Ilembe District Municipality and its Entity Consolidated Financial Statements
Consolidated
Annual Financial Statements
for the year ended 30 June 2025
Auditor-General of South Africa (AGSA)
Chartered Accountants (S.A.)
Registered Auditors

Table of Contents

The reports and statements set out below comprise the consolidated annual financial statements presented to the provincial legislature:

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
COGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
mSCOA	Municipal Standard Chart of Accounts
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
MSA	Municipal Structures Act
MSA	Municipal System Act
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture

General Information

Country of incorporation and domicile	South Africa
Legislation governing the group's operations	
	Municipal Finance Management Act (Act 56 of 2003)

Executive mayor and chairperson of mayoral commitee

Portfolio	**Councillor**
Executive mayor and chairperson of mayoral committee	His Worship, Councillor Thobani Philani Shandu
Deputy executive mayor and mayoral committee member	Councillor James Gabangane Van Whyne
Speaker of the Council	Cllr Monitha Dolly Shandu
Chief WIP of Council	Cllr Sandeep Oudhram
Member of the Executive Committee	Cllr Christopher Ngcobo Part-Time Councillor
Member of the Executive Committee	Cllr Makatha Hlengiwe Lindiwe
Member of the Executive Committee	Cllr Ncube Nduduzo Part-Time Councillor
Member of the Executive Committee	Cllr Bhekamaswazi Doctor Dlamini
Member of the Executive Committee	Cllr Sakhile Zondo
Section 79 Chairpersons	Cllr Vallan Jenifer
Section 79 Chairpersons	Cllr Khoza M

Executive management

Position	**Name**
Municipal Manager	Mr. Sazi Mbhele
Chief Financial Officer (CFO)	Mr. Dumisani Dlamini
Acting Senior Manager Corporate Services	Mr. Thembinkosi Shezi 01 July 2024- 31 November 2024
Senior Manager Corporate Services	Mr. Thabo Putini from 01 December 2024
Senior Manager Community Services	Mrs. Phumzile Mbonambi
Senior Manager Technical Services	Miss Cingisa Mbola

General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
Cllr	Magwaza	J	Cllr	Ndlovu	SB
Cllr	Sing	K	Cllr	Cele	SS
Cllr	Mbuyazi	T	Cllr	Mwandla	V
Cllr	Sewraj	A	Cllr	Ngwane	Z
Cllr	Ndlovu	L	Cllr	Shangase	V
Cllr	Mkhaliphi	M	Cllr	Dladla	N
Cllr	Dube	T	Cllr	Sithole	S
Cllr	Mthembu	C	Cllr	Mthiyane	M
Cllr	Khuzwayo	N	Cllr	Mhlongo	N
Cllr	Zungu	S	Cllr	Shangase	V
Cllr	Mbonambi	N	Cllr	Ngcobo	N
Cllr	Bhengu	S	Cllr	Ngidi	N
Cllr	Singh	N			
Cllr	Mthiyane	S			

Members of the Audit Commitee

Chairperson	Miss. P Nzimakwe (Acting Chairperson)
Deputy Chairperson	Miss. P Nzimakwe
Member	Mr. S Msibi
Member	Mrs. V Msomi
Member	Mr. C Meyiwa

Grading of local authority	4
Accounting Officer	Mr. Sazi Mbhele
Chief Financial Officer (CFO)	Mr. Dumisani Dlamini
Telephone	032 437 9300
Auditors	Auditor-General of South Africa (AGSA)

Accounting Officer's Statement

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 consolidated 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 group 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

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

I, as the Accounting Officer (accounting authority) acknowledges that I am ultimately responsible for the system of internal financial control established by the group 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 group and all employees are required to maintain the highest ethical standards in ensuring the group’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 consolidated 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 group’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 group has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 30 to 31 these consolidated annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The consolidated annual financial statements set out on pages 6 to 140, in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the group on 29 September 2025:

Municipal Manager: S Mkhele

Statement of Financial Position as at 30 June 2025

		GROUP		Municipality	
Intangible Assets	Note(s)	2025	2024	2025	2024
Assets					
Current Assets					
Cash and cash equivalents	2	213 888 459	391 555 722	182 930 604	373 048 316
Trade and other receivables from exchange transactions	3	309 762 099	263 587 072	300 441 371	254 251 356
Inventory	4	14 018 605	11 513 665	14 018 605	11 513 665
Total Current Assets		**537 669 163**	**666 656 459**	**497 390 580**	**638 813 337**
Non-Current Assets					
Non-current receivables	5	1 656 670	1 095 688	1 656 670	1 095 688
Property, plant and equipment	6	3 316 612 428	3 073 932 997	3 308 171 034	3 064 027 218
Heritage assets	7	205 578	205 578	205 578	205 578
Intangible assets	8	11 718 506	3 970 179	11 710 241	3 957 615
Investment in associate	9	-	-	100	100
Total Non-Current Assets		**3 330 193 182**	**3 079 204 442**	**3 321 743 623**	**3 069 286 199**
Total Assets		**3 867 862 345**	**3 745 860 901**	**3 819 134 203**	**3 708 099 536**
Liabilities					
Current Liabilities					
Borrowings	10	12 207 502	7 189 888	12 207 502	7 189 888
Current portion of finance lease liability	12	37 667	37 958	(1)	(1)
Employee benefits	13	2 445 293	3 574 000	1 752 292	2 933 000
Consumer deposits	14	6 278 670	6 166 056	6 278 670	6 166 056
Trade and other payables from exchange transactions	15	271 690 479	265 166 711	258 265 537	257 349 435
Trade and other payables from non-exchange transactions	16	10 427 953	84 268 548	6 080 723	78 676 828
Total Current Liabilities		**303 087 564**	**366 403 161**	**284 584 723**	**352 315 206**
Non-Current Liabilities					
Borrowings	10	4 349 474	7 858 026	4 349 474	7 858 026
Lease liabilities	12	21 898	59 568	-	-
Employee benefits	13	18 669 581	17 207 000	18 669 581	17 207 000
Total Non-Current Liabilities		**23 040 953**	**25 124 594**	**23 019 055**	**25 065 026**
Total Liabilities		**326 128 517**	**391 527 755**	**307 603 778**	**377 380 232**
Net Assets		**3 541 733 828**	**3 354 333 146**	**3 511 530 425**	**3 330 719 304**
Community Wealth / Equity					
Accumulated surplus	17	3 541 733 831	3 354 333 147	3 511 530 427	3 330 719 313

Statement of Financial Performance

		GROUP		Municipality	
Intangible Assets	Note(s)	2025	2024	2025	2024
Revenue					
Exchange Revenue					
Services charges – Waste water management	18	106 950 300	79 978 566	106 950 300	79 978 566
Services charges – Water management	18	323 198 615	282 485 439	323 198 615	282 485 439
Sales of goods and rendering of services	19	121 032 956	57 122 577	121 032 956	57 122 577
Agency services	20	2 382 408	2 277 108	2 382 408	2 277 108
Interest earned from receivables	21	119 834 830	97 483 226	119 834 830	97 483 226
Interests on current and non-current assets	22	38 022 553	42 894 645	36 308 506	41 809 328
Dividends	23	45 000 000	35 000 000	45 000 000	35 000 000
Operational revenue	24	2 778 032	4 841 895	2 512 467	4 099 387
Total Exchange Revenue		**759 199 694**	**602 083 456**	**757 220 082**	**600 255 631**
Non-Exchange Revenue					
Fines, penalties and forfeits	25	130 900	153 178	130 900	153 178
Licence and permits	26	31 149	32 511	31 149	32 511
Transfers and subsidies – Operational	27	869 027 987	832 135 782	860 128 821	826 555 727
Transfers and subsidies – Capital	27	318 024 876	196 911 950	318 024 876	194 789 793
Gain on Long Service	29	437 747	-	478 326	-
Gain/(losses) on foreign exchange	29	509 134	47 499	509 134	47 499
Total Non-Exchange Revenue		**1 188 161 793**	**1 029 280 920**	**1 179 303 206**	**1 021 578 708**
Total Revenue		**1 947 361 487**	**1 631 364 376**	**1 936 523 288**	**1 621 834 339**
Expenditure					
Employee related cost	30	313 428 962	290 472 790	292 490 979	266 945 779
Remuneration of councillors	31	11 068 258	10 743 629	11 068 258	10 743 629
Inventory consumed	32	190 675 678	171 694 775	190 675 678	171 608 075
Debt impairment	33	33 585 004	112 071 034	32 894 252	112 631 600
Depreciation and amortisation	34	144 012 294	125 613 099	142 213 062	123 544 475
Impairment losses / (reversal) of impairment	35	253 947	10 998 062	253 947	9 485 003
Interest	36	3 079 834	3 530 126	3 059 485	3 464 088
Contracted services	38	303 118 273	351 962 714	288 833 249	344 191 861
Transfers and subsidies	39	93 771	586 280	42 388 759	40 905 605
Irrecoverable debts written off	40	293 527 748	5 837 167	293 400 791	5 276 601
Operating leases	37	8 808 753	4 120 756	8 683 014	4 013 403
Operational cost	41	334 118 213	195 695 443	325 558 366	185 637 184
Gain/(losses) on sale of assets	29	423 756	5 039 982	426 019	3 061 679
Loss on Long services	29	-	937 930	-	1 356 666
Inventory Loss	29	123 766 320	115 050 325	123 766 320	115 050 325
Total Expenditure		**1 759 960 811**	**1 404 354 112**	**1 755 712 179**	**1 397 915 973**
Surplus for the year		**187 400 676**	**227 010 264**	**180 811 109**	**223 918 366**

Ilembe District Municipality and its Entity Consolidated Financial Statements

Consolidated Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Intangible Assets	Accumulated surplus	Total net assets
GROUP		
Opening balance as previously reported	3 108 519 057	3 108 519 057
Adjustments		
Correction of errors	(194 164)	(194 164)
Balance at 01 July 2023 as restated*	**3 108 324 893**	**3 108 324 893**
Surplus for the year	227 010 264	227 010 264
Transfers to / from accumulated surplus for the year	16 630 676	16 630 676
Total changes	243 640 940	243 640 940
Undefined Difference	**7**	**7**
Opening balance as previously reported	3 351 965 840	3 351 965 840
Adjustments		
Correction of errors	2 367 307	2 367 307
Balance at 01 July 2024 as restated*	**3 354 333 147**	**3 354 333 147**
Surplus for the year	187 400 676	187 400 676
Total changes	187 400 676	187 400 676
Undefined Difference	**8**	**8**
Balance at 30 June 2025	**3 541 733 831**	**3 541 733 831**
Note(s)		
Municipality		
Opening balance as previously reported	3 090 170 265	3 090 170 265
Adjustments		
Correction of errors	(1 754 472)	(1 754 472)
Balance at 01 July 2023 as restated*	**3 088 415 793**	**3 088 415 793**
Surplus for the year	223 918 366	223 918 366
Transfers to / from accumulated surplus for the year	16 630 676	16 630 676
Total changes	240 549 042	240 549 042
Opening balance as previously reported	3 328 964 841	3 328 964 841
Adjustments		
Correction of errors	1 754 472	1 754 472
Balance at 01 July 2024 as restated*	**3 330 719 313**	**3 330 719 313**
Surplus for the year	180 811 109	180 811 109
Balance at 30 June 2025	**3 511 530 427**	**3 511 530 427**
Note(s)		

Cash Flow Statement

		GROUP		Municipality	
Intangible Assets	Note(s)	2025	2024	2025	2024
Cash flows from operating activities					
Receipts					
Service charges		177 050 319	190 603 688	177 050 319	190 603 688
Operational revenue		128 035 624	67 382 053	126 429 352	63 684 761
Transfers and Subsidies		1 114 456 773	1 056 168 614	1 105 557 592	1 050 588 559
Interest		38 022 553	42 894 645	36 308 506	41 809 328
Dividends		45 000 000	35 000 000	45 000 000	35 000 000
Payments					
Suppliers and employees		(1 296 760 917)	(1 017 300 235)	(1 297 378 472)	(1 013 992 857)
Finance charges		(11 143)	(106 627)	-	(53 037)
Net cash from(used) operating activities	42	**205 793 209**	**374 642 138**	**192 967 297**	**367 640 442**
Cash flows from investing activities					
Receipts					
Proceeds on disposal of fixed assets		972 064	-	949 216	-
Payments					
Purchase of Property, Plant & Equipment		(372 428 760)	(244 012 162)	(372 428 760)	(244 012 162)
Purchase of tangible Assets		(12 223 690)	(4 751 683)	(11 872 553)	-
Net cash flows from investing activities		**(383 680 386)**	**(248 763 845)**	**(383 352 097)**	**(244 012 162)**
Cash flows from financing activities					
Receipts					
Increase in short-term loans		1 509 062	-	1 509 062	-
Payments					
Decrease in borrowing		(37 961)	(8 771 540)	-	(8 728 787)
Finance Costs		(1 251 187)	(1 908 102)	(1 241 974)	(1 895 656)
Decrease in finance leases		-	(1 828 427)	-	(1 828 427)
Net cash flows from financing activities		**219 914**	**(12 508 069)**	**267 088**	**(12 452 870)**
Net increase/(decrease) in cash		**(177 667 263)**	**113 370 224**	**(190 117 712)**	**111 175 410**
Cash and cash equivalents at year begin		391 555 722	278 185 498	373 048 316	261 872 906
		213 888 459	**391 555 722**	**182 930 604**	**373 048 316**

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Intangible Assets	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
GROUP - 2025							
Financial performance							
Revenue							
Exchange revenue							
Service charges - Water	310 687 170	-	310 687 170	323 198 614	12 511 444	104.03 %	variance acceptable
Service charges - Waste Water Management	88 056 980	19 956 857	108 013 837	106 950 301	(1 063 536)	99.02 %	variance acceptable
Sale of goods and rendering of services	126 467 887	232 113	126 700 000	121 032 956	(5 667 044)	95.53 %	variance acceptable
Agency services	2 347 768	-	2 347 768	2 382 408	34 640	101.48 %	Due to finacial year difference
Interest earned from receivables	90 896 378	-	90 896 378	119 834 830	28 938 452	131.84 %	due to write off processed at year end
Interest earned from current and non current assets	30 850 016	6 020 058	36 870 074	38 022 553	1 152 479	103.13 %	variance acceptable
Dividends	37 500 000	7 500 000	45 000 000	45 000 000	-	100.00 %	
Operational revenue	4 781 967	1 328 940	6 110 907	2 778 031	(3 332 876)	45.46 %	
	691 588 166	**35 037 968**	**726 626 134**	**759 199 693**	**32 573 559**	**104.48 %**	
Non-exchange revenue							
Fines, penalties and forfeits	899 529	-	899 529	130 900	(768 629)	14.55 %	due to few disconnections made than anticipated
Licences or permits	45 946	-	45 946	31 149	(14 797)	67.79 %	municipality has no control
Transfer and subsidies - Operational	855 055 742	20 294 661	875 350 403	869 027 987	(6 322 416)	99.28 %	
Gains on disposal of assets	-	-	-	73 913	73 913	- %	
Other gains	11 479 538	(11 299 169)	180 369	2 324 581	2 144 212	1 288.79 %	due to new acquisition of microsoft lisence and when rand is being compared wth american dollar
	867 480 755	**8 995 492**	**876 476 247**	**871 588 530**	**(4 887 717)**	**99.44 %**	
Total Revenue (excluding capital transfers and contributions)	**1 559 068 921**	**44 033 460**	**1 603 102 381**	**1 630 788 223**	**27 685 842**	**101.73 %**	

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Intangible Assets	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
Expenditure							
Employee costs	(331 856 011)	(1 019 085)	(332 875 096)	(313 428 960)	19 446 136	94.16 %	Variance acceptable
Remuneration of councillors	(13 548 487)	1 095 133	(12 453 354)	(11 068 258)	1 385 096	88.88 %	due to anticipated increase differ from what was gazzetted / determined by the Minister
Inventory consumed	(226 128 289)	12 993 689	(213 134 600)	(190 675 678)	22 458 922	89.46 %	due to increase in water supply and water methodology calculated results
Debt impairment	(73 790 883)	-	(73 790 883)	(33 585 003)	40 205 880	45.51 %	due to write off at year end
Depreciation and amortisation	(168 897 156)	10 909 143	(157 988 013)	(144 266 206)	13 721 807	91.31 %	due to impairment
Finance charges	(7 738 488)	6 099 052	(1 639 436)	(3 079 834)	(1 440 398)	187.86 %	
Contracted services	(232 396 204)	(95 492 823)	(327 889 027)	(303 118 269)	24 770 758	92.45 %	Variance acceptable
Transfers and subsidies	(1 424 002)	140 000	(1 284 002)	(93 771)	1 190 231	7.30 %	Due to less disaster taking place within area of iLembe district municipality
Irrecoverable debts written off	(32 972 901)	-	(32 972 901)	(293 527 748)	(260 554 847)	890.21 %	due to write off took place at year end more than what was anticipated during budget
Operational costs	(320 531 609)	11 211 252	(309 320 357)	(342 927 087)	(33 606 730)	110.86 %	Variance acceptable
Losses on disposal of Assets	(5 000 000)	-	(5 000 000)	(497 668)	4 502 332	9.95 %	
Other Losses	(114 539 539)	(5 200 000)	(119 739 539)	(125 143 936)	(5 404 397)	104.51 %	due to new acquisition of microsoft lisence and when rand is being compared wth american dollar
Total Expenditure	**(1 528 823 569)**	**(59 263 639)**	**(1 588 087 208)**	**(1 761 412 418)**	**(173 325 210)**	**110.91 %**	
Deficit	**30 245 352**	**(15 230 179)**	**15 015 173**	**(130 624 195)**	**(145 639 368)**	**(869.95)%**	
Transfers and subsidies - capital (monetary allocations)	(292 550 000)	(29 156 571)	(321 706 571)	318 024 875	639 731 446	(98.86)%	
Surplus for the year	**(262 304 648)**	**(44 386 750)**	**(306 691 398)**	**187 400 680**	**494 092 078**	**(61.10)%**	
Capital expenditure and funds sources							
Capital expenditure	481 111 216	(52 477 483)	428 633 733	399 934 935	(28 698 798)	93.30 %	variance is due to the following

Comparison of Budget and Actual Amounts for the year ended 30 June 2025

Intangible Assets	Approved Budget	*Budget adjustments	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Reason for the material variance
Transfers recognised – Capital	254 391 303	25 354 017	279 745 320	278 156 187	(1 589 133)	99.43 %	variamce acceptable
Borrowings	153 551 971	(141 000 000)	12 551 971	12 510 532	(41 439)	99.67 %	variane acceptable
Internally generated funds	73 167 942	63 168 500	136 336 442	109 268 216	(27 068 226)	80.15 %	due to projects not started at year end
	481 111 216	**(52 477 483)**	**428 633 733**	**399 934 935**	**(28 698 798)**	**93.30 %**	

Reportable Segments for the year ended 30 June 2025

Intangible Assets	Community and public safety	Trading Services	Unallocated	Total
GROUP - 2025				
Segment revenue				
External revenue from non-exchange transactions	163 311 341	864 088 293	202 619 401	1 230 019 035
External revenue from exchange transactions	-	548 875 374	52 466 937	601 342 311
Interests on investments	-	-	38 022 553	38 022 553
Interest earned from receivables	-	-	119 834 830	119 834 830
	163 311 341	**1 412 963 667**	**412 943 721**	**1 989 218 729**
Segment expenses				
Total segment expenses	46 550 998	1 012 028 775	438 117 237	1 496 697 010
Depreciation, amortisation and impairment	-	(3 854 988)	147 867 282	144 012 294
Loss on disposal of assets	3 990	123 774 851	411 114	124 189 955
Impairment losses on financial assets	-	-	33 838 951	33 838 951
Interest expense	-	-	3 079 834	3 079 834
	46 554 988	**1 131 948 638**	**623 314 418**	**1 801 818 044**
Surplus for the year	**116 756 353**	**281 015 029**	**(210 370 697)**	**187 400 685**
GROUP - 2024				
Segment revenue				
External revenue from non-exchange transactions	59 768 819	761 781 478	207 683 124	1 029 233 421
External revenue from exchange transactions	-	417 534 007	44 171 578	461 705 585
Interests on investments	-	-	42 894 645	42 894 645
Interest earned from receivables	-	-	97 483 226	97 483 226
	59 768 819	**1 179 315 485**	**392 232 573**	**1 631 316 877**
Segment expenses				
Total segment expenses	48 304 541	642 890 711	339 918 302	1 031 113 554
Depreciation, amortisation and impairment	-	-	125 613 099	125 613 099
Loss on disposal of assets	4 968	111 098 408	9 877 362	120 980 738
Impairment losses on financial assets	-	-	123 069 096	123 069 096
Interest expense	-	-	3 530 126	3 530 126
	48 309 509	**753 989 119**	**602 007 985**	**1 404 306 613**
Surplus for the year	**11 459 310**	**425 326 366**	**(209 775 412)**	**227 010 264**

Accounting Policies

The Annual Financial Statements of Ilembe District Municipality and its Entity Consolidated Financial Statements for the year ended 30 June 2025 were authorised for issue by the Accounting officer on 30 September 2025.

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

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

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

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

These accounting policies are consistent with the previous period.

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

1. Summary of significant accounting policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the GROUP and all values are rounded to the nearest hundred.

1.2 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.3 Going concern assumption

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

1.4 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for trade receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probabillity that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment. The provision for impairment is measured as the difference between the assets’ carrying amount and the present value of estimated recoverable future cash flow based on past recovery trends.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumption for pension obligation are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annulation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statement are compiled for each fund not per employer. Further details of this plan is included in the notes to the Financial Statements.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 13.

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Additional disclosure of these estimates of provisions are included in note - Provisions

Provision are measured at the head of department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.
A provision is recognised when:
The municipality has a present obligation (legal or constructive) as a result of a past event;
It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
A reliable estimate can be made of the obligation.

Board fees judgement is required when recognising and measuring provisions and when measuring contingent liabilities.

Effective interest rate

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

Allowance for doubtful debts

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

Non-cash generating and cash generating Impairment testing
Management used the fair value less cost to sell to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note – Impairment of assets
All assets owned/recognised by the municipality are held for the provision of basic service and are considered to be non-cash generated assets.

Provision for impairment of trade receivables
The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated recoverable future cash flow based on past recovery trends.

Accounting Policies

1.5 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budgetAdditional text

1.6 New standards and interpretations

1.1 Standards, amendments to standards and interpretations effective and adopted in the current year

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

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 5 Borrowing Costs

GRAP 7 Investments in Associates

GRAP 8 Interest in Joint Ventures

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

GRAP 11 Construction Contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Property

GRAP 17 Property Plant and Equipment

GRAP 18 Segment Reporting

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 20 Related Party Disclosures

GRAP 21 Impairment of Non-cash-generating Assets

GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)

1.6 New standards and interpretations (continued)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-generating assets

GRAP 27 Agriculture

GRAP 31 Intangible Assets

GRAP 32 Service Concession arrangements: Grantor

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investment in Associates and Joint Ventures

GRAP 37 Joint Arrangements

GRAP 38 Disclosure of Interests in Other Entities

GRAP 100 Discontinued Operations

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

GRAP 105 - Transfer of Functions Between Entities Under Common Control

GRAP 106 Transfer of Functions Between Entities Not Under Common Control

GRAP 107 Mergers

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

GRAP 110 Living and Non-Living Resources

1.2 Standards, amendments to standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:

	Effective date: Years beginning on or after	**Expected impact:**
• GRAP 2023: Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	01 April 2099	Unlikely there will be a material impact
• GRAP 105: Transfer of Functions Between Entities Under Common Control	01 April 2099	Unlikely there will be a material impact
• GRAP 106: Transfer of Functions Between Entities Not Under Common Control	01 April 2099	Unlikely there will be a material impact

Accounting Policies

1.6 New standards and interpretations (continued)

• GRAP 107: Mergers	01 April 2099	Unlikely there will be a material impact
• iGRAP 22: Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

1.7 Budget information

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

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

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

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

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

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 42. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2023 is presented in note 52. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 52. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

All comparisons of the budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:
- the approved and final amounts;
- actual amounts and final budget amounts.

1.8 Property, plant and equipment

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

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.

Accounting Policies

1.8 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the group. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the group for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the group expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the group and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the group replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement – cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the group. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Buildings	Straight-line	10-50 years
Machinery and Equipment	Straight-line	2-20 years
Motor vehicles	Straight-line	3-20 years
Computer equipment	Straight-line	3 - 50 years
Other	Straight-line	0 - 30 years
Water	Straight-line	5 - 70 years

Accounting Policies

1.8 Property, plant and equipment (continued)

Sewer	Straight-line	5 -70 years
Furniture and equipment	Straight-line	5 - 50 years

The estimated useful life and depreciation method are assessed at each reporting date on an indicator basis. There are 1500 assets with nil book value, the assets have reached its maximum useful lives when being reassessed and therefore are fully depreciated and the assets are still being used by the municipality. An entity shall assess at each reporting date whether there is an indication that the entity's expectations about the residual value and useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity shall revise the expected useful life and/or residual value accordingly. No longer a requirement to review residual values and useful lives each year.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. .

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

1.9 Intangible assets

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the group, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.
Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;
• the municipality has the resources to complete the project; and
• it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

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

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Intangible assets are initially recognised at cost.

1.9 Intangible assets (continued)

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

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

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

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

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

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 2 to 5 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:
Computer software and websites 2 - 5 Years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.
The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.
The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements

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

1.10 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

Initial recognition and measurement

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the group. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

If the municipality holds an asset that might be regarded as a heritage asset, but on initial recognition, the asset does not meet the above recognition criteria because it cannot be measured reliably, relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.
On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

Subsequent measurement

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

Depreciation and Impairment

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets. In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:

- **External sources of information** During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use. The absence of an active market for a revalued heritage asset.
- **Internal sources of information** Evidence is available of physical damage or deterioration of a heritage asset. A decision to halt the construction of the heritage asset before it is complete or in a usable form.

Recognition

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.11 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the group. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as Lessee

1.11 Leases (continued)

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The tariff in respect of sewerage is based on the value of consumption used from one point of meter supply

The aggregate benefit of incentives is recognised as a reduction of rental expenses over the lease term. Any contingent rents are expenses in the period in which they are incurred.

1.12 Investments in Controlled Entities

In the municipality’s separate annual financial statements, investments in controlled entities are measured at cost.

1.13 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

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

1.13 Inventories (continued)

Subsequent Measureme Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.
The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.
The basis of allocating cost to inventory items is the weighted average method.

.

Water Inventory .
Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is a determined by a formula that consideres the conversion cost incurred through out the process of purification. The method of valuation is own cost deemed to be fair value based on cost.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

Water and purified effluent are measured at the lowest of purified cost which is deemed to be fair value and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

1.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The GROUP determines the classification of its financial instruments at initial recognition.

Initial Recognition

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets or financial liabilities. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is:
cash;
 a residual interest of another entity; or
 a contractual right to:
receive cash or another financial asset from another entity; or
exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity..

A financial instrument is recognised if the group becomes a party to the contractual provisions of the instrument.

The municipality has the following types of financial assets as reflected on the face of the Statement of financial Position or other notes thereto:

Financial Assets:

(a) Cash and Cash Equivalents = Financial asset measurement at amortised cost
(b) Trade and Other Receivables from Exchange Transactions = Financial asset measured at amortised cost
(c) Trade and Other Receivables from Non-Exchange Transactions = Financial asset measured at amortised cost
(d) Non-Current Receivables = Financial Asset measured at amortised cost

1.14 Financial instruments (continued)

Financial Liabilities:

(a) Trade and Other Payables from Exchange Transactions = Financial liability measured at amortised cost
(b) Trade and Other Payables from Non-Exchange Transactions = Financial liability measured at amortised cost
(c) Borrowings = Financial liability measured at amortised cost
(d) Finance Lease Liabilities = Financial liability measured at amortised cost.

1.14.1 Initial and subsequent measurement

Initial recognition and measurement

A financial instruments is recognised, when the group becomes a party to the contractual provisions of the instrument, and are initially measured at fair valueand plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below- market related rate: the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its components.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms used in the public sector, either through established practices or legislation. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered, if it is material.

Subsequent measurement

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:
(a) Financial instruments at fair value
(b) Financial instruments at amortised cost
(c) Financial instruments at cost.

1.14.2 Financial instruments at fair value

"Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives , combined instruments that are designated at fair value, instruments held for trading , financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit"

1.14.3 Financial instruments at armortised cost

Financial instruments at amortised cost , are non-derivative financial assets or financial liabilities that have fixed or determinable payments , excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets

Accounting Policies

1.14 Financial instruments (continued)

1.14.4 Financial instruments at cost

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

Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets."

1.14.5 Reclassifications

The municipality does not reclassify a financial instrument when it is issued or held , except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements

1.14.6 Gains and Losses

Gains and losses on fair value measurements ,reclassifications , impairment , derecognition are recognised in surplus or deficit.

1.14.7 Impairment and uncollectability of financial assets

Financial assets are subject to annual impairment review as follows:

Financial asset at amortised cost
For financial assets at amortised cost; the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account

Financial asset at cost
For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

1.14.8 Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:
(a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
(b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
(c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
(i) derecognise the asset; and
(ii) recognise separately any rights and obligations created or retained in the transfer

Accounting Policies

1.14 Financial instruments (continued)

Financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire. A financial liability is extinguished when the debtor either:
(a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities , goods or services.
(b) Is legally released from primary responsibility for the liability either by process(expires) of law or by the creditor (cancelled). If the debtor has given a guarantee , this condition may still be met.
(c) Waives the debt or it is assumed by another municipality by way of a non- exchange transaction.
Interest, dividends or similar distributions , losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when , the municipality:
(i) Currently has a legally enforceable right to set off the recognised amounts; and
(ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Accounting Policies

1.15 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA), defines Unauthorised expenditure as follows:

- Overspending of the total amount appropriated in the group'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 the above paragraphs of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- A grant by the group otherwise than in accordance with this Act.

Section 1 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) also defines a Vote as:

- One of the main segments into which a budget of a group is divided for the appropriation of money for the different departments or functional areas of the group; and
- Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The group uses the Municipal Standard Chart of Accounts (mSCOA) Functions and Sub-functions, previously the Government Finance Statistics (GFS) functions, as well as departments as the main groupings of segments of the group's budget segments within the group are grouped per department to facilitate greater accountability and budget implementation by the respective Senior Managers as well as per mSCOA classification to facilitate comparisons on a higher level.

Identification and Internal Reporting

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

Council decision and Accounting treatment
Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write - off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

External reporting
The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any unauthorised expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
(c) The steps that have been taken-
(i) To recover or rectify such expenditure; and
(ii) To prevent a recurrence of such expenditure

Accounting Policies

1.16 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the group's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of financial performance and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

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

Identification and Internal Reporting

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32

Council decision and Accounting treatment

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

External reporting

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any irregular expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such irregular expenditure; and
(c) The steps that have been taken-
    (i) To recover or rectify such expenditure; and
    (ii) To prevent a recurrence of such expenditure

Additional disclosure for irregular expenditure is disclosed in note 59.2.

Accounting Policies

1.17 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

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

Identification and Internal Reporting

Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32

Council decision and Accounting treatment

Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.

External reporting

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:
(a) Any irregular expenditure incurred by the municipality;
(b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and
(c) The steps that have been taken-
    (i) To recover or rectify such expenditure; and
    (ii) To prevent a recurrence of such expenditureAdditional disclosure for fruitless and wasteful expenditure is disclosed in note 59.3

1.18 Provisions

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the group, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Accounting Policies

1.18 Provisions (continued)

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. 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 the Statement of financial performance as a finance cost as it occurs.
A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken;
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.19 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue from exchange transactions

Refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.
Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. 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. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.
Service charges from sewerage and sanitation are based on the value of consumption used from one point of meter supply and this is set out in the tariffs of charges approved by Council.
Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.
Interest revenue is recognised on a time proportion basis.
Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement. Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.
Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue from non-exchange transactions

Are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.
A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.
Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.
Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Accounting Policies

1.19 Revenue (continued)

Recognition and measurement

Recognition

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the group directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.
Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.
The municipality does not recognise service in - kind. The municipality recognises revenue from vat refunds on cash basis.

Revenue from non-exchange transactions refers to transactions where the group received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.
Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Measurement

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.
Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.
Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).
The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.
Revenue from vat refunds is measured at gross amounts.

1.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. All other borrowing costs are recognised as an expense in the period in which it is incurred. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is disclosed in the notes below. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

Accounting Policies

1.21 Employee benefits

1.21.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.
The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

1.21.1 Gains and Losses

Gains and losses on fair value measurements ,reclassifications , impairment , derecognition are recognised in surplus or deficit.

1.21.2 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement. The municipality’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Accounting Policies

1.21 Employee benefits (continued)

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.
The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.
When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.Actuarial gains or losses recognised immediately in the Statement of financial performance.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.
The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

"Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

1.21 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Long-service allowance

The entity 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 entity 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 and 45 years of continued service. The entity's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

1.22 Value Added Tax

The group is registered with the South Afrcan Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991. The municipality uses accrual basis of accounting for transactions. This includes accounting for VAT component on such transactions, whether it is Output VAT or Input VAT. The municipality, however accounts for VAT payable and receivables on payment basis.
b
The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1) of the VAT Act in respect of the supply of goods and services, except where the supplies are specified as zero-rated in terms of section 11, exempted in terms section 12 of the VAT Act or is out of scope for VAT purposes.
The VAT portion due to SARS is considered to be statutory receivable.

1.23 Impairment of assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:
(a) Was the asset acquired to generate a commercial return?
(b) Does the asset operate independently from other assets?
(c) Does the asset generate cash flows independently from other assets?
If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.

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

Accounting Policies

1.23 Impairment of assets (continued)

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
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 cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non - cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non cash generating asset is determined as the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
An impairment loss is recognised for 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 as follows: '- to 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 of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.24 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Mayor, Mayoral Committee members, Municipal Manager, senior managers and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of an individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the group. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the group in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the group for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the group.

The group operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

Accounting Policies

1.24 Related parties and related party transactions (continued)

A related party is a person or an entity with the ability to control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Related parties include key management personnel, close members of family of key management and councillors.

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

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jusridiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

Only transactions with related parties not at arm's lenght or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

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.

1.26 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Accounting Policies

1.27 Segment information

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

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

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

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.
Aggregated segments
The municipality operates within it municipal jurisdiction, as per the boundaries and demarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout 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
Water management and Waste management Provision of water and waste management

Other Provision for infrastructural projects and other services

Unallocated Provision for support services

The assets and liabilities are not reviewed at all on a segregated basis.

Measurement

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

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

1.28 Cash and cash equivalents

Cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

Accounting Policies

1.28 Cash and cash equivalents (continued)

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, and cash as per cash book balance.

1.29 Impairment of non-cash-generating assets

Designation

At initial recognition, the group designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an group's objective of using the asset.

The group designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The group designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the group expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the group designates the asset as a non-cash-generating asset and applies this accounting policy.rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

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

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

1.30 Foreign Currency Translation

"Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow."

	GROUP		Municipality	
Intangible Assets	2025	2024	2025	2024

2. Cash and cash equivalents

2.1 Cash and cash equivalents

Cash flow statement consist of the following:

Call deposits and investments				
Demand and time loans, banker's acceptance	32 410 357	93 157 528	32 410 357	93 157 528
Deposit taking institutions	75 382 833	141 057 270	55 049 037	131 877 980
National government investment securities	33 909 405	86 228 717	33 909 405	86 228 717
Special deposit for the payment of dividend	15 149 180	52 166 138	15 149 180	52 166 138
Special deposit for the payment of interest	7 609 806	8 454 545	3 747 298	4 896 164
	164 461 581	**381 064 198**	**140 265 277**	**368 326 527**
Cash at bank				
Bank account	49 385 016	10 447 524	42 623 465	4 677 789
Cash on hand	41 862	44 000	41 862	44 000
Total cash and cash equivalents	**213 888 459**	**391 555 722**	**182 930 604**	**373 048 316**

Call deposits and investments by financial institution

Notes to the Annual Financial Statements

		GROUP		Municipality	
Intangible Assets		2025	2024	2025	2024

2. Cash and cash equivalents (continued)

2.2 Bank accounts

The group has the following bank accounts:

Revenue ABSA Account Terms and conditions	ABSA Bank Account Number 4057878321	724 196	10 033	724 196	10 033
FNB Revenue Account Terms and conditions	FNB Bank - Account Number 62409366722	22 383 376	21 567 769	22 383 376	21 567 769
FNB Primary Account Terms and conditions	FNB Bank Account Number 50851211546	4 673 309	17 655 166	4 673 309	17 655 166
FNB Salaries Account Terms and conditions	FNB Bank Account Number 62006302385	15 315 817	15 998 949	15 315 817	15 998 949
FNB Projects Account Terms and conditions	FNB Bank Account Number 62046718641	7 218 592	(46 915 132)	7 218 592	(46 915 132)
FNB Sub-Main Account Terms and conditions	FNB Bank Account Number 62824322862	(7 691 825)	(3 638 996)	(7 691 825)	(3 638 996)
FNB UIF Account Terms and conditions	FNB UIF Account 62804908286	1 571 926	1 509 216	-	-
FNB eWallet Account Terms and conditions	FNB eWallet Account - Number 3794202803	4 960	11 505	-	-
FNB Fleet card account Terms and conditions	FNB Account 6284123787	5 425	15 450	-	-
FNB Main Account - 62450574077 Terms and conditions	FNB Main Account - 62450574077	5 179 157	4 232 569	-	-
Petty Cash Account Terms and conditions	Petty Cash Account	83	995	-	-
Total		**49 385 016**	**10 447 524**	**42 623 465**	**4 677 789**

2. Cash and cash equivalents (continued)

2.3 Difference between cash book and bank statement

2025

	GROUP			Municipality		
	Cash book	**Bank statement**	**Difference**	**Cash book**	**Bank statement**	**Difference**
ABSA Bank Account 4057878321	724 196	15 903 055	(15 178 859)	724 196	15 903 055	(15 178 859)
FNB Revenue Bank Account 62409366722	22 383 376	6 602 832	15 780 544	22 383 376	6 602 832	15 780 544
FNB Primary Bank Account 50851211546	4 673 309	4 672 844	465	4 673 309	4 672 844	465
FNB Salaries Bank Account 62006302385	15 315 817	16 926 216	(1 610 399)	15 315 817	16 926 216	(1 610 399)
FNB Project Bank Account 62046718641	7 218 592	7 218 630	(38)	7 218 592	7 218 630	(38)
FNB Main Bank Account 62824322862	(7 691 825)	6 061 526	(13 753 351)	(7 691 825)	6 061 526	(13 753 351)
FNB UIF Account - 62804908286	1 571 926	1 571 926	-	-	-	-
FNB eWallet account - 6394202803	4 960	4 960	-	-	-	-
FNB Fleet card account - 62084123787	5 425	5 425	-	-	-	-
FNB Main account- 62450574077	5 179 157	5 179 157	-	-	-	-
Petty Cash account	83	83	-	-	-	-
	49 385 016	**64 146 654**	**(14 761 638)**	**42 623 465**	**57 385 103**	**(14 761 638)**

2024

	GROUP			Municipality		
	Cash book	**Bank statement**	**Difference**	**Cash book**	**Bank statement**	**Difference**
ABSA Bank Revenue Account 4057878321	10 033	9 891 859	(9 881 826)	10 033	9 891 859	(9 881 826)
FNB Bank Revenue Account 62409366722	21 567 769	11 804 336	9 763 433	21 567 769	11 804 336	9 763 433
FNB Bank Primary Account 50851211546	17 655 166	17 655 166	-	17 655 166	17 655 166	-
FNB Bank Salaries Account 62006302385	15 998 949	16 046 951	(48 002)	15 998 949	16 046 951	(48 002)
FNB Bank Project Account 62046718641	(46 915 132)	101 944	(47 017 076)	(46 915 132)	101 944	(47 017 076)
FNB Bank Sub-Main Account 62824322862	(3 638 996)	2 944 098	(6 583 094)	(3 638 996)	2 944 098	(6 583 094)
First National Bank-UIF Account 628-0490- 8286	1 509 216	1 509 216	-	-	-	-
First National Bank-eWallet Account 379-420-2803	11 505	11 505	-	-	-	-
First National Bank-Fleet card Account 62084123787	15 450	15 450	-	-	-	-
FNB Main account 62450574077	4 232 569	4 232 569	-	-	-	-

Notes to the Annual Financial Statements

	GROUP		Municipality	
Intangible Assets	2025	2024	2025	2024

2. Cash and cash equivalents (continued)

Petty Cash	995	995	-	-	-	-
	10 447 524	**64 214 089**	**(53 766 565)**	**4 677 789**	**58 444 354**	**(53 766 565)**

	2025	2024	2025	2024
Bank statement balance at beginning of year	64 213 789	121 124 627	58 444 354	118 784 462
Bank statement balance at end of year	64 146 653	64 213 789	57 385 103	58 444 354
Cash book balance at beginning of year	10 447 524	101 493 131	4 677 789	99 152 965
Bank statement balance at end of year	64 146 653	64 213 789	57 385 103	58 444 354
Net movement / reconciling items	(14 761 637)	(53 766 265)	(14 761 638)	(53 766 565)
Cash book balance at end of year	**49 385 016**	**10 447 524**	**42 623 465**	**4 677 789**

Notes to the Annual Financial Statements

		GROUP		Municipality	
Intangible Assets		2025	2024	2025	2024

3. Trade and other receivables from exchange transactions

Trade service and consumer service debtors	3.1				
Waste water management		93 682 963	(15 350 672)	93 682 963	(15 350 672)
Water		94 868 961	214 112 569	94 868 961	214 112 569
		188 551 924	**198 761 897**	**188 551 924**	**198 761 897**
Other receivables from exchange transactions	3.2				
Abeyance		70 746	70 745	70 746	70 745
Affiliated/related parties/associated companies		(1)	-	631 867	-
Sundry debtors		2 740 147	2 740 147	2 740 147	2 740 147
Merchandising, jobbing and contracts		17 099	329 495	-	-
Prepayments and advances		4 018 007	1 658 689	3 902 241	1 493 955
Property rental debtors		1 048 750	1 168 750	-	-
Unauthorised, Irregular, Fruitless and Wasteful Expenditure		38 119	38 119	38 119	38 119
Accrued income		49 563 641	4 358 843	47 563 525	3 150 466
Control, clearing and interface accounts		400 361	400 361	400 361	400 361
Deposits		6 328 272	6 325 702	6 191 562	6 191 562
Input Accrual		33 398 633	32 634 702	33 273 429	32 650 002
Input VAT General		10 686 931	10 609 753	-	-
Input VAT Capital		2 297 412	2 297 412	-	-
VAT Control (Receivable)		10 602 058	2 192 457	17 077 450	8 754 102
		121 210 175	**64 825 175**	**111 889 447**	**55 489 459**
Total trade and other receivables from exchange transactions		**309 762 099**	**263 587 072**	**300 441 371**	**254 251 356**

3. Trade and other receivables from exchange transactions (continued)

3.1 Consumer receivables

GROUP

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Waste water management	176 559 319	(82 876 356)	**93 682 963**	141 775 326	(157 125 998)	**(15 350 672)**
Water	957 891 740	(863 022 779)	**94 868 961**	965 057 316	(750 944 747)	**214 112 569**
Total consumer receivables from exchange transactions	**1 134 451 059**	**(945 899 135)**	**188 551 924**	**1 106 832 642**	**(908 070 745)**	**198 761 897**

Municipality

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Waste water management	176 559 319	(82 876 356)	**93 682 963**	141 775 326	(157 125 998)	**(15 350 672)**
Water	957 891 740	(863 022 779)	**94 868 961**	965 057 316	(750 944 747)	**214 112 569**
Total consumer receivables from exchange transactions	**1 134 451 059**	**(945 899 135)**	**188 551 924**	**1 106 832 642**	**(908 070 745)**	**198 761 897**

3.1.1 Ageing of impaired consumer receivables

GROUP - 2025

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							

3. Trade and other receivables from exchange transactions (continued)

Total by debt type							
Waste water management	**176 559 319**	14 543 461	9 923 879	8 872 181	7 807 989	8 060 061	127 351 748
Water	**957 891 740**	35 181 395	27 366 465	27 781 910	23 111 163	22 388 022	822 062 785
Total by debt type	**1 134 451 059**	**49 724 856**	**37 290 344**	**36 654 091**	**30 919 152**	**30 448 083**	**949 414 533**
Aging per customer group							
Organs of state	**79 846 766**	8 063 686	6 782 341	6 078 672	3 824 206	3 399 225	51 698 636
Commercial customers	**83 470 157**	12 991 712	3 145 363	3 051 240	2 623 005	3 492 435	58 166 402
Households	**971 134 136**	28 669 458	27 362 639	27 524 179	24 471 941	23 556 423	839 549 496
Total by customer group	**1 134 451 059**	**49 724 856**	**37 290 343**	**36 654 091**	**30 919 152**	**30 448 083**	**949 414 534**

GROUP - 2024

		Not due	Past due				
	Total	Current	30 days	60 days	90 days	120 days	120+ days
Consumer receivables from exchange transactions							
Total by debt type							
Waste water management	**141 775 326**	6 558 119	5 800 956	4 246 732	3 897 845	3 937 706	117 333 968
Water	**965 057 316**	41 767 538	33 466 638	27 046 709	24 824 712	24 860 030	813 091 689
Total by debt type	**1 106 832 642**	**48 325 657**	**39 267 594**	**31 293 441**	**28 722 557**	**28 797 736**	**930 425 657**
Aging per customer group							
Organs of state	**39 537 581**	6 377 891	3 357 928	2 284 642	1 805 838	1 573 119	24 138 163
Commercial customers	**48 106 609**	7 829 943	2 940 856	2 182 982	1 747 136	1 502 448	31 903 244
Households	**1 019 188 451**	34 117 823	32 968 810	26 825 816	25 169 584	25 722 168	874 384 250
Total by customer group	**1 106 832 641**	**48 325 657**	**39 267 594**	**31 293 440**	**28 722 558**	**28 797 735**	**930 425 657**

Municipality - 2025

3. Trade and other receivables from exchange transactions (continued)

		Not due	Past due				
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables from exchange transactions							
Total by debt type							
Waste water management	**176 559 319**	14 543 461	9 923 879	8 872 181	7 807 989	8 060 061	127 351 748
Water	**957 891 740**	35 181 395	27 366 465	27 781 910	23 111 163	22 388 022	822 062 785
Total by debt type	**1 134 451 059**	**49 724 856**	**37 290 344**	**36 654 091**	**30 919 152**	**30 448 083**	**949 414 533**
Aging per customer group							
Organs of state	**79 846 766**	8 063 686	6 782 341	6 078 672	3 824 206	3 399 225	51 698 636
Commercial customers	**83 470 157**	12 991 712	3 145 363	3 051 240	2 623 005	3 492 435	58 166 402
Households	**971 134 136**	28 669 458	27 362 639	27 524 179	24 471 941	23 556 423	839 549 496
Total by customer group	**1 134 451 059**	**49 724 856**	**37 290 343**	**36 654 091**	**30 919 152**	**30 448 083**	**949 414 534**

3. Trade and other receivables from exchange transactions (continued)

Municipality - 2024

		Not due			Past due		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**	**120+ days**
Consumer receivables from exchange transactions							
Total by debt type							
Waste water management	**141 775 326**	6 558 119	5 800 956	4 246 732	3 897 845	3 937 706	117 333 968
Water	**965 057 316**	41 767 538	33 466 638	27 046 709	24 824 712	24 860 030	813 091 689
Total by debt type	**1 106 832 642**	**48 325 657**	**39 267 594**	**31 293 441**	**28 722 557**	**28 797 736**	**930 425 657**
Aging per customer group							
Organs of state	**39 537 581**	6 377 891	3 357 928	2 284 642	1 805 838	1 573 119	24 138 163
Commercial customers	**48 106 609**	7 829 943	2 940 856	2 182 982	1 747 136	1 502 448	31 903 244
Households	**1 019 188 452**	34 117 823	32 968 808	26 825 816	25 169 584	25 722 168	874 384 253
Total by customer group	**1 106 832 642**	**48 325 657**	**39 267 592**	**31 293 440**	**28 722 558**	**28 797 735**	**930 425 660**

3.1.2 Impairment reconciliation of consumer receivables

GROUP

	2025				2024		
	Opening balance	**Impairment raised**	**Impairment reversed / debt written off**	**Closing balance**	**Opening balance**	**Impairment raised**	**Closing balance**
Consumer receivables from exchange transactions							
Waste water management	(157 125 998)	72 350 090	1 899 552	**(82 876 356)**	(111 788 279)	(45 337 719)	**(157 125 998)**
Water	(750 944 748)	(424 663 155)	312 585 124	**(863 022 779)**	(672 458 199)	(78 486 548)	**(750 944 747)**
Total consumer receivables	**(908 070 746)**	**(352 313 065)**	**314 484 676**	**(945 899 135)**	**(784 246 478)**	**(123 824 267)**	**(908 070 745)**

3. Trade and other receivables from exchange transactions (continued)

Municipality

	2025				2024		
	Opening balance	**Impairment raised**	**Impairment reversed / debt written off**	**Closing balance**	**Opening balance**	**Impairment raised**	**Closing balance**
Consumer receivables from exchange transactions							
Waste water management	(157 125 998)	72 350 090	1 899 552	**(82 876 356)**	(111 788 279)	(45 337 719)	**(157 125 998)**
Water	(750 944 748)	(424 663 155)	312 585 124	**(863 022 779)**	(672 458 199)	(78 486 548)	**(750 944 747)**
Total consumer receivables	**(908 070 746)**	**(352 313 065)**	**314 484 676**	**(945 899 135)**	**(784 246 478)**	**(123 824 267)**	**(908 070 745)**

3.1.3 Ageing of impaired consumer receivables

3.2 Other receivables

GROUP

3. Trade and other receivables from exchange transactions (continued)

	2025			2024		
	Gross	Impairment	Total	Gross	Impairment	Total
Other receivables from exchange transactions						
Abeyance	70 746	-	**70 746**	70 745	-	**70 745**
Affiliated/related parties/associated companies	(1)	-	**(1)**	-	-	**-**
Market agency	2 740 147	-	**2 740 147**	2 740 147	-	**2 740 147**
Merchandising, jobbing and contracts	3 633 635	(3 616 536)	**17 099**	3 255 279	(2 925 784)	**329 495**
Prepayments and advances	4 018 007	-	**4 018 007**	1 658 689	-	**1 658 689**
Property rental debtors	1 048 750	-	**1 048 750**	1 168 750	-	**1 168 750**
Accrued income	49 563 641	-	**49 563 641**	4 358 843	-	**4 358 843**
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	38 119	-	**38 119**	38 119	-	**38 119**
Deposits	6 328 272	-	**6 328 272**	6 325 702	-	**6 325 702**
Control, clearing and interface accounts	400 361	-	**400 361**	400 361	-	**400 361**
Input Accrual	33 398 633	-	**33 398 633**	32 634 702	-	**32 634 702**
Input VAT General	10 686 931	-	**10 686 931**	10 609 753	-	**10 609 753**
Input VAT Capital	2 297 412	-	**2 297 412**	2 297 412	-	**2 297 412**
VAT Control (Receivable)	10 602 058	-	**10 602 058**	2 192 457	-	**2 192 457**
Total	**124 826 711**	**(3 616 536)**	**121 210 175**	**67 750 959**	**(2 925 784)**	**64 825 175**

Municipality

	2025		2024	
	Gross	Total	Gross	Total
Other receivables from exchange transactions				
Abeyance	70 746	**70 746**	70 745	**70 745**
Affiliated/related parties/associated companies	631 867	**631 867**	-	**-**
Market agency	2 740 147	**2 740 147**	2 740 147	**2 740 147**
Prepayments and advances	3 902 241	**3 902 241**	1 493 955	**1 493 955**
Accrued income	47 563 525	**47 563 525**	3 150 466	**3 150 466**
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	38 119	**38 119**	38 119	**38 119**
Deposits	6 191 562	**6 191 562**	6 191 562	**6 191 562**
Control, clearing and interface accounts	400 361	**400 361**	400 361	**400 361**
Input Accrual	33 273 429	**33 273 429**	32 650 002	**32 650 002**
VAT Control (Receivable)	17 077 450	**17 077 450**	8 754 102	**8 754 102**
Total	**111 889 447**	**111 889 447**	**55 489 459**	**55 489 459**

3.2.1 Impairment reconciliation of other receivables from exchange transactions

GROUP

3. Trade and other receivables from exchange transactions (continued)

	2025			2024		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Other receivables from exchange transactions						
Merchandising, jobbing and contracts	(2 925 784)	(690 752)	**(3 616 536)**	(3 486 350)	560 566	**(2 925 784)**

4. Inventory

Water	4.1	2 810 610	2 072 457	2 810 610	2 072 457
Materials and supplies	4.2	11 207 995	9 441 208	11 207 995	9 441 208
Total Inventories		**14 018 605**	**11 513 665**	**14 018 605**	**11 513 665**

The R14 018 605 (2024: R 11 513 665) of total inventory was carried at fair value less cost to sell.
The amount of write-down of inventories recognised as an expense is R123 766 201 (2024: R 115 050 325). R - no writtendown was reversed during the current year. This inventory is not held as security.

4.1 Water

Summary

Opening balance	2 072 457	1 956 374	2 072 457	1 956 374
System input volume	299 540 250	262 661 206	299 540 250	262 661 206
Authorised consumption	(175 035 897)	(159 757 468)	(175 035 897)	(159 757 468)
Water losses	(123 766 201)	(102 250 054)	(123 766 201)	(102 250 054)
Data transfer and management errors	-	(537 601)	-	(537 601)
Closing balance	**2 810 610**	**2 072 457**	**2 810 610**	**2 072 457**

4. Inventory (continued)

4.2 Materials and supplies

Opening Balance	9 441 208	10 149 617	9 441 209	10 149 617
Acquisitions	26 751 025	22 874 654	26 751 025	22 874 654
Issues	(26 066 746)	(19 564 768)	(26 066 746)	(19 564 768)
Adjustments	1 082 507	1 024 520	1 082 507	1 024 520
Write-offs	-	(5 042 815)	-	(5 042 815)
Closing balance	**11 207 994**	**9 441 208**	**11 207 995**	**9 441 208**

5. Non-current receivables from exchange and non-exchange transactions

Other receivables				
Staff loans/recoveries	1 656 670	1 095 688	1 656 670	1 095 688

6. Property, plant and equipment

6.1 Reconciliation summary

GROUP

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	8 304 908	-	**8 304 908**	8 304 908	-	**8 304 908**
Transport Assets	173 999 094	(50 036 897)	**123 962 197**	78 576 440	(23 361 563)	**55 214 877**
Water Supply Infrastructure	4 340 677 526	(1 207 561 895)	**3 133 115 631**	4 065 887 743	(1 111 307 082)	**2 954 580 661**
Machinery and Equipment	31 006 508	(10 460 333)	**20 546 175**	26 120 724	(4 494 185)	**21 626 539**
Furniture and Office Equipment	5 762 306	(3 009 094)	**2 753 212**	5 417 481	(2 785 264)	**2 632 217**
Computer Equipment	15 172 277	(8 043 098)	**7 129 179**	15 337 956	(6 141 420)	**9 196 536**
Other assets						
Operational Buildings	38 741 559	(17 940 433)	**20 801 126**	41 117 816	(18 740 557)	**22 377 259**
Total	**4 613 664 178**	**(1 297 051 750)**	**3 316 612 428**	**4 240 763 068**	**(1 166 830 071)**	**3 073 932 997**

Municipality

6. Property, plant and equipment (continued)

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 304 908	-	**8 304 908**	8 304 908	-	**8 304 908**
Transport Assets	170 363 833	(49 003 446)	**121 360 387**	74 941 179	(23 054 652)	**51 886 527**
Water Supply Infrastructure	4 340 677 526	(1 207 561 895)	**3 133 115 631**	4 065 887 743	(1 111 307 082)	**2 954 580 661**
Machinery and Equipment	30 380 863	(10 354 939)	**20 025 924**	25 495 079	(4 428 348)	**21 066 731**
Furniture and Office Equipment	4 140 250	(2 310 029)	**1 830 221**	3 891 417	(2 225 207)	**1 666 210**
Computer Equipment	12 958 811	(6 904 543)	**6 054 268**	12 830 923	(4 947 444)	**7 883 479**
Other assets						
Operational Buildings	34 227 332	(16 747 637)	**17 479 695**	34 227 332	(15 588 630)	**18 638 702**
Total	**4 601 053 523**	**(1 292 882 489)**	**3 308 171 034**	**4 225 578 581**	**(1 161 551 363)**	**3 064 027 218**

6. Property, plant and equipment (continued)

6.2 Reconciliation of carrying value

GROUP - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land	8 304 908	-	-	-	-	-	-	**8 304 908**
Transport Assets	55 214 877	88 083 226	223 960	-	-	(19 327 421)	(232 445)	**123 962 197**
Water Supply Infrastructure	2 954 580 661	295 143 347	(1 722 525)	208 132 539	(208 132 539)	(114 885 852)	-	**3 133 115 631**
Machinery and Equipment	21 626 539	3 416 285	176 508	-	-	(4 662 808)	(10 349)	**20 546 175**
Furniture and Office Equipment	2 632 216	535 458	(16 316)	-	-	(397 993)	(153)	**2 753 212**
Computer Equipment	9 196 539	855 066	(57 447)	-	-	(2 864 979)	-	**7 129 179**
Other assets								
Operational Buildings	22 377 256	29 000	-	-	-	(1 605 130)	-	**20 801 126**
Total	**3 073 932 996**	**388 062 382**	**(1 395 820)**	**208 132 539**	**(208 132 539)**	**(143 744 183)**	**(242 947)**	**3 316 612 428**

GROUP - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Impairment loss/ reversal	Total
Land	8 304 908	-	-	-	-	-	-	-	**8 304 908**
Transport Assets	24 372 149	35 976 044	(2 324 851)	5 798 657	-	(124 115)	(8 483 007)	-	**55 214 877**
Water Supply Infrastructure	2 897 188 181	177 625 807	(503 831)	124 249 510	(124 249 510)	(1 836 872)	(108 409 975)	(9 482 649)	**2 954 580 661**
Machinery and Equipment	3 494 402	19 786 389	(324 620)	-	-	(6)	(1 329 351)	(275)	**21 626 539**
Furniture and Office Equipment	1 847 086	1 171 295	(12 380)	-	-	(3 549)	(370 069)	(166)	**2 632 217**
Computer Equipment	8 477 475	4 807 026	(187 898)	-	-	(2 843)	(3 895 311)	(1 913)	**9 196 536**
Other assets									
Operational Buildings	24 508 906	3 049 079	(1 775 033)	-	-	270 161	(2 162 795)	(1 513 059)	**22 377 259**
Total	**2 968 193 107**	**242 415 640**	**(5 128 613)**	**130 048 167**	**(124 249 510)**	**(1 697 224)**	**(124 650 508)**	**(10 998 062)**	**3 073 932 997**

6. Property, plant and equipment (continued)

Municipality - 2025

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss/ reversal	Total
Land	8 304 908	-	-	-	-	-	-	**8 304 908**
Transport Assets	51 886 526	88 083 226	223 960	-	-	(18 600 880)	(232 445)	**121 360 387**
Water Supply Infrastructure	2 954 580 661	295 143 347	(1 722 525)	208 132 539	(208 132 539)	(114 885 852)	-	**3 133 115 631**
Machinery and Equipment	21 066 731	3 416 285	176 508	-	-	(4 623 251)	(10 349)	**20 025 924**
Furniture and Office Equipment	1 666 209	417 175	(16 131)	-	-	(236 879)	(153)	**1 830 221**
Computer Equipment	7 883 481	651 212	(37 046)	-	-	(2 443 379)	-	**6 054 268**
Other assets								
Operational Buildings	18 638 702	-	-	-	-	(1 159 007)	-	**17 479 695**
Total	**3 064 027 218**	**387 711 245**	**(1 375 234)**	**208 132 539**	**(208 132 539)**	**(141 949 248)**	**(242 947)**	**3 308 171 034**

Municipality - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Other changes, movements	Depreciation	Impairment loss/ reversal	Total
Land	8 304 908	-	-	-	-	-	-	-	**8 304 908**
Transport Assets	23 393 317	35 495 461	(2 324 851)	3 676 500	-	(124 115)	(8 229 785)	-	**51 886 527**
Water Supply Infrastructure	2 897 188 181	177 625 807	(503 831)	124 249 510	(124 249 510)	(1 836 872)	(108 409 975)	(9 482 649)	**2 954 580 661**
Machinery and Equipment	2 675 245	19 666 973	(44 167)	-	-	(6)	(1 231 039)	(275)	**21 066 731**
Furniture and Office Equipment	1 434 836	439 974	(3 119)	-	-	(3 549)	(201 766)	(166)	**1 666 210**
Computer Equipment	6 993 896	4 435 740	(178 793)	-	-	(2 843)	(3 362 608)	(1 913)	**7 883 479**
Other assets									
Operational Buildings	19 808 497	-	(6 919)	-	-	(11 856)	(1 151 020)	-	**18 638 702**
Total	**2 959 798 880**	**237 663 955**	**(3 061 680)**	**127 926 010**	**(124 249 510)**	**(1 979 241)**	**(122 586 193)**	**(9 485 003)**	**3 064 027 218**

6. Property, plant and equipment (continued)

6.3 Change in estimate

Useful life of property, plant and equipment

A review of the useful lives and residual values of items of property, plant and equipment has been performed. The change in the estimated useful lives and residual values of various assets of the group has resulted in a decrease in depreciation of R73 218 (2024: R43 961).

6.4 Property, plant and equipment under construction

GROUP - 2025

	Infrastructure assets	Machinery and equipment	Total
Work- in- progress Reconciliation			
Opening Balance	596 857 983	-	596 857 983
Acquisition	295 143 344	2 601 143	297 744 487
	892 001 327	**2 601 143**	**894 602 470**
Transfer made	(208 132 540)	-	(208 132 540)
Total	**683 868 787**	**2 601 143**	**686 469 930**

GROUP - 2024

	Infrastructure assets	Total
Work - in- progress reconciliation		
Opening Balance	552 964 335	552 964 335
Acquisitions	177 625 807	177 625 807
	730 590 142	**730 590 142**
Transfer made	(124 249 510)	(124 249 510)
Impairment	(9 482 649)	(9 482 649)
Total	**596 857 983**	**596 857 983**

6. Property, plant and equipment (continued)

Municipality - 2025

	Infrastructure assets	**Machinery and equipment**	**Total**
Work-in-progress Reconciliation			
Opening Balance	596 857 983	-	596 857 983
Acquisitions	295 143 344	2 601 143	297 744 487
	892 001 327	**2 601 143**	**894 602 470**
Transfer made	(208 132 540)	-	(208 132 540)
Total	**683 868 787**	**2 601 143**	**686 469 930**

Municipality - 2024

	Infrastructure assets	**Total**
Work-in-progress Reconciliation		
Opening Balance	552 964 335	552 964 335
Acquisitions	177 625 807	177 625 807
	730 590 142	**730 590 142**
Transfer Made	(124 249 510)	(124 249 510)
Impairment	(9 482 649)	(9 482 649)
Total	**596 857 983**	**596 857 983**

6. Property, plant and equipment (continued)

6.5 Repairs and maintenance per asset classification

GROUP - 2025

The following maintenance costs were incurred:

	Infrastructure assets	Community assets	Machinery and equipment	Transport assets	Other assets	Total
Repairs and maintenance	63 056 504	940 697	6 976 254	29 799 853	638 494	101 411 802

GROUP - 2024

The following maintenance costs were incurred:

	Infrastructure assets	Community assets	Machinery and equipment	Transport assets	Other assets	Total
Repairs and maintenance	74 699 141	1 663 117	6 021 574	40 020 262	1 702 741	124 106 835

Municipality - 2025

The following maintenance costs were incurred:

	Infrastructure assets	Buildings	Intangible assets	Transport assets	Other assets	Total
Repairs and maintenance	63 205 139	940 697	6 976 254	29 624 265	339 886	101 086 241

6. Property, plant and equipment (continued)

Municipality - 2024

The following maintenance costs were incurred:

	Infrastructure assets	Buildings	Intangible Assets	Transport assets	Other assets	Total
Repairs and maintenance	74 699 141	1 663 117	6 021 574	40 020 262	1 419 376	123 823 470

Notes to the Annual Financial Statements

6. Property, plant and equipment (continued)

Work-in-Progress Listing

Assets under construction is made up of the following:			
New Borehole-Kz 293	2 922	-	2 922
reburbishment of reticulation - Sonkombo	44 716	-	44 716
KwaDakuza - Industrial Sewer Pump Station - Floods	101 069	-	101 069
Borehole Sonkombo	126 086	-	126 086
Manda Farm Water Borne Sanitation Project	434 474	-	434 474
Distribution: Shakaville and Industrial Area Reticulation	442 887	-	442 887
Gledhow Old Mains Refurbishment	445 203	-	445 203
Umvoti Electrical supply to water pump stations	567 660	-	567 660
Distribution: Sonkombo Water Reticulation	615 558	-	615 558
Umvoti Electrical supply to water pump stations	674 412	-	674 412
Mandafarm Housing Bulk Sewer	713 655	-	713 655
Wosiyane Water Scheme Rehabilitation	902 241	-	902 241
Distribution: Inyoni Bulk Water	1 125 282	-	1 125 282
New Boreholes - District wise	1 240 728	-	1 240 728
Darnall Old Mains Replacements	1 463 596	-	1 463 596
TELEMETRY SYSTEM (MC650 / 37 0 111)	1 593 378	-	1 593 378
Construction of bulk pipeline at Ngcebo / Kwadukuza Zone G	1 684 031	-	1 684 031
Inyoni Housing Bulk Sewer	1 957 149	-	1 957 149
Distribution: Glenhills	1 965 775	-	1 965 775
Avon pipe peaking power replacement	2 000 000	-	2 000 000
Sundumbili Plaza Sewer Pump Station	2 000 000	-	2 000 000
Matholamnyama Water Reticulation	2 058 116	-	2 058 116
COVID19 Spring Protection - acquisition	3 223 160	-	3 223 160
PUMP REPLACEMENT	3 345 083	-	3 345 083
Waste Water Treatment Works: Kwadukuza	3 779 564	-	3 779 564
Macambini Water Supply Phase 5C	3 851 831	-	3 851 831
DARNAL WWWTW UPGRADE Clarifier	6 164 342	-	6 164 342
Mandeni Reticulation refurb	6 483 948	-	6 483 948
Upgrade of Frasers WWTW	6 637 936	-	6 637 936
Waste Water Treatment Works: SUNDUMBILI WASTE WATER UPGRADE	6 736 377	-	6 736 377
Reburshment of WWTW within IDM	7 299 581	-	7 299 581
KwaDukuza Old Mains Replacement (Gledhow; Mbozamo& Larkfield	8 328 644	-	8 328 644
Maphumulo Town Bulk Sewer	9 300 813	-	9 300 813
Southern Regional BLK - Pipeline	9 357 014	-	9 357 014
Umvoti water Works Refurbishment	10 720 169	-	10 720 169
Reservoirs:Offtake 13A - Ingelmere Estate Helmsley Mursia Cane Reservoir	10 849 129	-	10 849 129
Groutville D - Priority 5: Ward 10	11 320 883	-	11 320 883
Reservoirs: WOSIYANE EXTENSION	11 070 163	-	11 070 163
Macambini Water Supply - Phase Phase 5A	11 292 274	-	11 292 274
Driefontein Housing Bulk Sewer	11 757 743	-	11 757 743
Ndulinde Reticulation Phase 4D	13 896 926	-	13 896 926
Ntunjambili Bulk Water Supply Scheme	13 835 076	-	13 835 076
Waste Water Treatment Works: Lindelani	18 766 899	-	18 766 899
Urgent Rudimentary Water Supply Intervenion in IDM - Ph 1A	21 728 310	-	21 728 310
TS/94/2013	22 846 927	-	22 846 927
DARNAL WWWTW UPGRADE Clarifier	23 472 759	-	23 472 759
Matholamnyama Water Reticulation	23 988 713	-	23 988 713
KDM Sewer Mains Replacement - 1A	27 111 270	-	27 111 270
Macambini Water Supply Phase 5 - Phase 5 D	27 375 120	-	27 375 120
Southern Regional BLK - Pump station	29 684 247	-	29 684 247
Masibambisane Regional Water Suppy	33 223 826	-	33 223 826

Notes to the Annual Financial Statements

6. Property, plant and equipment (continued)

Mandeni Reticulation refurb	35 041 416	-	35 041 416
Distribution: Sonkombo Water Reticulation	42 476 586	-	42 476 586
Macambini Water Supply Phase 5C	44 862 998	-	44 862 998
Southern Regional BLK wtr-Sew - Phase 2A	68 984 820	-	68 984 820
KDM Sewer Mains Replacement	72 895 336	-	72 895 336
Generator - WIP	2 601 143	-	2 601 143
	686 469 964	**-**	**686 469 964**

Delayed Projects	-	-	-
Construction of bulk pipeline at Ngcebo / Kwadukuza Zone G(Maqhumbi cwss zone A B D & E P)			
Project on hold due until UW completes the upgrades of the Maphumulo WW.	1 684 031	-	1 684 031
TELEMETRY SYSTEM (MC650 / 37 0 111)			
Project delayed due to waiting the appointment of the service provider that would verify the integration of what was done in the prior years, whether they is any integration and/or continuation of the installation of telemetry system with similar technology.	1 593 378	-	1 593 378
DARNAL WWWTW UPGRADE Clarifier			
Project is delayed due to floods that damaged a bridge and Pump Station at Darnal. They are remedial works that would anticipated in 2025/2026 FY.	6 164 342	-	6 164 342
New Boreholes - District wise			
Project on hold due until UW completes the upgrades of the Maphumulo WW.	1 240 728	-	1 240 728
Waste Water Treatment Works: Kwadukuza			

Notes to the Annual Financial Statements

6. Property, plant and equipment (continued)

The project is at preliminary design stage. During the preliminary design stage it was required that an environmental study be undertaken which will entail the application for a Water Use Licence (WULA) to DWS , as part of the enquiries to DWS it was requested that a specialist study be undertaken to determine the assimilative capacity of the uMvoti River to see if it can take the sewer effluent from the plant. it was discovered that the uMvoti river is heavly polluted and cannot take anymore effluent. The recommendation of the study was that measures to improve the condition of the river are investigated by all role players with specific mention of the owners and tenants of buildings in the Stanger Industrial Complex and the SAPPI Mill to manage point sources of contamination. In addition, that iLembe District Municipality will need to improve management of the existing sewage reticulation system, particularly in the vicinity of the Mawetheni, Charlotteville and the general KwaDukuza area as well as the Stanger Central District. All the activities above are outside of the project scope and that's why the project had to be halted to clear the WUL huddle. iLembe has embarked on a bulk sewer main replacement project to attend to the pollution from our side and we also embarked on a catchment study for the river system through our Planning department. Once this huddle is elliminated we will be able to finalize the preliminary design and then move to detail design.	3 779 564	-	3 779 564
	-	-	-
TS/94/2013 (Ndwedwe town development)			
Project is delayed due to funding	22 846 927	-	22 846 927
Waste water Treatment: Sundumbili Waste Water Upgrade			
The project is at preliminary design stage. During the studies conducted, it was discovered that the plant, in its current location, is in a flood plane. This is supported by the constant flooding after heavy rains. Investigations are currently underway to identify an alternative site that will be suitable for a new Waste Water Treatment Works.	6 736 377	-	6 736 377
Reservoirs:Offtake 13A - Ingelmere Estate Helmsley Mursia Cane Reservoir			

Notes to the Annual Financial Statements

6. Property, plant and equipment (continued)

The project is on hold because Umgeni Water is busy with the design for the bulk pipeline that will supply the project. There are no other water sources that can meet the demand for the area. The project will resume once Umgeni Water has implemented Umshwathi Phase 6 Bulk Water Supply that will supply the area.	10 849 128	-	10 849 128
Reservoirs: WOSIYANE EXTENSION			
Project dependent on Umgeni Water's Phase 6 Bulk Water Supply completion; on hold for over 3 years with no allocated funding.Query: Has this project, by any chance, been rediverted to Umgeni Water for implementation? No, this will be implemented by Ilembe when the resource is available. Our part is secondary bulks and reticulation but depended on Primary bulk that will be installed by Umgeni water. They have indicated that this bulk will form part of Umkhomazi Dam that is under construction to be shared by 5 municipalities. Anticipated Dam completion is 2032.	11 070 163	-	11 070 163
Waste Water Treatment Works: Lindelani			
Project is delayed due to funding	18 766 899	-	18 766 899
DARNAL WWWTW UPGRADE Clarifier, TS/209/2020 Pump station			
Project is delayed due to floods that damaged a bridge and Pump Station at Darnal. They are remedial works that would anticipated in 2025/2026 FY. Umvoti electrical supply to water Pump station	23 472 759	-	23 472 759
Umvoti Balancing and Kearsney pump station are connected to the ruralelectrical supply which consistantly causes unpredicted power disruptionsaffecting the full operation of both pumps. Project's objective was to supply adedicated electricity supply to uMvoti balancing pump stations. Studies andpreliminary designs were conducted and finalized. The cost of dedicatedelectricity supply was more than the bugdet allocated, hence we opted for adiesel generator which was part of mitigating the impact of load shedding, andhas already been installed and it is functional.	674 412	-	674 412

Notes to the Annual Financial Statements

6. Property, plant and equipment (continued)

Masibambisane Reseviour water supply Project remains at design stage; pending Maphumulo WTW upgrade by Umgeni Water; no current funding allocated.Has the Maphumulo WTW upgrade by Umgeni Water commenced, and what is the current stage of progress? Yes, it is at 90% complete and revised completion date is Dec 2025.Given the material value of this project, please confirm whether any physical construction work has been undertaken to date. Not yet. Although the project is in Maphumulo it is suppose to receive supply on both Maphumulo WTW and Mshwati Bulk scheme. So, completion of Maphumulo alone will not add much relief. Mshwati scheme is expected to be boosted by Umkhomazi in 2032. Umshwati Phase 4 & 5 are under construction with limited volumes of 6ML contrary to initial agreement and that water will not reach Masibambisane. Umgeni Water last year communicated that with all the shortages in volumes the ultimate regional solution will be Umkhomazi Dam. This further delays the district to implement the secondary bulks as this will lead to unnecessary expectations and vandalism to infrastructure.	33 223 826	-	33 223 826
	142 102 534	**-**	**142 102 534**

7. Heritage assets

7.1 Reconciliation of carrying value

GROUP - 2025

	Other assets	Total
Opening carrying value as at 01 July 2024		
Cost	205 578	205 578
Cost	205 578	205 578

GROUP - 2024

	Other assets	Total
Opening carrying value as at 01 July 2023		
Cost	205 578	205 578
Cost	205 578	205 578

Notes to the Annual Financial Statements

7. Heritage assets (continued)

Municipality - 2025

	Other assets	Total
Opening carrying value as at 01 July 2024		
Cost	205 578	205 578
Cost	205 578	205 578

Municipality - 2024

	Other assets	Total
Opening carrying value as at 01 July 2023		
Cost	205 578	205 578
Cost	205 578	205 578

- This heritage asset is a Mayoral Chain.

8. Intangible assets

8.1 Reconciliation of carrying value

GROUP - 2025

	Note	Computer software	Patents, trademarks etc.	Total
Opening carrying value as at 01 July 2024				
Cost		7 189 647	7 693 872	14 883 519
Accumulated depreciation and impairment		(5 234 615)	(5 678 725)	(10 913 340)
		1 955 032	**2 015 147**	**3 970 179**
Additions from acquisitions		-	11 872 553	11 872 553
Amortisation	34	(996 010)	(3 127 090)	(4 123 100)
		(996 010)	**8 745 463**	**7 749 453**
Carrying value of disposals / transfers				
Cost		(44 630)	-	(44 630)
Accumulated depreciation and impairment		295 302	-	295 302
		250 672	**-**	**250 672**
Other changes		2 467	(254 265)	(251 798)
Closing carrying value as at 30 June 2025		**1 212 161**	**10 506 345**	**11 718 506**
Cost		7 145 017	19 566 425	26 711 442
Accumulated amortisation and impairment		(5 932 856)	(9 060 080)	(14 992 936)
		1 212 161	**10 506 345**	**11 718 506**

Notes to the Annual Financial Statements

8. Intangible assets (continued)

GROUP - 2024

		Computer software	Patents, trademarks etc.	Total
Opening carrying value as at 01 July 2023				
Cost		7 189 647	7 693 872	14 883 519
Accumulated depreciation and impairment		(4 489 549)	(4 667 189)	(9 156 738)
		2 700 098	**3 026 683**	**5 726 781**
Amortisation	34	(744 412)	(1 011 536)	(1 755 948)
Other changes		(654)	-	(654)
Closing carrying value as at 30 June 2024		**1 955 032**	**2 015 147**	**3 970 179**
Cost		7 189 647	7 693 872	14 883 519
Accumulated amortisation and impairment		(5 234 615)	(5 678 725)	(10 913 340)
		1 955 032	**2 015 147**	**3 970 179**

Municipality - 2025

		Computer software	Patents, trademarks etc.	Total
Opening carrying value as at 01 July 2024				
Cost		7 168 147	7 693 872	14 862 019
Accumulated depreciation and impairment		(5 225 678)	(5 678 725)	(10 904 403)
		1 942 469	**2 015 147**	**3 957 616**
Additions from acquisitions		-	11 872 553	11 872 553
Amortisation	34	(991 712)	(3 127 090)	(4 118 802)
		(991 712)	**8 745 463**	**7 753 751**
Carrying value of disposals / transfers				
Cost		(44 630)	-	(44 630)
Accumulated depreciation and impairment		295 302	-	295 302
		250 672	**-**	**250 672**
Other changes		2 467	(254 265)	(251 798)
Closing carrying value as at 30 June 2025		**1 203 896**	**10 506 345**	**11 710 241**
Cost		7 123 517	19 566 425	26 689 942
Accumulated amortisation and impairment		(5 919 621)	(9 060 080)	(14 979 701)
		1 203 896	**10 506 345**	**11 710 241**

Notes to the Annual Financial Statements

8. Intangible assets (continued)

Municipality - 2024

		Computer software	Patents, trademarks etc.	Total
Opening carrying value as at 01 July 2023				
Cost		7 168 147	7 693 872	14 862 019
Accumulated depreciation and impairment		(4 484 922)	(4 667 189)	(9 152 111)
		2 683 225	**3 026 683**	**5 709 908**
Amortisation	34	(740 103)	(1 011 536)	(1 751 639)
Other changes		(654)	-	(654)
Closing carrying value as at 30 June 2024		**1 942 468**	**2 015 147**	**3 957 615**
Cost		7 168 147	7 693 872	14 862 019
Accumulated amortisation and impairment		(5 225 679)	(5 678 725)	(10 904 404)
		1 942 468	**2 015 147**	**3 957 615**

9. Investment in associate

Investment in associate	-	-	100	100

Investment in controlled entity-Enterprise iLembe Development Agency.

Ordinary Share : 100@R1 each.

10. Borrowings

Total borrowings

Annuity and bullet loans	7 858 027	7 189 888	7 858 027	7 189 888
Bankers acceptance certificate	(2)	7 858 026	(2)	7 858 026
Non Current Foreign Exchange- Forex Liability	4 349 477	1	4 349 477	1
Short term Foreign Exchange -Forex Liability	4 349 474	(1)	4 349 474	(1)
Sub-total	**16 556 976**	**15 047 914**	**16 556 976**	**15 047 914**
Less: Current portion transferred to current liabilities	(12 207 502)	(7 189 888)	(12 207 502)	(7 189 888)
Total non-current borrowings	**4 349 474**	**7 858 026**	**4 349 474**	**7 858 026**

DBSA loan- Bear interest at rates between 10.8% per annum and are repayable every six months with the last repayment due on 31 December 2025.
The previous year amount were restated see note 43 for more detail information.

11. Foreign Exchange

Foreign exchange	509 134	47 499	509 134	47 499

The spot rate at 30 June 2025 was **17.7758.** Should the spot rate **increase by 1%** the foreign liability will be **R**8 **785 941** and the foreign loss will increase to **R 514 225.**

Should the spot rate **decrease by 1%** the Forex liability will be **R 8 611 962** and the Forex loss will decrease to **R504 043.**

Foreign Liability increase R 8 958 179.01*1.01 = **R8 785 941**

Foreign Gain increase R 254 905.90* 1.01 = **R514 225**

Microsoft software license is classified as an intangible asset as per GRAP31.

12. Lease liabilities

Finance lease liabilities	59 565	97 526	(1)	(1)
Less: Transferred to current liabilities	(37 667)	(37 958)	1	1
Total non-current liabilities	**21 898**	**59 568**	**-**	**-**

12.1 Carrying value of current lease liabilities

GROUP - 2025

	Opening balance	Withdrawals	Total
Carrying value as at 30 June 2025			
Current portion of Finance lease liabilities	75 627	(37 960)	**37 667**

GROUP - 2024

	Opening balance	Deposits	Withdrawals	Total
Carrying value as at 30 June 2024				
Current portion of Finance lease liabilitiesV	1 909 148	107 472	(1 978 662)	**37 958**

Municipality - 2024

	Opening balance	Withdrawals	Total
Carrying value as at 30 June 2024			
Current portion of Finance lease liabilities	1 828 425	(1 828 426)	**(1)**

12.2 Obligation under operating leases

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

The contract was negotiated for a period of 3 years the photocopiers/printers/scanners machines.

The rentals escalation is 10% effective on the Annual Annivessary of the contract.6 months raging from 01 December 2024 to 30 November 2027.

Notes to the Annual Financial Statements

12. Lease liabilities (continued)

Operating Lease - Leasee					
Within one year		5 069 071	2 642 958	5 069 071	2 642 958
In the second to fifth year inclusive		7 181 184	-	7 181 184	-
		12 250 255	**2 642 958**	**12 250 255**	**2 642 958**

13. Employee benefits

Current employee benefits					
Long-service awards	13.1	2 445 293	3 574 000	1 752 292	2 933 000
Non-current employee benefits					
Long-service awards	13.1	18 669 581	17 207 000	18 669 581	17 207 000
Total		**21 114 874**	**20 781 000**	**20 421 873**	**20 140 000**

Split between current and non-current

Current liabilities	2 445 293	3 574 000	1 752 292	2 933 000
Non-current liabilities	18 669 581	17 207 000	18 669 581	17 207 000
Total	**21 114 874**	**20 781 000**	**20 421 873**	**20 140 000**

13.1 Long-service awards

13.1.1 Provision for long-service awards

Movements in the present value of the defined benefit obligation				
Opening Balance	20 781 001	18 197 006	20 140 000	17 254 006
Additional provisions raised	5 678 093	7 322 960	5 519 093	7 494 696
Reductions (Payments, remeasurement etc.)	(5 344 220)	(4 738 966)	(5 237 220)	(4 608 702)
Closing balance	**21 114 874**	**20 781 000**	**20 421 873**	**20 140 000**
Current	2 445 293	3 574 000	1 752 292	2 933 000
Non-current	18 669 581	17 207 000	18 669 581	17 207 000

Long-service award

The group operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 5 years of continuous service and every 10 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by One Pangaea Expertise & Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 2025 (2024:) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rate	Yield curve	Yield curve	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	Difference between nominal and yield curve	Difference between nominal and yield curve	Difference between nominal and yield curve
Normal salary increase rate CPI+1	CPI + 1%	CPI + 1%	CPI+1%	CPI+1%
Net effective discount rate	Yield curve base	Yield curve base	Yield curve base	Yield curve base

Notes to the Annual Financial Statements

13. Employee benefits (continued)

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The Actuaries used the nominal and real zero curves as at 30 June 2025 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities.

The group has applied for a 6% salary increase exemption from the SALGBC for 2025. This has been factored in with the calculation of the liability.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the A (90) ultimate mortality tables.

Normal retirement age

The normal retirement age for all active employees was assumed to be 65 years. This assumption implicitly allows for ill-health and early retirements. The qverage retirement age for all active employees was assumed to be 63 years.

Amounts recognised in the statement of financial position

The amounts recognised in the statement of financial position are as follow for the movement in present value obigation:

Balance at beggining of the year	20 781 000	18 197 006	20 140 000	17 254 006
Current Service cost	1 663 000	1 317 056	1 579 000	1 197 056
Interest cost	2 226 000	1 931 853	2 151 000	1 804 853
Benefit Payment	(3 117 379)	(1 602 845)	(2 969 801)	(1 472 581)
Actuarial Loss / (Gain)	(437 747)	937 930	(478 326)	1 356 666
Total benefit liability	**21 114 874**	**20 781 000**	**20 421 873**	**20 140 000**

The amounts recognised in the Statement of Financial Position were determined as being present value of the obligation				
Present value obligation	21 114 874	20 781 000	20 421 873	20 140 000

The timing of the employee benefit is as follows:				
Current portion employee benefits	2 445 292	3 574 000	1 752 292	6 959 303
Employee benefit obligation	18 669 581	17 207 000	18 669 581	13 180 697
	21 114 873	**20 781 000**	**20 421 873**	**20 140 000**

13. Employee benefits (continued)

Amounts recognised in the statement of financial performance

The amounts recognised in the statement of financial performance are as follow:

Current service cost		1 663 000	1 317 056	1 579 000	1 197 056
Interest cost		2 226 000	1 931 853	2 151 000	1 804 853
Actuarial losses / (gains) recognised		(568 135)	937 930	(608 714)	1 356 666
Total expense included in employee related costs	30	**3 320 865**	**4 186 839**	**3 121 286**	**4 358 575**

The group expects to make a contribution of R21 114 873 to the Defined Benefit Plan during the next financial year.

The Future-service Cost for the ensuing year is estimated to be R1 633 000 whereas the Interest Cost is estimated to be R 2 226 000.

14. Consumer deposits

Sewer	121 989	121 989	121 989	121 989
Water	6 156 681	6 044 067	6 156 681	6 044 067
Total	**6 278 670**	**6 166 056**	**6 278 670**	**6 166 056**

Deposits are released on termination of the contract or when the contractual services are delivered.

15. Trade and other payables from exchange transactions

Bulk purchases	15.1	37 144 389	28 866 563	37 144 389	28 866 563
Contractors	15.2	33 405 160	13 435 624	33 109 997	13 400 946
Control and clearing accounts		(1)	(1)	-	-
Employee benefits	15.3	33 747 868	33 153 704	32 456 068	32 121 178
Other payables	15.4	24 193 629	61 082 687	23 583 470	60 503 384
Trade payables and accruals	15.5	123 526 064	112 474 464	119 689 044	114 140 504
VAT Payable	15.6	19 673 370	16 153 670	12 282 569	8 316 860
Total		**271 690 479**	**265 166 711**	**258 265 537**	**257 349 435**

The prior year comparatives have been restated, please refer to note 43 for more detail information.

The fair value of trade and other payables approximates their carrying amounts.

15.1 Bulk purchases

Bulk water	37 144 389	28 866 563	37 144 389	28 866 563

15.2 Contractors

Retentions	33 405 160	13 435 624	33 109 997	13 400 946

Included in this amount of R30 386 531 is the retention of R12 546 559 for Umshwathi water supply projects which has been realised as construction revenue.

15.3 Employee benefits

Bonus	8 974 440	8 948 501	8 974 440	8 948 501
Leave accrual	24 773 428	24 205 203	23 481 628	23 172 677
Total	**33 747 868**	**33 153 704**	**32 456 068**	**32 121 178**

Notes to the Annual Financial Statements

15. Trade and other payables from exchange transactions (continued)

15.4 Other payables

Other creditors	15 794 973	13 959 021	15 184 814	13 379 718
Operational Leases	953 683	953 684	953 683	953 684
Advance payments	9 499 274	46 994 527	9 499 274	46 994 527
PAYE deductions	(2 054 301)	(824 545)	(2 054 301)	(824 545)
Total	**24 193 629**	**61 082 687**	**23 583 470**	**60 503 384**

There are no amounts for Umshwathi Water Supply Project included in advance payments

15.5 Trade payables and accruals

Intercompany/parent-subsidiary transactions	(1)	-	(1)	2 790 811
Payables and accruals	123 526 065	112 474 464	119 689 045	111 349 693
Total	**123 526 064**	**112 474 464**	**119 689 044**	**114 140 504**

15.6 VAT Payable

Output VAT	21 926 242	21 381 902	-	-
Output VAT: Provision for doubtful debt impairment	(134 998 264)	(130 064 126)	(134 998 264)	(130 064 126)
VAT credit: Output accrual	144 968 592	136 515 919	147 280 833	138 380 986
VAT Control (Payable)	(12 223 200)	(11 680 025)	-	-
Total	**19 673 370**	**16 153 670**	**12 282 569**	**8 316 860**

Notes to the Annual Financial Statements

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent

GROUP

		2025					2024				
		Opening balance	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**
Capital											
Monetary Allocations	16.1	65 423 175	251 595 434	(318 535 038)	-	**(1 516 429)**	21 336 599	235 184 710	(191 098 133)	-	**65 423 176**
Operational											
Monetary Allocations	16.2	18 845 372	74 978 605	(80 897 692)	(981 903)	**11 944 382**	29 541 140	77 746 188	(88 438 943)	(3 013)	**18 845 372**
Total		**84 268 547**	**326 574 039**	**(399 432 730)**	**(981 903)**	**10 427 953**	**50 877 739**	**312 930 898**	**(279 537 076)**	**(3 013)**	**84 268 548**

Municipality

		2025					2024				
		Opening balance	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**
Capital											
Monetary Allocations	16.1	65 419 524	250 595 434	(318 535 038)	-	**(2 520 080)**	21 332 948	235 184 710	(191 098 133)	-	**65 419 525**
Operational											
Monetary Allocations	16.2	13 257 303	68 323 914	(71 998 511)	(981 903)	**8 600 803**	24 424 341	71 694 863	(82 858 888)	(3 013)	**13 257 303**
Total		**78 676 827**	**318 919 348**	**(390 533 549)**	**(981 903)**	**6 080 723**	**45 757 289**	**306 879 573**	**(273 957 021)**	**(3 013)**	**78 676 828**

Notes to the Annual Financial Statements

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

16.1 Unspent capital monetary allocations

GROUP

	2025				2024			
	Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
National Government								
Integrated City Development Grant	-	-	-	**-**	-	109 998	(109 998)	**-**
Municipal Disaster Recovery Grant	1 161 945	-	-	**1 161 945**	1 263 014	-	(101 069)	**1 161 945**
Municipal Infrastructure Grant	42 163 727	165 872 002	(214 591 029)	**(6 555 300)**	-	158 000 000	(115 836 273)	**42 163 727**
Water Services Infrastructure Grant	19 087 695	84 723 432	(101 895 541)	**1 915 586**	9 544 518	74 578 712	(65 035 534)	**19 087 696**
Total	**62 413 367**	**250 595 434**	**(316 486 570)**	**(3 477 769)**	**10 807 532**	**232 688 710**	**(181 082 874)**	**62 413 368**
Provincial Government								
KwaZulu-Natal	3 009 808	1 000 000	(2 048 468)	**1 961 340**	10 529 067	2 496 000	(10 015 259)	**3 009 808**
Total unspent capital monetary allocations	**65 423 175**	**251 595 434**	**(318 535 038)**	**(1 516 429)**	**21 336 599**	**235 184 710**	**(191 098 133)**	**65 423 176**

Municipality

	2025				2024			
	Opening balance	**Funds received**	**Transfer to revenue**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Closing balance**
National Government								
Local Government Financial Management Grant	-	-	-	**-**	-	109 998	(109 998)	**-**
Municipal Disaster Recovery Grant	1 161 945	-	-	**1 161 945**	1 263 014	-	(101 069)	**1 161 945**
Municipal Infrastructure Grant	42 163 727	165 872 002	(214 591 029)	**(6 555 300)**	-	158 000 000	(115 836 273)	**42 163 727**
Water Services Infrastructure Grant	19 087 695	84 723 432	(101 895 541)	**1 915 586**	9 544 518	74 578 712	(65 035 534)	**19 087 696**
Total	**62 413 367**	**250 595 434**	**(316 486 570)**	**(3 477 769)**	**10 807 532**	**232 688 710**	**(181 082 874)**	**62 413 368**

Notes to the Annual Financial Statements

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

Provincial Government								
KwaZulu-Natal	3 006 157	-	(2 048 468)	**957 689**	10 525 416	2 496 000	(10 015 259)	**3 006 157**
Total unspent capital monetary allocations	**65 419 524**	**250 595 434**	**(318 535 038)**	**(2 520 080)**	**21 332 948**	**235 184 710**	**(191 098 133)**	**65 419 525**

Notes to the Annual Financial Statements

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

16.2 Unspent operational monetary allocations

GROUP

	2025					2024				
	Opening balance	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**
Departmental Agencies and Accounts										
National departmental agencies	-	1 617 348	(1 617 348)	-	**-**	-	798 573	(798 573)	-	**-**
District Municipalities										
KwaZulu-Natal	82 305	-	(74 663)	-	**7 642**	17 088	65 217	-	-	**82 305**
National Government										
Expanded Public Works Programme Integrated Grant	-	3 071 000	(3 071 000)	-	**-**	-	3 840 000	(3 840 000)	-	**-**
Integrated Urban Development Grant	-	4 500 000	(4 500 000)	-	**-**	-	-	-	-	**-**
Local Government Financial Management Grant	-	1 000 000	(1 000 000)	-	**-**	-	890 002	(890 002)	-	**-**
Municipal Disaster Recovery Grant	(1 161 945)	-	-	-	**(1 161 945)**	13 285 986	-	(14 447 931)	-	**(1 161 945)**
Municipal Disaster Relief Grant	-	-	-	-	**-**	3 013	-	-	(3 013)	**-**
Municipal Infrastructure Grant	5 849 903	44 399 998	(43 694 601)	-	**6 555 300**	-	58 306 000	(52 456 097)	-	**5 849 903**
Rural Road Asset Management Systems Grant	465	2 549 000	(2 549 000)	(464)	**1**	722 425	2 439 000	(3 160 960)	-	**465**
Water Services Infrastructure Grant	-	5 276 568	(7 192 154)	-	**(1 915 586)**	-	5 421 288	(5 421 288)	-	**-**

Notes to the Annual Financial Statements

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

Total	**4 688 423**	**60 796 566**	**(62 006 755)**	**(464)**	**3 477 770**	**14 011 424**	**70 896 290**	**(80 216 278)**	**(3 013)**	**4 688 423**
Provincial Government										
KwaZulu-Natal	14 017 113	12 564 691	(17 198 926)	(981 439)	**8 401 439**	15 003 913	5 986 108	(6 972 908)	-	**14 017 113**
Public Corporations										
Other transfers public corporations	57 531	-	-	-	**57 531**	508 715	-	(451 184)	-	**57 531**
Total unspent operational monetary allocations	**18 845 372**	**74 978 605**	**(80 897 692)**	**(981 903)**	**11 944 382**	**29 541 140**	**77 746 188**	**(88 438 943)**	**(3 013)**	**18 845 372**

Municipality

	2025					2024				
	Opening balance	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**	**Opening balance**	**Funds received**	**Transfer to revenue**	**Repayment unspent grants**	**Closing balance**
Departmental Agencies and Accounts										
National departmental agencies - LG SETA	-	1 617 348	(1 617 348)	-	**-**	-	798 573	(798 573)	-	**-**
National Government										
Expanded Public Works Programme Integrated Grant	-	3 071 000	(3 071 000)	-	**-**	-	3 840 000	(3 840 000)	-	**-**
Local Government Financial Management Grant	-	1 000 000	(1 000 000)	-	**-**	-	890 002	(890 002)	-	**-**
Municipal Disaster Recovery Grant	(1 161 945)	-	-	-	**(1 161 945)**	13 285 986	-	(14 447 931)	-	**(1 161 945)**
Municipal Disaster Response Grant	-	-	-	-	**-**	3 013	-	-	(3 013)	**-**

Notes to the Annual Financial Statements

16. Trade and other payables from non-exchange transactions – Transfers and subsidies Unspent (continued)

Municipal Infrastructure Grant	5 849 903	44 399 998	(43 694 601)	-	**6 555 300**	-	58 306 000	(52 456 097)	-	**5 849 903**
Rural Road Asset Management Systems Grant	465	2 549 000	(2 549 000)	(464)	**1**	722 425	2 439 000	(3 160 960)	-	**465**
Water Services Infrastructure Grant	-	5 276 568	(7 192 154)	-	**(1 915 586)**	-	5 421 288	(5 421 288)	-	**-**
Total	**4 688 423**	**56 296 566**	**(57 506 755)**	**(464)**	**3 477 770**	**14 011 424**	**70 896 290**	**(80 216 278)**	**(3 013)**	**4 688 423**
Provincial Government										
KwaZulu-Natal	8 568 880	10 410 000	(12 874 408)	(981 439)	**5 123 033**	10 412 917	-	(1 844 037)	-	**8 568 880**
Total unspent operational monetary allocations	**13 257 303**	**68 323 914**	**(71 998 511)**	**(981 903)**	**8 600 803**	**24 424 341**	**71 694 863**	**(82 858 888)**	**(3 013)**	**13 257 303**

17. Accumulated surplus / (deficit)

Opening Balance	3 541 733 831	3 335 335 164	3 511 530 427	3 312 334 165
Correction of Prior Period Error	-	2 367 307	-	1 754 472
Transfers to/from operating revenue and expenditur	-	16 630 676	-	16 630 676
Total	**3 541 733 831**	**3 354 333 147**	**3 511 530 427**	**3 330 719 313**

The prior year comparatives have been restated, please refer to note 43 for more detail information.

Refer to the Statement of Changes in Net Assets for more detail and the movement on Accumulated surplus.

18. Services charges

Waste water management				
Exchange – Consumption	106 950 300	79 978 566	106 950 300	79 978 566
Water management				
Exchange – Consumption	323 198 615	282 485 439	323 198 615	282 485 439
Total	**430 148 915**	**362 464 005**	**430 148 915**	**362 464 005**

Notes to the Annual Financial Statements

18. Services charges (continued)

Exchange		430 123 802	362 447 467	430 123 802	362 447 467

Service Charges - Waste Water Management				
Monthly Billing	108 020 476	81 010 394	108 020 476	81 010 394
Revenue Forgone - Free Basic Services	(1 070 176)	(1 031 828)	(1 070 176)	(1 031 828)
	106 950 300	**79 978 566**	**106 950 300**	**79 978 566**

Service Charges - Water Management				
Monthly Billing	326 055 707	285 137 934	326 055 707	285 137 934
Revenue Forgone - Free Basic Services	(2 857 092)	(2 652 495)	(2 857 092)	(2 652 495)
	323 198 615	**282 485 439**	**323 198 615**	**282 485 439**

Revenue Forgone- Free basic services				
Waste Water Management	(1 070 176)	(1 031 263)	(1 070 176)	(1 031 263)
Water Management	(2 857 092)	(2 857 092)	(2 857 092)	(2 652 494)
	(3 927 268)	**(3 888 355)**	**(3 927 268)**	**(3 683 757)**

19. Sales of goods and rendering of services

Clearance Certificates	3 705 456	2 938 243	3 705 456	2 938 243
Construction Contract Revenue	116 883 684	53 751 525	116 883 684	53 751 525
Sale of Goods	443 816	432 809	443 816	432 809
Total	**121 032 956**	**57 122 577**	**121 032 956**	**57 122 577**

An amount of R116 883 684 is for Umshwathi water supply phase 5 project, that is constructed by iLembe Disctrict Municipality on behalf of Umngeni water through signed memorundum of agreement. This project does not meet the requirements of assets hence that is why it is disclosed as construction contract revenue. It should then be noted that there is no surplus realised in this financial statement as the amount for exenditure isequivalent to revenue.

20. Agency services

District municipalities	2 382 408	2 277 108	2 382 408	2 277 108

21. Interest earned from receivables

Exchange receivables	21.1	119 834 830	97 483 226	119 834 830	97 483 226

21.1 Interest earned from exchange receivables

Consumer receivables				
Water	119 834 830	97 483 226	119 834 830	97 483 226

22. Interests on current and non-current assets

Bank accounts	8 758 066	6 456 969	8 527 911	6 236 897
Short-term investments and call accounts	29 264 487	36 437 676	27 780 595	35 572 431
Total	**38 022 553**	**42 894 645**	**36 308 506**	**41 809 328**

Notes to the Annual Financial Statements

23. Dividends

External investment		45 000 000	35 000 000	45 000 000	35 000 000

These dividends arose from profit sharing with Siza water as per the agreement.

24. Operational revenue

Exchange revenue				
Administrative Handling Fees	21 445	461 663	21 445	461 663
Bad Debts Recovered	-	32 145	-	32 145
Breakages and Losses Recovered	-	850	-	850
Commission	319 476	270 713	319 476	270 713
Incidental Cash Surpluses	250 050	251 038	-	-
Insurance Refund	1 613 942	3 317 679	1 598 427	2 826 209
Recovery Maintenance	573 119	-	573 119	-
Development Charges	-	507 807	-	507 807
Total	**2 778 032**	**4 841 895**	**2 512 467**	**4 099 387**

25. Fines, penalties and forfeits

Fines	25.1	130 900	153 178	130 900	153 178

25.1 Fines

Other fines				
Illegal connections	130 900	153 178	130 900	153 178

26. Licence and permits

Non-exchange revenue	26.1	31 149	32 511	31 149	32 511

26.1 Licenses and permits – Non-exchange revenue

Threatened and protected species	31 149	32 511	31 149	32 511

27. Transfers and subsidies

Operational					
Monetary allocations	27.1	869 027 987	832 135 782	860 128 821	826 555 727
Capital					
Allocations in-kind	27.2	-	5 798 657	-	3 676 500
Monetary allocations	27.3	318 024 876	191 113 293	318 024 876	191 113 293
Total transfers and subsidies: Capital		**318 024 876**	**196 911 950**	**318 024 876**	**194 789 793**
Total		**1 187 052 863**	**1 029 047 732**	**1 178 153 697**	**1 021 345 520**

27.1 Monetary allocations: Operational

Departmental agencies and accounts	1 622 613	798 573	1 622 613	798 573
District municipalities	74 663	-	-	-
National governments	62 006 755	80 201 118	57 506 755	80 201 118
National revenue fund	788 188 001	743 711 999	788 188 001	743 711 999
Parent municipality	(15)	-	-	-
Provincial government	17 135 970	6 972 908	12 811 452	1 844 037
Public corporations	-	451 184	-	-
Total	**869 027 987**	**832 135 782**	**860 128 821**	**826 555 727**

Notes to the Annual Financial Statements

27. Transfers and subsidies (continued)

27.2 Allocations in-kind: Capital

Departmental agencies and accounts	-	2 122 157	-	-
Transport assets	-	3 676 500	-	3 676 500
Total	**-**	**5 798 657**	**-**	**3 676 500**

27.3 Monetary allocations: Capital

National government	316 486 570	181 098 034	316 486 570	181 098 034
Provincial governments	1 538 306	10 015 259	1 538 306	10 015 259
Total	**318 024 876**	**191 113 293**	**318 024 876**	**191 113 293**

28. Goods and/or services received in kind

The following goods where received in-kind by Ilembe District Municipality and its Entity Consolidated Financial Statements during the year by way of bequests, gifts and/or donations:

Transport	-	5 798 657	-	3 676 500

29. Gain/(Loss)

Gains/(losses) on sale of assets	(423 756)	(5 039 982)	(426 019)	(3 061 679)
(Loss) / Gain on Long Services	437 747	(937 930)	478 326	(1 356 666)
Gains/(losses) on discontinued operations and disposals of non-current assets	(123 766 201)	(110 007 510)	(123 766 201)	(110 007 510)
Gains/(losses) on foreign exchange	509 134	47 499	509 134	47 499
Increase/(decrease) to net-realisable value of inventory	(119)	(5 042 815)	(119)	(5 042 815)
Total	**(123 243 195)**	**(120 980 738)**	**(123 204 879)**	**(119 421 171)**

29.1 Gains/(losses) on sale of assets

Property, plant and equipment	(423 756)	(5 039 982)	(426 019)	(3 061 679)
Total	**(423 756)**	**(5 039 982)**	**(426 019)**	**(3 061 679)**

29.2 (Loss) / Gain on Long services

Actuarial Assessments	437 747	(937 930)	478 326	(1 356 666)

29.3 Inventory Loss

Decrease in net-realisable value	119	5 042 815	119	5 042 815
Water losses	123 766 201	110 007 510	123 766 201	110 007 510
Total	**123 766 320**	**115 050 325**	**123 766 320**	**115 050 325**

29.4

30. Employee related cost

Senior management	30.1	12 432 028	13 790 326	7 126 199	7 296 282
Municipal staff	30.2	300 168 738	276 042 920	285 364 780	259 649 497
Board members and entities	30.3	828 196	639 544	-	-
Total		**313 428 962**	**290 472 790**	**292 490 979**	**266 945 779**

Notes to the Annual Financial Statements

30. Employee related cost (continued)

30.1 Senior management costs

GROUP - 2025

	Municipal manager	Chief financial officer	Senior Manager Technical Services	Senior Manager Corporate Services	Senior Manager Community Services	Chief Financial Officer-Municipal Entity	Chief Executive Officer-Municipal Entity	Executive Manager-Strategy, Fund Raise, Business Investment, Promotion	Executive Manager-Projects	Company Secretary	Total
Basic salary	1 778 361	920 023	1 306 846	751 539	1 207 170	1 380 793	1 101 510	710 936	709 346	1 298 918	11 165 442
Bonuses	90 986	56 517	57 809	56 517	33 227	-	-	-	-	-	295 056
Service-related benefits	3 969	34 694	1 091	-	(509)	-	-	-	-	-	39 245
Allowances	158 953	301 162	230 019	10 500	18 000	24 000	20 000	14 000	14 000	24 000	814 634
Bargaining council	143	143	143	(874)	120	-	-	-	-	-	(325)
Pension	-	-	100 087	-	-	-	-	-	-	-	100 087
Unemployment insurance	2 125	2 125	2 125	1 240	1 948	-	1 417	1 240	1 417	2 126	15 763
Less: Costs capitalised	-	-	-	-	-	2 126	-	-	-	-	2 126
	2 034 537	**1 314 664**	**1 698 120**	**818 922**	**1 259 956**	**1 406 919**	**1 122 927**	**726 176**	**724 763**	**1 325 044**	**12 432 028**

30. Employee related cost (continued)

GROUP - 2024

	Municipal manager	Chief financial officer	Senior Manager Technical Services	Senior Manager Corporate Services	Senior Manager Community Services	Chief Financial Officer-Municipal Entity	Chief Executive Officer-Municipal Entity	Executive Manager-Strategy, Fund Raise, Business Investment, Promotion	Executive Manager-Projects	Company Secretary	Total
Basic salary	2 049 475	813 116	2 226 244	105 102	979 415	1 433 462	1 096 667	931 113	803 933	1 302 842	11 741 369
Bonuses	88 789	55 152	74 617	-	55 142	-	216 791	142 573	-	-	633 064
Service-related benefits	50 661	48 408	13 802	7 960	-	-	-	-	-	-	120 831
Allowances	139 883	275 523	192 045	-	35 340	24 000	(2)	247 383	16 000	24 000	954 172
Bargaining council	137	125	137	-	114	-	-	-	-	-	513
Medical	-	-	-	-	-	-	-	58 051	-	-	58 051
Pension	-	-	71 681	-	-	-	-	188 196	-	-	259 877
Unemployment insurance	2 125	2 303	2 125	-	1 771	-	1 417	1 949	1 417	2 126	15 233
Less: Costs capitalised	-	-	5 090	-	-	2 126	-	-	-	-	7 216
	2 331 070	**1 194 627**	**2 585 741**	**113 062**	**1 071 782**	**1 459 588**	**1 314 873**	**1 569 265**	**821 350**	**1 328 968**	**13 790 326**

30. Employee related cost (continued)

Municipality - 2025

	Municipal manager	Chief financial officer	Technical Services	Corporate Services	Community Services	Total
Basic salary	1 778 361	920 023	1 306 846	751 539	1 207 170	5 963 939
Bonuses	90 986	56 517	57 809	56 517	33 227	295 056
Service-related benefits	3 969	34 694	1 091	-	(509)	39 245
Allowances	158 953	301 162	230 019	10 500	18 000	718 634
Bargaining council	143	143	143	(874)	120	(325)
Pension	-	-	100 087	-	-	100 087
Unemployment insurance	2 125	2 125	2 125	1 240	1 948	9 563
	2 034 537	**1 314 664**	**1 698 120**	**818 922**	**1 259 956**	**7 126 199**

Municipality - 2024

	Municipal manager	Chief financial officer	Technical Services	Corporate Services	Community Services	Total
Basic salary	2 049 475	813 116	2 226 244	105 102	979 415	6 173 352
Bonuses	88 789	55 152	74 617	-	55 142	273 700
Service-related benefits	50 661	48 408	13 802	7 960	-	120 831
Allowances	139 883	275 523	192 045	-	35 340	642 791
Bargaining council	137	125	137	-	114	513
Pension	-	-	71 681	-	-	71 681
Unemployment insurance	2 125	2 303	2 125	-	1 771	8 324
Less: Costs capitalised	-	-	5 090	-	-	5 090
	2 331 070	**1 194 627**	**2 585 741**	**113 062**	**1 071 782**	**7 296 282**

30.2 Municipal staff costs

Basic salary	186 288 296	168 446 188	175 242 721	156 321 020
Bonuses	709 215	975 555	-	-
Service-related benefits	45 749 041	47 686 680	44 981 775	46 972 246
Allowances	21 215 757	16 746 377	21 022 652	16 512 461
Bargaining council	92 661	86 347	89 387	82 797
Medical	15 695 402	14 442 573	14 965 784	13 523 762
Pension	29 040 926	26 331 986	27 746 084	24 968 382
Unemployment insurance	1 377 440	1 327 214	1 316 377	1 268 829
Total	**300 168 738**	**276 042 920**	**285 364 780**	**259 649 497**

The post for Senior Manager Corporate Service was vacant in the beggining of reporting year. It was filled in December 2024. The Municipality had appointed Manager: Expenditure Management (date: 01 December 2023 to 30 November 2024) to act in this post.

The amounts disclosed as Bonuses represent provision made in respect of performance bonuses accrued. Payment of performance bonuses for the Municipal Manager and Managers directly accountable to the Municipal Manager is dependent on the performance assessments that are conducted in line with the Council approved performance management framework and is linked to their employment contracts. These bonuses only become payable once the assessment process is complete and audited.

There were no advances to employees.

30.3 Board members and entities costs

GROUP - 2025

	Board fees	Total
Basic salary	828 196	828 196

Notes to the Annual Financial Statements

30. Employee related cost (continued)

GROUP - 2024

	Board fees	Total
Basic salary	639 544	639 544

31. Remuneration of councillors

Executive Mayor/Mayor	31.1	1 227 620	1 207 709	1 227 620	1 207 709
Chief whip	31.2	537 565	528 849	537 565	528 849
Speaker	31.3	993 326	980 634	993 326	980 634
Deputy executive mayor	31.4	988 967	975 242	988 967	975 242
Executive committee	31.5	3 164 974	3 103 023	3 164 974	3 103 023
Section 79 committee chairperson	31.6	924 645	888 385	924 645	888 385
All other councillors	31.7	3 231 161	3 059 787	3 231 161	3 059 787
Total		**11 068 258**	**10 743 629**	**11 068 258**	**10 743 629**

31.1 Executive Mayor/Mayor

Allowances and service related benefits				
Basic salary	728 830	713 842	728 830	713 842
Cell phone allowance	43 200	45 600	43 200	45 600
Market related non-pensionable allowance	353 082	343 834	353 082	343 834
	1 125 112	**1 103 276**	**1 125 112**	**1 103 276**
Social contributions				
Pension fund contributions	102 508	104 433	102 508	104 433
Total	**1 227 620**	**1 207 709**	**1 227 620**	**1 207 709**

31.2 Chief whip

Allowances and service related benefits				
Travelling allowance	85 828	83 580	85 828	83 580
Market related non-pensionable allowance	7 099	6 913	7 099	6 913
Basic salary	351 400	344 029	351 400	344 029
Cell phone allowance	43 200	45 600	43 200	45 600
	487 527	**480 122**	**487 527**	**480 122**
Social contributions				
Pension fund contributions	50 038	48 727	50 038	48 727
Total	**537 565**	**528 849**	**537 565**	**528 849**

31.3 Speaker

Allowances and service related benefits				
Basic salary	722 336	713 210	722 336	713 210
Cell phone allowance	43 200	45 600	43 200	45 600
Market related non-pensionable allowance	30 973	30 162	30 973	30 162
Travelling allowance	196 817	191 662	196 817	191 662
	993 326	**980 634**	**993 326**	**980 634**

Notes to the Annual Financial Statements

31. Remuneration of councillors (continued)

31.4 Deputy executive mayor

Allowances and service related benefits				
Basic salary	672 235	658 972	672 235	658 972
Cell phone allowance	43 200	45 600	43 200	45 600
Market related non-pensionable allowance	177 886	173 227	177 886	173 227
	893 321	**877 799**	**893 321**	**877 799**
Social contributions				
Pension fund contributions	95 646	97 443	95 646	97 443
Total	**988 967**	**975 242**	**988 967**	**975 242**

31.5 Executive committee

Allowances and service related benefits				
Basic salary	2 855 419	2 833 288	2 855 419	2 833 288
Cell phone allowance	169 200	180 200	169 200	180 200
	3 024 619	**3 013 488**	**3 024 619**	**3 013 488**
Social contributions				
Pension fund contributions	140 355	89 535	140 355	89 535
Total	**3 164 974**	**3 103 023**	**3 164 974**	**3 103 023**

31.6 Section 79 committee chairperson

Allowances and service related benefits				
Basic salary	611 419	754 602	611 419	754 602
Cell phone allowance	43 200	49 000	43 200	49 000
Market related non-pensionable allowance	39 589	-	39 589	-
Travelling allowance	143 374	-	143 374	-
	837 582	**803 602**	**837 582**	**803 602**
Social contributions				
Pension fund contributions	87 063	84 783	87 063	84 783
Total	**924 645**	**888 385**	**924 645**	**888 385**

31.7 All other councillors

Allowances and service related benefits				
Basic salary	2 431 990	2 136 074	2 431 990	2 136 074
Cell phone allowance	217 200	213 000	217 200	213 000
Market related non-pensionable allowance	268 496	370 009	268 496	370 009
Travelling allowance	119 545	166 011	119 545	166 011
	3 037 231	**2 885 094**	**3 037 231**	**2 885 094**
Social contributions				
Pension fund contributions	193 930	174 693	193 930	174 693
Total	**3 231 161**	**3 059 787**	**3 231 161**	**3 059 787**

Notes to the Annual Financial Statements

32. Inventory consumed

Consumables		22 642	92 444	22 642	7 148
Housing stock		-	1 372	-	-
Materials and supplies		15 617 139	14 057 913	15 617 139	14 057 881
Water		175 035 897	157 543 046	175 035 897	157 543 046
Total		**190 675 678**	**171 694 775**	**190 675 678**	**171 608 075**

33. Debt impairment

Trade and other receivables from exchange transactions	3	33 585 004	112 631 600	32 894 252	112 631 600
Service charges		-	(560 566)	-	-
Total		**33 585 004**	**112 071 034**	**32 894 252**	**112 631 600**

34. Depreciation and amortisation

Amortisation					
Intangible assets	8.1	4 123 100	1 756 602	4 118 802	1 752 293
Depreciation					
Property, plant and equipment		139 889 194	123 856 497	138 094 260	121 792 182
Total		**144 012 294**	**125 613 099**	**142 213 062**	**123 544 475**

It should be taken into account that this depreciation disclosed include capitalised depreciation on water treatment plant and transport assets classification to water inventory.

35. Impairment losses / (reversal) of impairment

Impairment loss / Reversal of impairment					
Property, plant and equipment		253 947	10 998 062	253 947	9 485 003

36. Interest

36.1 Interest cost

Borrowings	12.1				
• Annuity loans		908 485	1 545 927	908 485	1 545 927
Finance leases		9 209	72 717	-	60 271
Long service awards		2 151 000	1 804 853	2 151 000	1 804 853
Overdue accounts	15.4	11 140	106 629	-	53 037
Total		**3 079 834**	**3 530 126**	**3 059 485**	**3 464 088**

37. Operating leases

Computer Equipment		2 571 268	-	2 571 268	-
Machinery and Equipment		4 734 566	3 862 874	4 608 827	3 755 521
Other Assets		1 502 919	257 883	1 502 919	257 883
Transport Assets		-	(1)	-	(1)
Total		**8 808 753**	**4 120 756**	**8 683 014**	**4 013 403**

38. Contracted services

Consultants and professional services	38.1	31 763 594	27 243 548	29 737 302	26 711 104
Contractors	38.2	154 166 840	176 486 453	151 531 879	173 609 972
Outsourced services	38.3	117 187 839	148 232 713	107 564 068	143 870 785
Total		**303 118 273**	**351 962 714**	**288 833 249**	**344 191 861**

Notes to the Annual Financial Statements

38. Contracted services (continued)

38.1 Consultants and professional services

Business advisory services				
Audit committee	465 048	486 081	145 907	245 539
Business and financial management	6 363 672	6 024 646	6 363 672	6 024 646
Commissions and committees	11 473	3 124 776	11 473	3 124 776
Medical examinations	83 927	112 580	83 927	112 580
Project management	129 164	294 344	129 164	294 344
Research and advisory	14 907 015	4 550 749	14 811 125	4 368 654
Valuer and assessors	164 824	-	164 824	-
Total business advisory services	**22 125 123**	**14 593 176**	**21 710 092**	**14 170 539**
Laboratory services				
Water	3 160 256	2 829 870	3 160 256	2 829 870
Legal services				
Legal advice and litigation	4 325 789	2 421 773	2 714 528	2 311 966
Engineering services				
Civil engineering	2 152 426	7 398 729	2 152 426	7 398 729
Total consultants and professional services	**31 763 594**	**27 243 548**	**29 737 302**	**26 711 104**

38.2 Contractors

General services				
Aerial photography	103 419	-	-	-
Artists and performers	197 500	150 000	197 500	150 000
Catering services	2 908 129	2 216 909	2 908 129	2 216 909
Electrical	37 321 083	42 461 838	37 321 083	42 461 838
Employee wellness	-	4 030	-	4 030
Event promoters	177 913	280 010	-	-
Exhibit Installations	645 758	449 002	-	-
Fire services	276 137	280 877	276 137	280 877
First aid	1 945	464	1 945	464
Gardening services	422 693	560 303	-	-
Medical services	40 386	13 707	40 386	13 707
Safeguard and security	32 257 665	29 241 074	31 271 095	27 939 669
Sewerage services	44 685 228	45 909 486	44 685 228	45 909 486
Sports and recreation	919 482	1 252 672	919 482	1 252 672
Stage and sound crew	41 996	8 902	41 996	8 902
Total general services	**119 999 334**	**122 829 274**	**117 662 981**	**120 238 554**
Maintenance services				
Maintenance of buildings and facilities	940 697	1 665 513	940 697	1 663 117
Maintenance of equipment	1 146 066	2 542 936	847 458	2 259 571
Maintenance of unspecified assets	30 865 117	39 487 878	30 865 117	39 487 878
Total maintenance service	**32 951 880**	**43 696 327**	**32 653 272**	**43 410 566**
Trading services				
Prepaid water vendors	1 215 626	9 960 852	1 215 626	9 960 852
Total contractor	**154 166 840**	**176 486 453**	**151 531 879**	**173 609 972**

Notes to the Annual Financial Statements

38. Contracted services (continued)

38.3 Outsourced services

Business and advisory services				
Accounting and Auditing	-	42 293	-	42 293
Human Resources	95 620	75 246	95 620	75 246
Organisational	1 171 950	2 076 528	-	-
Project Management	4 500 000	-	-	-
Research and Advisory	1 986 322	1 730 199	1 986 322	1 730 199
Total business and advisory services	**7 753 892**	**3 924 266**	**2 081 942**	**1 847 738**
General services				
Alien Vegetation Control	1 246 000	-	-	-
Call Centre	2 762 457	3 462 347	2 762 457	3 462 347
Cleaning Services	540 278	571 562	295 086	323 366
Clearing and Grass Cutting Services	3 438 232	13 108 093	3 438 232	13 108 093
Hygiene Services	858 534	943 688	858 534	943 688
Internal Auditors	580 607	385 660	100 430	102 392
Professional Staff	1 878 452	1 685 151	-	-
Researcher	102 000	68 785	-	-
Sewerage Services	5 178 062	4 989 895	5 178 062	4 989 895
Water Takers	92 849 325	119 093 266	92 849 325	119 093 266
Total general services	**109 433 947**	**144 308 447**	**105 482 126**	**142 023 047**
Total outsourced services	**117 187 839**	**148 232 713**	**107 564 068**	**143 870 785**

The prior year comparatives have been restated, please refer to note 42 for more detail information.

Notes to the Annual Financial Statements

39. Transfers and subsidies

Operational					
Monetary allocations	39.1	93 771	586 280	42 388 759	40 905 605

39.1 Monetary allocations: Operational

Households	93 771	586 280	93 771	586 280
Municipal Entities	-	-	42 294 988	40 319 325
Total	**93 771**	**586 280**	**42 388 759**	**40 905 605**

40. Irrecoverable debts written off

Other debtors	126 957	560 566	-	-
Waste water management	1 818 379	-	1 818 379	-
Water	291 582 412	5 276 601	291 582 412	5 276 601
Total	**293 527 748**	**5 837 167**	**293 400 791**	**5 276 601**

41. Operational cost

Achievements and Awards	571 022	525 598	25 722	23 352
Advertising, Publicity and Marketing	5 308 870	4 405 472	3 749 786	3 139 589
Bank Charges, Facility and Card Fees	810 690	(3 768 075)	804 162	(3 783 951)
Bursaries (Employees)	3 950	621 212	3 950	621 212
Cleaning Services	17 502	32 888	17 502	32 888
Commission	445 645	419 296	445 645	419 296
Communication	2 472 062	3 051 770	2 388 819	2 906 634
Courier and Delivery Services	-	2 596	-	-
External Audit Fees	5 457 239	5 110 835	4 625 625	4 204 694
External Computer Service	5 030 723	4 336 222	4 350 262	3 788 461
Hire Charges	22 092 772	19 589 611	21 325 886	18 894 961
Indigent Relief	15 693 825	13 257 874	15 693 825	13 257 874
Insurance Underwriting	5 565 990	8 332 685	4 834 414	7 727 610
Learnerships and Internships	2 430 381	5 052 531	953 992	1 881 790
Levies Paid - Water Resource Management Charges	60 566 204	2 214 421	60 566 204	2 214 421
Licences	620 507	454 258	620 507	454 258
Management Fee	116 883 684	53 751 525	116 883 684	53 751 525
Municipal Services	48 894 489	38 498 577	48 771 707	38 261 190
Office Decorations	19 800	14 750	19 800	14 750
Printing, Publications and Books	1 637 068	261 207	1 495 207	88 312
Professional Bodies, Membership and Subscription	3 665 631	3 555 060	3 665 631	3 555 060
Registration Fees	319 235	245 490	141 564	70 943
Remuneration to Ward Committees	76 123	26 478	76 123	26 478
Resettlement Cost	51 913	25 983	51 913	25 983
Skills Development Fund Levy	2 864 957	2 630 534	2 621 771	2 421 692
Statutory payments other than Income Taxes	166 948	-	-	-
Transport Provided as Part of Departmental Activit	1 019 750	1 592 400	1 019 750	1 592 400
Travel Agency and Visa's	1 857 222	1 506 144	1 228 755	729 625
Travel and Subsistence	3 588 365	3 126 572	3 364 891	2 661 002
Uniform and Protective Clothing	5 221 658	4 683 549	5 221 658	4 683 549
Wet Fuel	18 654 010	19 374 745	18 479 633	19 208 351
Workmen's Compensation Fund	2 109 978	2 763 235	2 109 978	2 763 235
Total	**334 118 213**	**195 695 443**	**325 558 366**	**185 637 184**

The prior year comparatives have been restated, please refer to note 43 for more detail information.

Notes to the Annual Financial Statements

41. Operational cost (continued)

An amount of R 116 883 684 is for Umshwathi water supply phase 5 project, that is constructed by iLembe Disctrict Municipality on behalf of Umngeni water through signed memorundum of agreement. This project does not meet the requirements of assets hence that is why it is disclosed as management fee. It should then be noted that there is no surplus realised in this financial statement as the amount for exenditure is equivalent to revenue.

-

42. Net cash from/(used) operating activities

Surplus for the year	187 400 676	227 010 264	180 811 109	223 918 366
Adjustments for:				
Depreciation and amortisation	144 012 294	127 126 158	142 213 062	123 544 475
(Gains) / Losses on foreign exchange (forex)	(509 134)	(47 499)	(509 134)	(47 499)
(Gains) / Losses on disposal of assets	464 335	4 621 246	426 019	3 061 679
Gain / (Loss) on Inventory	-	71 631	-	-
Movement in employee benefit liability	241 299	5 155 458	281 873	2 885 995
Increase / (Decrease) in provisions	339 417	-	339 417	-
Impairment loss	253 947	9 485 051	253 947	9 485 051
Public donations and contributions	-	(5 798 657)	-	(3 676 500)
Finance costs	917 694	1 618 644	908 485	1 606 198
Movement in working capital				
(Increase) / Decrease in receivables from non-exchange transactions	(44 016 084)	(152 661 663)	(46 190 015)	(151 946 622)
(Increase) / Decrease in inventory	(2 504 940)	663 960	(2 504 940)	592 326
(Decrease) / Increase long term receivables	(560 982)	399 306	(560 982)	399 306
(Increase) / Decrease in other current assets	-	355 970	-	-
(Increase) / Decrease in employee benefit	311 275	(818 394)	-	-
Increase / (Decrease) in trade and other payables	(6 828 607)	122 359 267	(10 018 053)	124 786 202
Increase / (Decrease) in unspent conditional grants and receipts trade and other payable non-exchange transactions	(73 840 595)	33 390 808	(72 596 105)	32 919 539
Increase / (Decrease) in finance lease	-	42 763	-	-
Increase / (Decrease) in consumer deposit	112 614	154 766	112 614	111 926
Provision: Corrected to Accumulated impairment	-	1 513 059	-	-
Net cash flows from operating activities	**205 793 209**	**374 642 138**	**192 967 297**	**367 640 442**

43. GRAP 3 Adjustments

The following restatements and adjustments occurred which are set out below:

Notes to the Annual Financial Statements

43. GRAP 3 Adjustments (continued)

43.1 Adjustments of Statement of financial performance items

GROUP - 2024

	Note	Previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges – Waste water management	18	79 978 566	-	-	**79 978 566**
Services charges – Water management	18	282 485 439	-	-	**282 485 439**
Interests on current and non-current assets	19	57 122 577	-	-	**57 122 577**
Agency services	20	2 277 108	-	-	**2 277 108**
Interest earned from receivables	21	97 483 226	-	-	**97 483 226**
Interests on current and non-current assets	22	42 892 559	2 086	-	**42 894 645**
Dividends	23	35 000 000	-	-	**35 000 000**
Operational revenue	24	4 350 425	-	491 470	**4 841 895**
		601 589 900	**2 086**	**491 470**	**602 083 456**
Non-exchange revenue					
Fines, penalties and forfeits	25	153 178	-	-	**153 178**
Licence and permits	26	32 511	-	-	**32 511**
Transfers and subsidies – Operational	27	1 029 047 732	-	(196 911 950)	**832 135 782**
Transfers and subsidies – Capital	27	-	-	196 911 950	**196 911 950**
Gains on forex	29	47 499	-	-	**47 499**
Insurance refund		491 470	-	(491 470)	**-**
		1 029 772 390	**-**	**(491 470)**	**1 029 280 920**
Total revenue		**1 631 362 290**	**2 086**	**-**	**1 631 364 376**
Expenditure					
Employee related cost	30	290 472 461	329	-	**290 472 790**
Remuneration of councillors	31	10 743 629	-	-	**10 743 629**
Inventory consumed	32	171 775 312	(80 537)	-	**171 694 775**
Debt impairment	33	112 071 034	-	-	**112 071 034**
Depreciation and amortisation	34	125 613 099	-	-	**125 613 099**
Impairment losses / (reversal) of impairment	35	9 485 003	1 513 059	-	**10 998 062**
Interest	36	3 530 126	-	-	**3 530 126**
Contracted services	38	352 696 937	(734 223)	-	**351 962 714**
Transfers and subsidies	39	586 280	-	-	**586 280**
Irrecoverable debts written off	40	5 837 167	-	-	**5 837 167**
Operating leases	37	4 120 756	-	-	**4 120 756**
Operational cost	41	198 962 461	(3 267 018)	-	**195 695 443**
Losses / Gain on disposal of assets	29	6 553 041	(1 513 059)	-	**5 039 982**
Loss on actuarial (Long Service award)		937 930	-	-	**937 930**
Inventory Loss		115 050 325	-	-	**115 050 325**
Total expenditure		**1 408 435 561**	**(4 081 449)**	**-**	**1 404 354 112**
Surplus for the year		**222 926 729**	**4 083 535**	**-**	**227 010 264**

Municipality - 2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Exchange revenue					
Services charges – Waste management	18	79 978 566	-	-	**79 978 566**
Services charges – Water management	18	282 485 439	-	-	**282 485 439**
Interests on current and non-current assets	19	57 122 577	-	-	**57 122 577**
Agency services	20	2 277 108	-	-	**2 277 108**
Interest earned from receivables	21	97 483 226	-	-	**97 483 226**

43. GRAP 3 Adjustments (continued)

Interests on current and non-current assets	22	41 809 328	-	-	**41 809 328**
Dividends	23	35 000 000	-	-	**35 000 000**
Operational revenue	24	4 099 387	-	-	**4 099 387**
		600 255 631	**-**	**-**	**600 255 631**
Non-exchange revenue					
Fines, penalties and forfeits	25	153 178	-	-	**153 178**
Licence and permits	26	32 511	-	-	**32 511**
Transfers and subsidies – Operational	27	-	-	826 555 727	**826 555 727**
Transfers and subsidies – Capital	27	-	-	194 789 793	**194 789 793**
Transfers and Subsidies	27	1 021 345 520	-	(1 021 345 520)	**-**
Gains / (Losses) on Foreign exchange	29	47 499	-	-	**47 499**
		1 021 578 708	**-**	**-**	**1 021 578 708**
Total revenue		**1 621 834 339**	**-**	**-**	**1 621 834 339**
Expenditure					
Employee related cost	30	266 945 712	-	-	**266 945 712**
Remuneration of councillors	31	10 743 603	-	-	**10 743 603**
Inventory consumed	32	171 608 077	-	-	**171 608 077**
Debt impairment	33	112 631 601	-	-	**112 631 601**
Depreciation and amortisation	34	123 544 492	-	-	**123 544 492**
Impairment losses / (reversal) of impairment	35	9 485 003	-	-	**9 485 003**
Interest	36	3 464 087	-	-	**3 464 087**
Contracted services	38	344 925 784	(733 923)	-	**344 191 861**
Transfers and subsidies	39	40 905 609	-	-	**40 905 609**
Irrecoverable debts written off	40	5 276 600	-	-	**5 276 600**
Operating leases	37	4 013 402	-	-	**4 013 402**
Operational cost	41	188 986 532	(3 349 348)	-	**185 637 184**
Losses on sale of assets	29	3 061 679	-	-	**3 061 679**
Loss on actuarial (Long Service award)	29.2	1 356 666	-	-	**1 356 666**
Inventory Loss	29.2	115 050 325	-	-	**115 050 325**
Total expenditure		**1 401 999 172**	**(4 083 271)**	**-**	**1 397 915 901**
Surplus for the year		**219 835 167**	**4 083 271**	**-**	**223 918 438**

43.2 Adjustments of Statement of financial position items

GROUP - 2024

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	391 555 976	(254)	-	**391 555 722**
Trade and other receivables from exchange transactions	3	263 473 743	113 329	-	**263 587 072**
Inventory	4	11 513 665	-	-	**11 513 665**
		666 543 384	**113 075**	**-**	**666 656 459**
Non-current assets					
Property, plant and equipment	6	3 075 446 057	(1 513 060)	-	**3 073 932 997**
Heritage assets	7	205 578	-	-	**205 578**
Intangible assets	8	3 970 179	-	-	**3 970 179**
Non-current receivables from exchange transactions	5	1 095 688	-	-	**1 095 688**
		3 080 717 502	**(1 513 060)**	**-**	**3 079 204 442**
Total assets		**3 747 260 886**	**(1 399 985)**	**-**	**3 745 860 901**
Liabilities					
Current liabilities					
Borrowings	10	7 237 387	-	(47 499)	**7 189 888**
Lease liabilities	12	37 958	-	-	**37 958**

43. GRAP 3 Adjustments (continued)

Employee benefits	13	3 574 000	-	-	**3 574 000**
Consumer deposits	14	6 166 056	-	-	**6 166 056**
Trade and other payables from exchange transactions	15	285 483 657	(20 316 946)	-	**265 166 711**
Trade and other payables from non-exchange transactions	16	84 268 548	-	-	**84 268 548**
		386 767 606	**(20 316 946)**	**(47 499)**	**366 403 161**
Non-current liabilities					
Borrowings	10	7 810 527	-	47 499	**7 858 026**
Lease liabilities	12	59 568	-	-	**59 568**
Employee benefits	13	17 207 000	-	-	**17 207 000**
		25 077 095	**-**	**47 499**	**25 124 594**
Total liabilities		**411 844 701**	**(20 316 946)**	**-**	**391 527 755**
Community Wealth / Equity					
Accumulated surplus	17	3 335 416 184	18 916 963	-	**3 354 333 147**

Municipality - 2024

	Note	Previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	2	373 048 870	(554)	-	**373 048 316**
Trade and other receivables from exchange transactions	3	254 140 382	110 974	-	**254 251 356**
Inventory	4	11 513 665	-	-	**11 513 665**
		638 702 917	**110 420**	**-**	**638 813 337**
Non-current assets					
Property, plant and equipment	6	3 064 027 218	-	-	**3 064 027 218**
Heritage assets	7	205 578	-	-	**205 578**
Intangible assets	8	3 957 615	-	-	**3 957 615**
Non-current receivables from exchange transactions	5	1 095 688	-	-	**1 095 688**
Investment in associate	9	100	-	-	**100**
		3 069 286 199	**-**	**-**	**3 069 286 199**
Total assets		**3 707 989 116**	**110 420**	**-**	**3 708 099 536**
Liabilities					
Current liabilities					
Borrowings	10	7 237 387	-	(47 499)	**7 189 888**
Employee benefits	13	2 933 000	-	-	**2 933 000**
Consumer deposits	14	6 166 056	-	-	**6 166 056**
Trade and other payables from exchange transactions	15	276 155 724	(18 806 289)	-	**257 349 435**
Trade and other payables from non-exchange transactions	16	78 676 828	-	-	**78 676 828**
		371 168 995	**(18 806 289)**	**(47 499)**	**352 315 207**
Non-current liabilities					
Borrowings	10	7 810 527	-	47 499	**7 858 026**
Employee benefits	13	17 207 000	-	-	**17 207 000**
		25 017 527	**-**	**47 499**	**25 065 026**
Total liabilities		**396 186 522**	**(18 806 289)**	**-**	**377 380 233**
Community Wealth / Equity					
Accumulated surplus	17	3 311 802 614	18 916 699	-	**3 330 719 313**

Notes to the Annual Financial Statements

43. GRAP 3 Adjustments (continued)

43.3 Adjustments of Cash flow statement items

GROUP - 2024

	Note	Previously reported	Correction of error	Restated
Cash flows from operating activities				
Receipts				
Sale of goods and services		190 268 977	334 711	**190 603 688**
Operational revenue		65 709 815	1 672 238	**67 382 053**
Transfers and Subsidies		1 060 462 852	(4 294 238)	**1 056 168 614**
Interest		42 892 559	2 086	**42 894 645**
Dividends		35 000 000	-	**35 000 000**
		1 394 334 203	**(2 285 203)**	**1 392 049 000**
Payments				
Suppliers and employees		(1 017 689 573)	389 338	**(1 017 300 235)**
Finance charges		(106 627)	-	**(106 627)**
		(1 017 796 200)	**389 338**	**(1 017 406 862)**
Net cash from(used) operating activities		**376 538 003**	**(1 895 865)**	**374 642 138**
Cash flows from investing activities				
Payments				
Purchase of Property, Plant & Equipment		(248 763 784)	4 751 622	**(244 012 162)**
Cash flows from financing activities				
Payments				
Repayment on Borrowings		(10 606 936)	1 835 386	**(8 771 550)**
Interest Paid- Borrowings		(1 908 102)	72 446	**(1 835 656)**
Repayment on finance lease		(1 888 699)	60 272	**(1 828 427)**
		(14 403 737)	**1 968 104**	**(12 435 633)**
Net increase/(decrease) in cash		**113 370 482**	**4 823 861**	**118 194 343**
Cash and cash equivalents at the beginning of the year		278 185 496	-	**278 185 496**
Cash and cash equivalents at the end of the year		391 555 976	(260)	**391 555 716**
Net increase/ (decrease) in cash		**113 370 480**	**(260)**	**113 370 220**

Municipality - 2024

	Note	Previously reported	Correction of error	Restated
Cash flows from operating activities				
Receipts				
Service charges		190 268 977	334 711	**190 603 688**
Operational revenue		63 684 761	-	**63 684 761**
Transfers and Subsidies – Capital		1 054 265 059	(3 676 500)	**1 050 588 559**
Interest		41 809 328	-	**41 809 328**
Dividends		35 000 000	-	**35 000 000**
		1 385 028 125	**(3 341 789)**	**1 381 686 336**
Payments				
Suppliers and employees		(1 015 438 508)	1 445 651	**(1 013 992 857)**
Finance charges		(53 037)	-	**(53 037)**
		(1 015 491 545)	**1 445 651**	**(1 014 045 894)**
Net cash from(used) operating activities		**369 536 580**	**(1 896 138)**	**367 640 442**
Cash flows from investing activities				
Payments				

Notes to the Annual Financial Statements

43. GRAP 3 Adjustments (continued)

Purchase of Property, Plant & Equipment	(244 012 100)	-	**(244 012 100)**
Cash flows from financing activities			
Payments			
Decrease in borrowing long-term	(10 564 172)	1 835 385	**(8 728 787)**
Finance Costs	(1 895 656)	-	**(1 895 656)**
Decrease in Finance Leases	(1 888 698)	60 271	**(1 828 427)**
	(14 348 526)	**1 895 656**	**(12 452 870)**
Net increase/ (decrease) in cash	**111 175 954**	**(482)**	**111 175 472**
Cash and cash equivalents at the beginning of the year	261 872 904	-	**261 872 904**
Cash and cash equivalents at the end of the year	373 048 870	(529)	**373 048 341**
Net increase/ (decrease) in cash	**111 175 966**	**(529)**	**111 175 437**

43.4 Correction of errors

The following prior period errors adjustments occurred:

Contracted Services

Reversal of expenditure realised in the incorrect financial ayear- Communication 7 of 2024 audit and reconciling items specifically on Audit Committee.

Nature of error				
Reversal of expenditure- vehicle leased	-	(1 754 472)	-	(1 754 472)
Audit Committee fees	-	554	-	554
Municipal Entity	-	(303)	-	-
Invoices received in 2024/25 FY for 2023/24 work done-Comm 11of 2025	-	1 019 993	-	1 019 996
	-	**(734 228)**	**-**	**(733 922)**

Operational Costs

SALGA membership invoices reversed due to incorrect period recording.

Nature of error				
SALGA Membership fee	-	(3 349 348)	-	(3 349 348)
Operational Cost error- municipal entity	-	82 332	-	-
	-	**(3 267 016)**	**-**	**(3 349 348)**

Cash and Cash Equivalents

Cash and Cash Equivalent FNB Main Bank Account 62824322862 Cashbook balance previously reported -R3 638 442 whereby it is restated to -R3 606 138 due to audit committee fees payment made on cash book but not in the bank.

Expense paid through petty cash and was not updated on the cashbook.

Nature of error				
Audit Committee Fees	-	(554)	-	(554)
Expense paid through petty cash	-	290	-	-
	-	**(264)**	**-**	**(554)**

43. GRAP 3 Adjustments (continued)

Trade and Other receivables from exchange receivables

Vat Input Accrual previously reported as R22 945 550. Currently reporting include an amout of R221 146 for accrued invoice raised under acruals and payables for leased vehicles.

Nature of error				
Municipal entity error on debtors	-	2 355	-	-
'FLEET HORIZON INVOICE8804	-	221 146	-	221 146
'FLEET HORIZON INVOICE8804	-	(263 171)	-	(263 171)
Invoices received in 2024/25 FY for 2023/24 work done-Comm 11of 2025	-	152 999	-	152 999
	-	**113 329**	**-**	**110 974**

Trade and Other Payables from exchange transaction

The following are the errors that occured in the reported audited annual financial statements and corrected in the current reporting. Accrual of invoices raised in relation to leased vehicles as per communication 7 of 2024 audit.

Nature of error				
Leased Vehicle Invoice - reversal of expenditure	-	2 017 632	-	2 017 632
Auto reversed accruals	-	(18 647 568)	-	(18 647 568)
SALGA Membership fees - reversal	-	(3 349 348)	-	(3 349 348)
Municipal Entity error on creditors	-	(1 510 657)	-	-
	-	1 172 995	-	1 172 995
	-	**(20 316 946)**	**-**	**(18 806 289)**

Cash Flow Statement

The correction of an error reported in the Cash Flow Statement arose from the following:

Incorrect inclusion of transport donations to transfers and subsidies.

Correction of erors in the Statement of Financial Position and Statement of Financial Performance has also affected cash and cash equivalent, supplies and sale of good and services.

Duplication of interest paid into capital repayment on borrowings and finance leases.

Employee Related Costs

Municipal Entity error on employee related cost.

EMployee related cost	-	329	-	-

Inventory Consumed

- Error recognised on municpal entity refreshments

Inventory Consumed- Municipal Entity	-	(80 537)	-	-

Impairment Loss / (Reversal) of impairment

In the previous financial year a provision was raised to account for the sugar rush building of which the entity has no control over and no the future economic benefits can derived by the entity. In the current year a correction has been effected in the comparative amounts to raise an impairment provision within the asse account.

Reversal of Impairment	-	1 513 059	-	-

Notes to the Annual Financial Statements

43. GRAP 3 Adjustments (continued)

Interest Earned on current and non current assets

An amount of R2 086 is an interest income received from SARS refund was recognised in the VAT account and not revenue.

Property, Plant and Equipment

In the previous financial year a provision was raised to account for the sugar rush building of which the entity has no control over and no the future economic benefits can derived by the entity. In the current year a correction has been effected in the comparative amounts to raise an impairment provision within the asse account.

Previously reported	-	(3 075 446 057)	-	-
Current reported after adjustment on impairment reversal	-	3 073 932 997	-	-
	-	**(1 513 060)**	**-**	**-**

Notes to the Annual Financial Statements

43. GRAP 3 Adjustments (continued)

43.5 Reclassification

The following reclassifications adjustment occurred:

Revenue

The split on Transfers and Subsidies into operational and capital.

Non Exchange Transactions- Transfers & Subsidies				
Transfers & Subsidies previously amount to	-	(1 029 047 732)	-	(1 021 345 520)
Transfers & Subsidies - Operational	-	832 135 782	-	826 555 727
Transfers & Subsidies - Capital	-	196 911 950	-	194 789 793
	-	**-**	**-**	**-**

Liabilities - Borrowings

During the 2024 reporting an amount of R47 499 in relation to forex was incorectly classified as current liability instead if non current liability.

Borrowings - Forex				
Amount previously disclosed in current liabilities borrowings	-	7 237 387	-	7 237 387
Reclassification of Forex	-	(47 499)	-	(47 499)
Amount previously disclosed in non - current liabilities borrowings	-	7 810 527	-	7 810 527
Reclassification of Forex	-	47 499	-	47 499
	-	**15 047 914**	**-**	**15 047 914**

Insurance refund

An amount of R491 470 for insurance refund was reclassified to operational revenue

Nature of reclassification				
Operational Revenue previously reported	-	4 350 425	-	-
Insurance refund	-	491 470	-	-
	-	**4 841 895**	**-**	**-**

44. Change in estimate

The useful lives of all asset classes were adjusted during 2025 to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 6. The effect of changing the remaining useful life of assets for the GROUP during 2025 has decreased the depreciation charge for the current by R 73218 and future periods. It is impracticable to estimate the effect of these changes on future periods.

Notes to the Annual Financial Statements

45. Contingent assets

Phambili Energy During the 2020/2021 financial year, the Entity engaged legal services to review the agreement currently in place between the Entity and Phambili Energy, who is the Technical Partner in the roll-out of the Biomass Project - a project funded by COGTA. This was prompted by a dispute between the parties. Phambili Energy proposed a settlement wherein Phambili Energy would pay back the Entity R5,8 million as its capital contribution to the project initiation, plus other costs, and in turn the Entity would exit from the project. The Entity has not accepted this offer as it is not based on any financial benefit assessment, in turn requested that Phambili Energy provides its audited financial statements so that the proposal made could be assessed on the factual basis and that the Entity does not end up losing. The legal panel was used to review the current contract and options available to the Entity during the 2021/2022 financial year. The recommendations were submitted to the Board with the Board resolving to institute a review and set aside the agreement.	5 800 000	5 800 000	-	-

Notes to the Annual Financial Statements

46. Contingent liabilities

Dispute over a fee claim by a service provider for unauthorised work performed beyond the original contract scope, currently subject to legal proceedings. A service provider was initially appointed for an amount of R2,776,552 to conduct an assessment of the water and sewer infrastructure in the Lindelani area (Ward 5). The contract was subsequently extended to include a more detailed assessment of both the water and sewer systems. Following this, two business plans—one for water and one for sewer—were approved by the Department of Cooperative Governance and Traditional Affairs (CoGTA), and work commenced accordingly. The sewer business plan, valued at R10,449,660, was approved and the service provider was formally appointed by the iLembe District Municipality (IDM) for that amount. This was based on an initial estimated construction cost of R55,000,000, and the full consulting fee was paid to the service provider. Subsequently, the service provider undertook a more detailed design of the sewer network and revised the construction cost to R112,371,270.42, more than double the original estimate. This revision was made without prior approval from IDM, contrary to the stipulations in the Service Level Agreement (SLA), which requires formal approval (gate reviews) at each phase of the project. As a result of the revised construction estimate, the consulting fees escalated from the approved R10,449,660 to R14,053,121.01. The service provider submitted a claim for the additional amount of R5,079,680.42, citing the increased construction cost as justification. This claim is now the subject of legal action. The Municipality raised concerns with the service provider, noting that: - The additional cost was not budgeted for; - The claim exceeded the approved appointment amount by IDM; - The invoice would therefore not be paid; - Discussions between IDM and CoGTA, the approver of the business plan, were still ongoing.	5 079 680	5 079 680	5 079 680	5 079 680

Notes to the Annual Financial Statements

46. Contingent liabilities (continued)

Delictual Claim for Damages The Municipality has been served with summons in respect of a claim made by a member from the community ("the Plaintiff") for damage to her property. The Plaintiff alleges in her summons that the Municipality was negligent in the following respects:- - By failing to ensure that the drainage system where her property is situated was effective, at all material times, to drain water and prevent flooding of her property; - By failing to undertake appropriate construction and maintenance measures to ensure that the road drainage system functioned optimally; - By failing to undertake appropriate construction and maintenance measures to ensure that the common water supply pipes of the Municipality are appropriately constructed and maintained; and - By failing to investigate and put in place effective measures to ensure that water does not seep into her property;	320 000	320 000	320 000	320 000

Notes to the Annual Financial Statements

46. Contingent liabilities (continued)

Claim by a service provider for outstanding payments under a full maintenance lease agreement, arising from contested charges related to the supply of vehicles and a comprehensive range of support services, including rentals, early termination fees, penalties for unreturned vehicles, legal fees, interest on arrear payments, insurance settlements for written-off vehicles and capital recovery, make-good cost recovery, court and litigation costs, and ad hoc rentals. A service provider has lodged a claim with the Municipality for unpaid amounts arising from contested charges under a full maintenance lease (FML) agreement. The contract, effective from December 2019, covered a 36-month period during which the provider supplied vehicles and associated services.	42 221 915	-	42 221 915	-

The agreement included the provision of FML vehicles with an option to purchase at the end of the lease term. It also encompassed various support services, including roadside assistance, incident call center support, managed maintenance, GPS tracking, traffic fine management, and accident management. Certain services were included in the monthly rental fee, while others were billed separately.

The initial claim submitted by the service provider amounted to R69,571,955.15. Following extensive engagements and detailed reconciliations between the parties, the claim was reduced by R9,759,412.50, resulting in a revised claim of R59,812,542.65.

To date, the Municipality has paid R17,590,627.39, leaving a balance of R42,221,915.26 under dispute. This amount remained unresolved at the time the annual financial statements were finalized.

46. Contingent liabilities (continued)

Delictual claim for damages	675 117	-	675 117	-

A business entity operating fibre optic network services, Dark Fibre Africa (Pty) Ltd (DFA), has submitted a formal claim against the iLembe District Municipality for damages to its underground fibre optic cable network. The incident occurred on or about 8 October 2024, along the N2 Highway within the KwaDukuza area, where DFA alleges that its infrastructure was negligently damaged during civil excavation activities.

The excavation work was allegedly carried out by individuals described as employees, contractors, or agents acting on behalf of the Municipality, within the course and scope of their duties and in furtherance of the Municipality’s interests. DFA asserts that this negligence directly resulted in the disruption of its fibre network.

The cost to repair the damage has been quantified at R675,116.85, supported by photographic evidence (Annexure A) and a detailed cost breakdown (Annexure B). DFA is demanding payment of this amount within 60 days of the letter’s date, failing which legal proceedings will be instituted.

The Municipality received a formal letter of demand from Kruse Attorneys Inc., acting on behalf of DFA. This letter also serves as notice of the intended institution of legal proceedings in terms of Section 3(2) of the Institution of Legal Proceedings Against Certain Organs of State Act, No. 40 of 2002.

The letter was formally served on the Municipality by the Sheriff of the Lower Tugela District on 22 January 2025, with delivery confirmed to a registry clerk at the Municipal offices.

46. Contingent liabilities (continued)

Claim for damages arising from the alleged wrongful termination of a tender awarded for the management and operation of a wine cellar and tasting room	39 531 996	-	39 531 996	-

The iLembe District Municipality is cited as the second defendant in a legal action instituted by Celo Holdings (Pty) Ltd, arising from the alleged wrongful termination of a tender awarded for the management and operation of the Seventeen87 Wine Cellar and Tasting Room. The tender, issued by Enterprise iLembe, a municipal entity of the Municipality, was awarded to the plaintiff in December 2023 following a competitive bidding process.

The plaintiff claims that it fulfilled all conditions of the award, including submission of a detailed implementation plan and a proposed royalty structure. However, the defendants allegedly failed to finalize the lease agreement, provide access to the premises, and facilitate the implementation of the project. On 5 April 2024, Enterprise iLembe terminated the tender, citing issues related to property ownership and zoning compliance. The plaintiff disputes the legality of this termination and asserts that the cancellation was premature and unjustified.

As a result, the plaintiff is claiming damages for:

- Expenditure incurred in preparation for the project (e.g., salaries, equipment, wine stock, logistics).
- Loss of projected income over the intended three-year contract period.

The total claim amounts to R39,531,996.46, comprising:

- R4,034,835.46 for setup costs and retrenchments.
- R35,497,161.00 for projected income loss.

46. Contingent liabilities (continued)

Delictual claim for damages	300 000	300 000	300 000	300 000

A Provincial Government Department (the Department) has instituted action proceedings against the Municipality arising from an alleged breach of contract by the Municipality for the District Growth and Development Summit ("the Project"). The material terms of the agreement, as per the summons, were inter alia the following:-

- The transferring Department concerned undertook to transfer to the Municipality the sum of R300 000.00 to undertake and execute the Project
- The Municipality undertook to utilize the grant exclusively for purposes of the Project in accordance with the Business plan, provided that "the Department may invoke the provisions of clause 26 in the event that it is satisfied that the Municipality has utilized the grant for any purpose other than the project, and recover such amount if it was not utilized for purposes of the projet from the Municipality";
- Any savings on the grant must be returned to the Department upon completion of the project, unless written permission is obtained by the Municipality from the Department to retain the savings;
- Any interest earned on the amount contemplated in clause 3 of the agreement, or VAT rebates on the grant must be utilized for the project.
- Upon termination of the project, the Department must submit a close-out report, as contemplaated in clause 15.2, read with clause 24, which must include, inter alia, a project overview, a certified audited statement of expenditure and any budgetary implications of the way foward..

46. Contingent liabilities (continued)

Delictual claim for damages This contingent liability arises from a third-party claim submitted by Mr. Singh, who alleges that his property—specifically his fence, yard, and garden—was damaged when a municipal technical team accessed his premises to reach a neighbouring property in order to attend to a sewer blockage. The claimant is seeking compensation in the amount of R75,000.00 for the alleged damages. The matter has been reported to the Municipality's insurers, who are currently reviewing the claim. No decision has been made regarding liability or settlement, and the claim remains under assessment. The Municipality has not admitted liability, and the outcome will depend on the insurer's findings regarding the cause and extent of the damage, as well as whether the actions of the municipal team were reasonable and necessary under the circumstances. Until a final determination is made, the claim represents a contingent liability that may result in a financial obligation if the insurer accepts the claim or if legal proceedings establish liability.	75 000	-	75 000	-
Delictual claim for damages The Municipality has been served with summons in respect of a claim made by a community member ("the Plaintiff") for damage to his property arising from the burst of an underwater pipe that is alleged to be the property of the Municipality and under the exclusive control of the Municipality.	131 050	131 050	131 050	131 050

46. Contingent liabilities (continued)

Unfair dismisal dispute A former employee of the Municipality has referred an unfair dismissal dispute to the South African Local Government Bargaining Council following his dismissal for acts of serious misconduct. The employee concerned was charged and dismissed for:- - Charge 1: Gross Misconduct Constituting Brandishing of a Firearm, Harrassment and Intimidation at the Workplace; - Charge 2: Gross Misconduct Constituting Harassment and Intimidation at the Workplace; - Charge 3: Gross Misconduct Constituting Dereliction of Duty; - Charge 4: Gross Negligence Constituting Financial Misconduct and/or Dereliction of Duty; - Charge 5: Gross Misconduct Constituting Abscondment; - Charge 6: Gross Misconduct Constituting Misrepresentation; and - Charge 7: Gross Misconduct Constituting Dereliction of Duty.	-	1 525 283	-	1 525 283
Mandeni YEP Municipal entity was an implementing agent for the contruction of Mandeni YEP projects of which the project was completed and handed over to the municipality during the contruction of the utility accounts were opened in the name of the entity and transfer wa agreed that the outstanding amount will taken over by the municipality however that has not been finalised and is in the name of the entity.]	-	307 864	-	-
	88 334 758	**7 663 877**	**88 334 758**	**7 356 013**

47. Capital commitments

Commitments in respect of capital expenditure:

Approved and contracted for:				
Infrastructure	532 041 501	580 471 033	532 041 501	580 471 033
approved and contraced	-	2 341 402	-	-
Approved and contracted	634 990	582 698	-	-
	532 676 491	**583 395 133**	**532 041 501**	**580 471 033**

Expenditure of R532 041 501 (2025), R580 471 033 (2024) is funded through grants. All capital commitments include VAT.

48. Related party disclosures

48.1 Related party transactions

Expenditure				
Dr EN Ngcobo	114 371	43 932	114 371	43 932
Dr EN Ngcobo is an employee of the Municipality and is a board member of CIGFARO which transacted with the Municipality during the financial year under review.				
Grant funding from the parent iLembe District Municipality to Enterprice iLembe.	-	-	42 294 988	40 319 325
	114 371	**43 932**	**42 409 359**	**40 363 257**

48.2 Related party balances

Controlled entities

Receivables				
Amount owed to Ilembe Enterprise included in Trade and Other Receivables	-	-	631 868	-

Members of key management are Section 57 managers. refer to employee related costs note 29 and remuneration of councillors note 30

Controlled Municipal Entity is the Ilembe District Municipality has a 100%)holding in Ilembe Development Enterprise (Pty) Ltd.

Payables				
Amount owed to Ilembe Enterprise included in Trade payables and accruals	-	-	-	2 790 811

Related party transactions				
Grant funding from the parent iLembe District Municipality to Enterprise iLembe	-	-	42 294 973	40 319 325

49. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the GROUP SCM regulations, any deviations from SCM policy needs to be approved by the director and noted by Council. The awards listed below have been approved by the director and noted by Council.

Deviations	14 328 534	9 064 371	14 261 734	9 064 371

All deviations considered by the director are processed in terms of the SCM regulations and the GROUP's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Notes to the Annual Financial Statements

50. Awards to close family members - SCM Regulation 45

Awards to close family members of persons in the service of other state departments and entities (not listed above)

GROUP

Supplier name	Employee name	Relationship	Department
Matthew Francis Incorporated	B Savparsad	Manager	Water & Sanitation: Msunduzi Municipalit

51. Subsequent Events -Non-adjusting events after the reporting date

On the 12th of July 2024, the Municipality was served with Court Papers in the form of Combined Summons wherein The High Court of South Africa, KwaZulu Natal Division, Pietermaritzburg (”the Court”) notified Siza Water (RF) Proprietary Limited (Siza Water), iLembe District Municipality and the Minister of Water and Sanitation (as First, Second and Third Defendants respectively) that Umngeni-uThukela Water approached the Court to institute a legal action demanding payment of a sum of R127 730 015.87 as due and payable to UmngeniuThukela Water.

The Municipality is sighted as a Second Defendant on the matter based on the fact that it is a related party to Siza Water in that the latter has a 30-year concession contract with the Municipality to supply water in the Southern East part of iLembe District per the agreement signed with the Dolphin Coast Transitional Authority (from whom the function of water provision was transferred to the District Municipality) in 1999. The entity is run independently from the Municipality, is a registered private company with a separate board of directors and is run as an independent juristic person.

On the 29th of July 2025, this matter was withdrawn in High Court of South Africa, KwaZulu Natal Division, Pietermaritzurg.

52. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

External Audit Fees	6 172 969	5 110 835	5 341 356	4 204 694
Amount paid - current year	(6 172 969)	(5 110 835)	(5 341 356)	(4 204 694)
Balance unpaid (included in payables)	**-**	**-**	**-**	**-**

Pay As You Earn

Opening balance	4 898 872	4 200 222	4 452 235	4 200 222
Current year subscription / fee	51 534 978	50 240 635	47 212 694	45 244 353
Amount paid - current year	(47 109 521)	(45 341 763)	(43 239 645)	(40 792 118)
Amount paid - previous period	(4 898 872)	(4 200 222)	(4 452 235)	(4 200 222)
Balance unpaid (included in payables)	**4 425 457**	**4 898 872**	**3 973 049**	**4 452 235**

The balance represents PAYE deducted in June 2025 payroll. This amount was paid in July 2025.

Pension deductions

Opening balance	3 181 723	3 001 621	3 181 719	3 001 621
Current year subscription / fee	43 739 496	41 612 527	41 779 624	39 264 089
Amount paid - current year	(40 207 184)	(38 430 804)	(38 247 312)	(36 082 370)
Amount paid - previous period	(3 181 718)	(3 001 621)	(3 181 718)	(3 001 621)
Balance unpaid (included in payables)	**3 532 317**	**3 181 723**	**3 532 313**	**3 181 719**

The balance represents Pension Contributions deducted in June 2025 payroll. These amounts will be paid in July 2025

Medical aid deductions

Notes to the Annual Financial Statements

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

Opening balance	2 251 565	2 149 191	2 146 227	2 024 743
Current year subscription / fee	27 246 451	26 178 802	25 799 240	24 338 906
Amount paid - current year	(24 865 873)	(24 051 685)	(23 439 624)	(22 192 679)
Amount paid - previous period	(2 146 227)	(2 024 743)	(2 146 227)	(2 024 743)
Total	**2 485 916**	**2 251 565**	**2 359 616**	**2 146 227**

The balance represents Pension Contributions deducted in June 2025 payroll. These amounts will be paid in July 2025.

Value Added Tax

VAT receivable	56 985 034	47 734 324	50 350 879	41 404 104
VAT payable	(19 673 370)	(16 153 670)	(12 282 569)	(8 316 860)
Total	**37 311 664**	**31 580 654**	**38 068 310**	**33 087 244**

VAT input receivables are shown in note 3.

VAT output payables are shown in note 15.

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

Asset Impairment (Losses) / Reversal

The current year impairment is a result of old infrastructure and long outstanding work-in-progress capital projects.	(253 947)	(10 998 062)	(253 947)	(9 485 003)

Debt Impairment

Irrecoverable debt	-	5 276 601	293 400 791	5 276 601

Included in the amount of R293 400 791 are the following types of debt writeen off:

Rand-for-Rand
No water areas
Free basic services

Water losses

Real losses: Leakage and overflows at storage tanks/reservoirs	123 766 201	110 007 510	123 766 201	110 007 510

The water loss percentage for 2025 is 41% (2024:39%)

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

GROUP

	2025		2024	
	ML	**Amount**	**ML**	**Amount**
Balance at begining of the year	297 115	2 072 459	305 622	1 974 008
Unit purchased	39 933 753	294 387 958	37 562 304	262 165 312
Unit sold	(23 753 073)	(175 035 897)	(22 903 383)	(159 757 468)
Data management errors	71 883	529 706	(8 507)	(59 340)
Balance not sold at year end	(368 998)	(2 719 140)	(297 115)	(2 072 459)
Total loss	**16 180 680**	**119 235 086**	**14 658 921**	**102 250 053**
Comprising of:				
Technical losses	8 737 567	-	10 407 834	-
Non-technical losses	7 443 113	-	4 251 087	-
Total	**16 180 680**	**-**	**14 658 921**	**-**
Percentage loss:				
Technical losses	22.00 %	- %	28.00 %	- %
Non-technical losses	19.00 %	- %	11.00 %	- %
Total	**41.00 %**	**- %**	**39.00 %**	**- %**

Municipality

	2025		2024	
	ML	**Amount**	**ML**	**Amount**
Balance at begining of the year	297 115	2 072 459	305 622	1 974 008
Unit purchased	39 933 753	294 387 958	37 562 304	262 165 312
Unit sold	(23 753 073)	(175 035 897)	(22 903 383)	(159 757 468)
Data management errors	71 883	529 706	(8 507)	(59 340)
Balance not sold at year end	(368 998)	(2 719 140)	(297 115)	(2 072 459)
Total loss	**16 180 680**	**119 235 086**	**14 658 921**	**102 250 053**
Comprising of:				
Technical losses	8 737 567	-	10 407 834	-
Non-technical losses	7 443 113	-	4 251 087	-
Total	**16 180 680**	**-**	**14 658 921**	**-**
Percentage loss:				
Technical losses	22.00 %	- %	28.00 %	- %
Non-technical losses	19.00 %	- %	11.00 %	- %
Total	**41.00 %**	**- %**	**39.00 %**	**- %**

Notes to the Annual Financial Statements

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

Actions taken to reduce losses

The analysis of the past 3 financial years indicates that the overall Non-Revenue water has been increasing with the Real losses representing the higher percentage, followed by Apparent loses then Unbilled Authorised consumption.
The implementation of 5-year NRW strategy projects has shown a consistent positive impact on reduction of real water losses, resulting to a steady decrease on the real loss volumes.

Contributing Water Loss Reduction Projects implemented in that past 3 financial years are listed below:

- Shakaville Mains replacement
  Warrenton Mains replacement
  Padianager Rising Main replacement
  Glenhills Mains replacement
  Vuthela Non-Revenue water Reduction Project Phase (Pressure management, Flow Control Valve, Leak Detection and repair)Additional text

The water losses per the annual financial statements take into account water that was metered but not billed. Whereas the Annual performance report shows an actual technical water loss of 41.00% (2024: 39.00%, as unbilled metered water is not taken into account.

Enhance collaboration between Technical Services and Finance by actively participating in scheduled meetings and ensuring the timely submission of accurate data, with the shared goal of reducing Non-Revenue Water
ii) Continue with WCDM programme (Pipe replacement and Vuthela projects)
iii) Improve turnaround time on mains repair to reduce water loss.
iv) Investigate a robust prepaid system
v) Focus on ensuring all Municipal assets are secured on site to prevent unauthorized entry and tampering.
vi) Robust Indigent registration drive to improve data credibility.
vii) Review the strategy to register consumers through intentional help desk setups.
viii) Formalize illegal connection.

Reasons for the losses

The group has the following challenges to incurr such losses:
- Intermittent supply resulting in in-complete field measurements in respective zones and exacerbating pipe bursts.
  ii) Vandalism of assets - Inflow control valves and Pressure Reducing Valves (PRV).
  iii) Ageing infrastructure is still a challenge (Ongoing projects funded through WSIG)
  iv) Lack of Telemetry causing difficulty in monitoring of levels thus causing overflows
  v) Increase in new informal settlements connecting Illegally into the system (Mangethe, Thembeni, Lindelani F section).
  vi) High rate of unmetered connections (Lindelani), Sundumbili, Groutville
  vii) Bureaucracy in registration of Low costs housing consumers (Rocky Park, Groutville)
  viii) Data incredibility leading into inaccurate billing.

SAMWU

Current year subscription / fee	-	20 540	-	-
Amount paid - current year	-	(20 540)	-	-
Amount approved by the director and noted by council	**-**	**-**	**-**	**-**

Non-Compliance with Section 65 (2) of the Municipal Finance Management Act - Payments of creditors within 30

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

Number of days unpaid creditors at 30 June	36 days	50 days	36 days	50 days
Average number of days unpaid creditors during the year	21 days	44 days	21 days	44 days
Value of creditors not paid within 30 days during the year	R29 695 642	R18 290 573	R 29 695 642	R 18 290 573
Percentage of creditors paid within 30 days	98%	98%	98%	98%

The Municipality has demonstrated consistent improvement in creditor payment efficiency across recent financial years, primarily attributable to enhanced liquidity stability and streamlined documentation processes between departments. The average payment period has been reduced to well within the 30-day benchmark, with all quarters meeting this standard, reflecting proactive management and better coordination.

Aged payables, stemming from invoice disputes, processing delays, and milestone-based terms, have been addressed through negotiated settlements and structured payments, fostering supplier confidence and uninterrupted service delivery.

Areas of concern include a marginal increase in the payment period during the final quarter, signaling potential liquidity pressures. Going into the subsequent financial year, dedicated focus is required on sustaining cash reserves, advancing revenue collection, expediting dispute resolutions, strengthening contract management, and fully implementing ongoing process enhancements, such as document tracking initiatives, to maintain timely payments.Areas of concern include a marginal increase in the payment period during the final quarter, signaling potential liquidity pressures. Going into the subsequent financial year, dedicated focus is required on sustaining cash reserves, advancing revenue collection, expediting dispute resolutions, strengthening contract management, and fully implementing ongoing process enhancements, such as document tracking initiatives, to maintain timely payments.

Unemployment Insurance Fund

Opening balance	231 910	208 962	221 500	208 962
Current year payroll deduction	2 794 210	2 653 577	2 655 431	2 518 736
Amount paid - current year	(2 560 725)	(2 421 667)	(2 435 070)	(2 297 236)
Amount paid - previous year	(231 910)	(208 962)	(221 500)	(208 962)
	233 485	**231 910**	**220 361**	**221 500**

Skill Development Levy (SDL)

Opening balance	753 757	503 169	736 840	503 169
Current year payroll deductions	2 811 936	2 738 153	2 622 470	2 529 311
Amount paid- current year	(2 071 162)	(1 984 396)	(1 900 020)	(1 792 471)
Amount paid - previous years	(753 757)	(503 169)	(736 840)	(503 169)
	740 774	**753 757**	**722 450**	**736 840**

The balance represents SDL deducted in June 2025 payroll. This amount was paid in July 2025.

Net Salaries

Opening balance	-	(330)	-	-
Current year payroll deductions	-	14 578 731	-	-
Amount paid-current year	-	(14 578 731)	-	-
	-	**(330)**	**-**	**-**

53. Contributions to organised local government

Amount paid to organised local government	3 444 982	3 356 449	3 439 382	3 349 348

Notes to the Annual Financial Statements

54. Councillor's municipal accounts in arrears

	Amount outstanding for more than 90 days		Amount outstanding for more than 90 days	
List the name of the councillor which at any time during the relevant financial year was in arears for more than 90 days				
Councillor Sing K	-	409	-	409
Councillor Ngcobo CM	-	35 793	-	35 793
Councillor Ngwane ZP	10 848	7 299	10 848	7 299
Councillor Cele SSPP	6 026	2 121	6 026	2 121
Councillor Mkhaliphi MC	45 567	176 260	45 567	176 260
	62 441	**221 882**	**62 441**	**221 882**

MFMA section 124(1)(b) also requires disclosure of any arrears owed by individual councillors to the municipality for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days. The disclosure should also include the names of the councillors

Notes to the Annual Financial Statements

55. Going concern

We draw attention to the fact that at 30 June 2025, the group had an accumulated surplus (deficit) of R 3 511 530 427 and that the group's total liabilities exceed its assets by R 3 511 530 427.

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

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the director continue to procure funding for the ongoing operations for the group and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the group.

56. Financial instruments

56.1 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The GROUP is not exposed to a high level of interest rate risk on its financial liabilities. All of the GROUP‘s interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the GROUP invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

The GROUP’s maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Cash and cash equivalents	213 888 459	391 555 722	182 930 604	373 048 316
Gross Finance Lease Obligation	59 567	97 526	-	-
Borrowings	16 556 976	15 047 914	16 556 976	15 047 914
Consumer debtors	1 134 451 059	1 106 832 642	1 134 451 059	1 106 832 642

56.2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due; without incurring unacceptable losses or risking damage to the Municipality's reputation.
Ultimate responsibility for liquidity risk management rests with the Council. The GROUP manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the GROUP’s main banker to cater for any unexpected temporary shortfall in operating funds.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The Municipalities liability are backed by appropriate assets and it has liquid resources.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Annual Financial Statements

56. Financial instruments (continued)

GROUP - 30 June 2025

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Gross finance lease	37 667	21 898	59 565
Borrowings	12 207 502	4 349 474	16 556 976
Trade and other payables	282 118 432	-	282 118 432
Employee benefit	2 445 293	18 669 581	21 114 874
	296 808 894	**23 040 953**	**319 849 847**

GROUP - 30 June 2024

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Gross finance lease	37 958	59 568	97 526
Borrowings	7 189 888	7 858 026	15 047 914
Trade and other payables	349 435 259	-	349 435 259
Employee benefits	3 574 000	17 207 000	20 781 000
	360 237 105	**25 124 594**	**385 361 699**

Municipality - 30 June 2025

	Within 1 year	2 to 5 years	Total
Maturity analysis			
Borrowings	12 334 616	4 222 360	16 556 976
Trade and other payables	264 346 260	-	264 346 260
Employee Benefit Obligation	1 752 292	18 669 581	20 421 873
	278 433 168	**22 891 941**	**301 325 109**

Municipality - 30 June 2024

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Borrowings	7 189 888	7 858 026	263 517 803	278 565 717
Trade and other payables	336 026 264	-	-	336 026 264
Employee Benefit Obligation	2 933 000	17 207 000	-	20 140 000
	346 149 152	**25 065 026**	**263 517 803**	**634 731 981**

The GROUP expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The GROUP expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

56.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the GROUP.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Notes to the Annual Financial Statements

56. Financial instruments (continued)

The GROUP manages credit risk in its borrowing and investing activities by only dealing with wellestablished financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the GROUP's credit control and debt collection policy. The GROUP's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note to the annual financial statements.

The GROUP does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The GROUP defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the GROUP's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Long-term receivables	5	1 656 670	1 095 688	1 656 670	1 095 688
Trade and other receivables from exchange transactions	3	1 134 451 059	1 106 832 642	1 134 451 059	1 106 832 642
Maximum credit and interest risk exposure		**1 349 996 188**	**1 499 484 052**	**1 136 107 729**	**1 107 928 330**

Ageing of Consumer Debtors				
Current (0 - 30 days)	49 724 856	48 325 657	49 724 856	48 325 657
31 - 60 Days	37 290 344	39 267 592	37 290 344	39 267 592
61 - 90 days	36 654 091	31 293 441	36 654 091	31 293 441
91 - 120 days	30 919 152	28 722 557	30 919 152	28 722 557
121 days	30 448 083	28 797 735	30 448 083	28 797 735
120+ days	949 414 534	930 425 660	949 414 534	930 425 660
	1 134 451 060	**1 106 832 642**	**1 134 451 060**	**1 106 832 642**

Less: Provision for Doubtfull debt				
Impairment	945 899 135	908 070 745	945 899 135	908 070 745
	1 159 787 594	**1 299 626 467**	**2 080 350 195**	**2 014 903 387**
Cash and cash equivalents	213 888 459	391 555 722	182 930 604	373 048 316

57. Reconciliation between Budget and Cash Flow Statement

	Operating Activities	Financing Activities	Investing Activities		Total
Amount as presented in the budget statement	305 199 164	(462 101 622)	(11 628 439)	-	(168 530 897)
Actual amount as presented in the cash flow statement	205 793 209	(383 680 386)	219 914	-	(177 667 263)
	99 405 955	**(78 421 236)**	**(11 848 353)**	**-**	**9 136 366**

58. Living resources

58.1 Non-living resources

The Municipality has the following Non-Living Resources:

58. Living resources (continued)

Boreholes:
Maqumbi Borehole F1
Maqumbi RES I Borehole
Maqumbi RES T Borehole
Maqumbi RES A (G2) Otimati
Thafamasi BH
Ekwazini res
Ndukwende BH
Mxhosa Borehole
Mdlalose Borehole
Amatikulu Borehole
Ethembeni Water Supply Scheme
Glendale Water Supply Scheme
Hlanganani Water Supply Scheme
Lambothi Borehole
Ngididi Borehole
Thafamasi Borehole

Spring ProteA Provincial Government Department (the Department) has instituted action proceedings against the Municipality arising from an alleged breach of contract by the Municipality for the District Growth and Development Summit ("the Project"). The material terms of the agreement, as per the summons, were inter alia the following:-
- The transferring Department concerned undertook to transfer to the Municipality the sum of R300 000.00 to undertake and execute the Project
- The Municipality undertook to utilize the grant exclusively for purposes of the Project in accordance with the Business plan, provided that "the Department may invoke the provisions of clause 26 in the event that it is satisfied that the Municipality has utilized the grant for any purpose other than the project, and recover such amount if it was not utilized for purposes of the projet from the Municipality";
- Any savings on the grant must be returned to the Department upon completion of the project, unless written permission is obtained by the Municipality from the Department to retain the savings;
- Any interest earned on the amount contemplated in clause 3 of the agreement, or VAT rebates on the grant must be utilized for the project.
- Upon termination of the project, the Department must submit a close-out report, as contemplaated in clause 15.2, read with clause 24, which must include, inter alia, a project overview, a certified audited statement of expenditure and any budgetary implications of the way foward.ction: Ndulinde near Bhengu store -Ward 6.(old)
Mhlubulweni near Dube or N2 freeway- Ward.(new)
Mangethe near Mpanza – Ward 9.(new)
Magundaneni near Dlamuka-Ward11.(old)
Sithebe near Ngema – Ward 11.(old)
Ethembeni near Mkhize –11.(old)
Mangethe Emangeza – Ward3.(old)
Enembe emhlangeni near Ndwandwe –Ward5.(old)
Enembe emhlangeni near Gumede – Ward 5
Emagundaneni near Maphatha store – Ward 11. (old)

Notes to the Annual Financial Statements

59. Unauthorised, irregular, fruitless and wasteful expenditure

59.1 Unauthorised expenditure

Opening balance as previously reported	14 746 808	14 746 808	14 746 808	14 746 808
Less: Amounts written-off – current	(14 746 808)	-	(14 746 808)	-
Closing balance	**-**	**14 746 808**	**-**	**14 746 808**

Black Balance Projects (Pty) Ltd
Incident

The outstanding balance on unauthorized expenditure (i.e. R14 746 808.00) relates to the implementation of Lower Thukela Bulk Water Supply Scheme (LTBWSS) which was funded through the Regional Bulk Infrastructure Grant (RBIG) from the Department of Water and Sanitation (DWS). The incidence occurred during 2016/17 financial year as a result of grant expenditure exceeding both grant allocation as well as budget provision for the year in question. The initially approved grant allocation for the 2016/17 financial year for iLembe District Municipality was R156mil per the originally gazetted DoRA. This allocation was later reduced to R126mil. The reduction in grant allocation was factored in the main adjustment budget for 2016/17during February 2017, however, at the time DWS decision to cut back was communicated, work had already been performed and invoices issued by the service provider concerned (i.e. Black Balance Projects Pty LTD and the expenditure committed up to the value of R156mil as was informed by the original grant allocation). This therefore resulted in over expenditure on the grant allocation and , by implication, on the budget provision for 2016/17 financial year.

Through negotiated settlement with the service provider concerned, the amount due, which was basically the amount by which the 2016/17 grant allocation had been exceeded was only paid in July 2017 (which was the first month) in the 2017/18 financial year and was paid for from the 2017/18 RBIG allocation. Invoices concerned were certified by the Department of Water and Sanitation upon submission to the Department (i.e. during 2017/18).

Action/s taken
.
This matter was presented before Council during 2017/18 financial year wherein Council considered and noted the unauthorised expendture in question. Council resolved to refer the matter to MPAC for further investigation.

- MPAC concluded its investigation in July 2020. In concluding its investigation and after having considered how complex the circumstances surrounding this matter are, MPAC recommended that Council should approach KwaDukuza Local Municipality to have this matter referred to its Internal Audit Unit to undertake a further investigation and report back to the Council of iLembe District Municipality the findings and recommendations thereof.

- At a Council meeting that took place on the 30th of October 2020, Council considered MPAC Recommendations and, in its wisdom, opted and resolved to refer the matter to the newly formed Disciplinary Board of iLembe District Municipality to undertake the required further investigation.

- The matter was investigated by the Municipality's Disciplinary Board. The Disciplinary Board has concluded its investigation and made its recommendations to Council.

- On 24 June 2025, Council considered the recommendation of the Municipal Disciplinary and resolved that the unauthorized expenditure on Black Balance Projects (Pty) Ltd for the transactions that occurred between 2015/2016 and 20216/2017 financial years amounting to R14 746 807.78 be certified as irrecoverable and written off by Council per Council Resolution C1189.

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

59.2 Irregular expenditure

Opening balance as previously reported	163 397 141	169 540 367	149 734 422	155 877 648
Add: Irregular expenditure - current	37 508 631	496 000	37 420 381	496 000
Less: Amounts written-off – current	(88 250)	-	-	-
Less: Amounts written-off – prior period	(148 548 418)	(6 639 226)	(148 548 418)	(6 639 226)
Closing balance	**52 269 104**	**163 397 141**	**38 606 385**	**149 734 422**

Utility Systems (Pty) LTD

Incident

Utlity Systems (Pty) Ltd was engaged by the Municipality in July 2013 to rollout the prepaid metering system including supplying related materials and the vending software. The contract was set to expire in June 2016. Services of this company were however utilized between July 2016 and June 2017, which was subsequent to the expiry of the contract. This incidence occurred during the time when the Municipality's contract management processes were not effective and internal controls poor, hence this was not detected before occurring.

Action/s taken

- After the matter had been referred to MPAC by Council, the Committee conducted its investigation and referred the matter for external investigation.

- The Municipality engaged C Ngubane & Associates to execute an external investigation. The investigation could not be concluded due to certain information that was required in order to conclude on the matter not readily available for C Ngubane & Associates to peruse and formulate appropriate recommendations.

- MPAC concluded its investigation in July 2020. In concluding its investigation and after having considered how complex the circumstances surrounding this matter are, MPAC recommended that Council should approach KwaDukuza Local Municipality to have this matter referred to its Internal Audit Unit to undertake a further investigation and report back to the Council of iLembe District Municipality the findings and recommendations thereof.

- At a Council meeting that took place on the 30th of October 2020, Council considered MPAC Recommendations and, in its wisdom, opted and resolved to refer the matter to the newly formed Disciplinary Board of iLembe District Municipality to undertake the required further investigation.

- The matter was investigated by the Municipality’s Disciplinary Board. The Disciplinary Board concluded its investigation and made its recommendations to Council.

- On 24 June 2025, Council considered the recommendation of the Municipal Disciplinary and resolved that the irregular expenditure on the Utility Systems (Pty) Ltd’s transactions incurred during the period 2015/2016 through to 2016/2017 financial years, amounting to R6 335 238.78 be certified as irrecoverable and written off by Council per Council Resolution C1189.

Notes to the Annual Financial Statements

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Joat Consulting Group
Incident

The R95 075 156.66 pertains to irregular expenditure resulting from transactions with Joat Consulting Group who were engaged by the Municipality to undertake implementation of an intervention programme that sought to manage the non-revenue water losses with an intention to reduce such losses. The initial appointment took place in 2008 and this was followed with serioes of contract extensions that ensued up to the period ending 30 June 2018. It was established that all extensions carried out on this contract through the years 2011 to 2018 were not valid leading to the expenditure linked thereto being classified as irregular .

Action/s taken

- This irregular expenditure was tabled before Council during 2019/20 financial year. Council resolved to refer this expenditure to MPAC for further investigation.

- MPAC investigated this irregular expenditure and determined that due to the complex legalities around contract extensions, it would be more appropriate to refer this matter for external investigation. In concluding its investigation and after having considered how complex the circumstances surrounding this matter are, MPAC recommended that Council should approach KwaDukuza Local Municipality to have this matter referred to its Internal Audit Unit to undertake a further investigation and report back to the Council of iLembe District Municipality the findings and recommendations thereof.

- At a Council meeting that took place on the 30th of October 2020, Council considered MPAC Recommendations and, in its wisdom, opted and resolved to refer the matter to the newly formed Disciplinary Board of iLembe District Municipality to undertake the required further investigation.

- The matter was investigated by the Municipality's Disciplinary Board. The Disciplinary Board has concluded its investigation and made its recommendations to Council.

- On 24 June 2025, Council considered the recommendation of the Municipal Disciplinary and resolved that the irregular expenditure on the Joat Consulting Group's transactions incurred during the period 2010/2011 through to 2018/2019 financial years, amounting to R95 075 156.66 be certified as irrecoverable and written off by Council per Council Resolution C1189.

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Isidingo Security Services

Incident

The irregular expenditure on Isidingo Security Services contract is historic. It was initially classified as irregular expenditure during 2017/18 after which it was tabled before Council, who resolved to refer the matter to MPAC for investigation. Isidingo Security Services had been appointed in July 2012 to render security services.

Subsequent to expiry of the initial contract, it was extended for a period of six months through application of Section 116 of the Municipal Finance Management Act, Act No. 56 of 2003 ("MFMA"). At the expiry of six months extension, the contract was subjected to a month to month contract pending finalization of bid processes to secure a new contract. As part of preparatory processes to undergo an open bid, the Municipality conducted a comprehensive security needs assessment which informed the tender specification.

Two tender processes were undertaken of which the first one could not be successfully concluded due to the fact that all returned bids were above the available budget. This nessecitated a revision to the original spefification by reducing the number of personnel security required and in some instances by removing certin aspects of security requirements in order to fit in the budget provision. The The second bid process was finalized in January 2019 where upon a new security company was appointed. This appointment was challenged by two contending bidders through bids objection process. The objection was dealt with internally first wherein one of the contenders dropped their objection. The remaining contender (namely Isidingo Security Services) appealled and the matter was escalated to the KwaZulu Natal Provincial Treasury (KZN PT) who appointed a panel of attorneys to arbitrate on the matter through its Municipal Bids Arbitration Tribunal (MBAT) process. MBAT panel concluded its arbitration process in November 2019 and ruled that the tender process should be advertized again. The contending bidder lodged a notice to appeal the decision of the MBAT panel through a court process and also notified the Municipality to hold any bid processes in abeyance. The argument by Isidingo Security Services is that MBAT ruling should have ordered that they be appointed (instead of initiating a fresh bid process) since they were the second most responsive bidder in terms of the security bid that was a subject of objection.

After the Municipality had consulted with KZN PT on the matter, it proceeded to issue a new bid notice for security services in February 2020, The appellant sought a court interdict to stop the Municipality from proceeding with bid processes. In March 2020, the court ordered the Municipality not to proceed with the new secirity bid process pending finanlization of the contending bidder's appeal being dealt with at the High Court. Through a legal advice obtained, the Municipality withdrew the bid notice in question.

The appeal court case lodged by Isidingo Security Services was hear by the Durban High Court in July 2021 and the judgement was handed down in April 2022 in favour of the Municipality. Subsequent the hidgh court judgement of April 2022, the Municipality proceeded to terminate the month to month contract with Isidingo Security Services and started the bid processes for the replacement contract.

Action/s taken

- Historically, after the matter had been referred to MPAC by Council, the Committee conducted and concluded its investigation and found that no one could be held responsible for the expenditure in question. On the basis of MPAC recommebndations, Council certified the irregular expenditure concerned as irrecoverable and approved it to be written off.

- Subsequent to Isidingo Security had approached High Court to have the ruling of MBAT set aside and seeking for the court rule in favour of Isidingo Security Services being awarded the contract on the basis that they were the second most responsive bidder in the security bid being a subject of court review, KZN Provincial Treasury appointed SD Moloi & Associates (firm of attorneys) to defend the matter on behalf of both KZN PT and iLembe District Municipality.

- The matter set before the court on the 30th of July 2021 but the judgement was reserved at the time. On the 12th of April 2022, Honorable Madam Justice Hadebe of the High Court of South Africa, KwaZulu Natal Local Division, Durban handed down judgement by dismissing the application with costs (including costs of Senior Counsel).

- Isidingo Security Services then lodged an application for leave to appeal the judgement of the Honorable Madam Justice Hadebe granted on the 12th of April 2022 and the matter was set down for hearing in the High Court of South Africa, KwaZulu Natal Local Division, Durban on the 25th of May 2022. Isidingo Security Services attempted to petition the Supreme Court of Appeal to grant them leave to appeal with no success.

- Subsequent to the matter being finalized in the courts, the Municipality terminated the services of Isidingo Security Services on the 30th of June 2022 and proceeded to appoint two security service providers for a period of six months. This

Notes to the Annual Financial Statements

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)
is an interim meassure put in place whilst the Municiplaity is undergoing open bid processes in order to secure a three year security contract.

- The matter was reported to Council during 2021/22 financial year. With regards to expenditure incurred during the year in question, Council resolved to refer this to MPAC to conduct the necessary investigations and advise Council on the most appropriate actions to take on the matter thereon.

- In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the irregular expenditure on Contract Number CG/03/2012 (Isidingo Security Services) amounting to R41 480 580.00 as irrecoverable and approved that it be written off during the course of 2024/25 financial year.

Lihlenathi Property Construction

Incident

This matter pertains to irregular expenditure arising from the final payment made to Lihlenathi Property Construction during the current financial year being for the “Release of Retention" on a construction project that was amongst the contracts that were extended in 2016 without fully complying with the provisions of Section 116 of the MFMA. Previous expenditure incurred on this project had been classified as irregular and was certified as irrecoverable and approved for write off by Council per Council Resolution No. C681 after all due processes in terms of investigating the instances that had led to such irregular expenditure being incurred were followed as directed by Section 32 of the MFMA.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this irregualr expenditure and requested further details surrounding the circumstances that led to incurring the fruitless and wasteful expenditure in question.

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to Council that the irregularl expenditure on arrising out of release of retention monies paid due to Lihlenathi Property Construction amounting to R6 639 225.92 be certified as irrecoverable and written off by Council.

- In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the irregular expenditure arrising out of release of retention monies paid due to Lihlenathi Property Construction amounting to R6 639 225.92 as irrecoverable and approved that it be written off during the course of 2024/25 financial year.Additional text

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

K9 Security Services

Incident

K9 Security Services is a security services provider that was contracted by the Municipality upon termination (by the Municipality) of the irregular month to month security services contract with a previous service provider .

The engagement of K9 Security Services was an interim arrangement aimed at ensuring that the Municipal properties are safeguarded whilst the Municipality would be undergoing a tender process to secure a 3-year security services contract, i.e. subsequent to terminating the services of the previous service provider.

During the third month of K9 Security Services’ appointment, it emerged that the company had submitted an invalid and/or expired certificate of practice when submitting bid documentation to be considered for a 6 months temporary contract. This prompted Management to then immediately terminate K9 Security Services contract.

Action/s taken

- Upon establishing that K9 had submitted an invalid PSIRA security certificate, Management teminated the bidder's security services contract with effect from the 30th of September 2022.

- The cumulative expenditure incurred on the contract has been classified as irregular and reported as such to Council consideration. Council considered this matter in October 2022 and resolved to refer the matter to MPAC for investigation.

- In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the irregular expenditure on Contract Number CS/33/2022 (K9 Security Services) amounting to R5 426 215.17 as irrecoverable and approved that it be written off during the course of 2024/25 financial year.

Bargain Uniforms

Incident

Bargain Uniforms was appointed to supply clothing attire for the Dundee July 2022 event. On the face it, the procurement processes appear not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred (R64 992.25) has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation..

- As at 30 June 2025, this matter was still under investigation by the MPAC.

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Mandlakamelwa Trading

Incident

Mandlakamelwa Trading was appointed to provide catering services for the Indegenous Music event. On the face it, the procurement processes appear not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred (R47 500.00) has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- As at 30 June 2025, this matter was still under investigation by the MPAC

Sithombesikagogo Trading

Incident

Sithombesikagogo Trading was appointed to provide catering services for the club development district championship. On the face it, the procurement processes appear not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred (R53 650.00) has been classified as irregular.

It appears that the supplier in question supplied goods in question without being issued a purchase order through the Municipality's Supply Chain Management processes.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation..

- As at 30 June 2025, this matter was still under investigation by the MPAC

Fana Manufacturing cc

Incident

Fana Manufatcuring cc was appointed to provide catering services for the club development district championship. On the face it, the procurement processes appear not to have been comprehensively adhered to by Community Services Department. As a result of this alleged non-compliance, the expenditure incurred (R755 090.00) has been classified as irregular.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation..

- As at 30 June 2025, this matter was still under investigation by the MPAC.

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Tender Morganite Trading

Incident

During the 2023/2024 audit, the Auditor General found that the Municipality had unjustifiably invoked Regulation 36(1)(b) of the Supply Chain Management Regulations to award contracts totalling R496,000.00 to Tender Morganite Trading. These contracts were issued in lieu of hiring minibus taxis to transport stakeholders attending various public events.

The Auditor General concluded that the rationale provided—hostility from local taxi associations—did not constitute “exceptional circumstances” as defined by the regulation. Furthermore, there was no evidence of an emergency, sole provider status, or any documented risk in the Municipality’s Risk Register to support the deviation from standard procurement procedures.

The audit also revealed that the Municipality failed to demonstrate adequate planning or risk assessment. Since the events in question were recurring, the required services could have been procured through a competitive bidding process. The perceived lack of oversight and insufficient justification rendered the expenditure irregular.

Although Management cited monopolistic control and intimidation by local taxi associations as barriers to competitive procurement, the Auditor General found the explanation unsatisfactory. Consequently, the audit finding remained unresolved, and the irregular expenditure had to be disclosed in the Municipality’s annual financial statements.

Action/s taken

- The matter is yet to be presented at the upcoming Council meeting for a determination on the way forward, with the process to be guided by the relevant provisions of the MFMA.

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Tender Morganite Trading

Incident

During the 2023/2024 financial year, the Auditor General raised an audit finding concerning the Municipality's invocation of Regulation 36(1)(b) of the Supply Chain Management Regulations. Contracts totalling R496,000.00 were awarded to Tender Morganite Trading for the provision of transport services to stakeholders attending various public events. The Municipality justified the deviation from competitive bidding on the grounds of hostility from local taxi associations. However, the Auditor General concluded that this rationale did not meet the definition of "exceptional circumstances" as required by the regulation. No evidence of an emergency, sole provider status, or documented risk was found in the Municipality's Risk Register. As a result, the expenditure was deemed irregular and remains unresolved.

In the 2024/2025 financial year, similar circumstances led to further irregular expenditure. The Municipality was required to make urgent logistical arrangements for the transportation of maidens attending a high-profile cultural ceremony. Due to the competitive and aggressive nature of the local taxi industry during such events, and the associated safety risks, a single service provider with operational control over the relevant transport routes was appointed. This decision was made to mitigate potential risks and ensure the safety of attendees.

Furthermore, the Municipality was responsible for transporting athletes to the Indigenous Games held in the Ugu District, which required the procurement of two buses and three taxis. Given the volatile nature of the taxi industry and its control over the transport routes, the District Taxi Association had to be engaged to facilitate safe and uninterrupted travel. The Municipality found it extremely challenging to adhere to normal Supply Chain Management (SCM) processes due to the risk of disruption by taxi associations. Consequently, a deviation was considered under Regulation 36(1)(b).

Despite these justifications, the assessment of the deviations indicates that the circumstances did not meet the regulatory requirements for "exceptional circumstances," consistent with the Auditor General's previous conclusion.

Management therefore opted to proactively classify and disclose expenditure amounting to R660,000.00 incurred under these circumstances as irregular in the 2024/2025 Annual Financial Statements.

Action/s taken

- The matter is yet to be presented at the upcoming Council meeting for a determination on the way forward, with the process to be guided by the relevant provisions of the MFMA.

Volkswagen South Africa

Incident

In December 2024, Council granted approval for the purchase of a new Mayoral vehicle at a total cost not exceeding R935,910.00 (all inclusive). This acquisition was intended to replace the previous vehicle, which was involved in an accident in December 2022 and subsequently written off.
The price cap was determined based on two key factors:
- The need to select a suitable replacement vehicle for His Worship the Mayor.
- The requirement to align the cost with the maximum allowable amount as per the 2019 Cost Containment Regulations, which is R700,000.00. Where the cost exceeded this threshold, Council resolved that it must remain within the insurance payout proceeds from the settlement of the previous vehicle's claim, which amounted to R935,910.00.

Various vehicle options were evaluated to ensure the selected model met both the approved budget and the specifications appropriate for a Mayoral vehicle, including necessary security features. The preferred vehicle was a BMW X3, 4X2, 5 Doors – piston displacement 2000cm to 2500cm, Minimum of 125kw (Petrol/Diesel) High Performance SUV Vehicle. The price range for this vehicle was between R1,119,000.00 and R1,272,000.00, hence it was not considered an affordable option.

After careful consideration, the 2025 Audi Q5 40 TDI 140KW Quattro S Tronic was procured through the National Treasury Transversal Contract (RT57) at a cost of R931,226.86, which fell within the approved insurance payout amount.

Action/s taken

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Upon the tabling of a report seeking Council's approval for the acquisition of Mayoral vehicle on the 6th of December 2023, the implication of procuring a vehicle with a purchase value exceeding R700,000.00 was brought to the attention of Council. Having considered the report, Council resolved that Management proceed and procure the recommended vehicle, subject to its value not exceeding the insurance payout amount of R935,910.00.
Council then resolved that:-
1. Notwithstanding the provisions of Government Gazette No. 42514 of 07 June 2019, Council authorizes the Municipal Manager to proceed and buy the new vehicle for the Mayor at a cost of
R890 000.00 with the proviso that the amount of R190 000.00 in excess of the maximum value as set out in the Gazette be dealt with in terms of Section 32 (1)-(4) of the Municipal Finance Management Act, Act No. 56 of 2003 as follows:
2. The possible irregular expenditure that may arise as a result of the actual cost of purchasing the new vehicle for the Mayor exceeding the maximum amount of R700 000.00 as set out in the Government Gazette No. 42514 of 07 June 2019, subject to such actual cost not exceeding the amount of R935 910.00 being the insurance pay-out, be certified as irrecoverable and be approved as written off by Council.

Zenith Car Rental (Pty) Ltd - Avis Rental

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the Municipality’s application of Regulation 36(1)(a) of the Supply Chain Management Regulations. The finding stated that the prolonged hiring of operational vehicles from Avis could not be justified as an emergency and therefore did not meet the requirements for a deviation. The total value of the transactions identified was R969 572.66.

Background of the Incident

The engagement of Avis Rental through a deviation process arose from a contractual dispute with Fleet Horizon Solutions. After Council resolved to amend the contract by terminating the rental of certain vehicles and purchasing its own fleet, the service provider abruptly terminated the contract for vehicles that were not part of the amendment decision. In some cases, vehicles were remotely immobilized while in motion, which posed a serious risk to drivers and adversely affected service delivery.

At that time, the Municipality had already initiated a competitive bidding process, and a company named Fleet Africa was appointed. However, Fleet Africa later withdrew after demanding price increases. Consequently, the Municipality decided to purchase its own fleet and discontinue reliance on leased vehicles.

To maintain uninterrupted service delivery during this transition, 10 bakkies were hired on an emergency basis. Once the Municipality acquired its own vehicles, the hiring arrangement was terminated.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

Eco Car Hire CC

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the Municipality’s application of Regulation 36(1)(b) of the Supply Chain Management Regulations. The finding stated that the hiring of Mayoral vehicle from Eco Car Hire could not be justified as "ratification of 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" and therefore did not meet the requirements for a deviation. The total value of the transactions identified was R445 444.00.

Background of the Incident

The Mayoral vehicle was involved in an accident, and while the Municipality awaited the insurance payout, a rental arrangement was deemed appropriate to enable the Mayor to continue performing official duties. At the time of engaging Eco Car Hire through the deviation process, the Municipality could not procure a replacement vehicle as the insurance claim was still being finalized. Once the insurance settlement was received, the Municipality procured a new vehicle, which is currently in use by the Mayor, and the deviation appointment was subsequently terminated.

Action/s taken

Notes to the Annual Financial Statements

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)
At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

Consolidated African Technologies (Pty) LTD

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the Municipality's application of Regulation 36(1)(b) of the Supply Chain Management Regulations. The finding indicated that the procurement of a revenue management system from Consolidated African Technologies (Pty) Ltd could not be justified under the provision for "ratification of 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." Consequently, the transaction did not meet the requirements for a deviation. The total value of the transactions identified was R416 809.25.

Background of the Incident

Consolidated African Technologies (Pty) Ltd is the sole distributor of meter reading devices that are compatible with the Municipality's existing infrastructure. This compatibility was critical to ensure continuity of operations and avoid disruptions in revenue management processes. Given the technical nature of the system and the lack of alternative suppliers for these specific devices, the Municipality opted for a deviation process to maintain service delivery.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

Current Status and Corrective Measures

The Municipality has since initiated a competitive bidding process to appoint a service provider through an open and transparent procurement method. Once the new contract is finalized, the deviation appointment will be terminated. This approach aligns with the principles of fairness, equity, transparency, and cost-effectiveness as required by the Municipal Finance Management Act (MFMA) and Supply Chain Management Regulations

.
Revenue and Utility Management System (Pty) LTD

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the Municipality's application of Regulation 36(1)(b) of the Supply Chain Management Regulations. The finding indicated that the Indigent Management System from RUMAS could not be justified under the provision for "ratification of 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." Consequently, the transaction did not meet the requirements for a deviation. The total value of the transactions identified was R1 421 965.80

Background of the Incident

The Municipality inherited the revenue management system from the Vuthela Programme, a government-led initiative aimed at strengthening municipal operations and systems. The original agreement was structured as a three-year contract. Following the conclusion of the first year under Vuthela, the responsibility for managing the remaining two years of the contract was assigned to the District Municipality.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

Current Status and Corrective Measures

Upon completion of the remaining contractual term, the Municipality will conduct a comprehensive assessment to determine whether the system continues to meet operational requirements and strategic objectives. Based on this evaluation, the

Notes to the Annual Financial Statements

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)
Municipality will decide whether to retain the system or transition to an alternative solution. Should the decision be to continue with the system or acquire a similar solution, the Municipality will initiate a competitive bidding process in compliance with the Municipal Finance Management Act (MFMA) and Supply Chain Management Regulations to ensure transparency, fairness, and cost-effectiveness.

Hydrotech Infra

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the Municipality's application of Regulation 36(1)(a) of the Supply Chain Management Regulations. The finding indicated that the engagement of Hidrotech Infra for the repair of leaking reservoir could not be justified under the provision for "emergencies" Consequently, the transaction did not meet the requirements for a deviation. The total value of the transactions identified was R1 048 181.88

Background of the Incident

Fixing reservoir leaks forms an integral part of the Municipality's Water Conservation and Demand Management Strategy. Such leaks are addressed promptly as and when they occur to prevent water losses and ensure compliance with service delivery commitments.

Palm Lakes has two reservoirs: one dedicated to Palm Lakes Estate and another that had remained unused, pending the Club Med development application. The leaks in question were only discovered when the second reservoir was filled to supply water for the Club Med development. It was critical for the Municipality to urgently repair these leaks to comply with the Service Level Agreement and avoid delays in service provision.

The reservoir had been out of operation for an extended period, making it impossible to detect leaks until it was filled. Once the issue was identified, immediate corrective action was taken to restore functionality and maintain service delivery standards

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

Current Status and Corrective Measures

To prevent similar occurrences, the Municipality will implement routine inspections and maintenance protocols for all reservoirs, including those not currently in use. This proactive approach will support water conservation objectives and reduce the risk of emergency repairs in future.

Capital Car Hire

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the Municipality's application of Regulation 36(1)(a) of the Supply Chain Management Regulations. The finding stated that the hiring of Mayoral vehicle from Capital Car Hire could not be justified as "ratification of 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" and therefore did not meet the requirements for a deviation. The total value of the transactions identified was R172 398.11.

Background of the Incident

The Mayoral vehicle was involved in an accident, and while the Municipality awaited the insurance payout, a rental arrangement was deemed appropriate to enable the Mayor to continue performing official duties. At the time of engaging Capital Car Hire through the deviation process, the Municipality could not procure a replacement vehicle as the insurance claim was still being finalized. Once the insurance settlement was received, the Municipality procured a new vehicle, which is currently in use by the Mayor, and the deviation appointment was subsequently terminated.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Suppliers in the Service of State

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding procurement awards made to suppliers whose directors were found to be in the service of the state, allegedly employed in other government institutions. The total value of the transactions identified amounted to R30 763 617.00.

Background of the Incident

The finding relates to the provisions of Section 44 of the Municipal Supply Chain Management Regulations and Section 112 of the Municipal Finance Management Act (MFMA), which prohibit awards to persons in the service of the state or entities owned or controlled by such persons. This requirement is intended to prevent conflicts of interest and uphold principles of fairness, transparency, and accountability in municipal procurement processes.
Whilst instances of non-compliance of this nature are often successfully disputed by the individuals concerned, they typically arise from false declarations made by bidders when completing the mandatory Municipal Bid Documents (MBD) forms. In many cases, individuals fail to disclose their true employment status—particularly if they are employed in other government institutions—due to fear of being excluded from the bidding process.
The Municipality has implemented thorough screening processes, including verification of bidder information against the National Treasury’s Central Supplier Database (CSD). These measures are designed to detect conflicts of interest and ensure compliance with legislative requirements. However, despite these controls, the persistence of non-disclosure suggests that existing mechanisms are not sufficient to fully curb this undesirable practice.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

CIA Office Supplies

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the Municipality’s inability to furnish all requisite documentation substantiating the engagement of CIA Office Supplies for the purchase of office furniture valued at R135 682.75. Due to the absence of complete supporting evidence confirming that all procurement prerequisites were duly followed, the Auditor-General concluded that the expenditure should be regarded as irregular.

Background of the Incident

All prescribed procurement processes were followed for this transaction. The full documentation pack, including bidders’ quotations and supporting documents, was compiled and sent to the Expenditure Section for payment processing. Payment was subsequently made after the goods were successfully delivered by the supplier.
However, the documentation went missing from the Expenditure Unit, where similar records are normally filed as payment vouchers after each transaction. Despite extensive efforts to retrieve the missing documents, only partial records could be recovered—specifically, copies of the SCM evaluation report detailing the received bids, the appointed supplier’s quotation, and the purchase order. The remaining supporting documents could not be located.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

Incorrect Calculations of Specific Goals

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the incorrect calculation of specific goal points during the bid evaluation process. This error resulted in the supplier with the highest points not being awarded the contract. The value of the transaction concerned was R343 900.00. Based on this irregularity, the Auditor-General concluded that the transaction should be declared irregular.

Background of the Incident

Notes to the Annual Financial Statements

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Management maintains that the appointed service provider fully deserved the 10 points allocated for race in accordance with the advertised evaluation criteria for specific goals. This position is based on the supplier's Central Supplier Database (CSD) report, which confirms 100% ownership by black individuals. Therefore, the service provider was entitled to the full 10 points for black ownership.

However, despite Management's explanation and supporting documentation, the Auditor-General was not convinced and concluded that the transaction should still be regarded as irregular due to non-compliance with the prescribed evaluation and scoring requirements under the Preferential Procurement Policy Framework Act (PPPFA) and associated regulations.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

Declaration of interests form not signed by winning bidder

During the 2024/2025 financial year, the Auditor-General raised an audit finding regarding the absence of signed

"Declaration of Interest" forms from the winning bidder. Furthermore, the Auditor-General noted that the appointed service provider did not score the highest points during the evaluation process. This combination of factors—failure to declare interests and awarding the contract to a bidder who did not achieve the highest score—was deemed non-compliant with Supply Chain Management (SCM) regulations and the Preferential Procurement Policy Framework Act (PPPFA). The value of the transaction concerned was R199 919.99. Based on these irregularities, the Auditor-General concluded that the transaction should be declared irregular.

Background of the Incident

Management maintains that the appointed service provider was correctly awarded the contract based on compliance with the advertised evaluation criteria. Specifically, the service provider qualified for the full 10 points allocated for race under the specific goals component, as confirmed by their Central Supplier Database (CSD) report, which reflects 100% black ownership. In line with the Preferential Procurement Policy Framework Act (PPPFA) and the Municipality's Supply Chain Management (SCM) policy, this ownership status entitled the bidder to the maximum points for black ownership.

Despite this explanation and supporting documentation, the Auditor-General was not satisfied and concluded that the transaction should still be regarded as irregular due to perceived non-compliance with the prescribed evaluation and scoring requirements. The Auditor-General's position emphasizes the need for absolute clarity and consistency in applying evaluation criteria and maintaining comprehensive audit trails.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

Winning bidders did not fully complete MBD4

During the 2024/2025 financial year, the Auditor-General identified an audit finding relating to supplier compliance with mandatory documentation. Specifically, certain suppliers submitted signed MBD 4: Declaration of Interest forms that were incomplete, with some sections left blank. The transaction associated with this non-compliance amounted to R611 662.91. As a result of these irregularities, the Auditor-General concluded that the transaction did not meet the prescribed legislative and regulatory requirements and, therefore, should be classified as irregular expenditure. This finding highlights the importance of ensuring that all mandatory forms are fully completed and verified prior to processing payments, as incomplete declarations compromise transparency and compliance with supply chain management regulations.

Background of the Incident

The irregularity arose primarily from errors made by bidders when completing the mandatory MBD forms. Certain sections were left blank, despite the forms being signed. After careful consideration, management resolved not to penalize the

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)
affected bidders, as the omissions were deemed minor and did not compromise the integrity of the procurement process.

Penalizing these bidders would have resulted in awarding contracts to suppliers who quoted significantly higher prices, thereby increasing costs to the municipality without delivering additional value. Management’s decision was guided by the principle of cost-effectiveness and fairness, ensuring that responsive bidders were not disqualified for administrative oversights that had no material impact on compliance or transparency.
Going forward, management will strengthen controls to prevent recurrence by implementing stricter verification processes during bid evaluation and providing training to both suppliers and SCM officials on the proper completion of mandatory forms..

Despite this explanation and supporting documentation, the Auditor-General was not satisfied and concluded that the transaction should still be regarded as irregular due to perceived non-compliance with the prescribed evaluation and scoring requirements. The Auditor-General’s position emphasizes the need for absolute clarity and consistency in applying evaluation criteria and maintaining comprehensive audit trails.

Action/s taken

At the time of concluding the audit of the 2024/2025 annual financial statements, the identified irregular expenditure had not yet undergone the processes prescribed in Section 32 of the Municipal Finance Management Act (MFMA), including submission of the matter to Council for consideration.

The irregular expenditure relates to the procurement of services in relation to the UIF and MICT SETA projects (learnership grants) where the projects management unit service provider was appointed without following the competitive bidding process.A memorandum of agreement was signed by the former CEO on the basis that when the initial applications were submitted, Sphola consulting was cited as the company that will offer project management services.The external investigation
is underway,Once completed the board will consider recommendations.
In the current year irregular expenditure incured related to procument of service providers appointated without following the SCM process nor sponsership and donations policy.external investigations was undertaken and concluded and recommedations were presented to the entity.

LAnd preparation R29 750
Business breakfast R28 500
Business breakfast - performance - Disciplinary process R30 000.

Notes to the Annual Financial Statements

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

59.3 Fruitless and wasteful expenditure

Opening balance as previously reported	274	11 753 371	-	11 753 371
Add: Fruitless and wasteful expenditure – current	11 148	53 592	-	-
Less: Amount recoverable – current	-	(1 000)	-	-
Less: Amounts written-off – current	(1 752)	-	-	-
Less: Amounts written-off – prior period	-	(11 805 689)	-	(11 753 371)
Closing balance	**9 670**	**274**	**-**	**-**

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

First works Pty LTD

Incident

During the audit of 2020/21 financial year, the Auditor General identified and concluded on certain claims by First Works (Pty) Ltd as being Fruitless & Wasteful Expenditure. This expenditure relates to the historic costs incurred in the construction of Ndulinde Water Supply Scheme.

The Auditor General made an audit finding that during the construction of Ndulinde Water Supply Scheme, the appointed contractor claimed an amount of R4 375 887.50 in respect of project delays which no sufficient evidence could be provided by the Municipality that such delays could not have been avoided. The project delays experienced were mainly as a result of prolonged time taken to effect replacement of previously installed and paid for project materials which, after several tests, was found to be defective.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this fruitless and wasteful and was satisfied with the representations made by Management. The Committee therefore recommended that Council should consider certifying this expenditure as irrecoverable and approve it for write off. In arriving to the above recommendation, MPAC had been made to understand that the project delays in question were beyond Management control and therefore that there is no individual who could be held accountable for the resultant financial losses that ensued thereof.

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to Council that the fruitless and wasteful expenditure on Contract Number TS/100/2013 (First Works Pty Ltd) amounting to R4 375 887.50 be certified as irrecoverable and written off by Council.

- In terms of Council Resolution C1031, Council considered MPAC recommendations and certified the fruitless and wasteful expenditure on Contract Number TS/100/2013 (First Works Pty Ltd) amounting to R4 375 887.50 as irrecoverable and approved that it be written off during the course of 203/24 financial year.

Icon Construction (contract TS/180/2017)

Incident

Icon Construction had been appointed in 2017 for the construction of bulk sewer infrastructure at Chris Hani, Lloyds & Ntshawini as well as a 600m³/day Waste Water Treatment Plant in Gledhow. During the implementation of this contract, some contractual disputes arose between iLembe District Municipality and Icon Construction with regards to delays that had arrisen as a result of the appointment of subcontractors (appointment of contractors was a condition set the Municipality in line with its Supply Chain Management Regulations). These delays allegedly resulted in additional costs being incurred by the main contractor (i.e. Icon Construction) who in turn issued a claim to the Municipality in a bid to recoup such additional costs (being extension of time in the main). The dispute was then subjected to arbitration processes where the parties in dispute were unable to reach an agreement. The matter was escalated to the court of law and the court’s ruling was granted in favor of Icon Construction. At the date of reporting, the cummulative claims owed and paid to Icon Construction under the Contract TS/180/2017 amounted to R4 625 403.99 inclusive of additional direct project costs, interest on late payments, sheriff fees as well as taxed bill of costs given that the Municipality lost the case in court.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this fruitless and wasteful and requested for further details surrounding the circumstances that led to incurring the fruitless and wasteful expenditure in question.

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to Council that the fruitless and wasteful expenditure on Contract Number TS/180/2017 (Icon Construction Pty Ltd) amounting to R4 625 403.99 be certified as irrecoverable and written off

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)
by Council.

- In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the fruitless and wasteful expenditure on Contract Number TS/180/2017 (Icon Construction Pty Ltd) amounting to R4 625 403.99 as irrecoverable and approved that it be written off during the course of 2023/24 financial year.

Icon Construction (contract TS/180/2017 & TS/175/2017)

Incident

During the implementation of projects under construction contract numbers TS/175/2017 & TS/180/2017constracts, from time to time, the Municipality experienced funding delays that would sometimes lead to delays in honoring Contractors' claims (including Icon Construction). The common cause for the dalays in payments was usually due to National Government's Grant Allocation not being released timeously as planned. The Municipality would often negotiate for extended payment terms which the Contractors involved would normally agrre to.

Due to deteriorating relations between relevant Municipal staff members and representatives of Icon Construction, it eventually became extremely difficult to negotiate any extended payment terms with this Contractor. In actual fact, Icon Constraction began to apply very tight and sometimes unreasonably demands when it came to the payment of their claims. On several occassions, attempts to find common ground on issues of disputes failed dismally. This led to the formal dispute resolution mechanisms to ensue. The dispute was then subjected to arbitration processes where the parties in dispute were unable to reach an agreement. The matter was escalated to the court of law and the court’s ruling was granted in favor of Icon Construction. At the date of reporting, the cummulative claims owed and paid to Icon Construction under the Contract TS/180/2017 amounted to R1 282 377.43 inclusive of interest on late payments, sheriff fees as well as taxed bill of costs given that the Municipality lost the case in court.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this fruitless and wasteful and requested for further details surrounding the circumstances that led to incurring the fruitless and wasteful expenditure in question.

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to Council that the fruitless and wasteful expenditure on Contract Numbers TS/175/2017 & TS/180/2017 (Icon Construction Pty Ltd) amounting to R1 282 377.43 be certified as irrecoverable and written off by Council.

- In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the fruitless and wasteful expenditure on Contract Numbers TS/175/2017 & TS/180/2017 (Icon Construction Pty Ltd) amounting to R1 282 377.43 as irrecoverable and approved that it be written off during the course of 2023/24 financial year.

59. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Bosch Munitech (PTY) LTD

Incident

Bosch Munitech (PTY) LTD had been appointed by the Municipality in 2015 to implement the Maphumulo/KwaDukuza Regional Water Supply Schemen project (otherwise referred to as the Maphumulo/KwaDukuza RWSS Zone A). Towards the completion of the project, Bosch Munitech claimed for quantities which were more than what was quantified in the bill of quantities (BOQ). As per the arguments advanced by the contractor for such a claim was the fact that there were some changes on the pipe routes and access routes to the reservoirs which formed part of the scope of the project implementation. The Municipality disputed the reasons advanced by the contractor and instead pointed out its disatisfaction on the overall quality of work performed by Bosch Munitech.

During the time of releasing contractor’s retention, there was no more budget available for honoring the retention payment since the contractor had exhausted all funds budgeted for this project including additional funds for the approved 20% Variation Order (VO).

The dispute was then subjected to arbitration processes where the parties in dispute were unable to reach an agreement. The matter was escalated to the court of law and the court’s ruling was granted in favor of Bosch Munitech. At the date of reporting, the cummulative claims owed and paid to Bosch Munitec under the Contract TS/49/2015 amounted to R1 469 702.93 inclusive of interest on late payments and sheriff fees.

Action/s taken

- This matter was reported to Council and Council resolved to refer the matter to MPAC for investigation.

- MPAC interrogated this fruitless and wasteful and requested for further details surrounding the circumstances that led to incurring the fruitless and wasteful expenditure in question. The effect of this Council decision will be considered in the 2023/24 annual financial statements

- After considering all the facts and circumstances on the basis of information presented to MPAC, the Committee concluded its investigation by resolving to recommend to Council that the fruitless and wasteful expenditure on Contract Number TS/149/2015 (Bosch Munitech Pty Ltd) amounting to R1 469 702.93 be certified as irrecoverable and written off by Council.

- In terms of Council Resolution C1031, Council considered recommendations of MPAC and certified the fruitless and wasteful expenditure on Contract Number TS/149/2015 (Bosch Munitech Pty Ltd) amounting to R1 469 702.93 as irrecoverable and approved that it be written off during the course of 2023/24 financial year.

Fruitless and westful expediture that was incurred in the current year related to interest on late payment of service providers and interest on under payment of provisional tax for the following:

Storage facility R78
Provident fund R1401
Provisional tax R9669

Ilembe District Municipality and its Entity Consolidated Financial Statements
Appendix A
Schedule of external loans as at 30 June 2025

External Loans	Interest Rate %	Loan Number	Redeemable Date	Balance at 30 June 2024 Rand	Received during the period Rand	Interest paid during the period Rand	Redeemed/ written off during the period Rand	Balance at 30 June 2025 Rand
Annuity and other loans								
Development Bank of Southern Africa (DBSA)	10.800 %		31/12/2025	15 047 915	-	(1 241 978)	5 947 910	7 858 027
	- %			-	-	-	-	-
The Municipality has anAgreement with MicrosoftIreland Corporation (Microsoft)for Microsoft Volume Licensesfor all Microsoft products(covering both Operating andApplication Software) currentlyutilized by the Municipality. Theagreement covers the period01 July 2024 to 30 June 2027.In terms of the agreement, theMunicipality acquires the rightof use of Microsoft licensesupfront and make payments inthree annual, equal instalmentsover the duration of thecontract (i.e. 3 years). Thepayments are denominated inUS Dollars (US$).	- %		30/06/2027	-	13 653 436	(509 134)	4 445 351	8 698 951
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-

Ilembe District Municipality and its Entity
Consolidated Financial Statements
Appendix A
Schedule of external loans as at 30 June 2025

External Loans	Interest Rate %	Loan Number	Redeemable Date	Balance at 30 June 2024 Rand	Received during the period Rand	Interest paid during the period Rand	Redeemed/ written off during the period Rand	Balance at 30 June 2025 Rand
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
	- %			-	-	-	-	-
				15 047 915	**13 653 436**	**(1 751 112)**	**10 393 261**	**16 556 978**