933 231	2 035 456
> 120 days	77 991 105	69 061 824
Less: Allowance for impairment	(39 551 227)	(34 215 494)
	52 569 164	**50 142 010**

Sanitation		
Current (0 - 30 days)	790 620	694 365
31 - 60 days	452 097	397 732
61 - 90 days	365 271	321 257
91 - 120 days	333 157	314 323
> 120 days	21 515 208	16 982 944
Less: Allowance for impairment	(13 622 554)	(7 500 053)
	9 833 799	**11 210 568**

Solid Waste		
Current (0 - 30 days)	2 852 622	2 990 659
31 - 60 days	293 751	337 967
61 - 90 days	110 292	291 393
91 - 120 days	5 377	167 373
> 120 days	2 883 529	2 523 238
Less: Allowance for impairment	(3 849 298)	(3 254 852)
	2 296 273	**3 055 778**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

3. Receivables from exchange transactions - consumer debtors (continued)

Aged summary of debtors by customer classification

Domestic Consumers		
Current (0 - 30 days)	4 288 413	3 005 835
31 - 60 days	1 803 552	1 881 122
61 - 90 days	1 461 766	1 379 839
91 - 120 days	1 325 185	1 159 797
> 120 days	80 019 665	63 847 614
	88 898 581	71 274 207
Less: Allowance for impairment	(51 788 833)	(40 042 459)
	37 109 748	**31 231 748**

Industrial/Commercial Consumers		
Current (0 - 30 days)	4 224 974	4 333 661
31 - 60 days	761 845	714 340
61 - 90 days	460 776	494 215
91 - 120 days	447 545	523 242
> 120 days	11 792 896	15 550 607
	17 688 036	21 616 065
Less: Allowance for impairment	(5 234 246)	(4 927 940)
	12 453 790	**16 688 125**

National and Provincial Government Consumers		
Current (0 - 30 days)	3 232 267	3 754 996
31 - 60 days	1 625 587	1 677 062
61 - 90 days	604 060	997 753
91 - 120 days	499 034	831 209
> 120 days	9 174 752	9 227 463
	15 135 700	**16 488 483**

Aged summary of total debtors in:		
Current (0 - 30 days)	11 745 653	11 094 492
31 - 60 days	4 190 983	4 272 524
61 - 90 days	2 526 601	2 871 808
91 - 120 days	2 271 765	2 514 248
> 120 days	100 987 312	88 625 683
	121 722 314	109 378 755
Less: Allowance for impairment	(57 023 078)	(44 970 399)
	64 699 236	**64 408 356**

Aged summary of allowance for impairment		
Current (0 - 30 days)	(1 795 307)	(2 237 162)
31 - 60 days	(804 490)	(1 171 058)
61 - 90 days	(943 140)	(1 058 488)
91 - 120 days	(906 477)	(988 293)
> 120 days	(52 573 664)	(39 515 398)
	(57 023 078)	**(44 970 399)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

3. Receivables from exchange transactions - consumer debtors (continued)

Aged debtors past due but not impaired		
31 - 60 days	3 386 493	3 101 466
61 - 90 days	1 583 461	1 813 320
91 - 120 days	1 365 288	1 525 955
> 120 days	48 413 648	49 110 285
	54 748 890	**55 551 026**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(44 970 399)	(46 653 796)
Contributions (raised)/reversed	(12 052 679)	1 683 397
	(57 023 078)	**(44 970 399)**

The comparative net figure has been restated by an amount of R708 815 from R63 699 541 to R64 408 356 - refer to note 10 and 49.

The movement in debt impairment to an amount of R 12 052 679 has been recognised in the statement of financial performance.

The municipality entered into arrangements with debtors to pay off debt in arrears. The non-current portion of such has been disclosed separately in note 10.

In the determination of the amounts deemed to be impaired at 30 June 2025, an analysis of each debtor is undertaken as outlined in Council's approved Credit Control Policy. The debtors are classified into one of three categories.

- Category A - Regular payers, government accounts, consumers with amounts owing not older than 60 days.
- Category B - Irregular payers.
- Category C - Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.

The value of the provision is determined for the detailed categories as follows:

- Category A - 0% of consumer's total debt.
- Category B - 50% of consumer's debt less or equal to 180 days, 100% of consumer's debt > than 180 days.
- Category C - 100% of consumer's total debt.

As at 30 June 2025 and 30 June 2024, the collection rate from consumer debtors (inclusive of availability charges and debtor arrangements) was 104% and 105%, and for the year 90% and 105% respectively.

In accordance with Council resolution KCDMC: 3591/2025 and the approved Council incentive policy, the municipality has written off R3 252 548 and R30 438 as at 30 June 2025.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

3. Receivables from exchange transactions - consumer debtors (continued)

Statutory receivables general information

Transaction(s) arising from statute

The municipality raises charges for the issuance of atmospheric emission licenses in terms of the National Environmental Management; Air Quality Act No. 39 of 2004. Upon the issuance of the license the municipality records all atmospheric licenses in the National atmospheric emissions database. These fees are received in full prior to the issuance of the license and thus no debtors are outstanding at the reporting date.

Determination of transaction amount

The air quality license amount is determined by the Minister of Environmental Affairs as issued through government gazette no. 39805 dated 11 March 2016. The revenue recognised as at 30 June 2025 and 30 June 2024 is included in note 18 and 24 (air quality licenses).

Interest or other charges levied/charged

The municipality does not charge interest on the determined charges as all fees must be paid in full before the issuance of the license.

4. Receivables from non-exchange transactions - consumer debtors

	2025	2024
Service charges - availability charges	11 779 281	10 704 859
Allowance for impairment	(8 675 487)	(9 431 394)
	3 103 794	**1 273 465**

Receivables from non-exchange transactions - consumer debtors impaired

	2025	2024
Current (0 - 30 days)	(114 264)	(163 224)
31 - 60 days	(113 831)	(143 716)
61 - 90 days	(111 275)	(155 326)
91 - 120 days	(111 980)	(133 761)
> 120 days	(8 224 137)	(8 835 367)
	(8 675 487)	**(9 431 394)**

Receivables from non-exchange transactions - consumer debtors past due but not impaired

	2025	2024
31 - 60 days	127 088	35 102
61 - 90 days	73 415	26 436
91 - 120 days	66 356	24 934
> 120 days	2 667 154	1 062 713
	2 934 013	**1 149 185**

Reconciliation of provision for impairment of receivables from non-exchange transactions - consumer debtors

	2025	2024
Opening balance	(9 431 394)	(3 394 912)
Contributions reversed/ (raised)	755 907	(6 036 482)
	(8 675 487)	**(9 431 394)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands		2025	2024

5. Inventory

Consumable stores		586 216	610 456
Maintenance materials		3 720 425	2 397 435
Water - static tanks		84 568	169 136
Water stock		2 979 674	2 687 028
		7 370 883	**5 864 055**

Water for distribution

Opening balance		2 687 028	1 911 946
System input volume - bulk purchases		166 794 755	167 213 379
System input volume - water treatment works		24 819 566	-
System input volume - natural sources		17 312 975	14 911 261
Authorised consumption		(148 297 799)	(130 084 429)
Water losses	36	(60 460 983)	(51 381 936)
Water stock adjustment		124 132	116 807
Closing balance		**2 979 674**	**2 687 028**

2024/2025

Inventories amounting to R75 486 were written off in stores as per Council Resolution KCDMC:2429/2024 dated 31 July 2024.

No inventory was pledged as security.

6. Receivables from exchange transactions - other

Deposits	13 642 538	12 869 334
Councillor accounts and other transactions	53 108	59 678
Investment interest accrual	100 603	438 904
King Cetshwayo Fresh Produce Market	41 193	41 193
Payments in advance	3 689 251	3 565 601
VAT accrual	126 702 446	132 439 494
VAT receivable from SARS	7 292 323	16 488 033
	151 521 462	**165 902 237**

The comparative figure has been restated by an amount of R148 927 527 from R16 974 710 to R165 902 237 due to inclusion of the accrued input VAT and SARS VAT receivable disclosures - refer to note 11&49.

Deposits disclosed above relate to Eskom electricity connections at municipal plants, staff rentals and other municipal deposits.

Payments in advance relates mainly to South African Local Government Association membership fees.

* See Note 49

6. Receivables from exchange transactions - other (continued)

Statutory receivables general information

Transaction(s) arising from statute

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

Determination of transaction amount

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

2023/2024

The impairment for the King Cetshwayo Fresh Produce Market of R362 320 has been reversed and the the gross receivable amounting to R729 639 was written off through council resolution KCDMC: 2444/2024 on 21 August 2024.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Property, plant and equipment

	2025			2024		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	78 630 338	(34 645 856)	43 984 482	78 500 688	(32 673 538)	45 827 150
Community assets	44 955 268	(14 358 397)	30 596 871	37 241 956	(12 868 875)	24 373 081
Computer equipment	19 376 407	(15 643 243)	3 733 164	19 061 195	(14 498 920)	4 562 275
Furniture and office equipment	17 439 821	(14 609 713)	2 830 108	17 200 137	(13 892 000)	3 308 137
Infrastructure	4 742 333 891	(1 066 399 238)	3 675 934 653	4 303 718 348	(986 697 142)	3 317 021 206
Motor vehicles	98 951 128	(62 125 595)	36 825 533	102 228 985	(48 700 031)	53 528 954
Plant and Machinery	10 975 749	(4 928 583)	6 047 166	9 083 948	(3 688 843)	5 395 105
Total	**5 012 662 602**	**(1 212 710 625)**	**3 799 951 977**	**4 567 035 257**	**(1 113 019 349)**	**3 454 015 908**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Additions - AUC	Disposals	Depreciation capitalised	Depreciation	Impairment	Total
Buildings	45 827 150	129 650	-	-	-	(1 969 047)	(3 271)	43 984 482
Community assets	24 373 081	-	7 713 312	-	-	(1 489 522)	-	30 596 871
Computer equipment	4 562 275	1 401 241	-	(83 222)	-	(2 147 130)	-	3 733 164
Furniture and office equipment	3 308 137	677 691	-	(18 143)	-	(1 137 577)	-	2 830 108
Infrastructure	3 317 021 206	72 889 831	365 738 163	(539)	(2 418 021)	(76 491 362)	(804 625)	3 675 934 653
Motor vehicles	53 528 954	1 958 239	-	(1 880 799)	-	(14 834 152)	(1 946 709)	36 825 533
Plant and Machinery	5 395 105	1 891 993	-	(3)	-	(1 208 887)	(31 042)	6 047 166
	3 454 015 908	**78 948 645**	**373 451 475**	**(1 982 706)**	**(2 418 021)**	**(99 277 677)**	**(2 785 647)**	**3 799 951 977**

Furniture and office equipment have been combined into a single asset class to align to mSCOA.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Additions - AUC	Disposals	Donations	Depreciation capitalised	Depreciation	Impairment	Total
Buildings	47 426 409	-	-	-	876 204	-	(2 007 378)	(468 085)	45 827 150
Community assets	18 575 837	-	7 391 931	-	1 075 000	-	(1 744 267)	(925 420)	24 373 081
Computer equipment	4 937 415	1 450 851	-	(59 684)	90 910	-	(1 857 217)	-	4 562 275
Furniture and office equipment	3 535 279	407 309	-	(14 092)	334 515	-	(954 874)	-	3 308 137
Infrastructure	3 004 049 804	45 575 807	360 760 044	-	5 318 019	(351 579)	(76 680 921)	(21 649 968)	3 317 021 206
Motor vehicles	54 011 958	12 931 165	-	(1 741 977)	3 092 220	-	(14 764 412)	-	53 528 954
Plant and machinery	2 767 051	3 231 671	-	(809)	-	-	(602 808)	-	5 395 105
	3 135 303 753	**63 596 803**	**368 151 975**	**(1 816 562)**	**10 786 868**	**(351 579)**	**(98 611 877)**	**(23 043 473)**	**3 454 015 908**

During the year donations were received from Development Bank of South Africa, South 32 and uMlalazi Municipality for water tankers, infrastructure projects and community projects respectively.

Furniture and office equipment have been combined into a single asset class to align to mSCOA.

Figures in Rands	2025	2024

7. Property, plant and equipment (continued)

Gain / (loss) on disposal of property, plant and equipment

Computer equipment	(83 222)	(59 684)
Furniture and office equipment	(18 143)	(14 092)
Motor vehicles	(1 880 799)	(1 741 977)
Plant and machinery	(3)	(809)
Insurance proceeds	1 549 148	2 649 814
Water network	(539)	-
Proceeds from the sale of property, plant and equipment	2 322 800	-
	1 889 241	**833 252**

The municipality wrote of assets during the year as per Council resolution KCDMC: 3056/2025 and KCDMC 3391/2025 on 9 April 2025 and 23 April 2025 respectively. Furthermore assets were disposed of through an auction in June 2025.

Change in estimates

During financial year the review of the remaining useful lives of assets resulted in the changes in estimates and the prospective effects of the changes are as outlined below:

Asset class	Change in estimates	Effect in depreciation change
Buildings	(R 6 261)	Decrease
Computer equipment	R 2 213	Increase
Furniture and office equipment	R 8 318	Increase
Infrastructure	(R1 248 115)	Decrease
Motor vehicles	(R 586 773)	Decrease
Community	(R 36 059)	Decrease
Plant and machinery	(R 35 888)	Decrease

Property, plant and equipment - impairment

The municipality assessed its items of property, plant and equipment for any potential impairment losses or reversal of impairment losses on assets.

The following impairment losses were recognised during the year:

Buildings	3 271	468 085
Community assets	-	925 420
Infrastructure	804 625	21 649 968
Motor vehicles	1 946 709	-
Plant and machinery	31 042	-
	2 785 647	**23 043 473**

Impairment losses on vehicles were predominantly due to the assets being damaged beyond repair.

7. Property, plant and equipment (continued)

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

2024/2025

The assets under construction (infrastructure) carrying values includes delayed/halted water infrastructure projects amounting to R369.4m. The delays are mainly due to completed project phases awaiting the bulk water supply, water resource development, protracted planning processes and reticulation.

2023/2024

The assets under construction (infrastructure) carrying values includes delayed/halted water infrastructure projects amounting to R430.8m. The delays are mainly due to completed project phases awaiting the bulk water supply, water resource development, protracted planning processes and reticulation.

Assets under construction - 2025

	Included within Infrastructure	Included within Community assets	Total
Opening carrying value	1 420 584 514	935 015	1 421 519 529
Additions/capital expenditure	424 219 783	-	424 219 783
Transferred to completed items	(361 230 584)	-	(361 230 584)
	1 483 573 713	**935 015**	**1 484 508 728**

Assets under construction - 2024

	Included within Infrastructure	Included within Community assets	Total
Opening carrying value	1 197 402 141	935 015	1 198 337 156
Additions/capital expenditure	413 137 158	-	413 137 158
Transferred to completed items	(189 954 785)	-	(189 954 785)
	1 420 584 514	**935 015**	**1 421 519 529**

Expenditure incurred to repair and maintain property, plant and equipment

	30 June 2025	30 June 2024
Community assets	459 591	2 377 514
Computers	833 276	1 193 161
Buildings	374 787	-
Infrastructure	166 318 869	149 264 314
Motor vehicles	33 043 870	29 877 089
Plant and machinery	2 649 013	2 759 591
	203 679 406	**185 471 669**

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

8. Intangible assets

	2025			2024		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software and other	7 268 767	(4 703 823)	2 564 944	7 442 846	(3 839 451)	3 603 395

Assets under construction - 2025

	Opening balance	**Transfers**	**Amortisation**	**Total**
Computer software and other	3 603 395	(174 079)	(864 372)	2 564 944

Assets under construction - 2024

	Opening balance	**Additions - AUC**	**Amortisation**	**Total**
Computer software and other	3 630 074	576 400	(603 079)	3 603 395

Intangible assets in the process of being constructed or developed

Expenditure recognised in the carrying value of Intangible assets	**30 June 2025**	**30 June 2024**
Computer software	-	1 754 229

8. Intangible assets (continued)

Change in estimates

The changes in estimates are evaluated at each financial year end, and in the year the review of the useful lives of assets resulted in the changes in estimates and the effects of the changes are as outlined below:

Asset class	Change in estimates	Effect in amortisation charge
Intangibles	R17 049	Increase

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. Heritage assets

	2025			2024		
	Cost	**Accumulated impairment losses**	**Carrying value**	**Cost**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	1 487 200	-	1 487 200	1 487 200	-	1 487 200

Reconciliation of heritage assets - 2025

	Opening balance	**Total**
Historical monuments	1 487 200	1 487 200

Reconciliation of heritage assets - 2024

	Opening balance	**Total**
Historical monuments	1 487 200	1 487 200

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

10. Receivables from exchange transactions - consumer debtors

Service charges	**3 356 306**	**6 068 976**

The comparative figure has been restated by an amount of R554 200 from R5 514 776 to R6 068 976 - refer to note 3 and 49.

Receivables from exchange transactions - consumer debtors ageing

31 - 60 days	10 750	63 178
61 - 90 days	34 703	63 332
91 - 120 days	48 563	60 692
> 120 days	3 262 290	5 881 774
	3 356 306	**6 068 976**

A policy exists which grants consumer debtors an opportunity to make arrangements to pay off their arrear debt over an extended term. No impairment is calculated on the arrangement due to the implementation of a separate payment contract/arrangement with the consumer debtors.

11. Payables from exchange transactions

Accrued bonus	7 638 449	6 841 300
Accrued leave pay	25 022 497	19 989 264
Amounts received in advance	5 531 703	5 406 493
Employee related costs	11 061 690	2 429 227
Retention payables	75 570 900	52 717 772
Trade payables and accruals	120 583 084	108 357 469
VAT accrual	69 551 470	50 009 038
VAT on provision for doubtful debts	(6 555 032)	(5 481 054)
	308 404 761	**240 269 509**

The comparative figure has been restated by an amount of R44 527 984 from R195 741 525 to R240 269 509 due to inclusion of the accrued output VAT liability and VAT on provision for doubtful debts disclosure - refer to note 6&49.

12. Consumer deposits

Water and sanitation	**11 992 125**	**11 739 499**

Consumer deposits are paid by consumers on application for new water and sanitation connections. The deposits are repaid when the accounts are terminated.

In terms of Council's by-laws no interest is raised or paid on consumer deposits.

13. Employee benefit obligations

Employee benefit obligations comprises two benefit categories, i.e. post retirement health care benefits and long service awards. A detailed breakdown of these obligations have been disclosed below.

Post retirement health care benefit liability

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

The most recent actuarial valuations of the unfunded defined benefit obligation was carried out as at 30 June 2025 by Arch Actuarial Consulting (Pty) Ltd, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation and the related current service cost, were measured using the projected unit credit funding method. There are no other post retirement benefits are provided by the municipality.

Characteristics

-As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

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

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

-All post-employment subsidies are subject to a maximum subsidy. The maximum subsidy was assumed to be R5 791 per principal member per month for the year ending 30 June 2026, and has been assumed to increase annually on 1 July at 75% of salary inflation.

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

Risks

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

-Longevity: The risk that eligible individuals live longer than assumed i.e. their benefits are payable for longer than expected.

-Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.

-Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

-Future changes in legislation: The risk that changes to legislation with respect to the post-employment medical aid benefit may increase the DBO for the Municipality.

The municipality contributes monthly to the following medical aid schemes:

Bonitas, Keyhealth, Hosmed, Samwumed and LA Health.

The post employment health care benefit plan is a defined benefit plan, of which the members as per the most recent valuation as at 30 June 2025 were made up of 353 in-service member employees (2024: 330), 114 in-service non-member employees (2024: 104) and 6 (2024: 6) continuation members - retirees and widowers.

Figures in Rands	2025	2024

13. Employee benefit obligations (continued)

Estimated liability in respect of past services		
In service members (Employees)	22 004 000	18 054 000
In-service non-members (Employees)	1 264 000	1 063 000
Continuation members (Retirees and widowers)	3 333 000	3 238 000
	26 601 000	**22 355 000**

Other long-term employee benefits - Long service awards

Employees are eligible for a long service award per the long service award policy after completing fixed periods of continuous service with the municipality, which includes their uninterrupted service with the former Local Authorities that were amalgamated in December 2000. The aforementioned award consists of a certain number of vacation leave days that, depending on the beneficiary employee's election, can be converted into a monetary sum based on his or her basic salary at the time the award became payable, or alternatively, credited to the employee's vacation leave accrual.

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

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

The present value of the defined benefit obligation and the related current service cost, were measured using the projected unit credit funding method.

Characteristics

-As there is no plan asset, the net defined benefit liability is equal to the defined benefit obligation.

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

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

-Employees’ basic salaries, referred to as “earnings” in this report, are used to determine the Rand value of LSA.

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

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

Figures in Rands	2025	2024

13. Employee benefit obligations (continued)

Risks

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

-Termination of service: The risk that fewer eligible employees terminate their service at the Municipality i.e. more long service awards vest than expected.

-Volatility of open-ended, long-term DBO: The risk that the DBO may be volatile which is exacerbated by its long-term nature.

-Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced, to the detriment of the Municipality.

Future changes in legislation: The risk that changes to legislation with respect to long service awards may increase the DBO for the Municipality.

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

Present value of the defined benefit obligation - post employment medical aid benefits (PEMAB)	(26 601 000)	(22 355 000)
Present value of the defined benefit obligation - long service awards(LSA)	(16 424 000)	(14 511 000)
	(43 025 000)	(36 866 000)

Current liabilities	**(1 646 000)**	**(2 410 000)**
Non-current liabilities	**(41 379 000)**	**(34 456 000)**
	(43 025 000)	(36 866 000)

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

Opening balance	36 866 000	39 183 000
Actuarial losses / (gains)	135 657	(8 693 914)
Net expense recognised in the statement of financial performance - total included in employee related costs	6 023 343	6 376 914
	43 025 000	**36 866 000**

Net amount recognised in the statement of financial performance

Post employment medical aid benefit - current service cost	1 536 000	1 491 000
Long service awards - current service cost	1 590 000	1 534 000
Post employment medical aid benefit - interest cost	2 735 000	3 302 000
Long service awards - interest cost	1 553 000	1 615 000
Post employment medical aid benefit - actual benefits paid	(283 365)	(274 707)
Long service awards - actual benefits paid	(1 107 292)	(1 290 379)
	6 023 343	**6 376 914**

Calculation of actuarial gains and losses

Post employment medical aid benefit - actuarial loss / (gain)	258 365	(7 069 293)
Long service awards - actuarial (gain)	(122 708)	(1 624 621)
	135 657	**(8 693 914)**

13. Employee benefit obligations (continued)

Expected future obligation and maturity analysis

Depicted below is the maturity analysis and past and future changes in the net DBO of the municipality. The maturity analysis shows the PMB and LSA liability's undiscounted expected benefits vesting within the next 80 years (R millions) and 40 years (R millions) respectively whilst the past and future changes in the net DBO of both the PMB and LSA shows the development of the DBO over the current period and projects the municipality's DBO and periodic costs over the two-year period following this valuation.

Post-retirement medical aid benefits

Maturity analysis of defined benefit	Future year	Expected benefit payments	Future year	Expected benefit payments	Future year	Expected benefit payment
	1	0,440	6-10	11,769	31-40	341,215
	2	0,792	11-15	25,009	41-50	363,573
	3	1,043	16-20	48,426	51-60	245,283
	4	1,259	21-25	82,541	61-70	88,368
	5	1,543	26-30	124,726	71-80	13,177

Past year and future projected defined benefit obligation	2025	2026	2027
Opening balance	22 355 000	26 601 000	31 433 000
Current service cost	1 536 000	2 264 000	2 522 000
Interest cost	2 735 000	3 008 000	3 539 000
Benefits paid	(283 365)	(440 000)	(792 000)
Actuarial loss	258 365	-	-
Projected closing	**26 601 000**	**31 433 000**	**36 702 000**
Current portion	406 000	731 000	962 000
Non-current portion	26 195 000	30 702 000	35 740 000
	26 601 000	**31 433 000**	**36 702 000**

Other long-term employee benefits - Long service awards

Maturity analysis of defined benefit	Future year	Expected benefits vesting	Future year	Expected benefits vesting
	1	1,347	6-10	16,996
	2	2,214	11-15	20,486
	3	3,381	16-20	20,251
	4	2,926	21-30	23,427
	5	3,195	31-40	2,475

Past year and future projected defined benefit obligation	2025	2026	2027
Opening balance	14 511 000	16 424 000	18 522 000
Current service cost	1 590 000	1 853 000	2 040 000
Interest cost	1 553 000	1 592 000	1 762 000
Benefits paid	(1 107 292)	(1 347 000)	(2 214 000)
Actuarial gain	(122 708)	-	-
Projected closing	**16 424 000**	**18 522 000**	**20 110 000**
Current portion	1 240 000	2 038 000	3 112 000
Non-current portion	15 184 000	16 484 000	16 998 000
	16 424 000	**18 522 000**	**20 110 000**

Figures in Rands	2025	2024

13. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the last actuarial valuation as at 30 June 2025 as a follows:

Post employment medical aid benefits		
Discount rate	11,40 %	12,34 %
Medical aid contribution inflation rate	7,20 %	7,81 %
Net effective discount rate	3,90 %	4,20 %
CPI Inflation rate	5,40 %	6,30 %
Maximum subsidy inflation rate	4,80 %	5,48 %
Net effective subsidy inflation rate	6,30 %	6,50 %
Continuation of membership at retirement	75,00 %	75,00 %
Proportion of in-service non-members joining a scheme by retirement	15,00 %	15,00 %
Proportion with a spouse dependant at retirement	60,00 %	60,00 %
Other long-term employee benefits - Long service awards		
Discount rate	10,10 %	11,48 %
Normal salary increase rate	5,10 %	6,58 %
Net effective discount rate	4,80 %	4,60 %
Consumer price inflation	4,10 %	5,58 %
Other assumptions		
Normal retirement age	65 years	65 years
Average retirement age for females and males	63 years	63 years
Mortality rate - males per SA	85-90	85-90
Mortality rate - females per SA	85-90	85-90

13. Employee benefit obligations (continued)

2024/2025

The basis on which the discount rate and medical aid inflation rate has been determined are as follows for post employment medical aid benefits:

The yield curves as at 30 June 2025 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration. The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years.

The 11,4% discount rate was obtained by means of an iterative process where the implied duration of the liabilities was matched to the corresponding rates on the yield curve at that duration. The yield curve used to obtain the rates was provided by the JSE as at 30 June 2025 and do not contain any adjustments for taxation. The liability-weighted implied duration for both components (In-Service and Continuation members) of the liability was used to determine the appropriate discount rate used for the purposes of this valuation.

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

A medical aid contribution inflation rate of 7,2% per annum has been assumed. This is 1,8% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 5,4% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3,9% per annum which derives from ((1+11,4%)/(1+7,2%))-1.

The CPI inflation assumption of 5,4% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5,2%) and those of fixed interest bonds (11,4%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,5%). This was thus determined as follows: ((1+11,4%-0,5%)/(1+5,2%))-1.

The next contribution increase was assumed to occur on 1 January 2026.

The maximum subsidy inflation rate assumption is the rate at which the subsidy cap amount is expected to increase with in the future. These annual increases are specified periodically by the local government bargaining council. The next increase expected to occur on 1 July 2026. The increases are assumed to increase with 75% of salary inflation each year, with salary inflation assumed to be equal to CPI + 1%. This gives rise to a subsidy cap inflation of 4.8%.

The basis on which the discount rate and salary inflation has been determined as follows for other long-term employee benefits - long service awards:

The yield curves as at 30 June 2025 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration. The actuaries have derived the underlying future rate of consumer index inflation (CPI inflation) from the relationship between (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 10,1% discount rate was obtained by means of an iterative process where the implied duration of the liabilities was matched to the corresponding rates on the yield curve at that duration. The yield curve used to obtain the rates was provided by the JSE as at 30 June 2025 and do not contain an adjustments for taxation.

13. Employee benefit obligations (continued)

The CPI assumption was obtained by using the differential between the nominal yield (earned on fixed interest bonds) and the index-linked yield on the yield curve, as this effectively represents the market's expectation of future inflation. The index-linked yield used was 5,3%, which was also obtained by using the rate on the yield curve that corresponds to the calculated implied duration of 9.5 years.

The CPI inflation assumption of 4,1% per annum was obtained from the differential between market yields on index-linked bonds (5,3%) consistent with the estimated term of the DBO and those of nominal bonds (10,1%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,5%). Therefore, expected CPI inflation is determined as ((1+10,1%-0,5%)/(1+5,3%))-1.

Thus, a general earnings inflation rate of 5,1% per annum over the expected term of the DBO has been assumed, which is 1,00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4,8%.

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

2023/2024

The basis on which the discount rate and medical aid inflation rate has been determined are as follows for post employment medical aid benefits:

The yield curves as at 28 June 2024 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration. The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years.

The 12,34% discount rate was obtained by means of an iterative process where the implied duration of the liabilities was matched to the corresponding rates on the yield curve at that duration. The yield curve used to obtain the rates was provided by the JSE as at 28 June 2024 and do not contain any adjustments for taxation. The liability-weighted implied duration for both components (In-Service and Continuation members) of the liability was used to determine the appropriate discount rate used for the purposes of this valuation.

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

A medical aid contribution inflation rate of 7,81% per annum has been assumed. This is 1,5% in excess of expected consumer price index (CPI) inflation over the expected term of the DBO, namely 6,31% per annum. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 4,20% per annum which derives from ((1+12,34%)/(1+7,81%))-1.

The CPI inflation assumption of 6,31% per annum was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the DBO (5,21%) and those of fixed interest bonds (12.34%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was thus determined as follows: ((1+12,34%-0,50%)/(1+5,21%))-1.

The next contribution increase was assumed to occur on 1 January 2025.

The maximum subsidy inflation rate assumption is the rate at which the subsidy cap amount is expected to increase with in the future. These annual increases are specified periodically by the local government bargaining council. The next increase expected to occur on 1 July 2024. The increases are assumed to increase with 75% of salary inflation each year, with salary inflation assumed to be equal to CPI + 1%. This gives rise to a subsidy cap inflation of 5.48%.

13. Employee benefit obligations (continued)

The basis on which the discount rate and salary inflation has been determined as follows for other long-term employee benefits - long service awards:

The yield curves as at 28 June 2024 supplied by the Johannesburg Stock Exchange were used to determine the discount rates and inflation rates for the valuation. This was done by matching the implied duration with the yields on the curve at that duration. The actuaries have derived the underlying future rate of consumer index inflation (CPI inflation) from the relationship between (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 11.48% discount rate was obtained by means of an iterative process where the implied duration of the liabilities was matched to the corresponding rates on the yield curve at that duration. The yield curve used to obtain the rates was provided by the JSE as at 28 June 2024 and do not contain an adjustments for taxation.

The CPI assumption was obtained by using the differential between the nominal yield (earned on fixed interest bonds) and the index-linked yield on the yield curve, as this effectively represents the market's expectation of future inflation. The index-linked yield used was 5,12%, which was also obtained by using the rate on the yield curve that corresponds to the calculated implied duration of 9,75 years.

The CPI inflation assumption of 5.58% per annum was obtained from the differential between market yields on index-linked bonds (5.12%) consistent with the estimated term of the DBO and those of nominal bonds (11,48%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,50%). Therefore, expected CPI inflation is determined as ((1+11,48%-0,50%)/(1+5,12%))-1.

Thus, a general earnings inflation rate of 6,58% per annum over the expected term of the DBO has been assumed, which is 1,00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4,60%.

It was assumed that the next general earnings increase will take place on 1 July 2025.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

13. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends, salary(general earnings) inflation rates and deviations from assumed level of mortality experience of the current employees and continuation members, amongst others will have a large impact on the actual cost to the municipality, with a significant effect on the amounts recognised in surplus or deficit. A change in assumed healthcare cost trends, salary inflation rates, mortality rates and withdrawal rates and other assumptions would have the following effects:

The assumptions applied in performing the employee defined benefit and other long-term employee benefits are determined annually and listed below. As such, only the prior year end effects have been disclosed.

Increase of 1% / (Decrease of 1 %) - Health care cost trends		
Effect on the post employment medical aid	2 405 000	2 104 000
Effect on aggregate of the service cost and interest cost	424 000	652 000
Effect on the post employment medical aid	(3 031 000)	(2 542 000)
Effect on aggregate of the service cost and interest cost	(526 000)	(675 000)
Increase of 1% / (Decrease of 1 %) - General earnings inflation rate		
Effect on the long service awards	1 044 000	934 000
Effect on aggregate of the service cost and interest cost	234 000	252 000
Effect on the long service awards	(947 000)	(847 000)
Effect on aggregate of the service cost and interest cost	(209 000)	(225 000)
(Increase of 1 year)/ Decrease of 1 year in post employment mortality		
Effect on the post employment medical aid	(628 000)	(518 000)
Effect on the post employment medical aid	614 000	509 000
(Increase of 1%) / Decrease of 1 % in discount rates		
Effect on the post employment medical aid	(3 761 000)	(3 074 000)
Effect on the post employment medical aid	4 743 000	3 862 000
Effect on the long service awards	(960 000)	(859 000)
Effect on the long service awards	1 075 000	961 000
Increase of 2 years/(Decrease of 2 years) in average retirement age		
Effect on the long service awards	842 000	786 000
Effect on the long service awards	(886 000)	(795 000)
Decrease of 1 year in average retirement age		
Effect on the post employment medical aid	2 432 000	2 166 000
(Increase of x 2)/Decrease of x 0,5 in withdrawal rates		
Effect on the long service awards	(2 258 000)	(2 105 000)
Effect on aggregate of the service cost and interest cost	(573 000)	(706 000)
Effect on the long service awards	1 485 000	1 400 000
Effect on aggregate of the service cost and interest cost	391 000	487 000
(Decrease by 10%) of membership continuation		
Effect on the post employment medical aid	(3 103 000)	(2 549 000)

The assumptions are as per the most recent valuations as at 30 June 2025.

Furthermore comparative figures for service and interest costs for PEMA for Health care cost trends have been restated from R424 000 to R652 000 and (R526 000) to (R675 000) respectively. In addition LSA general earnings inflation and withdrawal rates were restated from R234 000 to R252 000 and (R209 000) to (R225 000); and (R573 000) to (R706 000) and R391 000 to R487 000 respectively. Refer to note 49.

13. Employee benefit obligations (continued)

The history of the accrued liability is outlined below:

	2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
Present value of post employment medical aid benefit	26 601 000	22 355 000	24 906 000	25 168 000	21 852 000
Present value of Other long-term employee benefits - long service awards	16 424 000	14 511 000	14 277 000	14 768 000	13 593 000

Defined benefit contributions

The municipality's employees are members of one of the three(3) KwaZulu Natal Joint Municipal Pension Funds i.e (Superannuation, Provident and Retirement). An amount of R47 721 777, being R33 869 826 employer contribution and R13 851 951employee contributions. (2024: R46 826 988 being R33 147 811 employer contribution and R13 679 178 employee contribution) was contributed towards employment retirement funding. These contributions have been expensed as at 30 June 2025.

Description of fund	Total Assets R'000	Total Liabilities R'000	Net Assets R'000
March 2024			
Government Employees Pension Fund	2 396 114	52 360	2 343 754
KwaZulu Natal Joint Municipal Provident Fund	12 261 170	332 750	11 928 420
KwaZulu Natal Joint Municipal Pension Fund (Superannuation Fund)	17 125 823	158 223	16 967 599
KwaZulu Natal Joint Municipal Pension Fund (Retirement)	5 939 801	73 758	5 866 043
March 2023			
Government Employees Pension Fund	2 332 923	66 083	2 266 840
KwaZulu Natal Joint Municipal Provident Fund	10 569 244	343 908	10 225 337
KwaZulu Natal Joint Municipal Pension Fund (Superannuation Fund)	16 051 174	191 586	15 859 588
KwaZulu Natal Joint Municipal Pension Fund (Retirement)	5 582 479	82 494	5 499 986

Municipal employees have joined the Old Mutual Group Life scheme from 1 November 2015 which includes family cover, life insurance and group income protection. The municipality and employee each contribute to the scheme based on a percentage of the employees pensionable earnings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

14. Trade and other payables from non-exchange transactions

Transfers and subsidies movement during the year

Balance at the beginning of the year	-	4 805 144
Amounts received during the year	1 211 947 040	1 172 519 872
Revenue recognised for the year	(1 211 947 040)	(1 177 325 016)
	-	-

The municipality has complied with the conditions of allocations made in terms of Section 214 (1) (c) of the Constitution. In addition, all funds in terms of the Division of Revenue Act were received during the reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Increases during the year	Reduction due to re-measurement	Unwinding of discount & other charges	Total
Performance bonus	4 273 702	2 066 612	-	-	-	6 340 314
Rehabilitation of landfill site	56 477 000	-	19 291 419	(8 267 549)	8 267 549	75 768 419
	60 750 702	**2 066 612**	**19 291 419**	**(8 267 549)**	**8 267 549**	**82 108 733**

Reconciliation of provisions - 2024 restated

	Opening Balance	Additions	Adjustments change in estimates of provision	Unwinding of discount & other charges	Total
Performance bonus	2 927 919	1 345 783	-	-	4 273 702
Rehabilitation of landfill site	53 971 223	-	(4 343 839)	6 849 616	56 477 000
	56 899 142	**1 345 783**	**(4 343 839)**	**6 849 616**	**60 750 702**

The comparative rehabilitation of landfill site opening balance for 2023/2024 has been restated by an amount of R8 545 511 from R62 516 734 to R53 971 223. Furthermore the change in estimates and the unwinding of discount and other charges have been restated by an amount of R5 981 578 and R1 084 531 from R10 325 418 and R7 934 147 to R4 343 839 and R6 849 616 respectively. The effect of the adjustment resulted in the closing balance for 2023/2024 being restated by an amount of R3 648 463 from R60 125 463 to R56 477 000. Refer to note 49.

Current liabilities	**6 340 314**	**4 273 702**
Non-current liabilities	**75 768 419**	**56 477 000**
	82 108 733	60 750 702

15. Provisions (continued)

Performance bonus

Performance bonuses are usually paid after the financial year end in arrears as the assessment of eligible employees usually only takes place after the year and upon approval of the Council following the tabling of the oversight report. As such, a provision for the current year has been made.

Rehabilitation of refuse landfill site

The provision for rehabilitation is calculated for the existing Empangeni Landfill Site, situated on Lot 11425 Richards Bay. The site is classified as a G:M:B+, which implies it is a site which may only be used for general waste between 150 to 500 tons per day. In terms of the permit as issued by the Department of Economic Development, Tourism and Environmental Affairs and the conditions of the permit requires the municipality to rehabilitate the site at the end of its useful life in order to obtain a closure permit.

2024/2025

In terms of licensing of the landfill refuse site, the provision for rehabilitation costs was R75.7m as at 30 June 2025 (2024: R56.4m) to restore the remaining portions of the old Empangeni refuse site at the end of their useful lives. Provision has been made at best estimate based on the current rehabilitation rate costs, determined by an independent professional engineer for the current solid waste site located in Empangeni. The rehabilitation rate cost was escalated over the current developed waste footprint to determine the future liability and discounted using the weighted average cost of capital rate. Rehabilitation will take place as cells are fully utilised and per the site design of the cells which at the current used footprint and available airspace is expected to be approximately July 2030. The expected timing is subject to any significant changes to waste strategies of major customers. Based on the best estimate in consideration of the producer price index (PPI), an applicable inflation rate of 0.6% (2024: 4.6%) has been determined and a discount rate of 11.78% (2024:12,69%) has been utilised.

GRAP 19 requires that provisions be reviewed at each period end. The following changes transpired during the financial year, due to changes in the rehabilitation of the landfill site as a result of rate changes applied in calculating the future obligation. The rehabilitation provision adjustment resulted in an upward adjustment of R11 023 870.

2023/2024

In terms of licensing of the landfill refuse site, the provision for rehabilitation costs was restated to R56.4m as at 30 June 2024 (Restated 2023: R53.9m) to restore the remaining portions of the old Empangeni refuse site at the end of their useful lives. Provision has been made at best estimate based on the current rehabilitation rate costs, determined by an independent professional engineer for the current solid waste site located in Empangeni.

The rehabilitation rate cost was escalated over the current developed waste footprint to determine the future liability and discounted using the weighted average cost of capital rate. Rehabilitation will take place as cells are fully utilised and per the site design of the cells which at the current used footprint and available airspace is expected to be approximately July 2028. The expected timing is subject to any significant changes to waste strategies of major customers. Based on the best estimate provided by the engineers, an applicable inflation rate of 4.6% (2023: 4.8%) has been determined and a discount rate of 12.69% (2023: 12,69%) has been utilised.

GRAP 19 requires that provisions be reviewed at each period end. The following changes transpired during the financial year, due to changes in the rehabilitation of the landfill site as a result of rate changes applied in calculating the future obligation. The rehabilitation provision adjustment resulted in an adjustment of R4 343 839.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

16. Revenue from exchange transactions - Service charges

Sanitation revenue	8 792 368	8 769 402
Solid waste revenue	38 650 931	32 970 235
Water revenue	61 846 438	61 721 653
	109 289 737	**103 461 290**

The municipality has registered indigents who qualify for free water as outlined in the municipal policy amounting to 6Kl per month of 1389 (2024:201). The revenue forgone amounts to R335 069 (2024: R225 040).

17. Revenue from exchange transactions - Sale of goods and rendering of services

Cemetery income	435 199	460 279
Sale of publication - tender documents	618 116	8 696
	1 053 315	**468 975**

18. Revenue from exchange transactions - Licences and permits

Air quality licenses	37 000	55 000
Food premises	158 979	96 455
	195 979	**151 455**

19. Revenue from exchange transactions - Rental income

Lease income - community assets	**324 618**	**357 491**

20. Revenue from exchange transactions - Operational revenue

Administrative fees	85 526	96 196
SETA and bursary refunds	553 286	613 802
Insurance claim proceeds	85 542	1 808 351
	724 354	**2 518 349**

21. Interest on receivables from exchange transactions

Revenue from exchange transactions - consumer debtors	4 284 295	3 582 843
Interest on Eskom deposits	779 204	768 116
	5 063 499	**4 350 959**

22. Interest on receivables from investments and bank accounts

Bank accounts	13 581 590	14 646 561
External investments	15 128 500	14 622 707
	28 710 090	**29 269 268**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

23. Revenue from non-exchange transactions - Transfers and subsidies

Operating grants		
Levy Replacement Grant	351 156 000	362 663 833
Equitable Share	369 477 000	328 420 000
Department of Water and Sanitation	2 050 000	-
Department of Co-operative Governance and Traditional Affairs	17 520 531	25 033 911
Department of Public Works Grant	4 340 000	5 534 000
Department of Transport	2 837 000	3 145 000
Department of Co-operative Governance and Traditional Affairs	-	2 049 868
National Treasury	1 214 040	1 200 000
Public Contributions	121 000	-
	748 715 571	**728 046 612**
Capital grants		
Department of Water and Sanitation	286 194 000	282 547 000
Department of Co-operative Governance and Traditional Affairs	177 022 469	166 703 089
National Treasury	15 000	28 315
	463 231 469	**449 278 404**
	1 211 947 040	**1 177 325 016**

Summary of grants per funder

National Government - Levy Replacement Grant (Unconditional Grant)

Current-year receipts	351 156 000	362 663 833
Transferred to revenue	(351 156 000)	(362 663 833)
	-	-

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is a measure to ensure the financial stability of district municipalities while National government is defining the overall fiscus streams to local government.

National Government - Equitable Share Grant (Unconditional Grant)

Current-year receipts	369 477 000	328 420 000
Transferred to revenue	(369 477 000)	(328 420 000)
	-	-

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water per household to registered indigents.

Figures in Rands	2025	2024

23. Revenue from non-exchange transactions - Transfers and subsidies (continued)

Department of Water and Sanitation

Balance unspent at beginning of the year: WSIG	-	2 691 833
Transferred to funder: WSIG	-	(2 691 833)
Current year receipts: WSIG	93 500 000	60 000 000
Conditions met - transferred to revenue: WSIG	(93 500 000)	(60 000 000)
Current year receipts: RBIG	194 744 000	222 547 000
Conditions met - transferred to revenue : RBIG	(194 744 000)	(222 547 000)
	-	-

These grants are used for:

- restoration of water & wastewater infrastructure services damaged by floods - WSIG;
- water infrastructure and sanitation projects;
- the reduction of water and sanitation backlogs;
- the sustainability/rehabilitation of water and sanitation infrastructure;
- the upgrading and development of regional bulk water infrastructure; and
- the implementation of water conservation and water demand management programs.

Department of Co-operative Governance and Traditional Affairs

Current year receipts: MIG	194 543 000	191 737 000
Conditions met - transferred to revenue: MIG	(194 543 000)	(191 737 000)
	-	-

This grant is used for:

- restoration of water and wastewater infrastructure services damaged by floods;
- the construction of water and sanitation infrastructure;
- the reduction of water and sanitation backlogs;
- the sustainability of water and sanitation infrastructure, and
- the upgrading and development of regional bulk infrastructure.

Refer to note 46.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

23. Revenue from non-exchange transactions - Transfers and subsidies (continued)

Department of Public Works Grant

Current year receipts: EPWP	4 340 000	5 534 000
Conditions met - transferred to revenue: EPWP	(4 340 000)	(5 534 000)
	-	-

This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

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

Department of Transport

Current year receipts : RRAMS	2 837 000	3 145 000
Conditions met - transferred to revenue: RRAMS	(2 837 000)	(3 145 000)
	-	-

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

National Treasury

Current year receipts: FMG	1 200 000	1 200 000
Conditions met - transferred to revenue: FMG	(1 200 000)	(1 200 000)
Current year receipts: LG SETA	29 039	28 315
Conditions met - transferred to revenue: LG SETA	(29 039)	(28 315)
	-	-

The Financial Management Grant is used to promote and support reforms to municipal financial management, training and upskilling of finance interns and the Budget and Treasury office staff. Furthermore, modernisation of financial systems as well as used for the implementation of the Municipal Finance Management Act(Act no. 56 of 2003).

The LG SETA grant is used to promote the upskilling of employees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

23. Revenue from non-exchange transactions - Transfers and subsidies (continued)

KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of the year: Planning Shared Services	-	63 405
Transferred to funder : Planning and Shared Services	-	(63 405)
Balance unspent at beginning of the year: Feasibility study to establish the district shared legal service	-	39
Transferred to funder: Feasibility study to establish the district shared legal service	-	(39)
	-	-

This grant was used to build planning capacity within the district as part of Planning Shared Services in order to enable effective performance of planning legislative mandates.

Department of Co-operative Governance and Traditional Affairs

Balance unspent at beginning of the year	-	2 049 867
Conditions met - transferred to revenue - Municipal Disaster Relief	-	(2 049 867)
	-	-

The grant was used for the refurbishment of the Regional Solid Waste Site Empangeni infrastructure damaged by the April 2022 floods.

Public donations

Current-year receipts	121 000	-
Conditions met - transferred to revenue	(121 000)	-
	-	-

The municipality received donations from private entities as funding toward the annual King Cetshwayo July event, which promotes sport, local economic development and social cohesion within the community.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

24. Revenue from non-exchange transactions - Fines, penalties and forfeits

Air quality fines	200 000	800 000
Penalty fees non-compliance	1 818 227	1 403 993
Forfeits	1 564 220	9 795 705
	3 582 447	**11 999 698**

The significant variance is primarily attributable to the forfeit of municipal obligations which did not materialise in 2023/2024.

25. Revenue from non-exchange transactions - availability charges

Water revenue	1 320 228	1 269 711
Sanitation revenue	1 032 958	1 008 178
	2 353 186	**2 277 889**

26. Interest on receivables from non-exchange transactions

Service charges - availability charges	**196 231**	**466 846**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

27. Employee related costs

Employee related costs - salaries and wages	216 994 356	204 855 138
Employee related costs - contributions for UIF, pensions and medical aid	49 069 325	47 267 741
Travel allowances	16 724 071	16 882 073
Bonuses	15 980 618	13 895 757
Housing and cellphone allowances	7 441 056	7 103 262
Defined employee benefit obligations: post employment medical aid benefits and long service awards	5 975 612	6 376 914
Overtime payments	20 410 994	19 646 888
Acting allowances	1 232 026	1 584 199
Leave pay provision charge	6 286 588	4 281 268
Scarcity allowance	7 193 115	8 196 280
	347 307 761	**330 089 520**

Direct employee related cots included in water inventory

An amount of R30 122 396 have been included as part of the production cost of water.

Employee related costs include the salaries, allowances and benefits for the Municipal Manager and Deputy Municipal Managers amounting to R9 706 170, as outlined below:

2024/2025

As at 30 June 2025, a draft gazette was issued in April 2025 for comments and awaiting final gazette. The municipality has accrued for a 5% percent cost of living adjustment(effective 1 July 2024) based on the approved 2024/2025 MTREF budget.

2023/2024

As at 30 June 2024, a 3.3% percent cost of living adjustment(effective 1 July 2022) and a once off gratuity of R1695 per month (1 July 2023 to 30 June 2024) was gazetted in the period per gazette No. 50737 dated 30 May 2024.

Remuneration of Municipal Manager - PP Sibiya

Basic remuneration	1 031 835	1 328 597
Backpay	-	110 322
Cellphone and data allowance	32 759	41 798
Contributions to UIF	1 675	2 125
Gratuity	-	38 985
Leave pay	-	338 880
Travel allowance	343 945	442 868
	1 410 214	**2 303 575**

2024/2025

Mr PP Sibiya's resignation was rescinded per Council resolution KCDMC: 2457/2024 - 4 September 2025 and the incumbent commenced duties on 1 October 2024. During the period 1 July 2024 to 30 September 2024 an incumbent was paid an acting allowance as per Council resolution KCDMC: 2336/2024 date 26 June 2024.

2023/2024

The incumbent resigned from office effective 28 June 2024. Mr SBS Sibisi was thereafter appointed as Acting Municipal Manager effective 1 July 2024.

Figures in Rands	2025	2024

27. Employee related costs (continued)

Remuneration of Deputy Municipal Manager - Planning & Economic Development - MR Mazibuko

Basic remuneration	1 200 414	1 064 397
Backpay	-	45 143
Cellphone and data allowance	38 951	34 167
Contributions to UIF and medical aid	39 425	33 297
Gratuity	-	18 645
Travel allowance	304 098	273 595
	1 582 888	**1 469 244**

Remuneration of Deputy Municipal Manager - Technical Services - ZP Ndlovu

Basic remuneration	1 310 347	1 040 947
Backpay	-	41 039
Cellphone and data allowance	38 951	31 061
Contributions to UIF	2 125	17 896
Gratuity	-	16 950
Travel allowance	231 238	186 542
	1 582 661	**1 334 435**

Remuneration of Deputy Municipal Manager - Corporate Services - SBS Sibisi

Acting allowance	42 552	-
Basic remuneration	778 323	748 199
Backpay	-	73 205
Cellphone and data allowance	38 951	37 273
Contributions to UIF, medical and provident	186 707	186 689
Gratuity	-	37 290
Travel allowance	578 530	499 988
	1 625 063	**1 582 644**

2024/2025

The incumbent was appointed as Acting Municipal Manager for the period 1 July 2024 to 30 September 2024 as per Council resolution KCDMC: 2336/2024 dated 26 June 2024.

Remuneration of Deputy Municipal Manager - Community Services - B Masondo

Acting allowance	-	27 778
Basic remuneration	1 071 271	432 103
Backpay	-	17 953
Cellphone and data allowance	38 951	15 530
Contributions to UIF and provident	194 440	81 509
Gratuity	-	8 475
Travel allowance	277 485	111 925
	1 582 147	**695 273**

The incumbent was appointed during the 2023/2024 financial year effective 1 February 2024.

Figures in Rands	2025	2024

27. Employee related costs (continued)

Remuneration of Chief Operating Officer - CK M'Maretel

Basic Remuneration	-	914 295
Backpay	-	89 756
Cellphone and data allowance	-	24 849
Contributions to UIF, provident and retirement	-	170 452
Gratuity	-	33 900
Travel allowance	-	152 270
	-	**1 385 522**

The incumbent resigned effective 29 February 2024 as a result of reaching the age of retirement. An acting allowance amounting to R57 677 was paid to an incumbent for operational reasons.

Remuneration of Deputy Municipal Manager - Financial Services - MC Reddy

Basic remuneration	1 317 492	1 272 308
Backpay	-	117 616
Cellphone and data allowance	38 951	37 273
Contributions to UIF	2 125	2 125
Gratuity	-	40 680
Travel allowance	564 629	545 264
	1 923 197	**2 015 266**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

28. Remuneration of councillors

Mayor	848 416	820 663
Deputy Mayor	785 437	977 901
Speaker	588 618	543 868
Chief Whip	609 275	605 658
MPAC Chair	613 505	583 574
Executive Committee	5 162 780	4 676 443
Councillors	6 381 129	6 204 758
Councillors’ pension contribution	706 977	573 869
	15 696 137	**14 986 734**

In-kind benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip, MPAC Chair and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council, which is included with expenditure items in the statement of financial performance. The remuneration of councillors includes remuneration, cellular allowance, backpay, sitting allowance, pension and travel. The pension for all councillors is disclosed under the line item councillors pension contribution.

The Mayor, Deputy Mayor and Speaker have the use of a Council owned vehicle together with a driver for official duties, and security. Furthermore, personal security is provided for some EXCO and Council members based on security assessments, as outlined in the Government Gazette on the Determination of upper limits of salaries, allowances and benefits of municipal councils.

Councillors receive the benefit of special risk insurance cover (SASRIA) as provided for in terms of the upper limits of salaries,allowances and benefits of the different members of municipal councils,as determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act,1998. South African Special Risk Insurance Association (SASRIA) covers the loss of damage to a councillor's personal immovable and movable property and assets, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder.

As at 30 June 2025, gazette no. 51419 was issued on 21 October 2024 which has been used as a basis to accrue for 2024/2025 increases for councillors.

The full breakdown of the councillor remuneration by nature is disclosed under the note on related parties - refer to note 43.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

29. Depreciation and amortisation

Depreciation - property, plant and equipment	99 277 677	98 611 879
Amortisation - intangible assets	864 374	603 079
	100 142 051	**99 214 958**

30. Finance charges

Interest paid - borrowings	-	601 700
Provision for landfill site rehabilitation	8 267 548	6 849 616
	8 267 548	**7 451 316**

The comparative for provision for landfill site rehabilitation was restated by an amount of R1 084 530 from R7 934 146 to R6 849 616. Refer to note 49.

All loans were settled in the prior year and as such, the municipality has incurred no interest payments in the current year.

31. Inventory consumed

Consumables	71 866 569	72 750 876
Materials and supplies	12 807 448	15 785 983
Water	148 313 362	130 858 123
	232 987 379	**219 394 982**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

32. Contracted services

Outsourced Services		
Burial services	1 264	16 395
Business and advisory	919 610	604 381
Catering services	2 625 706	3 086 950
Cleaning services	244 062	365 031
Hygiene services	9 017 348	16 525 481
Internal auditors	1 166 004	2 054 088
Medical services (medical health services & support)	29 888	79 500
Meter management	2 304 831	474 877
Mini dumping sites	16 680 675	12 177 952
Professional staff	107 978	380 229
Security services	20 006 978	13 845 127
Transport services	9 009 760	950 208
Consultants and Professional Services		
Business and advisory	2 622 109	1 303 515
Infrastructure and planning	2 710 866	2 734 783
Laboratory services	509 047	6 474 062
Legal cost	4 312 319	3 561 790
Contractors		
Artists and performers	-	405 000
Auctioneers	132 821	-
Event promoters	14 770 307	23 935 186
Exhibit installations	445 306	340 252
Fire services	36 850	29 125
Inspection fees	29 861	63 284
Maintenance and operations	101 053 517	88 017 614
Pest control and fumigation	29 470	13 370
Plants, Flowers and Other Decorations	5 800	-
Safeguard and security	7 038 161	8 595 902
Sports and recreation	113 320	81 600
Stage and sound crew	97 300	233 160
	196 021 158	**186 348 862**

33. Transfer and subsidies

Transfers to organisations	**1 623 804**	**3 700 000**

During the period under review, the Municipality supported social cohesion initiatives in the form of monetary transfers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

34. Operating leases

Motor vehicles	16 775 866	18 589 489
Plant and equipment	235 231	116 731
Community assets	248 159	248 734
	17 259 256	**18 954 954**

Operating lease commitments (as a lessee)

Minimum lease payments due		
- not later than one year	19 964 233	5 506 204
- later than one year and not later than five years	21 316 646	18 789
	41 280 879	**5 524 993**

2024/2025

Operating lease payments represent payments for the leasing of vehicles subject to monthly operational unit needs (8% annual escalation), commercial property (between 7% to 8% annual escalation) and office equipment (7% annual escalation) by the municipality. The Lease contracts for vehicles is the main contributor to the lease commitments. New vehicle leases were entered into for a three year period as per tender number KCDM/05/2024 effective from February 2025. The commercial property leases are for business operations.

2023/2024

Operating lease payments represent payments for the leasing of vehicles and commercial property by the municipality. Lease contracts for vehicles are entered into for a three year period and the lease payments are fixed for the lease period. The current lease contracts have been extended via Council resolution KCDMC: 40/2024 on 26 June 2024 in accordance with Section 116(3) of the MFMA, on a month to month basis for a period not exceeding four months. The commercial property leases are for business operations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

35. Operational Costs

Achievements and awards	100 000	49 243
Advertisements and publicity	7 627 220	14 120 001
Archives	478 841	500 224
Bank charges	146 691	118 682
Bursaries	196 322	87 030
Cleaning	14 902	30 000
Courier and delivery services	943	12 651
Deeds	16 572	12 151
Delegations	267 101	15 519
Entrance fees	80 000	70 000
External audit fees	4 017 907	4 293 518
Insurance	9 895 555	10 681 748
Licenses	10 494 340	8 243 210
Municipal services	57 578 929	42 191 916
Personal protective equipment	3 089 156	2 679 052
Postage	587 530	486 718
Professional and regulatory bodies fees	3 434 193	3 329 280
Skills development levy	2 734 358	2 721 153
Small tools	44 519	33 594
Subsistence and travel	5 462 785	7 181 888
Telephone	2 645 978	2 383 391
Vehicle tracking services	644 012	503 350
	109 557 854	**99 744 319**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

36. Water distribution losses

Apparent losses: unauthorised consumption	9 617 979	3 882 811
Apparent losses: customer meter inaccuracies	2 003 749	1 941 401
Real losses: leakage on transmission and distribution mains	39 071 402	37 357 331
Real losses: leakage and overflows at storage tanks/reservoirs	488 391	227 791
Real losses: leakage on service connections	9 279 462	7 972 602
Subtotal	60 460 983	51 381 936
Pipeline capacity and reservoir level storage	(124 132)	(116 805)
	60 336 851	**51 265 131**

2024/2025

National Treasury circular 71 of the Municipal Finance management act 53 of 2006 prescribes a norm of 15% to 30%. The calculated non-revenue water of 53.40% (11 838 621 kl) includes water losses of 28.96% (6 419 081 kl). The project to reduce water losses will be ongoing, aimed at isolating the root causes (like metering, illegal connections, leak detection and pressure reduction) in order to assist the municipality to calculate water losses and to implement water reducing loss strategies.

2023/2024

National Treasury circular 71 of the Municipal Finance management act 53 of 2006 prescribes a norm of 15% to 30%. The calculated non-revenue water of 50.40% (10 308 857 kl) includes water losses of 28.31% (5 797 283 kl). The project to reduce water losses will be ongoing, aimed at isolating the root causes (like metering, illegal connections, leak detection and pressure reduction) in order to assist the municipality to calculate water losses and to implement water reducing loss strategies.

37. Commitments

Authorised capital expenditure

Approved and contracted for:		
• Infrastructure	285 341 057	365 980 180
• Intangible assets	-	2 430 576
	285 341 057	**368 410 756**

The outstanding commitments exclusive of VAT, relate to capital projects and other assets that have been committed through the supply chain management processes as at 30 June 2025.

Figures in Rands	2025	2024

38. Cash generated from operations

Surplus	268 274 002	294 526 497
Adjustments for:		
Depreciation and amortisation	100 142 051	99 214 958
Gain on disposal of property, plant and equipment	(1 889 241)	(833 252)
Adjustment to rehabilitation provision	(8 267 549)	(4 343 840)
Impairment on property, plant and equipment	2 785 647	23 043 473
Interest income	(100 603)	(438 904)
Finance costs	8 267 548	7 451 316
Debt impairment	10 222 795	3 670 036
Irrecoverable debts written off	2 903 900	4 914 328
Movements in employee cost payables	14 462 846	2 041 162
Movements in employee benefit obligations	6 159 000	(2 317 000)
Movements in provisions	13 090 483	(2 998 058)
Depreciation capitalised	2 418 020	351 579
Adjustment for provision - landfill	(11 023 870)	4 343 840
Donations non-cash	-	(10 786 868)
Insurance proceeds - non-cash	(67 824)	(47 700)
Changes in working capital:		
Inventory	(1 506 828)	(671 329)
Receivables from exchange transactions - consumer debtors	(12 535 232)	273 015
Receivables from other debtors	14 481 378	(3 683 881)
Payables from exchange transactions	98 491 575	87 950 684
Trade and other payables from non-exchange transactions	-	(4 805 144)
Consumer deposits	252 626	748 445
	506 560 724	**497 603 357**

39. 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 the accounting officer records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto. The deviations greater than R200 000 are listed individually below for the year ended 30 June 2025 in categories as follows:

- 36(1)(a)(i) - in an emergency
- 36(1)(a)(ii) - if such goods and services are produced or available from a single service provider
- 36(1)(a)(iii) - for the acquisition of special works of art or historical objects where specifications are difficult to compile
- 36(1)(a)(v) - dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement process
- 36(1)(b) - dispense with the official procurement processes to ratify minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature

Project description	Nature	2025	2024
Hire of plant	36(1)(a)(i)	2 447 541	-
Repair SBPT ward 3 Umlalazi Mbongolwane	36(1)(a)(i)	279 814	-
Repair burst 350mm/400mm pipe ward 11 Umlalazi havelock street	36(1)(a)(i)	242 685	-
SMG Richards Bay for BMW G02 XDrive Number Plate 99062	36(1)(a)(i)	298 432	-
Hire of water tankers	36(1)(a)(i)	1 990 400	-
Hire of water tankers	36(1)(a)(i)	1 990 400	-
Hire of water tankers	36(1)(a)(i)	387 366	-
Hire of water tankers	36(1)(a)(i)	2 284 155	-
Hire of water tankers	36(1)(a)(i)	1 990 396	-
Hire of water tankers	36(1)(a)(i)	1 909 379	-
Hire of water tankers	36(1)(a)(i)	2 075 412	-
Hire of water tankers	36(1)(a)(i)	479 283	-
Hire of water tankers	36(1)(a)(i)	305 829	-
Bulk Package Water Treatment Works	36(1)(a)(i)	1 537 867	-
Ukhozi FM Live Broadcast for KCJ Horse Racing on 27 July 2024	36(1)(a)(ii)	391 000	-
Purchase of Mayoral vehicle BMW X5 xDrive 30D SAV	36(1)(a)(ii)	1 958 239	-
Manage Engine License	36(1)(a)(ii)	539 786	-
SALGA games accommodation	36(1)(a)(v)	479 550	-
SALGA games camp accommodation	36(1)(a)(v)	375 906	-
Transport - SALGA games	36(1)(a)(v)	365 500	-
Supply of FML Fleet Vehicles	36(1)(a)(v)	1 395 943	-
Installation of tanks and stands	36(1)(b)	337 288	-
Transport	36(1)(a)(i)	-	328 750
Fire equipment: Landfill site fire outbreak intervention	36(1)(a)(i)	-	408 595
Car hire	36(1)(a)(i)	-	233 439
Software	36(1)(a)(ii)	-	962 496
Vehicle tracking	36(1)(a)(ii)	-	671 000
Purchase of water tankers	36(1)(a)(ii)	-	9 606 180
Purchase of water tanker	36(1)(a)(ii)	-	1 601 030
Horse racing affiliation fees	36(1)(a)(ii)	-	990 000
Purchase of water tanker	36(1)(a)(ii)	-	1 601 030
Purchase of Leadership vehicles	36(1)(a)(ii)	-	1 715 392
Repairs to mayoral vehicle	36(1)(a)(ii)	-	361 431
Sporting gear - golden games	36(1)(a)(v)	-	265 876
Salga games accommodation	36(1)(a)(v)	-	1 582 000
Radio broadcasting	36(1)(a)(v)	-	391 000
Radio broadcasting	36(1)(a)(v)	-	952 683

39. Deviation from supply chain management regulations (continued)

Radio Broadcasting	36(1)(a)(v)	-	308 637
Eshowe SSA1 Bulk Water Supply	36(1)(a)(v)	-	49 282 572
LED Items procured for Umfolozi Beneficiaries	36(1)(a)(v)	-	1 502 419
Radio Broadcasting	36(1)(a)(v)	-	391 000
LED Items procured for Umlalazi Beneficiaries.	36(1)(a)(v)	-	601 141
LED Items procured for Umhlathuze Beneficiaries.	36(1)(a)(v)	-	276 575
Radio Broadcasting	36(1)(a)(v)	-	391 000
Radio Broadcasting	36(1)(a)(v)	-	391 000
LED Items procured for Mthonjaneni Beneficiaries.	36(1)(a)(v)	-	225 062
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	318 954
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	608 586
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	220 188
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	548 754
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	974 711
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	236 556
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	469 881
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	337 288
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	287 381
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	204 406
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	229 099
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	377 464
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	286 737
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	632 415
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	271 946
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	230 957
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	239 492
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	245 927
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	369 801
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	463 771
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	244 236
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	295 127
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	212 428
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	688 929

39. Deviation from supply chain management regulations (continued)

Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	572 608
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	565 906
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	271 526
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	594 094
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	420 900
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	206 845
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	319 042
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	291 890
Panel of contractors for maintenance and support for water and sanitation works	36(1)(b)	-	207 838
Total deviations greater than R200,000		**24 062 171**	**87 485 991**
Total deviations less than R200,000 aggregated	Various	16 352 310	56 225 596
Total deviations for the year		**40 414 481**	**143 711 587**

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

The Municipal Finance Management Act, 2003 (Act no. 56 of 2003); Municipal Supply Chain Management Regulation 45 states that the particulars of any award more that R 2000 made to a person who is a spouse, child or parent of a person in the service of the state , or has been in the service of the state in the previous twelve (12) months must be disclosed as a note in the financial statements. The details are listed below for the period ended 30 June 2025:

Name of person	T Jordan
Relation	Spouse
Capacity	Director Development Facilitation Western Cape Government
Service provider	Audio Computer World
Number of transactions	2 (June 2024: 1)
Total amount	R22 680 (June 2024: R29 843)
Declaration by supplier	MBD4, Annexure D
Name of person	N Reddy
Relation	Spouse
Capacity	Prosecutor - NPA Verulam Court
Service provider	Fana Manufacturing cc
Number of transactions	80 (June 2024: 23)
Total amount	R5 494 563 (June 2024: R538 545)
Declaration by supplier	MBD4, Annexure D
Name of person	Z Buthelezi
Relation	Mother
Capacity	Librarian City of uMhlathuze Municipality
Service provider	Zidane Management Trading
Number of transactions	6 (June 2024: 6)
Total amount	R597 097 (June 2024: R556 775)
Declaration by supplier	MBD4, Annexure D
Name of person	Mrs Msomi and Miss Msomi
Relation	Spouse and daughter
Capacity - Spouse	Educator - Dept. of Education
Capacity - daughter	HR Officer - Ethekwini Municipality
Service provider	Ngubane and Co.
Number of transactions	1 (June 2024: 1)
Total amount	R658 812 (June 2024: R100 740)
Declaration by supplier	MBD4, Annexure D

The above awards were done via the competitive bidding process.

Figures in Rands	2025	2024

41. Additional disclosure in terms of Municipal Finance Management Act No 56 of 2003

Contributions to organised local government

Current year membership fee	3 359 559	3 202 753
Amount paid - current year	(3 359 559)	(3 202 753)
	-	-

Audit fees

Current year fee	4 017 907	4 293 518
Amount paid - current year to date	(4 017 907)	(4 293 518)
	-	-

PAYE and UIF

Current year fee	56 308 269	57 996 070
Amount paid - current year to date	(56 308 269)	(57 996 070)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	42 185 838	40 583 434
Amount paid - current year to date	(42 185 838)	(40 583 434)
	-	-

VAT

Net VAT accrual	63 706 008	87 911 510
Net VAT receivable SARS	7 292 323	16 488 033
	70 998 331	**104 399 543**

All the VAT 201 returns have been submitted by the due date throughout the reporting period.

Councillors arrear consumer accounts

At the reporting date no Councillors had arrear accounts outstanding for more than 90 days.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

42. Contingencies

All contingencies disclosed in section A1 to A3 below relate to the estimated financial implication on plaintiff claims only and does not include legal fees thereto.

A1 - Legal matters relating to ex-employees - potential claims		
Ex-employee 3	-	880 196
Ex-employee 5	-	2 177 970
	-	**3 058 166**

Ex-employee 3 - The employee has provided a withdrawal note and as such the matter is closed.

Ex-employee 5 - The employee lodged a claim against the municipality relating to the employee's dismissal. The matter was heard on 14 May 2025 and judgement was delivered on 14 July 2025 in favour of the plaintiff. As a result, the contingency was removed and a liability amounting to R7 641 582 was recognised per Council resolution KCDMC: 3614/2025.

Ex-employee 6 - The employee has lodged a claim against the municipality relating to the employee's dismissal and no amount has yet been quantified, however, in the event the incumbent is successful, backpay will be applicable. The matter is pending a court date.

A2 - Legal matters relating to service providers - potential claims		
Service provider 4	27 804 000	27 804 000
Service provider 6	680 058	680 058
Service provider 7	2 651 017	-
	31 135 075	**28 484 058**

Service provider 4 - This is a Section 197 labour related claim by a service provider. The amount disclosed is per annum. The matter was heard at the Labour Appeal Court (Case no. JA9/21) on 5th March 2024 and a judgement was delivered on 10 January 2025 wherein the appeal was dismissed with no costs. Council at a meeting dated 16 January 2025 through resolution KCDMC: 3008/2025 resolved to approve the legal team to appeal the judgement at the Labour Appeal Court through the Constitutional Court and thus the matter is subjudicae.

Service provider 6 - This claim relates to a service provider demanding payment for work allegedly done, which the municipality has defended, and pending judgement. The amount disclosed excludes interest which will be applied in the event the matter is not defended successfully.

Service provider 7 - The claim relates to a contractual dispute brought against the municipality by a service provider. The municipality has lodged a counter claim against the service provider, resulting in a contingent asset of R604 127 being disclosed should the ruling be in favour of the municipality.

A3 - Legal matters relating to public members - potential claims		
Public member 3	155 776	155 776

Public member 3 - This claim relates to a public member claiming damages to property.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

42. Contingencies (continued)

B - Dispute with the Department of Water and Sanitation (DWS)

Total raised by DWS since dispute	88 965 513	84 926 903
Less: pre 2012 invoices to be credited by DWS as per motivational correspondence from Provincial Treasury	(7 554 689)	(7 554 689)
Less: interest to be reversed on disputed invoices	(31 451 897)	(24 841 381)
Less: charges raised without supporting documentation	(14 488 760)	(14 488 760)
Accrued expenses	(1 664 754)	(4 236 660)
	33 805 413	**33 805 413**

A dispute has arisen between the municipality and the DWS with regard to charges which have been levied by the department against the municipality pertaining to raw water abstraction.

The dispute has arisen due to the department charging the municipality for water abstracted from the abstraction points under the control of the municipality, when no water was available due to the ongoing drought in the region. The municipality believes that it should not be charged for water that could not be delivered due to the drought. Emanating from numerous meetings with DWS, the department has requested the municipality to make a formal application to the department, requesting the reversal of all interest charges, the crediting of erroneous invoices and the substitution of corrected invoices based on actual water abstracted from the various abstraction points. The readings have been forwarded to the department for the process to be concluded. A contingent liability has been disclosed amounting to R 33 805 413.

In light of the above, an accrual has been made on the basis of the application being accepted by the department.

C - Dispute with the Bulk water service provider

Total raised by service provider	1 231 177 367	874 750 377
Revised rate applied by KCDM to invoices	(556 504 203)	(413 146 065)
	674 673 164	**461 604 312**

A dispute has arisen with the service provider regarding the tariff being applied to the municipality account. In this regard the municipality has paid and accrued at a rate being charged by the service provider to all other customers. An amount of R674 673 164 is reflected as a contingent liability.

The municipality has raised the dispute with the service provider which has been escalated to the Minister of Water and Sanitation who has delegated KZN DWS to mediate the dispute with the intention to resolve such. The Council resolved to terminate the contract between the municipality and the bulk service provider effective 31 March 2025, per resolution KCDMC: 3033/2025 dated 13 March 2025. However the dispute remains in place.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

43. Related parties

Municipal entities and other relationships

Members of key management	Refer to note 27
Members of council	Refer to note 28

Management class: Councillors

30 June 2025

	Remuneration	Cellular	Sitting	Backpay	Pension	Travel	Total
Mayor - SZ Dlamini	759 006	46 687	-	20 059	-	-	825 752
Previous Mayor - AT Ntuli	-	-	-	22 664	-	-	22 664
Deputy Mayor - PP Xulu	370 053	19 585	-	47 059	47 069	5 232	488 998
Previous Deputy Mayor - SZ Dlamini	298 503	-	-	45 006	-	-	343 509
Speaker - SH Mkhwanazi	551 101	-	-	34 705	-	-	585 806
Previous Speaker - IJ Naidoo	-	-	-	2 811	-	-	2 811
Chief Whip - AM Mtshali	557 874	-	-	37 434	-	13 968	609 276
MPAC Chair - M Mtshali	469 097	-	-	32 346	-	112 062	613 505
EXCO							
Cllr SW Mgenge	554 231	47 004	-	57 298	-	306 155	964 688
Cllr PPC Cele	816 624	47 004	-	57 298	36 401	104 520	1 061 847
Cllr SL Magubane	815 874	47 004	-	57 298	38 357	86 331	1 044 864
Cllr PP Xulu	401 139	27 419	-	12 087	65 523	35 884	542 052
Cllr NM Madida	362 394	-	-	21 444	-	16 832	400 670
Cllr F Mndaba	501 734	31 336	-	30 041	77 587	51 877	692 575
Cllr IN Zwane	494 154	-	-	34 027	-	145 772	673 953
COUNCIL							
Cllr MM Mthiyane	-	-	33 663	2 265	-	-	35 928
Cllr MT Mthiyane	360 077	47 004	-	23 271	-	-	430 352
Cllr NN Lembede	319 221	47 004	-	23 271	42 981	48 714	481 191
Cllr ZL Mfusi	313 110	47 004	-	23 271	49 091	-	432 476
Cllr ME Mthethwa	313 110	47 004	-	23 271	49 091	9 274	441 750
Cllr ES Mbatha	318 880	47 004	-	23 271	43 322	41 882	474 359
Cllr F Mndaba	102 679	15 668	-	-	15 402	19 897	153 646
Cllr SE Mhlongo	360 077	47 004	-	23 271	-	113 103	543 455
Cllr CN Mpanza	313 110	47 004	-	23 271	49 091	58 316	490 792
Cllr SF Mdletshe	313 110	47 004	-	23 271	49 091	75 347	507 823
Cllr FPB Mpungose	313 110	47 004	-	23 271	49 091	47 286	479 762
Cllr SP Mpanza	-	-	34 807	2 579	-	3 973	41 359
Cllr XM Bhengu	-	-	38 416	2 670	-	-	41 086
Cllr SN Ntshangase	-	-	45 635	3 418	-	12 571	61 624
Cllr MM Msimango	-	-	-	389	-	-	389
Cllr JL Nzuza	-	-	34 842	2 544	-	28 660	66 046
Cllr SH Mkhwanazi	-	-	-	177	-	-	177
Cllr A Lange	-	-	-	318	-	-	318
Cllr WL Ngema	-	-	33 698	2 124	-	-	35 822
Cllr ME Dlamini	63 942	-	-	2 651	-	20 204	86 797
Cllr QT Xulu	-	-	36 022	2 609	-	-	38 631
Cllr MM Ngema	-	-	31 198	2 311	-	-	33 509
Cllr BC Magwaza	63 942	-	-	2 651	-	57 851	124 444
Cllr PSN Mchunu	-	-	27 624	1 901	-	-	29 525
Cllr MN Biyela	-	-	36 057	2 715	-	-	38 772

43. Related parties (continued)

Cllr BB Ndima	64 164	-	-	1 896	-	14 531	80 591
Cllr SD Khubisa	-	-	30 160	1 785	-	6 406	38 351
Cllr NP Mahaye	64 164	-	-	290	-	80 262	144 716
Cllr SS Nkabinde	316 413	47 004	-	23 271	45 789	84 216	516 693
Cllr FN Mabuyakhulu	313 110	47 004	-	23 271	49 091	15 506	447 982
Cllr SB Mthiyane	360 077	47 004	-	23 271	-	-	430 352
Cllr ZH Mkhize	-	-	28 839	1 755	-	47 488	78 082
Cllr NFJ Nzuza	-	-	15 617	749	-	-	16 366
	11 224 081	**845 755**	**426 578**	**828 626**	**706 977**	**1 664 120**	**15 696 137**

The municipal Council had movement within the Council structures as follows:

Cllr NFJ Nzuza was elected as Ordinary Cllr on 21/08/2024.

Cllrs N Madida and F Mndaba were elected on the EXCO on 30/10/2024

Honourable Deputy Mayor - Cllr SZ Dlamini was elected as Mayor on 12/11/2024.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

43. Related parties (continued)

30 June 2024

	Remuneration	Cellular	Sitting	Backpay	Pension	Travel	Total
Mayor - AT Ntuli	781 435	-	-	39 228	-	-	820 663
Deputy Mayor - SZ Dlamini	887 311	49 608	-	40 981	-	-	977 900
Speaker - IJ Naidoo	76 885	-	-	4 727	6 154	21 727	109 493
Speaker - SH Mkhwanazi	439 263	-	-	1 266	-	-	440 529
Chief Whip - AM Mtshali	543 255	-	-	25 090	-	37 313	605 658
MPAC Chair - M Mtshali	456 453	-	-	21 080	-	106 041	583 574
EXCO	-	-	-	-	-	-	-
Cllr SW Mgenge	831 855	49 608	-	38 419	-	-	919 882
Cllr PPC Cele	831 855	49 608	-	38 419	-	52 843	972 725
Cllr SL Magubane	831 855	49 608	-	38 419	-	26 064	945 946
Cllr PP Xulu	730 356	49 608	-	33 408	106 510	53 398	973 280
Cllr NM Madida	345 056	-	-	(6 067)	-	25 604	364 593
Cllr IN Zwane	480 854	-	-	22 208	-	103 467	606 529
COUNCIL	-	-	-	-	-	-	-
Cllr NR Xulu	-	2 076	-	10 339	-	-	12 415
Cllr MT Mthiyane	351 002	49 608	-	16 211	-	-	416 821
Cllr NN Lembede	311 556	49 608	-	14 097	41 561	7 092	423 914
Cllr ZL Mfusi	305 219	49 608	-	14 097	47 897	-	416 821
Cllr ME Mthethwa	305 219	49 608	-	14 097	47 897	-	416 821
Cllr ES Mbatha	310 575	49 608	-	14 097	42 541	73 312	490 133
Cllr F Mndaba	305 219	49 608	-	14 097	47 897	66 321	483 142
Cllr SE Mhlongo	351 002	49 608	-	16 211	-	77 979	494 800
Cllr CM Mpanza	305 219	49 608	-	14 097	47 897	38 780	455 601
Cllr SF Mdletshe	305 219	49 608	-	14 097	47 897	84 814	501 635
Cllr FPB Mpungose	305 219	49 608	-	14 097	47 897	48 120	464 941
Cllr SP Mpanza	-	-	28 092	950	-	1 333	30 375
Cllr XM Bhengu	-	-	25 733	1 252	-	-	26 985
Cllr MM Mthiyane	-	-	23 417	1 166	-	-	24 583
Cllr SN Ntshangase	-	-	39 801	1 555	-	11 600	52 956
Cllr MM Msimango	-	-	12 759	1 295	-	-	14 054
Cllr JL Nzuza	-	-	29 272	1 209	-	24 090	54 571
Cllr SH Mkhwanazi	-	-	5 682	1 295	-	21 072	28 049
Cllr A Lange	-	-	10 486	1 080	-	-	11 566
Cllr WL Ngema	-	-	21 015	1 123	-	-	22 138
Cllr ME DLamini	62 801	-	-	3 549	-	5 763	72 113
Cllr SD Khubisa	-	-	19 879	1 339	-	11 678	32 896
Cllr QT Xulu	-	-	28 049	1 598	-	-	29 647
Cllr MM Ngema	-	-	24 554	1 209	-	-	25 763
Cllr BC Magwaza	62 801	-	-	3 549	-	43 681	110 031
Cllr PSN Mchunu	-	-	18 743	864	-	-	19 607
Cllr MN Biyela	-	-	33 946	1 554	-	-	35 500
Cllr BB Ndima	63 201	-	-	4 215	-	-	67 416
Cllr NP Mahaye	63 201	-	-	4 215	-	90 665	158 081
Cllr SS Nkabinde	305 219	47 235	-	3 820	46 356	4 255	406 885
Cllr FN Mabuyakhulu	305 219	47 235	-	3 820	46 356	4 742	407 372
Cllr DJ Ndimande	-	2 127	-	10 591	(2 991)	-	9 727
Cllr SB Mthiyane	351 002	48 797	-	12 028	-	-	411 827
Cllr PH Khuzwayo	-	487	-	2 630	-	-	3 117
Cllr ZH Mkhize	-	-	12 975	-	-	20 684	33 659
	11 605 326	**892 077**	**334 403**	**518 621**	**573 869**	**1 062 438**	**14 986 734**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

43. Related parties (continued)

The municipal Council had movement within the Council structures as follows:

Honourable Speaker - Cllr IJ Naidoo resigned 31/8/2023 and was subsequently replaced by Cllr ZH Mkhize on 6/12/2023.

Cllr SH Mkhwanazi was elected as Speaker on 7/9/2023.

Honourable Mayor - Cllr AT Ntuli resigned on 13/6/2024.

Honourable Cllr SZ Dlamini was appointed as Acting Mayor on 26/6/2024.

44. Budget and Actual amount variances

Variances for the year ending 30 June 2025 which are greater than 10% and with a value greater than R500 000 between the final budget and actual amounts as referenced on the statement of comparison of budget and actual amounts, as reflected on pages 11 to 14, have been deemed material and explanations thereto are set out below.

Statement of Financial Performance

Revenue

44.1 Service charges - water

Water revenue is below the budgeted projections. In analysing the consumption pattern, the municipality encountered a reduction in consumption by consumers, which may be attributable to the strict enforcement of Credit Control bylaws resulting in restrictions and in turn reduced consumption's. In addition availability charges was budgeted for under service charges, however disclosed separately. Furthermore consumers within the District are seeking alternative water sources.

44.2 Service charges - waste water

Waste water revenue is below the budgeted projections primarily due to households opting for private contractors to render the removal of sewer from properties.

44.3 Operational revenue

The variance between the budget and actual is primarily due to insurance claim proceeds relating to the disposal of assets which were budgeted for within operational revenue, however the proceeds of a capital nature are accounted for within the gain/loss on disposal of assets vote structure. Furthermore insurance settlements cannot be predicted with certainty due to its nature.

44.4 Interest earned from receivables

Interest is being raised in accordance with KCDM Council approved bylaws. Whilst there is an over achievement in relation to the budget, especially around water service defaulters, it must be noted that the collectability of this type of debt is relatively low due to economic hardships faced by residents within the District.

44.5 Gain on disposal of property, plant and equipment

The variance is attributable to the write off of assets, subsequent disposals of assets through auction sale and insurance proceeds, for which no budgets are prepared as such is difficult to determine at budgeting stage.

44.6 Adjustment to rehabilitation provision

The variance is attributable to the movement in the provision for landfill site rehabilitation which is determined at year end upon receipt of the engineers report, It is thus difficult to estimate at budget stage.

44.7 Fines, penalties and forfeits

The municipality issued non-compliance penalties within the reporting period which also includes Air Quality enforcement fines and forfeits. These items are difficult to estimate with absolute certainty due to their nature.

44.8 Service charges - availability charges

The municipality budgeted for the aforementioned revenue within service charges - revenue from exchange transactions.

44. Budget and Actual amount variances (continued)

Expenditure

44.9 Depreciation,amortisation and impairment

The variance is mainly attributable to the anticipation of projects being completed during the financial year which have subsequently not materialised, as well as the assessment of RUL's at year end. Furthermore, the effects of componentization and the annual adjustment of RUL's makes depreciation difficult to estimate.

44.10 Debt impairment

The variance is attributable to the municipality anticipating a higher impairment of consumer debtors, which after the year end assessment did not materialise.

44.11 Irrecoverable debts written off

The variance is attributable to lesser than anticipated debt write-offs due to strict assessments conducted by a third party resulting in less debtors qualifying for a write off, thus not creating a culture of non-payment.

44.12 Transfers and subsidies

The Municipality supported social cohesion initiatives and not all of the transfers anticipated for were realised.

44.13 Loss on disposal of assets

The municipality budgeted for transactions related to the disposal of assets, however the insurance settlement process and proceeds from auction resulted in a gain - refer to 44.5.

44.14 Other losses

The variance is primarily attributable to the water loss savings emanating from the year end water balancing report, which was better than anticipated.

Statement of Financial Position

44.15 Cash and and cash equivalents

The variance is attributable to prudent cash management through the year and a higher accruals and increased retentions at year end, resulting in higher cash than anticipated.

44.16 Receivables from non-exchange transactions

The municipality budgeted for receivables on availability charges based on historical trends which was lower than anticipated at year end. It is difficult to estimate which debtors will be outstanding at year end.

44.17 Inventory

The municipality did not anticipate a higher stock holding of maintenance materials at year end.

44.18 Other current assets and VAT

Current asset VAT was budgeted for separately from other current assets, however is due to the alignment of the annual financial statements to the National Treasury template, the actual for VAT is incorporated into the other current asset line item. Furthermore improved SARS settlement of VAT receivable has been experienced.

44.19 Intangible assets

The variance is attributable to the budget including assets anticipated to be acquired in the year, which did not materialise.

44. Budget and Actual amount variances (continued)

44.20 Receivables from exchange transactions (non-current)

The municipality budgeted for receivables based on historical trends which was lower than anticipated at year end. It is difficult to estimate which debtors will enter into arrangements which will be greater than 12 months at year end due to debtors not honouring arrangements.

44.21 Trade and other payables from exchange transactions and VAT

The variance relates mainly to the unanticipated increased leave provision, and employee costs accrual at year end. Furthermore VAT has been accounted for under trade and other payables from exchange in line with the National Treasury template.

44.22 Provisions - current

The variance is due to the year end valuation performed for employee benefit provision determined by the actuaries, which is difficult to predict at budgeting stage.

Changes from approved budget to the final budget

The changes between the approved budget are a consequence of the following:

The original 2024/2025 Multi Year Budget was approved by Council on 15 May 2024, per resolution number KCDMC:2210/2024, in accordance with section 24 of the Municipal Finance Management Act (MFMA).

The first adjustments budget was passed by Council on 21 August 2024 per resolution KCDMC: 2439/2024, dealing with roll-overs pertaining to the 2023/2024 in-progress capital projects (internally funded).

The second adjustments budget was passed by Council on 30 October 2024 per resolution KCDMC: 2819/2024, dealing with Gazette No.: 51233 as published by National Treasury on grant adjustment in terms of Section 28 of the MFMA.

The third adjustments budget was passed by Council on 26 February 2025, per resolution KCDMC: 3028/2025 in terms of Section 28 of the MFMA, wherein adjustments were made after the consideration of the mid-year budget assessment process. During the process it was resolved that certain estimates would need to be adjusted in accordance with the performance of the first six months of the financial year as well as the forecasts for the remainder of the financial year.

The fourth adjustments budget was passed by Council on 09 April 2025 per resolution KCDMC: 3055/2025, dealing with Gazette No.: 52381 as published by National Treasury on grant adjustment in terms of Section 28 of the MFMA.

The final adjustment budget was approved by Council on 28 May 2025 per resolution KCDMC: 3397/2025 in terms of Section 29 of the MFMA Unforeseen & Unavoidable Expenditure. In accordance with Regulation 23(3) of the Municipal Budget and Reporting Regulations, which states that if a National or Provincial adjustments budget allocates or transfers additional revenues to a municipality, the Mayor of the municipality must, at the next available Council meeting, but within 60 days of the approval of the relevant National or Provincial adjustments budget, table an adjustment budget referred to in section 28(2) (b) of the Act in the municipal Council to appropriate these additional revenues.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rands	2025	2024

45. Unauthorised, Fruitless, Wasteful and Irregular expenditure

Unauthorised expenditure

No unauthorised expenditure has been identified within the reporting period.

Fruitless and wasteful expenditure

Opening balance as previously reported - Eskom	-	12 578
Eskom - reversal of interest charged	-	(4 613)
Less: Eskom charges written off	-	(7 965)
	-	**-**

2024/2025

No fruitless and wasteful expenditure has been identified during the reporting period.

2023/2024

Eskom

Eskom has confirmed that the disputes raised by the municipality amounting to R4 613 have been resolved and reversed. The remaining balance amounting to R7 965 was written off as per council resolution KCDMC: 2242/2024 on 21 August 2024.

Irregular expenditure

No irregular expenditure has been identified within the reporting period.

46. Flood damage

Contracted services - maintenance & operations	-	1 782 493

2023/2024

The municipality has continued in the year to effect repairs to infrastructure that was effected by the floods.

47. Risk management

Capital risk management

The municipality's objectives when managing capital are to safe guard the municipality's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of cash and cash equivalents disclosed in note 2 and equity as disclosed in the statement of financial position.

Financial risk management

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality’s financial services function monitors and manages the financial risks relating to the operation of the municipality. These risks include credit risk and liquidity risk.

Liquidity risk

The municipality’s liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The trade payables under payables from exchange transactions under note 11 are paid in accordance with Council's creditors, councillors and staff payment policy, being within thirty days of the date of receipt of all correct supporting documents, invoices and statement.

The liquidity ratio is outlined below:

	30 June 2025	30 June 2024
Current Assets	395 602 855	373 608 893
Current Liabilities	328 383 200	258 692 710
Liquidity ratio	1,20	1,44

At 30 June 2025	Carrying value	Less than 1 year	Between 1 and 2 years
Consumer deposits	11 992 125	11 992 125	
Payables from exchange transactions	308 404 761	308 404 761	

At 30 June 2024	Carrying value	Less than 1 year	Between 1 and 2 years
Consumer deposits	11 739 499	11 739 499	
Payables from exchange transactions	240 269 509	240 269 509	

47. Risk management (continued)

The gearing ratio	**30 June 2025**	**30 June 2024**
Less: Cash and cash equivalents	(168 907 480)	(136 160 780)
Net cash	(168 907 480)	(136 160 780)
Total equity	3 757 432 663	3 489 158 662
Total capital	3 588 525 183	3 352 997 882
Gearing (%)	-	-

Credit risk

Credit risk consists mainly of cash investment deposits, cash equivalents, receivables from exchange and non-exchange transactions. The municipality manages credit risk in its investing activities by only dealing with well established financial institutions of high credit standing and by spreading its exposure over a range of such institutions in accordance with its approved cash banking and investment policy. Credit risk pertaining to consumer debtors comprise of mainly water, sanitation and refuse users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", which ever procedure is applicable in terms of Council's credit control and debt collection policy. Furthermore the consumer debtors neither past due nor impaired are considered in the impairment assessment at year end as collectible debts as they are further secured by deposits held. The carrying amount of consumer debtors whose terms have been re-negotiated through an acknowledgment of debt whereby payment terms were extended amounts to R4 122 151 as at 30 June 2025 (30 June 2024 - R8 293 616).

Certain consumer debtors are recorded as past due when payment is not received in accordance with the credit terms, however such debtors are not impaired in compliance with the prescripts of Councils credit control policy which does not permit the impairment of such classes of consumers. Inclusive hereto are debtors within the different organs of State. The disclosure and analysis hereto is reflected in the annual financial statements under note 3&4&10 receivables from exchange transactions consumer debtors (National and Provincial Government) and note 6 receivables from exchange transactions - other.

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

Financial assets exposed to credit risk at 30 June 2025 and 30 June 2024 respectively are detailed below:

	30 June 2025	**30 June 2024**
Investments	60 000 000	60 000 000
Cash and cash equivalents	108 907 480	76 160 780
Receivables from exchange transactions - consumer debtors	125 078 620	115 447 731
Receivables from non-exchange transactions - consumer debtors	11 779 281	10 704 859
Maximum exposure to credit risk	305 765 381	262 313 370

Interest rate risk

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

48. Segment information

General information

Identification of segments

The municipality is organised and operates six key functional segments. The segments are organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes. Revenues, capital and operating expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

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 municipality operates throughout the District of King Cetshwayo situated in the KwaZulu 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.

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
Community and public safety	Community and social services
Economic and environmental services	Planning and development and environmental services
Trading services - water management	Provision of water services
Trading services - waste water management	Provision of sanitation services
Trading services - waste management	Provision of refuse services
Governance and administration - unallocated	Provision of support services - finance, corporate, municipal managers office and board

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

	Community and public safety	Economic and environmental services	Trading service - water management	Trading service - waste water management	Trading service - waste management	Governance and administration - unallocated	Total
Revenue							
Service charges	-	-	61 846 437	8 792 368	38 650 932	-	109 289 737
Sale of goods and rendering of services	435 199	-	-	-	-	618 116	1 053 315
Licenses and permits	-	195 979	-	-	-	-	195 979
Rental income	-	-	324 618	-	-	-	324 618
Operational revenue	-	-	-	-	-	724 354	724 354
Interest on receivables from exchange transactions	-	-	5 063 499	-	-	-	5 063 499
Interest on receivables from investments and bank accounts	-	-	-	-	-	28 710 090	28 710 090
Gain on disposal of property, plant and equipment	-	-	-	-	-	1 889 241	1 889 241
Adjustment to rehabilitation provision	-	-	-	-	8 267 549	-	8 267 549
Transfers and subsidies	121 000	5 502 792	807 007 793	20 677 420	-	378 638 035	1 211 947 040
Fines, penalties and forfeits	-	200 000	3 382 447	-	-	-	3 582 447
Service charges - availability charges	-	-	1 320 228	1 032 958	-	-	2 353 186
Interest on receivables from non-exchange transactions	-	-	130 770	65 461	-	-	196 231
Total segment revenue	**556 199**	**5 898 771**	**879 075 792**	**30 568 207**	**46 918 481**	**410 579 836**	**1 373 597 286**
Expenditure							
Employee related costs	26 772 476	38 649 035	173 197 962	798 714	5 863 807	102 025 767	347 307 761
Remuneration of councilors	-	-	-	-	-	15 696 137	15 696 137
Depreciation and amortisation	1 768 847	51 537	86 520 762	4 094 886	1 451 054	6 254 965	100 142 051
Finance costs	-	-	-	-	8 267 548	-	8 267 548
Debt impairment	-	-	3 989 386	5 412 619	820 790	-	10 222 795
Irrecoverable debts written off	-	-	2 449 671	454 229	-	-	2 903 900
Inventory consumed	715 906	3 883 925	180 102 950	-	58 009	48 226 589	232 987 379
Contracted services	14 571 868	1 480 377	85 084 539	10 834 232	16 730 290	67 319 852	196 021 158
Transfers and subsidies	800 000	823 804	-	-	-	-	1 623 804
Operating leases	9 287	104 976	92 921	-	-	17 052 072	17 259 256
Operational costs	5 966 803	1 438 865	66 094 009	17 447	513 647	35 527 083	109 557 854
Water losses	-	-	60 336 851	-	-	-	60 336 851
Inventories write-down	-	-	-	-	-	75 486	75 486
Impairment on property, plant and equipment	-	-	2 785 647	-	-	-	2 785 647
Actuarial losses	-	-	-	-	-	135 657	135 657

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

48. Segment information (continued)

Total segment expenditure	**50 605 187**	**46 432 519**	**660 654 698**	**21 612 127**	**33 705 145**	**292 313 608**	**1 105 323 284**
Total segmental surplus/(deficit)	**(50 048 988)**	**(40 533 748)**	**218 421 094**	**8 956 080**	**13 213 336**	**118 266 228**	**268 274 002**
Assets							
Cash and cash equivalents	-	-	-	-	-	168 907 480	168 907 480
Receivables from exchange transactions - consumer debtors	-	-	48 763 087	9 978 726	2 296 273	3 661 150	64 699 236
Receivables from non-exchange transactions - consumer debtors	-	-	1 691 026	1 412 768	-	-	3 103 794
Inventories	-	-	2 979 674	-	-	4 391 209	7 370 883
Receivables from exchange transactions - other	-	-	13 273 996	-	-	138 247 466	151 521 462
Property, plant and equipment	10 341 171	535 147	3 443 702 199	203 036 143	87 760 561	54 576 756	3 799 951 977
Intangible assets	-	-	-	-	-	2 564 944	2 564 944
Heritage assets	-	787 200	-	-	-	700 000	1 487 200
Non-current receivables from exchange transactions - consumer debtors	-	-	3 051 617	304 689	-	-	3 356 306
Total segment assets	**10 341 171**	**1 322 347**	**3 513 461 599**	**214 732 326**	**90 056 834**	**373 049 005**	**4 202 963 282**
Liabilities							
Payables exchange transactions	-	-	-	-	-	308 404 761	308 404 761
Consumer deposits	-	-	11 992 125	-	-	-	11 992 125
Employee benefit obligations	-	-	-	-	-	1 646 000	1 646 000
Current portion of provisions	-	-	-	-	-	6 340 314	6 340 314
Non-current employee defined benefit obligations	-	-	-	-	-	41 379 000	41 379 000
Non-current provisions provisions	-	-	-	-	75 768 419	-	75 768 419
Total segment liabilities	**-**	**-**	**11 992 125**	**-**	**75 768 419**	**357 770 075**	**445 530 619**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

48. Segment information (continued)

30 June 2024 restated

	Community and public safety	Economic and environmental services	Trading service - water management	Trading service - waste water management	Trading service - waste management	Governance and administration - unallocated	Total
Revenue							
Service charges	-	-	61 721 653	8 769 402	32 970 235	-	103 461 290
Sale of goods and rendering of services	460 279	-	-	-	-	8 696	468 975
Licenses and permits	-	151 455	-	-	-	-	151 455
Rental income	-	-	357 491	-	-	-	357 491
Operational income	-	-	-	-	-	2 518 349	2 518 349
Interest on receivables from exchange transactions	-	-	4 350 959	-	-	-	4 350 959
Interest on receivables from investments and bank accounts	-	-	-	-	-	29 269 268	29 269 268
Actuarial gains	-	-	-	-	-	8 693 914	8 693 914
Gain on disposal of property, plant and equipment	-	-	-	-	-	833 252	833 252
Adjustment to rehabilitation provision	-	-	-	-	4 343 840	-	4 343 840
Transfers and subsidies	-	21 373 830	734 229 182	33 433 270	24 396 586	363 892 148	1 177 325 016
Fines, penalties and forfeits	-	800 000	11 199 698	-	-	-	11 999 698
Donations	1 075 000	-	6 619 648	-	-	3 092 220	10 786 868
Service charges - availability charges	-	-	1 269 711	1 008 178	-	-	2 277 889
Interest on receivables from non-exchange transactions	-	-	268 102	198 744	-	-	466 846
Total segment revenue	**1 535 279**	**22 325 285**	**820 016 444**	**43 409 594**	**61 710 661**	**408 307 847**	**1 357 305 110**
Expenditure							
Employee related costs	25 814 179	37 176 479	160 209 816	847 486	5 195 391	100 846 169	330 089 520
Remuneration of councilors	-	-	-	-	-	14 986 734	14 986 734
Depreciation and amortisation	958 076	72 414	87 372 517	3 968 121	1 459 611	5 384 219	99 214 958
Finance costs	-	-	171 354	58 862	6 939 871	281 229	7 451 316
Debt impairment	-	(362 320)	1 089 225	3 959 522	(1 016 391)	-	3 670 036
Irrecoverable debts written off	-	729 639	3 616 508	568 181	-	-	4 914 328
Inventory consumed	793 213	7 586 677	138 639 782	310 413	2 966 756	69 098 141	219 394 982
Contracted services	14 021 908	5 838 583	60 496 023	17 673 612	14 045 467	74 273 269	186 348 862
Transfers and subsidies	3 450 000	250 000	-	-	-	-	3 700 000
Operating leases	-	105 624	105 379	-	-	18 743 951	18 954 954
Operational costs	6 565 061	1 839 535	48 547 411	15 502	516 288	42 260 522	99 744 319
Water losses	-	-	51 265 131	-	-	-	51 265 131

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

48. Segment information (continued)

Impairment on property, plant and equipment	925 420	-	19 340 554	1 911 000	398 415	468 084	23 043 473
Total segment expenditure	**52 527 857**	**53 236 631**	**570 853 700**	**29 312 699**	**30 505 408**	**326 342 318**	**1 062 778 613**
Total segmental surplus/(deficit)	**(50 992 578)**	**(30 911 346)**	**249 162 744**	**14 096 895**	**31 205 253**	**81 965 529**	**294 526 497**
Assets							
Cash and cash equivalents	-	-	-	-	-	136 160 780	136 160 780
Receivable from exchange transactions - consumer debtors	-	-	47 140 986	12 296 343	2 384 921	2 586 106	64 408 356
Receivables from non-exchange transactions - consumer debtors	-	-	642 541	630 924	-	-	1 273 465
Inventories	-	-	2 687 028	-	-	3 177 027	5 864 055
Receivables from exchange transactions - other	-	-	12 494 792	-	-	153 407 445	165 902 237
Property, plant and equipment	13 146 316	584 124	3 123 858 498	190 024 673	69 901 300	56 500 997	3 454 015 908
Intangible assets	-	-	-	-	-	3 603 395	3 603 395
Heritage assets	-	787 200	-	-	-	700 000	1 487 200
Non-current receivables from exchange transactions - consumer debtors	-	-	5 434 382	634 594	-	-	6 068 976
Total segment assets	**13 146 316**	**1 371 324**	**3 192 258 227**	**203 586 534**	**72 286 221**	**356 135 750**	**3 838 784 372**
Liabilities							
Payables from exchange transactions	-	-	-	-	-	240 269 509	240 269 509
Consumer deposits	-	-	11 739 499	-	-	-	11 739 499
Current portion of employee benefit obligations	-	-	-	-	-	2 410 000	2 410 000
Current portion of provisions	-	-	-	-	-	4 273 702	4 273 702
Non-current employee defined benefit obligations	-	-	-	-	-	34 456 000	34 456 000
Non-current provisions	-	-	-	-	56 477 000	-	56 477 000
Total segment liabilities	**-**	**-**	**11 739 499**	**-**	**56 477 000**	**281 409 211**	**349 625 710**

48. Segment information (continued)

Other information

	Community and public safety	Economic & environmental services	Trading service - water management	Trading service - waste water management	Trading service - waste management	Other - governance and administration (unallocated)	Total
Capital expenditure - 30 June 2025	27 518	69 500	417 824 288	9 137 214	21 349 637	3 991 962	452 400 119
Capital expenditure - 30 June 2024	504 819	59 327	394 557 190	12 753 518	19 441 429	4 089 726	431 406 009

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

Information about geographical areas

The municipality's operations encompass the entire district of King Cetshwayo DC 28 and includes the water and sanitation functions within the following local municipalities.

uMlalazi local municipality (KZN 284);

uMthonjaneni local municipality (KZN 285;

uMfolozi local municipality (KZN 281), and

Nkandla local municipality (KZN 283).

The table below indicates the relevant geographical information after eliminating inter segmental transfers:

48. Segment information (continued)

30 June 2025

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Administrative or head office	383 005 679	36 550 714	287 418 061	123 636 437
Whole of the district	835 073 225	48 328 862	763 771 049	93 696 743
KZN281 uMfolozi	-	12 636 251	8 909 897	532 620 419
KZN284 uMlalazi	-	43 123 524	29 349 619	1 670 458 059
KZN285 uMthonjaneni	-	8 810 483	15 874 658	489 138 708
KZN 286 Nkandla	-	6 068 548	-	894 453 755
Total	**1 218 078 904**	**155 518 382**	**1 105 323 284**	**3 804 004 121**

30 June 2024

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Administrative or head office	371 133 096	38 600 438	319 195 696	113 415 103
Whole of the district	824 028 573	45 357 300	684 676 695	115 969 115
KZN 281 uMfolozi	6 619 648	8 943 122	11 706 979	354 187 077
KZN 284 uMlalazi	1 075 000	41 247 824	29 545 184	1 666 446 208
KZN 285 uMthonjaneni	-	9 108 245	12 550 581	480 202 594
KZN 286 Nkandla	-	11 191 864	5 103 478	728 886 404
Total	**1 202 856 317**	**154 448 793**	**1 062 778 613**	**3 459 106 501**

*Excludes non-current receivables relating to service charges.

49. Prior-year adjustments

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

49.1 Receivables from exchange transactions - consumer debtors

The impairment amounting to R554 200 was reclassified from non-current receivables from exchange transactions - consumer debtors to receivables from exchange transactions - consumer debtors.

Furthermore, the impairment calculation was re-performed across the entire consumer debtor population resulting in a reduction of the impairment by an amount of R1 263 015.

The impact of such adjustments was a net increase in receivables from exchange transactions - consumer debtors from R63 699 541 to R64 408 356.

49.2 Receivables from exchange transactions - other

In 2023/2024 the municipality disclosed VAT on the Statement of Financial Position as Exchange transactions -VAT, amounting to R98 918 489. The disclosure of VAT has been aligned to the National Treasury template wherein VAT accrual on creditors and VAT receivable from SARS has been incorporated into the receivables from exchange transactions other note, amounting to R132 439 494 and R16 488 033 respectively.

49.3 Receivables from exchange transactions - consumer debtors (non-current assets)

The impairment amounting to R554 200 was reclassified to receivables from exchange transactions - consumer debtors.

49.4 Payables from exchange transactions

In 2023/2024 the municipality disclosed VAT on the Statement of Financial Position as Exchange transactions -VAT, amounting to R98 918 489. The disclosure of VAT has been aligned to the National Treasury template wherein VAT accrual on outstanding debtors has been incorporated into the payables from exchange transactions note, amounting to R50 009 038. Furthermore the municipality identified VAT on provisions for doubtful debts amounting to R5 160 324 in the closing balance for 2022/2023 and R320 730 movement in 2023/2024.

49.5 Provisions

During the current financial year, management identified an error in the prior periods relating to the recognition timing of the provision for the rehabilitation of the landfill site for Cell 3.

Previously, the provision for rehabilitation was recognised and disclosed , however, in accordance with "*GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets*", a provision should only be recognised when a present obligation arises, which in this case occurs when the landfill site becomes available for use (i.e., when Cell 3 became ready to process waste).

As a result, the provision was restated to reflect recognition from the date when Cell 3 became operational and began receiving waste. The comparative opening balance for 2024 has been restated by an amount of R8 545 511 from R62 516 734 to R53 971 223. The effect of the adjustment resulted in the closing balance being restated by an amount of R3 648 463 from R60 125 463 to R56 477 000.

49.6 Gain on adjustment to rehabilitation provision

In relation to point 49.5 above the prior adjustment to the provision has resulted in the gain being adjusted by an amount of R5 981 579 from R10 325 418 to R4 343 839.

49. Prior-year adjustments (continued)

49.7 Debt impairment

The municipality identified debtors who had been classified for impairment in error. The adjustment resulted in the debt impairment being restated by an amount of R1 263 015 as outlined in point 49.1 and 49.3 respectively and the incorporation of vat on the provision for doubtful debts of R320 730.

49.8 Cash flow - net cash flows from operating activities

The municipality has effected adjustments to accommodate the above mentioned changes, as well as to classify cash flows in the correct categories. Furthermore, the municipality has accounted for VAT receipts separately within the cash generated from operations disclosure, resulting in relevant adjustments being made to consumer receipts and supplier payments. In addition, cash adjustments were accounted for within interest and employees.

49.9 Cash flow - net cash flows from investing activities

The municipality has effected adjustments on property, plant and equipment and intangible asset payments to account for VAT input.

49.10 Employee benefit obligations - disclosure

The municipality identified an incorrect disclosure with regards to the sensitivity analysis applied on service and interest costs for both post employment medical aid and long service awards for the period ending 30 June 2024.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

49. Prior-year adjustments (continued)

Statement of financial position

30 June 2024 restated

		As previously reported	Reclassification	Adjustment	Restated
Effect on receivables from exchange transactions - consumer debtors	3	63 699 541	(554 200)	1 263 015	64 408 356
Effect on exchange transactions VAT	6&11	98 918 489	(98 918 489)	-	-
Effect on receivables from exchange transactions - other	6	16 974 710	148 927 527	-	165 902 237
Effect on receivables from exchange transactions - consumer debtors (non-current)	10	5 514 776	554 200	-	6 068 976
Effect on current liabilities - payables from exchange transactions	11	(195 741 525)	(50 009 038)	5 481 054	(240 269 509)
Effect on provisions	15	(60 125 463)	-	3 648 463	(56 477 000)

Statement of financial performance

30 June 2024 restated

		As previously reported	Adjustment	Restated
Effect on gain on adjustment for rehabilitation provision	15	10 325 418	(5 981 578)	4 343 840
Effect on finance charges	30	(8 535 847)	1 084 531	(7 451 316)
Debt impairment	3	(5 253 781)	1 583 745	(3 670 036)

Statement of changes in net assets

30 June 2024 restated

	As previously reported	Adjustment	Restated
Effect on balance as at 1 July 2023 for accumulated surplus	3 180 926 330	13 705 835	3 194 632 165
Effect on accumulated surplus balance as at 1 July 2024	3 478 766 129	10 392 533	3 489 158 662

Cash flow statement

30 June 2024 restated

	As previously reported	Adjustment	Restated
Cash flow from operating activities			
Consumers and other	125 959 729	26 515 908	152 475 637
Interest	29 128 219	1 992 739	31 120 958
VAT receipts	-	152 325 735	152 325 735
Employees	(338 699 345)	2 041 167	(336 658 178)
Suppliers	(564 846 938)	(109 333 729)	(674 180 667)
Net cash flows from operating activities	424 061 537	73 541 820	497 603 357
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	(437 182 926)	(73 541 819)	(510 724 745)
Net cash flows from investing activities	(424 061 537)	(84 013 391)	(508 074 928)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

50. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R3 757 432 663 and that the municipality's total assets exceed its liabilities by R3 757 432 663.

The annual financial statements for the year ended 30 June 2025 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, dependent on the receiving of equitable share allocations.

51. Events after the reporting date

At the date of submission of the annual financial statements, the municipality identified one adjusting event which related to a judgement issued in favour of a plaintiff resulting in the recognition of a liability as at 30 June 2025 - refer to note 42.