NEWCASTLE MUNICIPALITY
(Registration number KZN252)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.
Mayor	Cllr DX Dube
Executive Committe	Cllr ME Hlatshwayo
	Cllr CB Kubheka
	Cllr AP Meiring
	Cllr LC Sithebe
	Cllr SA Yende
	Cllr VG Zondo
	Cllr S Singh
	Cllr BG Madi
	Cllr NSF Masondo
Councillors	Cllr TM Zulu (Speaker)
	Cllr ME Buthelezi
	Cllr SB Buthelezi
	Cllr EJC Cronje (MPAC Chair)
	Cllr TN Dlamini
	Cllr F Cassim- Terminated 11/11/2024
	Cllr NC Dube
	Cllr FL Duma
	Cllr VF Hadebe
	Cllr P Hariram
	Cllr MME Hlatshwayo
	Cllr LM Khumalo
	Cllr MT Lethea
	Cllr CY Lui
	Cllr ZE Madi
	Cllr MTD Makhoba
	Clllr XS Makhubo
	Cllr FA Malinga
	Cllr NP Maseko
	Cllr SB Mashazi
	Cllr SP Masuku
	Cllr BD Mathunjwa
	Cllr LP Mazibuko
	Cllr Mdluli NI
	Cllr AE Mkhwanazi
	Cllr SW Mngomezulu
	Cllr PF Mnisi
	Cllr TE Mthembu
	Cllr MV Molefe
	Cllr NP Mthabela
	Cllr LP Ndebele
	Cllr MO Ndlovu
	Cllr MS Ndlovu
	Cllr CS Ngcobo
	Cllr RN Ngcobo

General Information

	Cllr N Njoko
	Cllr AT Nkosi
	Cllr SE Nkosi
	Cllr WP Nkosi
	Cllr S Ntsele
	Cllr MJ Ntshangase
	Cllr ZS Nxumalo
	Cllr ME Radebe
	Cllr RBS Russell
	Cllr NP Shabalala
	Cllr SE Shabangu
	Cllr S Shaws - Appointed 24/01/2025
	Clllr VN Sibeko
	Cllr MH Simelane
	Cllr FN Sithole
	Cllr BR Thusi
	Cllr JA Vorster
	Cllr NP Thela
	Cllr LP Ximba
	Cllr NS Zulu
	Cllr MN Zulu
	Cllr ZE Zwane
	Cllr JB Zwane
Grading of local authority	4
Chief Finance Officer (CFO)	PHZ Kubheka
Accounting Officer	ZW Mcineka
Registered office	37 Murchison Street Newcastle
Business address	37 Murchison Street Newcastle 2940
Postal address	Private Bag X 6621 Newcastle 2940
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa
Attorneys	DBM Attorneys, T.J Mphela Attorneys
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

General Information

Audit Committee Members	Mandla Ngubane (Chairperson) Sifiso Nxumalo Mamokeaseng Nkopane Sijabulile Makhathini Takalani Nekhofthe
Contact Details	Telephone: 034 328 7600 Email : communications@newcastle.gov.za Facebook page: Newcastle Municipality Website: https//newcastle.gov.za

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out from page 5, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 28 November 2025.

28/11/25

ZW Mcineka
Municipal Manager

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	8	46 495 582	41 218 576
Receivable from exchange transactions	9	130 010 469	88 265 657
Receivable from non-exchange transactions	10	135 441 625	109 405 239
Consumer debtors from exchange transactions	11	560 264 635	491 369 969
Cash and cash equivalents	12	85 471 551	26 385 911
		957 683 862	**756 645 352**
Non-Current Assets			
Investment property	3	1 643 499 640	1 591 861 000
Property, plant and equipment	4	5 836 737 328	6 052 140 270
Intangible assets	5	246 286	469 840
Heritage assets	6	11 733 939	11 196 461
Investments in associate	7	214 166 802	231 837 717
Receivable from exchange transactions	9	4 489 794	4 306 191
		7 710 873 789	**7 891 811 479**
Total Assets		**8 668 557 651**	**8 648 456 831**
Liabilities			
Current Liabilities			
Financial Liabilities	17	48 113 976	55 129 816
Finance lease obligation	15	14 720 568	1 464 250
Payables from exchange transactions	20	1 239 931 776	900 423 475
Consumer deposits	22	40 539 176	38 057 936
Unspent conditional grants and receipts	16	97 278 118	77 485 365
Defined Benefit Plan	18	16 878 000	14 811 000
		1 457 461 614	**1 087 371 842**
Non-Current Liabilities			
Financial Liabilities	17	198 481 514	235 427 706
Finance lease obligation	15	19 076 079	1 268 078
Defined Benefit Plan	18	223 934 000	199 092 001
Provision for rehabilitation of landfill site	19	95 640 414	89 821 401
		537 132 007	**525 609 186**
Total Liabilities		**1 994 593 621**	**1 612 981 028**
Net Assets		**6 673 964 030**	**7 035 475 803**
Reserves			
Housing Development Fund	13	27 931 687	27 581 782
Self-insurance reserve	14	337 698	344 102
Accumulated surplus		6 645 694 638	7 007 549 911
Total Net Assets		**6 673 964 023**	**7 035 475 795**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	1 418 020 744	1 280 047 350
Rental of facilities and equipment	25	13 405 913	9 390 932
Other Revenue	27	13 546 001	12 242 514
Interest Income	28	10 156 590	6 809 612
Total revenue from exchange transactions		**1 455 129 248**	**1 308 490 408**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	436 896 351	400 069 255
Penalties imposed on property rates	29	5 586 733	4 888 964
Licences and Permits		66 026	40 042
Transfer revenue			
Government grants & subsidies- Operational	31	689 840 558	582 591 651
Government Grants & Subsidies - Capital	30	123 186 537	214 134 325
Public contributions and donations	32	558 688	81 960
Fines, Penalties and Forfeits	26	24 862 388	12 069 357
Total revenue from non-exchange transactions		**1 280 997 281**	**1 213 875 554**
Total revenue	23	**2 736 126 529**	**2 522 365 962**
Expenditure			
Employee related costs	33	739 094 076	675 353 859
Remuneration of councillors	34	30 492 158	31 787 773
Depreciation and amortisation	35	392 869 958	365 909 837
Finance costs	37	133 918 712	85 926 298
Debt Impairment	38	215 622 297	419 674 807
Bad debts written off	39	94 434 700	80 522 241
Bulk purchases	40	700 486 276	620 235 660
Contracted services	42	450 665 806	302 887 225
Water Losses	40	74 647 701	61 931 838
Water Consumed	41	125 067 815	109 197 844
General Expenses	43	182 194 879	164 672 021
Total expenditure		**3 139 494 378**	**2 918 099 403**
Operating deficit		**(403 367 849)**	**(395 733 441)**
Share of Surplus / (Deficit) in investment in associates		(17 670 915)	3 104 570
Actuarial gains/losses		(7 681 904)	4 542 496
Fair value adjustment on investment property		51 638 640	90 328 300
Reversal of impairments (Impairment loss)	36	12 298 114	(26 711 342)
Inventories losses/write-downs		(64 933)	(178 342)
Profit /(Loss) on Sale of Asset		3 337 075	3 960 275
		41 856 077	**75 045 957**
Deficit for the year		**(361 511 772)**	**(320 687 484)**

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Insurance reserve	Total reserves	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	32 160 728	130 936	32 291 664	6 754 683 639	6 786 975 303
Adjustments					
Prior year adjustments 60	-	-	-	(265 587)	(265 587)
Balance at 1 July 2023 as restated*	**32 160 728**	**130 936**	**32 291 664**	**6 754 418 052**	**6 786 709 716**
Changes in net assets					
Deficit for the year	-	-	-	(320 687 484)	(320 687 484)
Transfer to Housing Development Fund	(4 578 946)	-	(4 578 946)	4 578 946	-
Transfer to Insurance reserve	-	213 166	213 166	(213 166)	-
Inventory losses/write-downs	-	-	-	397 615	397 615
General Expenses	-	-	-	(30 203 644)	(30 203 644)
Contracted services	-	-	-	(9 644 502)	(9 644 502)
Fair value adjustments on investment property	-	-	-	298 520 000	298 520 000
Profit/(loss) on sale of asset	-	-	-	(22 865)	(22 865)
Government Grants and subsidies	-	-	-	2 473 545	2 473 545
Finance Cost	-	-	-	(100 454)	(100 454)
Public Contributions and donations	-	-	-	146 100	146 100
Other Revenue and Fines, Penalties and forfeits	-	-	-	168 809	168 809
Debt impairment	-	-	-	156 114 517	156 114 517
Depreciation and Amortisation	-	-	-	22 464 896	22 464 896
Share of Deficit	-	-	-	129 139 512	129 139 512
Total changes	(4 578 946)	213 166	(4 365 780)	253 131 825	248 766 045
Restated* Balance at 1 July 2024	**27 581 782**	**344 102**	**27 925 884**	**7 007 549 911**	**7 035 475 795**
Changes in net assets					
Deficit for the year	-	-	-	(361 511 772)	(361 511 772)
Transfer to Housing Development Fund	349 905	-	349 905	(349 905)	-
Transfer from Insurance reserve	-	(6 404)	(6 404)	6 404	-
Total changes	349 905	(6 404)	343 501	(361 855 273)	(361 511 772)
Balance at 30 June 2025	**27 931 687**	**337 698**	**28 269 385**	**6 645 694 638**	**6 673 964 023**
Note(s)	13	14			

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 487 340 794	1 367 596 995
Grants		832 819 849	740 504 554
Interest income		11 129 857	6 354 548
		2 331 290 500	2 114 456 097
Payments			
Employee costs		(765 667 280)	(751 772 628)
Suppliers		(1 257 151 701)	(1 126 527 304)
Finance costs		(33 241 457)	(56 387 992)
		(2 056 060 438)	(1 934 687 924)
Net cash flows from operating activities	45	**275 230 062**	**179 768 173**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(169 288 617)	(142 609 896)
Proceeds from sale of property, plant and equipment	4	4 802 487	102 674
Purchase of investment property	3	-	(100 000)
Proceeds from sale of investment property	3	-	8 008 434
Purchase of other intangible assets	5	-	(313 946)
Purchase of heritage assets	6	(26 500)	(58 000)
Financial assets- (bank deposit)		(183 603)	2 824 557
Net cash flows from investing activities		**(164 696 233)**	**(132 146 177)**
Cash flows from financing activities			
Repayment of financial liabilities		(43 962 032)	(36 662 133)
Finance lease payments		(9 967 395)	740 187
(Decrease)/ Increase in consumer deposit		2 481 240	2 458 776
Net cash flows from financing activities		**(51 448 187)**	**(33 463 170)**
Net increase/(decrease) in cash and cash equivalents		**59 085 642**	**14 158 826**
Cash and cash equivalents at the beginning of the year		26 385 911	12 227 085
Cash and cash equivalents at the end of the year	12	**85 471 553**	**26 385 911**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference(Refer to Appendix E for comments)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 364 757 665	44 147 739	**1 408 905 404**	1 418 020 744	**9 115 340**	
Rental of facilities and equipment	11 643 319	-	**11 643 319**	13 405 913	**1 762 594**	
Other Revenue	21 278 336	(9 409 193)	**11 869 143**	13 546 001	**1 676 858**	
Interest received - investment	6 584 950	2 492 760	**9 077 710**	10 156 590	**1 078 880**	
Total revenue from exchange transactions	**1 404 264 270**	**37 231 306**	**1 441 495 576**	**1 455 129 248**	**13 633 672**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	389 490 296	40 074 880	**429 565 176**	436 896 351	**7 331 175**	
Property rates - penalties imposed	3 147 000	-	**3 147 000**	5 586 733	**2 439 733**	
Licences and Permits (Non-exchange)	35 901	-	**35 901**	66 026	**30 125**	
Transfer revenue						
Government grants & subsidies-Operational	676 117 627	27 889 330	**704 006 957**	689 840 558	**(14 166 399)**	
Government grants & subsidies-Capital	162 376 373	(21 069 235)	**141 307 138**	123 186 537	**(18 120 601)**	
Public contributions and donations	-	-	**-**	558 688	**558 688**	
Fines, Penalties and Forfeits	7 600 938	-	**7 600 938**	24 862 388	**17 261 450**	
Total revenue from non-exchange transactions	**1 238 768 135**	**46 894 975**	**1 285 663 110**	**1 280 997 281**	**(4 665 829)**	
Total revenue	**2 643 032 405**	**84 126 281**	**2 727 158 686**	**2 736 126 529**	**8 967 843**	
Expenditure						
Employee Costs	(721 545 772)	17 441 328	**(704 104 444)**	(739 094 076)	**(34 989 632)**	
Remuneration of councillors	(27 442 548)	(1 000 000)	**(28 442 548)**	(30 492 158)	**(2 049 610)**	
Depreciation and amortisation	(352 716 394)	2 000 000	**(350 716 394)**	(392 869 958)	**(42 153 564)**	
Finance costs	(30 300 149)	-	**(30 300 149)**	(133 918 712)	**(103 618 563)**	
Debt Impairment	(200 548 071)	(10 000 000)	**(210 548 071)**	(215 622 297)	**(5 074 226)**	
Bad debts written off	(93 659 255)	8 000 000	**(85 659 255)**	(94 434 700)	**(8 775 445)**	
Bulk purchases	(700 497 295)	9 682 621	**(690 814 674)**	(700 486 276)	**(9 671 602)**	
Contracted Services	(202 111 819)	(107 603 871)	**(309 715 690)**	(450 665 806)	**(140 950 116)**	
Water Consumed '	(138 266 600)	(298 567)	**(138 565 167)**	(199 715 516)	**(61 150 349)**	
General Expenses	(150 371 623)	12 678 670	**(137 692 953)**	(182 194 879)	**(44 501 926)**	
Total expenditure	**(2 617 459 526)**	**(69 099 819)**	**(2 686 559 345)**	**(3 139 494 378)**	**(452 935 033)**	
Operating deficit	**25 572 879**	**15 026 462**	**40 599 341**	**(403 367 849)**	**(443 967 190)**	
Share of Surplus/Deficit	-	-	**-**	(17 670 915)	**(17 670 915)**	
Actuarial gains/losses	-	-	**-**	(7 681 904)	**(7 681 904)**	
Impairment loss/Reversal of impairments	-	-	**-**	12 298 114	**12 298 114**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference(Refer to Appendix E for comments)
Fair Value adjustment on investment property	-	-	-	51 638 640	**51 638 640**	
Inventories losses/write-downs	-	-	-	(64 933)	**(64 933)**	
Gain on non-current assets held for sale or disposal groups	-	-	-	3 337 075	**3 337 075**	
	-	**-**	**-**	**41 856 077**	**41 856 077**	
Deficit before taxation	**25 572 879**	**15 026 462**	**40 599 341**	**(361 511 772)**	**(402 111 113)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**25 572 879**	**15 026 462**	**40 599 341**	**(361 511 772)**	**(402 111 113)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference(Refer to Appendix E for comments)
Statement of Financial Position						
Assets						
Current Assets						
Inventories	77 946 246	16 463 878	**94 410 124**	46 495 582	**(47 914 542)**	
Receivable from exchange transactions	2 732 503	568 309	**3 300 812**	-	**(3 300 812)**	
Receivables from non-exchange transactions	66 631 002	32 717 760	**99 348 762**	135 441 625	**36 092 863**	
Consumer Debtors and Receivable from exchange	778 680 040	(99 643 991)	**679 036 049**	690 275 104	**11 239 055**	
VAT Receivable	59 284 884	157 553 999	**216 838 883**	-	**(216 838 883)**	
Cash and cash equivalents	351 674 762	(127 234 897)	**224 439 865**	85 471 551	**(138 968 314)**	
	1 336 949 437	**(19 574 942)**	**1 317 374 495**	**957 683 862**	**(359 690 633)**	
Non-Current Assets						
Investment property	1 473 726	1 133 046 491	**1 134 520 217**	1 643 499 640	**508 979 423**	
Property, plant and equipment	5 984 915 937	(44 801 474)	**5 940 114 463**	5 836 737 328	**(103 377 135)**	
Intangible assets	7 586 559	(9 760 248)	**(2 173 689)**	246 286	**2 419 975**	
Heritage assets	4 312 832	(311 884)	**4 000 948**	11 733 939	**7 732 991**	
Investments in associate	101 739 024	959 147	**102 698 171**	218 656 596	**115 958 425**	
	6 100 028 078	**1 079 132 032**	**7 179 160 110**	**7 710 873 789**	**531 713 679**	
Total Assets	**7 436 977 515**	**1 059 557 090**	**8 496 534 605**	**8 668 557 651**	**172 023 046**	
Liabilities						
Current Liabilities						
Financial Liabilities	35 281 856	3 176 873	**38 458 729**	62 834 544	**24 375 815**	
Payables from exchange transactions	537 620 954	9 715 363	**547 336 317**	1 239 931 776	**692 595 459**	
VAT payable	97 992 923	222 077 659	**320 070 582**	-	**(320 070 582)**	
Consumer deposits	35 598 586	141 497	**35 740 083**	40 539 176	**4 799 093**	
Unspent conditional grants and receipts	132 531 502	(67 779 135)	**64 752 367**	97 278 118	**32 525 751**	
Provisions	14 743 974	47 669 537	**62 413 511**	16 878 000	**(45 535 511)**	
	853 769 795	**215 001 794**	**1 068 771 589**	**1 457 461 614**	**388 690 025**	
Non-Current Liabilities						
Financial Liabilities	210 287 560	(5 113 445)	**205 174 115**	217 557 593	**12 383 478**	
Defined Benefit Plan	199 462 348	14 572 613	**214 034 961**	223 934 000	**9 899 039**	
Provisions (Landfill Site)	72 549 158	17 272 242	**89 821 400**	95 640 414	**5 819 014**	
Long term portion of trade payables	167 972 935	-	**167 972 935**	-	**(167 972 935)**	
	650 272 001	**26 731 410**	**677 003 411**	**537 132 007**	**(139 871 404)**	
Total Liabilities	**1 504 041 796**	**241 733 204**	**1 745 775 000**	**1 994 593 621**	**248 818 621**	
Net Assets	**5 932 935 719**	**817 823 886**	**6 750 759 605**	**6 673 964 030**	**(76 795 575)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference(Refer to Appendix E for comments)
Net Assets						
Reserves						
Housing Development Fund	32 291 665	265 583	**32 557 248**	27 931 687	**(4 625 561)**	
Insurance reserve	-	-	**-**	337 698	**337 698**	
Accumulated surplus	5 820 952 509	664 412 022	**6 485 364 531**	6 645 694 638	**160 330 107**	
Total Net Assets	**5 853 244 174**	**664 677 605**	**6 517 921 779**	**6 673 964 023**	**156 042 244**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference(Refer to Appendix E for comments)
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods	1 203 137 972	13 751 584	**1 216 889 556**	1 487 340 794	**270 451 238**	
Grants	828 494 000	30 926 150	**859 420 150**	832 819 848	**(26 600 302)**	
Interest received	11 182 072	501	**11 182 573**	11 129 857	**(52 716)**	
Other receipts	429 811 424	(30 763 993)	**399 047 431**	-	**(399 047 431)**	
	2 472 625 468	**13 914 242**	**2 486 539 710**	**2 331 290 499**	**(155 249 211)**	
Payments						
Employee costs and payments to suppliers	(1 954 235 657)	(127 920 973)	**(2 082 156 630)**	(2 022 818 981)	**59 337 649**	
Finance costs	(30 300 149)	-	**(30 300 149)**	(33 241 457)	**(2 941 308)**	
	(1 984 535 806)	**(127 920 973)**	**(2 112 456 779)**	**(2 056 060 438)**	**56 396 341**	
Net cash flows from operating activities	**488 089 662**	**(114 006 731)**	**374 082 931**	**275 230 061**	**(98 852 870)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(173 486 373)	16 034 357	**(157 452 016)**	(169 288 617)	**(11 836 601)**	
Proceeds from sale of property, plant and equipment	10 000 000	10 000 000	**20 000 000**	4 802 487	**(15 197 513)**	
Purchase of Herigate asset	-	-	**-**	(26 500)	**(26 500)**	
Financial assets- (bank deposit)	-	-	**-**	(183 603)	**(183 603)**	
Net cash flows from investing activities	**(163 486 373)**	**26 034 357**	**(137 452 016)**	**(164 696 233)**	**(27 244 217)**	
Cash flows from financing activities						
Repayment of borrowing	(32 985 915)	-	**(32 985 915)**	(43 962 032)	**(10 976 117)**	
Finance lease receipts	-	-	**-**	(9 967 395)	**(9 967 395)**	
(Decrease)/Increase in consumer	-	-	**-**	2 481 240	**2 481 240**	
Net cash flows from financing activities	**(32 985 915)**	**-**	**(32 985 915)**	**(51 448 187)**	**(18 462 272)**	
Net increase/(decrease) in cash and cash equivalents	291 617 374	(87 972 374)	**203 645 000**	59 085 641	**(144 559 359)**	
Cash and cash equivalents at the beginning of the year	65 647 923	(39 262 022)	**26 385 901**	26 385 911	**10**	
Cash and cash equivalents at the end of the year	**357 265 297**	**(127 234 396)**	**230 030 901**	**85 471 552**	**(144 559 349)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference(Refer to Appendix E for comments)

The budget of the municipality was prepared on accrual basis of accounting and in accordance with the Municipal Budget and Reporting Regulations (MBRR) as well as the National Treasury's MFMA circulars. In accordance with the MBRR, the classification basis through which the municipality presents its budget is the economic (item) as well as the functional classification (standards and vote classifications). Differences between the budget and the actual financial results exist mainly due to technical GRAP related entries made as well the movements made after the adjustments budget was approved. These differences are considered to be as material since the basis of preparation of the budget and the actual results are the same (accrual basis). Where variances are considered to be material, the reasons for variances are provided in Annexure E attached hereto.

Variances between the approved budget and the final budget presented in the Statement of Comparison of Budget and Actual Information are due to the adjustments budget(s) which have been approved by council. These adjustments include those that are as a result of reallocations within the approved budget between municipal votes as well as grant roll overs approved during the year. Adjustments also include those that have been done in accordance with the approved virements Policy of Council during the financial year.

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

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).

The annual financial statements are rounded off to the nearest R1

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, except for the changes set out in note 59. Changes in accounting policy

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

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

1.4 Interests in other entities

Investments in associates and/or joint ventures

Significant Accounting Policies

1.4 Interests in other entities (continued)

.
An associate is an entity over which the municipality has significant influence and that is neither a controlled entity nor an interest in a joint venture.
Investment in an associate is accounted for by using the equity method from the date on which the entity in which the investment is made becomes an associate of the municipality.
The investment is initially recognised at cost and is then increased or decreased to recognise the municipality's share of the accumulated surplus or deficit generated subsequent to acquisition. After application of the equity method, the municipality determines whether it is necessary to recognise any additional impairment loss in respect of the municipalities net investment in an associate

.
SignificantInfluence
Management’s judgement is required to determine whether the municipality holds significant influence over another entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee, yet without having control or joint control over those policies. There is a rebuttable presumption that a shareholding in excess of 20%, but less than 50%, gives rise to significant influence. Management has concluded that the proportion of ownership interest held in the associate equals significant influence.

Impairment of Investment
At each reporting date, the municipality assesses whether there is any indication that the investment in the associate may be impaired. This assessment is based on the difference between the carrying amount of the investment and the recoverable amount. The recoverable amount is determined as the higher of the asset’s fair value less costs to sell and its value-in-use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction between knowledgeable, willing parties, less costs of disposal. The value-in-use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset as well as from its disposal at the end of its useful life.

1.5 Significant judgements and sources of estimation uncertainty

The preparation of the Municipality’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Judgements
In the process of applying the Municipality’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements
Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:
.
Depreciation and Impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets’ estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.
Management used their judgement in applying the internal and external impairment indicators to its assets.
.
Consumer receivables
Management estimates the amounts that it expects to recover from outstanding balances at year end based upon the age profile of debts and based on prior experience and trends. A provision for impairment is raised based on these estimates.
.
Provisions
Provisions on rehabilitation of landfill site, bonus and leave were raised and management determined an estimate based on the information available.
.
Post retirement benefits (defined benefit plan)

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using anumber of assumptions. The assumptions used in determining the net defined benefit liability include the discount rate. Any changes in theseassumptions will impact on the carrying amount of post retirement obligations
.
The municipality determines the appropriate discount rate every year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service awards and post-employment medical aid subsidy. In determining the appropriate discount rate, the municipality considers the corresponding index-linked yield at this term. These yields were obtained by calculating the duration of the DBO and then taking the fixed-interest and index-linked yields from the respective yield curves at that duration using an iterative process.
.
Additional information on other key assumptions is disclosed in Note 18

1.6 Investment property

Investment property includes property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for/held to meet service delivery objectives
- administrative purposes, or
- sale of an asset in the ordinary course of operations.

Significant Accounting Policies

1.6 Investment property (continued)

Initial Recognition

At initial recognition , the municipality measures investment property at cost, transaction costs are included in the initial measurement.

Where investment property is aqcuired through non-exchange transaction , its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of or service a propety. if a replacement part is recognised in the carrying amount of the investment propety , the carrying amount of the replaced part is derecognised.

Management applies the category below to distinguish investment property from Property , plant and equipment:
- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 monhts
-Land held for a currently undertermined future use
-A builidng owned (or held by under a finance lease) and leased out under one or more operating lease
-Leased properties that are held to provide social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which property is held.
-A building that is vacant but is held to be leased out under one or more operating lease
-Property that is being constructed or developed for future use as investment property

Significant Accounting Policies

1.6 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value model entails measuring the investment property at fair value , recognising changes in the market conditions at the reporting date.

Fair value is the best price obtainable by the seller , whilst simultaneously being the most advantageous price obtainable by a buyer
The fair value is determined by adjusting the market prices of properties of a different nature, condition or location to reflect differences.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable, or construction is completed (whichever is earlier).

If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment) until the disposal of the property or until the property becomes owner occupied, or the municipality begins to develop the property for subsequent sale in the ordinary course of business. The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the unaudited annual financial statements (see note).

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

Derecognition/ Disposal

Investment properties are derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal or retirement of an investment property is determined as the difference between the sales proceeds and the fair value of the property and is included in the surplus/ deficit in the period of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

Significant Accounting Policies

1.7 Property, plant and equipment

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

Management applies the category below to distinguish Property, Plant and Equipment from Investment Property:

Owner- occupied property (including)
Owner-occupied property held for disposal
Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and Property held by the municipality for a strategic purpose

Initial Recognition

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

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

Initial measurement

Property,plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. 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 through a non-exchange transaction, its cost is deemed to be equal to it's its fair value as at date of acquisition.

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

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.when the municipality expects to use them for more than one period, and they meet the definition of property, plant and equipment. 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.
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Subsequent measurement – Cost Model

Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

Subsequently all property, plant and equipment, are measured at cost, less accumulated depreciation and accumulated impairment losses.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

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

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, to allocate their cost less their residual values 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 municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated average useful lives. The average useful lives of items of property, plant and equipment have been assessed as follow:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	5 years
Furniture and fixtures	Straight-line	7 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	5 years
Computer software	Straight-line	5 years
Infrastructure	Straight-line	5-80 years
Community	Straight-line	5-80 years
Other property, plant and equipment	Straight-line	5-10 years
Landfill site	Straight-line	5 years
Heritage	Straight-line	Infinite

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

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset .Depreciation only commences when the asset is ready for use

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 from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the proceeds from the disposal, if any, and the carrying amount of the asset at the date of disposal. All cash flows on these assets are included in cash flows from investing activities in the cash flow statement.

1.7 Property, plant and equipment (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or permanently withdrawn from use, is included in surplus or is the surplus when the compensation becomes receivable
As per GRAP 17, Para. 87, an entity shall disclose the following in the notes to the financial statements regarding property, plant, and equipment being constructed or developed:

(b) The carrying value of property, plant, and equipment taking significantly longer to complete than expected, including reasons for delays.

(c) The carrying value of property, plant, and equipment where construction or development has been halted, including reasons for halting and any recognised impairment losses.

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of property , plant and equipment; the carrying value of property , plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of property , plant and equipment where construction or development has been halted

1.8 Site restoration and dismantling cost

The municipality has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

As the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.9 Intangible assets

An asset is identifiable if it either:

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

Significant Accounting Policies

1.9 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

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

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.
  The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

Significant Accounting Policies

1.10 Heritage assets

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

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

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

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Significant Accounting Policies

1.10 Heritage assets (continued)

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

Transfers

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

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

Derecognition

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

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

Significant Accounting Policies

1.11 Financial instruments

Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.
Subsequent measurement of financial assets and financial liabilities

Financial assets are categorised according to their nature as financial assets at amortised costs and financial liabilities are categorized as financial liabilities carried at amortised cost in accordance with GRAP 104
.
Financial Assets
The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.
Receivables from exchange transactions and other receivables
Trade and other receivables are categorised as financial assets: receivables are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Cash and cash equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.
.
Financial Liabilities

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

Other Financial Liabilities

Borrowings are recognised initially at fair value plus transaction costs incurred. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

Significant Accounting Policies

1.11 Financial instruments (continued)

1.12 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another endity in cash or another financial asset. The municipality currently has property rates and fines classified in this catergory .
Carrying amount is the amount at which an asset is recognised in the statement of financial position.
The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.
Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.
The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired,

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

1.12 Statutory receivables (continued)

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.13 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

1.14 Inventories

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

1.14 Inventories (continued)

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

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

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

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

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

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

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

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

1.15 Construction contracts and receivables

The municipality has a level 2 accreditation in terms of participation on the National Housing Programme. The municipality is a project developer in terms of the arrangement to contract and transfer houses to beneficiaries on the Programme. Funds received to implement the National Housing Programme are recognised as contract revenue for projects evaluated to qualify as construction contracts. Funds kept as the Housing Development Fund shall be recognised as contract revenue for amounts spent to the extent that the agreements specifies so.

Contract revenue comprise:

1. The initial amount agreed in the contract; and

2. Variations in contract work, claims and incentive payment to the extent that:

1. It is probable that they will result in revenue; and

2. They are capable of being measured reliably.

Contract revenue is measured at the fair values of the consideration received or receivable. When the outcome of the contraction contract can be measured reliably, the contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date.

Contract costs comprise:

1. Costs that relate directly to the specific contract;

2. Costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and

3. Other costs that are specifically chargeable to the customer under the terms of the contract.

Contract costs include the costs attributable to the contract for the period from the date of securing the contract to the final completion of the contract. Costs that cannot be attributable to a contract are excluded from the costs of a construction contract.

1.15 Construction contracts and receivables (continued)

Any unused funds advanced to the municipality are recognised as a contract liability.

Any claims made but not yet received by the municipality at the reporting date are recognised as a contract receivable.

1. Presentation

    a. contract revenue

- recognise contract revenue received during the year as a separate item on the face of the statement of financial performance.

    b. contract costs

- recognise contract costs incurred during the year under contracted services or as a separate line item in the statement of financial performance.

    c. contract debtors – include in other receivables if municipality had made any claim(s) for work done to Housing Department but not yet received at year-end

contract liability – Include under paid in advance but not spent (if any) under Note 16. - Unspent grant liability

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality 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 a municipality's objective of using the asset.

The municipality 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.

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 municipality 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 commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

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

Value in use

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

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

Significant Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.18 Share capital / contributed capital

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

1.19 Employee benefits

Identification

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

Termination benefits are employee benefits payable as a result of either:
-an entity’s decision to terminate an employee’s employment before the normal retirement date; or
-an employee’s decision to accept voluntary redundancy in exchange for those benefits.

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service (such as long service awards).

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities

Significant Accounting Policies

1.19 Employee benefits (continued)

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.

Short-term employee benefits include items such as:
-wages, salaries and social security contributions;
-short-term compensated absences (such as paid annual leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
-bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
-non-monetary benefits (for example, medical care) for current employees.

When an employee has rendered service to an entity during a reporting period, the municipaity recognises the undiscounted amount of short-term benefits.

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 entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Significant Accounting Policies

1.19 Employee benefits (continued)

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

-The present value of the defined benefit obligation at the reporting date;
-minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
-plus any liability that may arise as a result of a minimum funding requirement
.

The entity determines the present value of defined benefit obligations determined by outsourced service providers with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

-current service cost;
-interest cost
-the expected return on any plan assets and on any reimbursement rights;
-actuarial gains and losses;
-past service cost;
-the effect of any curtailments or settlements; and -
-the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:any resulting change in the present value of the defined benefit obligation;

Significant Accounting Policies

1.19 Employee benefits (continued)

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation using current actuarial assumptions.

Other long-term employee benefits

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity on retirement to certain employees or long serving employees.An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
-the present value of the defined benefit obligation at the reporting date;
-minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
-current service cost;
-interest cost;
-the expected return on any plan assets and on any reimbursement right recognised as an asset;
-actuarial gains and losses, which shall all be recognised immediately;
-past service cost, which shall all be recognised immediately; and
-the effect of any curtailments or settlements.

Termination benefits

Recognition

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.

1.20 Provisions and contingencies

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

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

Significant Accounting Policies

1.20 Provisions and contingencies (continued)

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

1.20 Provisions and contingencies (continued)

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

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

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Significant Accounting Policies

1.20 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.21 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services).

1.22 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

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

1.22 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

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

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

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

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

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

Significant Accounting Policies

1.23 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

1.24 Grants and transfers

Grants and transfers received or receivable are recognised as assets when the resources have been transferred to the Municipality and meet the definition and criteria for recognition as assets.

A

corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require the Municipality either consumes the future economic benefit or service potential of the asset as specified, or that in the event that the conditions are bridged, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transfered to the revenue when conditions attached to the grants and transferes are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

1.25 Investment income

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

1.26 Borrowing costs

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

Borrowing costs are recognised as an expense in the period in which they are incurred.

Significant Accounting Policies

1.27 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Recognition

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

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

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

1.28 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.29 Comparative figures

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

1.30 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.31 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.32 Irregular expenditure

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

Significant Accounting Policies

1.32 Irregular expenditure (continued)

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.33 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.34 Internal reserves

Self-insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally.. The balance of the Self-Insurance Reserve is determined based on 5% of the insurance risk carried by the municipality and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

1.35 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.36 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.

Significant Accounting Policies

1.36 Segment information (continued)

The resources of the municipality are allocated in line with the business units, which are as follows:
- Community and Public Safety: which includes community services , sport and recreation , public safety and housing services.
- Economic and Environmental Services: which includes planning and development , road transport and environmental protection services. -
Trading Services: which includes provision of electricity , water management , waste water management and waste management services.
- Other Services: which includes governance and administration of the municipality.
The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

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.

1.37 Budget information

The annual budget figures have been in accordance with the GRAP standards in an accrual basis, and are consistent with accounting policies used for the preparation of these financial statements. The approved budget is the most recent adjustment budget approved by Council. The final budget is the most recently approved budget that has been adjusted for changes made in terms of the legislation and may not have been formally approved again by Council .

The budget amounts are presented as a separate, additional financial statement, called statement of comparison of budget and actual amount. Explanatory notes on material differences are provided in the notes to the financial statements. Material variances are those variances that are 10% more or less than the approved budget. Comparative information is not required for, and has therefore has not been presented in the statement of comparison of budget and actual amounts..

1.38 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

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

Significant Accounting Policies

1.38 Related parties (continued)

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

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

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

1.39 Events after reporting date

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

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

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

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

1.40 Cash and cash equivalents

Cash includes cash on hand, cash held with banks and call deposits. Cash equivalents are short-term bank deposit withe maturity of 3 months or less from inception, readilly convrtable into cash without significance changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any overdrafts

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 on Mergers (amended)	To be determined	Impact is currently being assessed
• GRAP 106 on Transfer of functions between entities under common control (amended)	To be determined	Impact is currently being assessed
• GRAP 105 on Transfer of functions between entities under common control (amended)	To be determined	Impact is currently being assessed
• GRAP 103 on Heritage assets(amended)	To be determined	Impact is currently being assessed
• GRAP 1 on Presentation of Financial Statement (amended 2022)	To be determined	Impact is currently being assessed

3. Investment property

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	1 643 499 640	-	1 643 499 640	1 591 861 000	-	1 591 861 000

Reconciliation of investment property - 30 June 2025

	Opening balance	**Fair value adjustments**	**Total**
Investment property	1 591 861 000	51 638 640	1 643 499 640

Reconciliation of investment property - 30 June 2024

	Opening balance	**Additions**	**Disposals**	**Fair value adjustments**	**Prior Year Correction**	**Total**
Investment property	1 416 095 700	100 000	(4 063 000)	90 328 300	89 400 000	1 591 861 000

Pledged as security

All of the municipaity's investment property is held under free hold interests and no investment property and no investment property had been pleged as security for any liabilities of the municipality.

Investment property in the process of being constructed or developed

No investment property is in process of being constructed or developed.

3. Investment property (continued)

Other Information for investment Property

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

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of investment property.

There are no restrictions on the realisability of investment property of the remittance of revenue and proceeds of disposal.

The municipality has identified 230 properties through the Deeds Report which were recorded with the descriptions of land parcels which are differenct from the municipality's asset register. The differences are due to the Deeds Office reporting on subdivided titles wherears the municipality records in their parents title in the asset register.

The municipality is in the process of componentising the parent land parcels into subdivisions in the asset register in order to ensure that it is identical with the information extracted from the Deeds Office. However , the investigation and alignment will have no impact to the values of assets that are currently recorded in the asset register as well as the financial statements.

Maintenance of investment property

No repairs and maintenance on investment property done in the current year.

Amounts recognised in surplus or deficit

	2025	2024
Rental revenue from Investment property	6 259 295	4 367 284

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	396 956 447	-	396 956 447	396 956 447	-	396 956 447
Buildings	432 320 668	(132 929 878)	299 390 790	432 010 378	(117 790 738)	314 219 640
Infrastructure	10 224 353 923	(5 361 090 968)	4 863 262 955	10 103 238 918	(5 002 258 859)	5 100 980 059
Community	339 443 220	(141 050 023)	198 393 197	326 121 262	(125 968 286)	200 152 976
Leased Assets	45 436 099	(8 563 915)	36 872 184	4 559 041	(2 737 619)	1 821 422
Other Assets	200 706 790	(158 845 035)	41 861 755	207 259 430	(169 249 704)	38 009 726
Total	**11 639 217 147**	**(5 802 479 819)**	**5 836 737 328**	**11 470 145 476**	**(5 418 005 206)**	**6 052 140 270**

Reconciliation of property, plant and equipment - 30 June 2025

	Opening balance	**Additions**	**AUC Additions**	**Disposals**	**Valuation**	**Donations**	**Transfer**	**Depreciation**	**Impairment loss**	**Write off**	**Total**
Land	396 956 447	-	-	-	-	-	-	-	-	-	396 956 447
Buildings	314 219 640	-	310 289	-	-	-	-	(14 880 162)	(258 978)	-	299 390 789
Infrastructure	5 100 980 059	16 328 095	106 562 934	-	1 058 479	-	3 546 696	(353 230 525)	(11 092 312)	(890 472)	4 863 262 954
Community	200 152 976	295 494	13 543 799	-	-	-	(517 333)	(12 568 621)	(2 513 117)	-	198 393 198
Leased Assets	1 821 422	41 031 714	-	-	-	-	-	(5 971 783)	-	(9 169)	36 872 184
Other assets	38 009 726	9 895 010	-	(534 536)	-	521 871	-	(5 958 494)	(46 942)	(24 880)	41 861 755
	6 052 140 270	**67 550 313**	**120 417 022**	**(534 536)**	**1 058 479**	**521 871**	**3 029 363**	**(392 609 585)**	**(13 911 349)**	**(924 521)**	**5 836 737 327**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2024

	Opening balance	Additions	AUC Additions	Disposals	Change in Estimates	Donations	Write Off	Depreciation	Impairment loss	Correction of Error	Total
Land	188 156 447	-	-	-	-	-	-	-	-	208 800 000	396 956 447
Buildings	328 776 492	-	1 419 755	-	-	-	-	(15 013 335)	(468 776)	(494 496)	314 219 640
Infrastructure	5 272 053 983	160 319	157 379 401	-	11 138 937	-	(1 768)	(329 072 896)	(16 851 374)	6 173 457	5 100 980 059
Community	187 236 696	-	26 973 406	-	-	-	-	(11 915 800)	(2 460 357)	319 031	200 152 976
Leased Assets	1 284 230	1 996 037	-	(34 996)	-	-	(43 059)	(707 846)	-	(672 944)	1 821 422
Other assets	33 226 210	4 940 039	-	(8 010)	-	81 400	-	(9 101 878)	(505 509)	9 377 474	38 009 726
	6 010 734 058	**7 096 395**	**185 772 562**	**(43 006)**	**11 138 937**	**81 400**	**(44 827)**	**(365 811 755)**	**(20 286 016)**	**223 502 522**	**6 052 140 270**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Changes in estimates

Property,Plant and Equipment:

Community Assets - Decrease in depreciation	-	8 193 102
Infrastructure - derease in provision for Landfill Site rehabilitation	1 058 479	11 138 937
Infrastructure Assets - Decrease in depreciation	6 442 564	-
Other Assets - Decrease in depreciation	6 211 147	-
	13 712 190	**19 332 039**

During 2025 the municipality conducted an assessment of useful life for its property,plant and equipment that reached its end of useful life but still in use, which resulted in changes in the expected usage of certain assets. The expected useful life was extended for infrastructure assets.

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

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Infrastructure	62 703 717	74 557 834
Community	155 869	155 869
	62 859 586	**74 713 703**

The Municipality identified the above projects deemed to be taking significantly longer to complete, the projects taking longer to complete can be categorised into the following reason, deferred due to slow and poor performance by contractor.

Reconciliation of Work-in-Progress 30 June 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	172 630 614	42 388 207	3 473 913	218 492 734
Additions/capital expenditure	106 562 934	13 543 799	310 289	120 417 022
Project additions- prepayment	3 546 696	-	-	3 546 696
Transferred to completed items	(107 868 389)	(8 007 324)	-	(115 875 713)
	174 871 855	**47 924 682**	**3 784 202**	**226 580 739**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 30 June 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	181 310 974	21 336 941	-	202 647 915
Additions/capital expenditure	157 459 561	26 022 103	2 363 900	185 845 564
Other Adjustments	(80 160)	-	-	(80 160)
Transferred to completed items	(147 492 390)	(1 540 969)	(42 294)	(149 075 653)
Correction of Error	(18 567 371)	(3 429 868)	1 152 307	(20 844 932)
	172 630 614	**42 388 207**	**3 473 913**	**218 492 734**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2025	2024
Employee related costs	7 687 667	4 919 120
Contracted services	95 178 739	53 783 064
Sale of goods/Inventory	198 645	161 104
General expenses	16 169 079	11 340 761
	119 234 130	**70 204 049**

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

The municipality has identified 230 properties through the Deeds Report which were recorded with the descriptions of land parcels which are differenct from the municipality's asset register. The differences are due to the Deeds Office reporting on subdivided titles wherears the municipality records in their parents title in the asset register.

The municipality is in the process of componentising the parent land parcels into subdivisions in the asset register in order to ensure that it is identical with the information extracted from the Deeds Office. However , the investigation and alignment will have no impact to the values of assets that are currently recorded in the asset register as well as the financial statements.

During the 2024/2025 financial year,the municipality conducted a comprehensive physical verification of assets. The verification exercise revealed that certain assets with a total number of 5 461 and a carrying value of R8 111 975, recorded in the asset register as at 30 June 2025 could not be physically located.

The municipality is currently conducting further investigations to determine the circumstances surrounding the missing assets. Appropriate actions, including the formal write-off process, will be initiated once the investigations are concluded and all necessary approvals are obtained.

5. Intangible assets

	2025			2024		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	13 756 865	(13 510 579)	246 286	13 720 047	(13 250 207)	469 840

Reconciliation of intangible assets - 30 June 2025

	Opening balance	**Donations**	**Amortisation**	**Total**
Computer software	469 840	36 817	(260 372)	246 285

Reconciliation of intangible assets - 30 June 2024

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer Software	253 977	313 946	(98 083)	469 840

6. Heritage assets

	2025			2024		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	11 733 939	-	11 733 939	11 196 461	-	11 196 461

Reconciliation of heritage assets 30 June 2025

	Opening balance	Additions	Write off	Transfers received	Total
Art Collections, antiquities and exhibits	11 196 461	26 500	(6 355)	517 333	11 733 939

Reconciliation of heritage assets 30 June 2024

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	11 138 461	58 000	11 196 461

7. Investments in associates

Investments in associates

Name	Jurisdiction	Determination of ownership interest	% ownership interest 30 June 2025	% ownership interest 30 June 2024	Carrying amount 30 June 2025	Carrying amount 30 June 2024
Uthukela Water (Pty)Ltd		Unlisted shares	34,00 %	34,00 %	214 166 802	231 837 717
					214 166 802	231 837 717
					214 166 802	231 837 717

The municipality excercises significant influence over the investment in uThukela Water (PTY) Ltd

	2025	2024
Statement of Financial Performance		
Share of surplus/(deficit) in the associate	(17 670 915)	3 104 570

8. Inventories

	2025	2024
Consumable stores	45 914 264	40 705 027
Water for distribution	581 318	513 549
	46 495 582	**41 218 576**

8.1 Inventory Expensed

	2025	2024
Consumable issued	43 516 104	41 661 765

Total Inventory is carried at net realiasable value, the amount of write-down of inventories recognised as an expense is R64 933 (2023/2024:R178 342)

Inventory pledged as security

During the year no inventory was pledged as security .

Water for distribution

	Note	2025	2024
Opening balance		513 549	510 295
System input volume		199 783 285	171 132 936
Authorised consumption		(125 067 815)	(109 197 844)
Water losses	40	(74 647 701)	(61 931 838)
Closing balance		**581 318**	**513 549**

9. Receivable from exchange transactions

	2025	2024
Deposits	4 489 794	4 306 191
Sundry Debtors	7 559 282	3 485 964
Input VAT on invoices raised	122 283 902	84 779 693
Accrued Interest	167 285	-
	134 500 263	**92 571 848**

	2025	2024
Non-current assets	4 489 794	4 306 191
Current assets	130 010 469	88 265 657

Figures in Rand	2025	2024

9. Receivable from exchange transactions (continued)

	2025	2024
	134 500 263	**92 571 848**

10. Receivable From Non-Exchange Transactions

	2025	2024
Traffic Fines	2 019 487	7 568 186
Insurance Debtors	15 461	70 530
Consumer debtors - Property Rates	133 406 677	101 766 523
	135 441 625	**109 405 239**

	2025	2024
Gross Balances		
Property Rates	353 210 375	275 029 752
Traffic Fines	24 941 171	56 699 322
Insurance Debtors	15 461	70 530
	378 167 007	**331 799 604**
Less :Allowance for impairment		
Property Rates	(219 803 706)	(173 263 229)
Traffic Fines	(22 921 685)	(49 131 147)
	(242 725 391)	**(222 394 376)**
Net Balance		
Property Rates	133 406 668	101 766 523
Traffic Fine	2 019 486	7 568 186
Insurance Debtors	15 461	70 530
	135 441 615	**109 405 239**

Property Rates- 2025	**Current (0-30 Days)**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121- 365 Days**	**>365 Days**
Gross Balance	36 919 516	9 189 992	8 530 831	8 649 228	76 117 532	213 803 275
Impairment	(22 975 113)	(5 718 955)	(5 308 758)	(5 382 437)	(47 368 131)	(133 050 314)
	13 944 403	**3 471 037**	**3 222 073**	**3 266 791**	**28 749 401**	**80 752 961**

Traffic Fines -2025	**Current (0-30 Days)**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121 - 365 Days**	**>365 Days**
Gross Balance	363 650	519 300	457 100	814 400	4 572 549	18 214 172
Impairment	(334 205)	(477 252)	(420 089)	(748 458)	(4 202 310)	(16 739 371)
	29 445	**42 048**	**37 011**	**65 942**	**370 239**	**1 477 801**

Property Rates- 2024	**Current (0-30 Days)**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121- 365 Days**	**>365 Days**
Gross balance	31 598 207	7 735 211	9 247 175	6 666 258	54 141 252	165 641 648
Impairment	(19 906 237)	(4 873 028)	(5 825 535)	(4 199 609)	(34 107 903)	104 350 917)
	11 691 970	**2 862 183**	**3 421 640**	**2 466 649**	**20 033 349**	**61 290 731**

Traffic Fines- 2024	**Current (0-30 Days)**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121- 365 Days**	**>365 Days**
Gross Balance	469 450	486 600	669 850	695 500	541 100	53 836 822
Impairment	(406 788)	(421 649)	(580 439)	(602 665)	(468 874)	(46 650 731)
	62 662	**64 951**	**89 411**	**92 835**	**72 226**	**7 186 091**

	2025	2024
Statutory Receivables		
Property Rates	133 406 677	101 766 523
Traffic Fines	2 019 487	7 568 186

Figures in Rand	2025	2024

10. Receivable From Non-Exchange Transactions (continued)

	135 426 164	**109 334 709**

Property Rates are imposed in terms of Municipal Property Rates Act 6 of 2004, the tarrifs of charges approved by council.

11. Consumer debtors from Exchange transactions

	2025	2024
Gross balances		
Electricity	171 686 019	151 618 520
Water	758 807 796	645 547 341
Waste water	682 884 632	579 126 907
Refuse	359 772 672	297 462 622
Rent	7 669 452	4 618 640
Interest	30 203 202	25 211 115
Sundry receivables *	12 791 697	51 893 576
	2 023 815 470	**1 755 478 721**
Less: Allowance for impairment		
Electricity	(10 665 402)	(8 718 251)
Water	(588 923 239)	(498 542 956)
Waste water	(555 549 796)	(471 647 586)
Refuse	(290 133 648)	(239 005 296)
Rent	(2 010 273)	(1 188 894)
Interest	(6 444 628)	(4 701 324)
Sundry receivables	(9 823 847)	(40 304 444)
	(1 463 550 833)	**(1 264 108 751)**
Net balance		
Electricity	161 020 617	142 900 270
Water	169 884 557	147 004 385
Waste water	127 334 836	107 479 320
Refuse	69 639 024	58 457 327
Rent	5 659 178	3 429 745
Interest	23 758 573	20 509 791
Sundry receivables	2 967 850	11 589 131
	560 264 635	**491 369 969**
Electricity		
Current (0 -30 days)	143 830 156	125 729 735
31 - 60 days	2 346 907	1 877 916
61 - 90 days	1 368 746	1 339 034
91 - 120 days	1 205 430	890 781
121 - 365 days	5 967 737	5 624 339
> 365 days	16 967 044	16 156 715
	171 686 020	**151 618 520**
Water		
Current (0 -30 days)	47 388 560	45 178 745
31 - 60 days	14 010 678	13 583 162
61 - 90 days	12 001 816	11 353 259
91 - 120 days	16 195 126	9 278 235
121 - 365 days	93 879 247	87 213 039
> 365 days	575 332 368	478 940 901
	758 807 795	**645 547 341**
Waste water		
Current (0 -30 days)	15 371 121	14 198 550
31 - 60 days	8 734 286	8 426 373
61 - 90 days	8 384 917	9 265 284
91 - 120 days	8 481 899	7 748 231
121 - 365 days	94 940 638	75 520 743

Figures in Rand	2025	2024

11. Consumer debtors from Exchange transactions (continued)

> 365 days	546 971 771	463 967 725
	682 884 632	**579 126 906**

Refuse

Current (0 -30 days)	11 321 429	10 687 198
31 - 60 days	6 314 025	5 986 411
61 - 90 days	6 183 893	6 545 112
91 - 120 days	8 656 110	5 811 677
121 - 365 days	53 428 482	51 455 530
> 365 days	273 868 733	216 976 694
	359 772 672	**297 462 622**

Rent

Current (0 -30 days)	808 829	555 042
31 - 60 days	2 789 054	202 478
61 - 90 days	197 047	232 107
91 - 120 days	181 671	179 006
121 - 365 days	1 141 241	1 389 631
> 365 days	2 551 610	2 060 375
	7 669 452	**4 618 639**

Interest

Current (0 -30 days)	1 525 953	1 100 715
31 - 60 days	784 623	714 322
61 - 90 days	752 845	906 772
91 - 120 days	893 297	699 282
121 - 365 days	5 825 810	5 549 338
> 365 days	20 420 675	16 240 686
	30 203 203	**25 211 115**

Sundry Receivable

Current (0 -30 days)	797 804	767 082
31 - 60 days	1 380 104	493 339
61 - 90 days	158 531	553 296
91 - 120 days	215 927	150 639
121 - 365 days	1 010 396	2 505 058
> 365 days	9 228 936	47 424 161
	12 791 698	**51 893 575**

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	86 072 828	82 264 040
31 - 60 days	32 752 412	29 617 297
61 - 90 days	26 914 822	42 981 584
91 - 120 days	32 843 569	25 219 724
121 - 365 days	242 090 735	230 683 426
> 365 days	1 402 450 929	1 163 058 815
	1 823 125 295	1 573 824 886
Less: Allowance for impairment	(1 446 534 926)	(1 251 413 587)
	376 590 369	**322 411 299**

Industrial/ commercial

Current (0 -30 days)	130 168 628	117 185 791
31 - 60 days	2 641 928	2 794 590
61 - 90 days	1 783 553	2 405 688
91 - 120 days	2 408 300	1 332 627
121 - 365 days	12 213 337	12 267 210
> 365 days	41 685 516	37 616 010

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

11. Consumer debtors from Exchange transactions (continued)

	190 901 262	173 601 916
Less: Allowance for impairment	(22 388 022)	(11 722 224)
	168 513 240	**161 879 692**

National and provincial government		
Current (0 -30 days)	4 210 972	4 221 397
31 - 60 days	965 336	1 029 382
61 - 90 days	349 421	660 158
91 - 120 days	577 590	214 419
121 - 365 days	1 889 479	1 509 313
> 365 days	1 796 116	417 250
	9 788 914	8 051 919
Less: Allowance for impairment	(1 348 244)	(972 940)
	8 440 670	**7 078 979**

Total		
Current (0 -30 days)	220 452 428	203 671 228
31 - 60 days	36 359 676	33 441 268
61 - 90 days	29 047 796	46 047 431
91 - 120 days	35 829 459	26 766 770
121 - 365 days	256 193 550	244 459 949
> 365 days	1 445 932 561	1 201 092 075
	2 023 815 470	1 755 478 721
Less: Allowance for impairment	(1 463 550 834)	(1 264 108 751)
	560 264 636	**491 369 970**

Less: Allowance for impairment		
Current (0 -30 days)	(61 014 185)	(142 734 814)
31 - 60 days	(26 876 856)	(22 527 405)
61 - 90 days	(21 871 957)	(21 743 125)
91 - 120 days	(27 359 873)	(17 827 967)
121 - 365 days	(197 728 187)	(165 086 955)
> 365 days	(1 128 699 776)	(894 188 485)
	(1 463 550 834)	**(1 264 108 751)**

Total debtor past due but not impaired		
Current (0 -30 days)	159 438 243	60 936 414
31 - 60 days	9 482 820	10 913 864
61 - 90 days	7 175 839	24 304 306
91 - 120 days	8 469 586	8 938 802
121 - 365 days	58 465 363	79 372 994
> 365 days	317 232 785	306 903 590
	560 264 636	**491 369 970**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 264 108 751)	(649 414 530)
Contributions to allowance	(199 442 083)	(614 694 222)
	(1 463 550 834)	**(1 264 108 752)**

*Sundry Receivables
Included in sundry receivables are the following minor receivables, erven, housing development fund, legal fees , housing sales , deposits and non-vat sundries.

Receivables are amounts owing by consumers and are presented in net impairment losses.The municipality has a credit control policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipalities compelled in terms of the constitutional mandate to provide all its residence with basic minimum services,without recourse to an assessment of credit worthiness. The municipality strategy for managing its risk includes encouraging residence to pay for services , through an outreach programme, incentives schemes and to install water demand management devices that control water flow to households,as well as prepaid electricity meters for those consumers who struggle to pay services. A deposit is also required for new service connections, serves as guarantee.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 938 138	362 177
Bank balances	9 427 499	18 339 802
Short-term Investments	74 105 914	7 683 932
	85 471 551	**26 385 911**

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
ABSA - 4110354947	5 884 560	12 541 567	5 874 927	12 541 567
ABSA - 4110364982	3 542 939	3 340 718	3 552 571	3 340 718
Total	**9 427 499**	**15 882 285**	**9 427 498**	**15 882 285**

Call Investments		
Standard Bank - 68450354/015	374 375	344 102
Standard Bank -68450354/016	21 839 294	261 495
Standard Bank -68450354/036	10 980 679	4 133 651
Standard Bank -68450354/040	9 467 402	777 115
ABSA- 9300506428	5 553 790	635 992
Nedbank-037648555441/052	4 143 824	10 568
Nedbank - 037648555441/053	495 179	464 354
Standard Bank - 64850354/041	46 423	44 283
ABSA - 9387494511	1 100 999	1 012 372
Nedbank- 037648555441/49	20 103 949	-
	74 105 914	**7 683 932**

Interest income		
Interest on Bank Account	1 390 812	1 212 135
Interest on Investments	5 764 162	2 000 014
	7 154 974	**3 212 149**

13. Housing development fund

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the Municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of section 14(4)(d)(iii)(aa) read with, inter alia, section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development, subject to the approval of the Provincial MEC responsible for housing. Loans from national and provincial government that were used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

Opening Balance	27 581 782	32 160 728
Transfers in/(out)	349 905	(4 578 946)
	27 931 687	**27 581 782**

14. Self-insurance reserve

A self-insurance reserve was established and, subject to external insurance where deemed necessary, covers claims that might occur. Premiums are charged to the respective services, taking into account the claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget

Opening balance	344 102	130 936
Transfers in/(out)	(6 404)	213 166
	337 698	**344 102**

Figures in Rand	2025	2024

15. Finance lease obligation

Minimum lease payments due		
- within one year	14 720 568	1 464 250
- in second to fifth year inclusive	19 076 079	1 268 078
Present value of minimum lease payments	**33 796 647**	**2 732 328**
Non-current liabilities	19 076 079	1 268 078
Current liabilities	14 720 568	1 464 250
	33 796 647	**2 732 328**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Sports and Recreation	4 115 436	4 115 436
Water Services Infrastructure Grant	10 694 852	-
Skills Development Grant	-	379 992
Cleanest Town	-	466 575
Neighbourhood Partnership Development	3 730	3 701
Municipal Infrastructure Grant	9 706 150	-
Title Deeds Restorations	5 378 969	6 054 005
All Housing Grant	65 971 941	65 974 587
Capacity Building	645 319	-
Fort Amiel Museum	292 392	258 810
Hawker Stalls Grant	41 228	65 928
Community Library Services Grant	281 206	-
Provincialisation - Libraries	146 895	166 331
	97 278 118	**77 485 365**

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

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

See note 30 for reconciliation of grants from National/Provincial Government.

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

17. Financial liabilities

At amortised cost		
DBSA loans	61 969 812	82 648 370
ABSA Bank Loans	184 625 678	207 909 152
	246 595 490	**290 557 522**
Total other financial liabilities	**246 595 490**	**290 557 522**
Non-current liabilities		
At amortised cost	198 481 514	235 427 706
Current liabilities		
At amortised cost	48 113 976	55 129 816

18. Defined Benefit Plan

Reconciliation of defined benefit plan - 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Defined Benefit Plan (continued)

	Opening Balance	Additions	Utilised during the year	Increased during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Employee benefits	213 903 001	9 496 000	(14 967 905)	7 681 904	24 699 000	240 812 000

18. Defined Benefit Plan (continued)

Reconciliation of defined benefit plan - 30 June 2024

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Employee benefit	199 296 002	9 006 000	(13 261 504)	(4 542 496)	23 405 000	213 903 002

	2025	2024
Non-current liabilities	223 934 000	199 092 001
Current liabilities	16 878 000	14 811 000
	240 812 000	**213 903 001**

Health Care Benefits

	2025	2024
Balance at the begining of the year	164 389 000	151 449 000
Current Service cost	5 224 000	4 710 000
Benefits Paid	(8 000 258)	(7 623 140)
Remeasurement (Gain)/Loss	3 478 258	(2 533 860)
Interest	19 573 000	18 387 000
	184 664 000	**164 389 000**

Net Expense Recognised in the Statement of Financial Performance PEMA

	2025	2024
Current Service Cost	5 224 000	4 710 000
Benefits Paid	(8 000 258)	(7 623 140)
Remeasurement (Gain)/Loss	3 478 258	(2 533 860)
Interest	19 573 000	18 387 000
	20 275 000	**12 940 000**

Long Service Bonus Awards

	2025	2024
Balance at the begining of the year	49 514 000	47 847 000
Current Service Cost	4 272 000	4 296 000
Benefits Paid	(6 967 646)	(5 638 364)
Remeasurement (Gain)/Loss	4 203 646	(2 008 636)
Interest	5 126 000	5 018 000
	56 148 000	**49 514 000**

Net Expense Recognised in the Statement of Financial Performance LSA

	2025	2024
Current Service Cost	4 272 000	4 296 000
Benefits Paid	(6 967 646)	(5 638 364)
Remeasurement (Gain)/Loss	4 203 646	(2 008 636)
Interest	5 126 000	5 018 000
	6 634 000	**1 667 000**

18. Defined Benefit Plan (continued)

The Municipality offers in-service members and continuation members the opportunity of belonging to one of several medical scheme, most of which offer a range of options pertainingto levels of cover. Upon retirement , an employee may continue membership of the medical scheme. Upon a members death in service or death in retirement , the surving dependents may continue membership of the medical scheme. Most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2025 by Arch Actuarial Consulting,A member of the Actuarial Society of South Africa(ASSA) . The present value of the defined obligation and all related current service costs and past service costs were measured using the projected units credit method. No other post retirement medical benefits are provided by the municipality.

It was assumed that the municipality's health care arrangements and subsidy policy will remainas outlined in section 3. Furthermore , it was assumed that level of benefits receivables, and the contributions payable in respect of such would remain unchanged, with the exception of the following for inflationary adjustments. Implicit in this approach is the assumption that the current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.
.

Key Financial Assumption used :

Discount Rate	11.1%
Health care cost inflation rate	5.2%
Maximum subsidy inflation rate	7.0%
Net of health care cost inflation discount rate	3.8%
Net of maximum subsidy inflation discount rate	6.2%
Unfunded accrued liability	R184 664 000

Long Service Bonus Award
The long service bonus award is a function of accumulated leave days that is converted into cash in the year an employee attains service of eligible for an award at a rate of 1/249th of annual salary per day.

Key Financial Assumptions Used

Discount rate	9.8%
General earnings inflation rate (long term)	4.8%
Net effective discount rate	4.8%

The earnings used in the valuation include an increase on the 1st of July 2025.
The next general earnings increase was assumed to take place on the 1st of July 2026

Key Demographic Assumption used (PEMA)

Average retirement age	62		
Continuation of membership at retirement	75%		
Proportion with a spouse dependent at retirement	60%		
Mortality during employment	SA 85-90		
Mortality post employment	PA(90)-1 with a 1% mortality improvement per annum from 2010		
Withdrawal from Services (Sample annual rate)	Age	-Rate-Female	Rate-Male
	20	9%	9%
	25	8%	8%
	30	6%	6%
	35	5%	5%
	40	5%	5%
	45	4%	4%
	50	3%	3%
	55+	0%	0%

Key Demographic Assumption used (LSA)

Average retirment age	62		
Mortality during employment	SA 85 -90		
Withdrawan from services (Sample annual rate)	Age	Rate- Female	Rate-Male
	20	9%	9%
	25	8%	8%
	30	6%	6%
	35	5%	5%
	40	5%	5%

Unfunded Accrued Liability	
Total value of Liabilities	R49 514 000
Value of assets	R0
Unfunded accrued liability	R49 514 000

Comparative of Vital Statistics	
Number of eligible employees	1365

Figures in Rand	2025	2024

18. Defined Benefit Plan (continued)

Average annual salary	R354 618
Salary weighted average age	45.3

19. Provision for rehabilitation of landfill site

The movement in the rehabilitation of landfill site

	2025	2024
Balance at the begining of the year	89 821 401	72 549 158
(Decrease)/Increase in provision	1 058 479	11 138 937
Finance Charges recognised	4 760 534	6 133 306
	95 640 414	**89 821 401**

The municipality has a future legal obligation as per National Environmental Management Waste Act (NEMWA) to rehabiliate the landfills for which it is responsible once the sites have reached the end of their useful lives.The rehabiliation and closure valuations of the unfunded rehabilitation obligation was carried out as at 30 June 2025 by Inkazimulo Consulting, Management placed reliance upon the financial Landfill Airspace estimation report for the technical data utilised in the provision and lifespan estimates.

Key Financial Assumptions used :

Discount Rate	5.50%
Consumer Price Index	5.33%

20. Payables from exchange transactions

	2025	2024
Trade payables	1 014 635 313	670 308 150
Retentions	38 734 851	61 087 845
Output VAT on Levies	49 872 262	43 370 021
Statutory Payable -VAT Payable to SARS	6 141 278	7 322 379
Leave Payable	52 819 808	47 507 067
Bonus Payable	16 338 332	14 906 445
Salaries Payable	46 516 441	43 870 210
Advance payments	14 180 602	11 337 137
Sundry Payable	692 889	714 221
	1 239 931 776	**900 423 475**

21. VAT payable

Statutory Payable

	2025	2024
Opening Balance	7 322 379	7 051 906
Current year VAT payable	19 174 100	17 894 117
Amounts paid - current year	(13 032 822)	(10 571 738)
Amounts paid -previous years	(7 322 379)	(7 051 906)
	6 141 278	**7 322 379**

The VAT is imposed in terms of the amended Value Added Tax Act 89 of 1991 and levied at 15%

22. Consumer deposits

	2025	2024
Electricity & Water Deposits	39 958 205	37 468 261
Hall Deposits	534 927	545 491
Housing Deposits	46 044	44 184
	40 539 176	**38 057 936**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Revenue

Service charges	1 418 020 744	1 280 047 350
Rental of facilities and equipment	13 405 913	9 390 932
Licences and Permits (Non-exchange)	66 026	40 042
Sundry Revenue	3 395 645	2 528 207
Other income	684 407	608 984
Fee income	9 465 949	9 105 323
Interest received - investment	10 156 590	6 809 612
Property rates	436 896 351	400 069 255
Property rates - penalties imposed	5 586 733	4 888 964
Government grants & subsidies- Operational	689 840 558	582 591 651
Government grants & subsidies- Capital	123 186 537	214 134 325
Public contributions and donations	558 688	81 960
Fines, Penalties and Forfeits	24 862 388	12 069 357
	2 736 126 529	**2 522 365 962**

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

Service charges	1 418 020 744	1 280 047 350
Rental of facilities and equipment	13 405 913	9 390 932
Sundry revenue	3 395 645	2 528 207
Other income	684 407	608 984
Fee income	9 465 949	9 105 323
Interest received - investment	10 156 590	6 809 612
	1 455 129 248	**1 308 490 408**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	436 896 351	400 069 255
Property rates - penalties imposed	5 586 733	4 888 964
Licences or permits	66 026	40 042
Transfer revenue		
Government grants & subsidies- Operation	689 840 558	582 591 651
Government grants & subsidies- Capital	123 186 537	214 134 325
Public contributions and donations	558 688	81 960
Fines, Penalties and Forfeits	24 862 388	12 069 357
	1 280 997 281	**1 213 875 554**

24. Service charges

Sale of electricity	924 518 585	813 704 110
Sale of water	237 502 125	224 944 043
Sewerage and sanitation charges	142 749 220	134 754 855
Refuse removal	113 250 814	106 644 342
	1 418 020 744	**1 280 047 350**

25. Rental of facilities and equipment

Premises		
Premises	4 529 067	3 745 003
Venue hire	8 858 294	5 628 945
Rental income -HDF	18 552	16 984
	13 405 913	**9 390 932**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Fines, Penalties and Forfeits

Building Fines	276 719	434 940
Illegal Connections Fines	557 821	1 001 161
Overdue Books Fines	24 682	17 571
Pound Fees Fines	11 525	44 905
Municipal Traffic Fines	6 800 749	6 862 552
Retentions Forfeits	17 190 892	3 708 228
	24 862 388	**12 069 357**

27. Other revenue

Sundry Income	3 395 645	2 528 207
Other Income	684 407	608 984
Fee Income	9 465 949	9 105 323
	13 546 001	**12 242 514**

Sundry Revenue

Sundry Revenue		
Insurance Income	1 124 970	514 857
R/D Admin Fee	260 654	227 148
Other Revenue	2 010 021	1 786 202
	3 395 645	**2 528 207**

Other Income

Sales		
Burial Plots	339 325	339 740
Swimming Tickets	180 367	138 826
Copies	100 101	81 382
Printing	64 614	49 036
	684 407	**608 984**

Fee Income

Fees		
Advertising Signs	340 311	200 544
Building Plans	1 057 919	709 481
Business Letters	4 039 733	4 281 816
Cemetery	951 789	1 470 750
Rates Clearance Certificate	757 031	594 573
Town Planning	1 281 988	400 337
Other	479 558	408 131
Tender	14 244	28 313
Prepaid Meter Sales	539 457	1 011 378
	9 462 030	**9 105 323**

28. Interest Income

Bank	7 154 974	3 212 149
Interest on arrear accounts	3 001 298	3 597 149
Interest on Land Sales	318	314
	10 156 590	**6 809 612**

Figures in Rand	2025	2024

29. Property rates

Rates received

Residential	231 711 764	238 755 516
Commercial	220 695 993	203 924 223
State	6 807 180	6 141 714
Public Benefit Organisation	10 356	13 388
Vacant Land	22 129 090	20 507 753
Agricultural	4 478 293	4 134 155
Less: Income forgone - Indigent Benefit	(48 936 325)	(73 407 494)
	436 896 351	400 069 255
Property rates - Interest income	5 586 733	4 888 964
	442 483 084	**404 958 219**

Valuations

Residential	22 085 287 800	17 239 005 787
Commercial	4 771 908 000	5 897 398 000
State	1 213 446 000	2 444 933 000
Vacant	872 101 100	726 061 500
Public Service Purposes	2 703 630 000	1 700 079 000
Agriculture	1 609 728 700	1 362 779 000
Place of Worship	436 815 000	378 922 000
Formal Protected Areas	30 340 000	25 523 000
Public Benefit Organisation	126 830 000	92 277 000
Public Service Infrastructure	43 388 800	-
	33 893 475 400	**29 866 978 287**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

30. Capital Grants

Municipal Disaster Recovery Grant	-	16 574 695
Capacity Building	470 350	567 293
Electrification Grant	18 000 000	20 550 000
Finance Management Grant	105 387	-
Skills Development Grant	388 950	22 650
Newcastle Airport Grant	24 700	3 349 746
Neighbourhood Development Partnership	19 999 971	20 996 569
Museum Services	298 161	500 843
Greenest Town	466 575	-
Municipal Infrastructure Grant	83 432 443	100 486 762
Sports and Recreation	-	1 085 767
Water Services Infrastructure Grant	-	50 000 000
	123 186 537	**214 134 325**

31. Government grants & subsidies

Operating grants

Equitable share	540 119 000	506 803 000
Museum Services	165 256	116 561
Finance Management Grant	1 694 613	1 850 000
Skill Development Grant	478 767	1 728 636
Municipal Infrastructure Grant	37 990 407	33 012 238
CathSeta	1 442 232	-
Community Library Service Grant	2 948 794	2 595 634
Municipal Employment Initiative Grant	-	1 998 270
Water Services Infrastructure Grant	74 305 148	-
All Housing	2 646	6 122 069
EPWP Grant	1 896 000	2 932 000
Provinciallisation and Library Grant	7 319 436	6 885 585

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

Capacity Building	8 412 223	13 493 000
Osizweni Art Centre	-	35 990
Municipal Disaster Recovery Grant	12 391 000	4 077 305
Title Deeds Restoration Grant	675 036	941 363
	689 840 558	**582 591 651**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	272 908 095	289 922 976
Unconditional grants received	540 119 000	506 803 000
	813 027 095	**796 725 976**

Financial Management Grant

Current-year receipts	1 800 000	1 850 000
Conditions met - transferred to revenue	(1 800 000)	(1 850 000)
	-	**-**

Sport and Recreation

Balance unspent at beginning of year	4 115 436	5 201 203
Conditions met - transferred to revenue	-	(1 085 767)
	4 115 436	**4 115 436**

Ingogo Fresh Produce

Balance unspent at beginning of year	-	11 353
Conditions met - transferred to revenue	-	(11 353)
	-	**-**

Municipal Infrastructure Grant

Current-year receipts	131 129 000	133 499 000
Conditions met - transferred to revenue	(121 422 850)	(133 499 000)
	9 706 150	**-**

Water Service Infrastructure Grant

Current-year receipts	85 000 000	50 000 000
Conditions met - transferred to revenue	(74 305 148)	(50 000 000)
	10 694 852	**-**

Title Deeds Restoration

Balance unspent at beginning of year	6 054 003	6 995 366
Conditions met - transferred to revenue	(675 036)	(941 363)
	5 378 967	**6 054 003**

Osizweni Art Centre

Balance unspent at beginning of year	-	36 920
Conditions met - transferred to revenue	-	(36 920)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

Skills Development Grant

Balance unspent at beginning of year	379 992	994 137
Current-year receipts	487 725	1 137 141
Conditions met - transferred to revenue	(867 717)	(1 751 286)
	-	**379 992**

Cleanest Town

Balance unspent at beginning of year	466 575	466 575
Conditions met - transferred to revenue	(466 575)	-
	-	**466 575**

Environmental Management Framework

Balance unspent at beginning of year	-	502 871
Conditions met - transferred to revenue	-	(502 871)
	-	**-**

Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	3 701	9 664 270
Current-year receipts	20 000 000	21 000 000
Conditions met - transferred to revenue	(19 999 971)	(20 996 569)
Repayment to funder	-	(9 664 000)
	3 730	**3 701**

Electrification Grant

Current-year receipts	18 000 000	20 550 000
Conditions met - transferred to revenue	(18 000 000)	(20 550 000)
	-	**-**

Expanded Works Programme Incentive

Current-year receipts	1 896 000	2 932 000
Conditions met - transferred to revenue	(1 896 000)	(2 932 000)
	-	**-**

Water Intervention Grant

Balance unspent at beginning of year	-	54
Conditions met - transferred to revenue	-	(54)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

Hawker Stalls

Balance unspent at beginning of year	65 928	352 068
Conditions met - transferred to revenue	(24 700)	(286 140)
	41 228	**65 928**

Municipal employement initiative Grant

Balance unspent at beginning of year	-	2 000 000
Conditions met - transferred to revenue	-	(2 000 000)
	-	**-**

Sports Maintenance Facilities Grant

Balance unspent at beginning of year	-	10 220
Conditions met - transferred to revenue	-	(10 220)
	-	**-**

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All Housing Grant

Balance unspent at beginning of year	65 974 587	94 166 010
Current-year receipts	-	210 612
Conditions met - transferred to revenue	(2 646)	(28 402 035)
	65 971 941	**65 974 587**

Newcastle Airport

Balance unspent at beginning of year	-	4 878 917
Conditions met - transferred to revenue	-	(4 878 917)
	-	**-**

Capacity Building Housing

Balance unspent at beginning of year	-	7 834 983
Current-year receipts	9 527 893	6 225 310
Conditions met - transferred to revenue	(8 882 574)	(14 060 293)
	645 319	**-**

Fort Amiel Museum

Balance unspent at beginning of year	258 810	400 213
Current-year receipts	497 000	476 000
Conditions met - transferred to revenue	(463 418)	(617 403)
	292 392	**258 810**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

31. Government grants & subsidies (continued)

Municipal Disaster Recovery Grant

Current-year receipts	12 391 000	20 652 000
Conditions met - transferred to revenue	(12 391 000)	(20 652 000)
	-	-

Community Library Service Grant

Balance unspent at beginning of year	-	634
Current-year receipts	3 230 000	2 595 000
Conditions met - transferred to revenue	(2 948 794)	(2 595 634)
	281 206	**-**

Corridor Development

Balance unspent at beginning of year	-	131 075
Conditions met - transferred to revenue	-	(131 075)
	-	-

Cathsseta Grant

Current-year receipts	(1 442 232)	-
Conditions met - transferred to revenue	1 442 232	-
	-	-

Provincialisation - All Libraries

Balance unspent at beginning of year	166 342	59 927
Current-year receipts	7 300 000	6 992 000
Conditions met - transferred to revenue	(7 319 446)	(6 885 585)
	146 896	**166 342**

32. Public contributions and donations

Public contributions and donations	558 688	81 960

Public contributions and donations of movable assets were received from Department of Sports, Art and Culture.

33. Employee related costs

Basic	473 903 952	440 366 534
Medical aid - company contributions	34 679 374	31 982 475
UIF	3 050 210	2 946 330
Annual Bonus	37 557 333	34 232 081
Defined contribution plans	84 194 237	72 205 374
Travel, motor car, accommodation, subsistence and other allowances	11 457 724	12 541 956
Overtime payments	46 563 078	41 115 346
Car allowance	27 459 656	26 353 669
Housing benefits and allowances	8 214 309	8 090 451
Group Insurance	63 137	-
Bargaining council	211 112	190 706

Figures in Rand	2025	2024

33. Employee related costs (continued)

Night Work allowance	4 687 849	2 991 959
Termination benefits	7 052 105	2 336 978
	739 094 076	**675 353 859**

Remuneration of municipal manager: ZW Mcineka

Annual Remuneration	1 621 140	1 380 000
Car Allowance	375 617	323 675
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Other	143	137
	1 999 025	**1 705 937**

Remuneration of chief finance officer: PHZ Kubheka

Annual Remuneration	1 194 244	880 000
Car Allowance	292 914	220 000
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Other	136 439	104 337
	1 625 722	**1 206 462**

Remuneration of Executive Directors and Municipal Manager

Annual Remuneration	8 112 912	6 609 596
Car Allowance	1 704 571	1 431 525
Performance Bonuses	101 220	75 000
Contributions to UIF, Medical and Pension Funds	179 505	142 904
Acting Allowance	23 094	23 020
Other	137 156	105 022
	10 258 458	**8 387 067**

SED Community Services: GB Dlamini

Annual Remuneration	1 234 980	900 000
Car Allowance	287 253	229 206
Performance Bonuses	101 220	75 000
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Other	143	137
	1 625 721	**1 206 468**

SED Development and Planning: NP Khathide

Annual Remuneration	1 380 784	1 172 798
Car Allowance	278 580	240 000
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Other	143	137
	1 661 632	**1 415 060**

SED Corporate Services: Dr PD Thabethe

Annual Remuneration	1 300 980	1 104 000
Car Allowance	191 632	178 644
Contributions to UIF, Medical and Pension Funds	168 877	132 279
Acting Allowance for Municipal manager position	23 094	23 020
Other	143	137
	1 684 726	**1 438 080**

SED Technical Services: BP Mnguni

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

33. Employee related costs (continued)

Annual Remuneration	1 380 784	1 172 798
Car Allowance	278 580	240 000
Contributions to UIF, Medical and Pension Funds	2 125	2 125
Other	143	137
	1 661 632	**1 415 060**

34. Remuneration of councillors

Mayor	1 067 959	1 062 426
Deputy Mayor	-	726 786
Executive Committee Members	6 947 466	5 586 064
Speaker	862 996	859 073
Councillors	19 692 426	21 477 260
Chief Whip	355 948	654 430
MPAC Chairperson	789 452	785 387
Womans Caucus Chairperson	775 912	636 347
	30 492 159	**31 787 773**

In-kind benefits

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

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties.

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

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

Councillors are all paid in terms of the Office Bearers Act

Mayor

Annual Remunaration	665 673	659 182
Car Allowance	259 234	258 767
Cellphone Allowance	43 200	45 600
Contribution to UIF, Medical Aid and Pension	99 851	98 877
	1 067 958	**1 062 426**

Deputy Mayor

Annual Remuneration	-	445 645
Car Allowance	-	175 894
Cellphone Allowance	-	38 400
Contribution to UIF, Medical Aid and Pension	-	66 847
	-	**726 786**

Speaker

Annual Remuneration	532 537	526 923
Car Allowance	207 379	207 511
Cellphone Allowance	43 200	45 600
Contribution to UIF, Medical Aid and Pension	79 881	79 039
	862 997	**859 073**

Chief Whip

Figures in Rand	2025	2024

34. Remuneration of councillors (continued)

Annual Remuneration	218 727	399 080
Car Allowance	85 133	156 679
Cellphone Allowance	19 277	38 800
Contribution to UIF, Medical Aid and Pension	32 810	59 870
	355 947	**654 429**

35. Depreciation and amortisation

Property, plant and equipment	392 609 587	365 811 754
Intangible assets-Amortisation	260 371	98 083
	392 869 958	**365 909 837**

36. Impairment loss

Impairments

Property, plant and equipment	13 911 349	20 286 217
Statutory receivables	(26 209 462)	6 425 125
	(12 298 113)	**26 711 342**

37. Finance costs

Borrowings	27 432 322	31 873 219
Finance Lease , Provisions and Interest on overdraft	34 909 523	30 062 646
Other interest	71 576 867	23 990 433
	133 918 712	**85 926 298**

38. Debt impairment

Debt impairment	215 622 296	419 674 806

Details:

Water Services	78 565 500	126 829 239
Electrical Services	1 693 007	47 689 655
Refuse	44 455 731	70 516 622
Waste Water	72 948 824	49 669
Rates	46 542 575	(263 514)
Other Services	(28 583 341)	174 853 135
	215 622 296	**419 674 806**

39. Bad debts written off

Council write off	27 288 754	54 759 939
Indigent write off	28 726 897	25 762 302
Traffic Fines write off	38 419 050	-
	94 434 701	**80 522 241**

The bad debts written off were due to incentive schemes encouraging payment of municipal bills. Indigent were written off due to the historical debts of approved indigents.

40. Bulk purchases

Electricity - Eskom	700 486 276	620 235 660

Electricity losses

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

40. Bulk purchases (continued)

Units purchased (KW)	405 725 239	401 916 128
Units sold (KW)	(362 287 653)	(362 461 239)
Total loss	**43 437 586**	**39 454 889**

Comprising of:

Technical losses (Rands)	61 246 996	48 924 062

Percentage Loss:

Technical losses	11 %	10 %

Estimated cost per unit (Rands)	R 1.41	R1.24

Electricity distribution losses comprise of the following:
Administrative losses
Administrative losses refers to the difference between the income generated from electricity delivered to consumers and the actual amount of revenue that is recovered. Administrative losses are minimal as the municipality ensures that the cut-offs are effected on all unpaid accounts.
Technical losses
Technical losses within the municipality are made up of standard line losses, unmetered own consumption, free basic electricity, street lighting and traffic lights.

Non-technical losses
Non-technical losses refers to unrecorded electricity delivery. Illegal connections, faulty and incorrect calibration of meters contribute to consumption not being recorded.

41. Water Consumed

Consumption	125 067 815	109 197 844

Reconciliation of consumption

Opening Balance	513 550	510 295
Add: Bulk Purchases	199 783 285	171 132 937
Less: Water Losses	(74 647 701)	(61 931 838)
Less: Closing Balance	(581 319)	(513 550)
	125 067 815	**109 197 844**

Water Losses

Apparent Losses :Unauthorised Consumption	998 084	1 013 830
Unavoidable annual real losses	73 649 617	60 918 008
	74 647 701	**61 931 838**

Units (KL)

Units purchased	36 888 844	35 379 179
Units sold	(23 242 098)	(22 791 407)
	13 646 746	**12 587 772**

Comprising of :

Technical losses	13 464 281	12 381 709
Non-revenue water losses	182 465	206 063
	13 646 746	**12 587 772**

Percentage Loss:

Technical losses	37 %	35 %
Non-revenue water losses	-	1 %
	37 %	**36 %**

Figures in Rand	2025	2024

41. Water Consumed (continued)

Bulk Tariff (R/KL)	R5.47	R4.92

Water distribution losses:
Water losses are the sum of the real and apparent losses and are calculated from the difference between the system input volume and the authorised consumption

Non-Revenue Water
Non-revenue water amounts to 0.58% , which is disclosed in the annual performance report and this includes unbilled authorised consumption (metered or unmetred) and apparent losses. There are unaccounted for water, they are the component of system input volume (SIV) which are not billed and do not generate revenue.

42. Contracted services

Outsourced Services		
Security Services	79 739 572	70 029 001
VIP Toilets	99 774 924	28 757 366
Plant Hire	86 367 807	65 250 228
Consultants and Professional Services		
Professional Services	30 790 350	36 243 689
Legal Cost	6 728 455	4 879 597
Contractors		
Other*	493 547	238 602
GIS Implementation-Aerial Surveliance	1 434 807	227 488
Construction Contract	1 460 210	6 122 069
Media and Communication	817 066	865 080
Catering Service	797 207	1 051 343
Electrical	4 208 344	2 810 844
Employee Wellness	362 971	399 037
Public Participation	7 205 300	3 735 925
Maintenance of Buildings and Facilities	7 687 667	4 815 772
Maintenance of Infrastructure	95 178 739	53 783 064
Maintenance of Land	198 645	160 054
Maintenance of Movables	16 169 079	11 341 631
Medical Services	695 363	791 166
Pest Control and Fumigation	263 008	171 616
IT Services	2 371 201	2 500 969
Training	3 911 287	3 469 606
Refuse services	4 010 257	5 243 078
	450 665 806	**302 887 225**

*Other
Included in other contractors are the following minor items: mowing of private stands,security clearances, pauper burials, serving of summonses, safety security,chemical and rations

43. General expenses

Auditors remuneration	7 280 398	6 555 317
Bank charges	1 209 281	2 451 163
Indigent Relief- Prepaid Token	3 789 388	1 397 532
Donations	2 076 522	-
Entertainment	6 120	3 717
Insurance	11 235 384	8 076 407
Community development and training	6 571 361	6 432 284
IT expenses	17 442 831	16 143 725
Magazines, books and periodicals	2 971	3 144
Loss on foreign exchange	105 809	-
Motor vehicle expenses	11 179 744	8 255 851
Pest control	2 315 629	1 670 129
Fuel and oil	15 322 638	17 693 982
Postage and courier	4 643	32 606
Printing and stationery	1 522 640	1 964 608
Promotions	26 926	47 575

Figures in Rand	2025	2024

43. General expenses (continued)

Protective clothing	3 103 427	3 674 701
Staff welfare	29 389	44 905
Subscriptions and membership fees	8 111 258	63 730
Telephone and fax	3 369 736	2 181 555
Training	3 709 013	5 522 325
Small tools	90 142	124 075
Vehicle Tracking system	1 396 153	-
Advertising	675 625	727 801
Commission :Third Party	3 019 148	4 676 238
Contribution to post retirement	9 496 000	9 006 000
Material	7 737 742	9 195 742
Skills Development Levy	6 296 581	6 049 374
Rental Office machines	2 868 358	3 212 306
Departmental Services	29 858 859	27 428 243
Small electricity charges	17 530 456	16 126 410
Workman's compensation	4 810 707	5 910 576
	182 194 879	**164 672 021**

Departmental Services

Refuse	412 436	395 137
Sewerage	471 172	529 480
Electricity	24 664 997	22 417 805
Water	4 310 254	4 085 821
	29 858 859	**27 428 243**

44. Auditors' remuneration

Fees	7 280 398	6 555 317

45. Cash generated from operations

Deficit	(361 511 772)	(320 687 483)
Adjustments for:		
Depreciation and amortisation	392 869 958	365 909 837
Share of Deficit in associate	17 670 915	(3 104 570)
Salary backpay provision	2 646 231	(40 393 121)
Fair value adjustment	(51 638 640)	(90 328 300)
Movement in provision of landfill	4 760 534	6 133 306
Gain/(Loss) on Actuarial Valuation	7 681 904	(4 542 496)
Accumulated surplus	-	90 212 652
loss /(profit) on disposal of assets PPE	-	(59 668)
Public and contribution	(558 688)	(81 960)
Impairment of PPE	13 911 349	20 286 016
Traffic Fines Impairment	(26 209 462)	6 425 326
Profit on sale of assets	(4 267 951)	(3 945 434)
Interest Income	(4 613 466)	(5 012 951)
Current Service cost-Employee benefit liability	9 496 000	9 006 000
Movement in leave on bonus provisions	1 431 887	162 471
Movement in employee benefit liability	(14 967 905)	(13 261 505)
Finance costs- Employee benefit liability	24 699 000	23 405 000
Inventory losses or write-downs	64 933	178 342
Finance cost Payable from exchange	71 217 721	-
Write-off PPE	930 876	44 827
Movement in provision for leave	5 312 741	(144 842)
Bad debts written off -receivables from exchange	310 056 997	500 197 048
Changes in working capital:		
Inventories	(5 341 939)	(16 701 106)
Receivable from exchange transactions	(26 036 386)	(4 707 655)
Consumer debtors	(378 951 663)	(342 333 174)
Other receivables from non-exchange transactions	(14 468 580)	447 298
Payables from exchange transactions	281 252 715	65 937 643
VAT	-	(7 051 906)
Unspent conditional grants and receipts	19 792 753	(56 221 422)
	275 230 062	**179 768 173**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

45. Cash generated from operations (continued)

46. Commitments

Authorised capital expenditure

	2025	2024
Already contracted for but not provided for		
• Property, plant and equipment	164 561 246	106 935 935
Total capital commitments		
Already contracted for but not provided for	164 561 246	106 935 935

Authorised operational expenditure

	2025	2024
Already contracted for but not provided for		
• Cash in transit	1 084 519	5 569 839
• Meter Reading	111 221	3 502 185
	1 195 740	**9 072 024**
Total operational commitments		
Already contracted for but not provided for	1 195 740	9 072 024

Total commitments

	2025	2024
Total commitments		
Authorised capital expenditure	164 561 246	106 935 935
Authorised operational expenditure	1 195 740	9 072 024
	165 756 986	**116 007 959**

Operating leases - as lessee (expense)

	2025	2024
Minimum lease payments due		
- within one year	683 732	1 992 702
- in second to fifth year inclusive	-	683 732
	683 732	**2 676 434**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

47. Contingencies

Plaintiff: PRB Bhagwandasss
The municipality is being sued R18 022 for damage to a vehicle when part of a road collapsed. The estimated legal cost is R50 000 and of the estimated legal cost, R11 039 has been incurred to date.

Plaintiff: Newcastle Laundry
The municipality is sued R18 000 000 for loss of income and other claims after their business was closed down due to alleged dumping of thier waste water into the municipal stormwater draining system. The estimated legal cost is R1 000 000 and of the estimated legal cost, R80 0000 has been incurred to date.

Plaintiff: Violet Sky and Trading
The municipality is sued R2 085 000 for the implementation and use of a software system.The municipality denies the use of the software system. The estimated legal cost R200 000 and of the estimated legal cost, R4 245 has been incurred to date.

Plaintiff:Tectical Security
The municipality is sued R12 000 000 for payment made to the subcontrator of Tectical security services atfer they terminated thier contarct.. The estimated legal cost R100 000 and of the estimated legal cost, R400 000 has been incurred to date.

Plaintiff:Vumatel Proprietory
The municipality is sued R1 934 865.39 for damages to fibre optical cables by the contractor of the municipality. The estimated legal cost R 20 000 and of the estimated legal cost, R10 628.25 has been incurred to date.

Plaintiff:Gugulethu.Myeza
The municipality is sued R526 800 for demolition of a house at H39 Madadeni. The estimated legal cost R400 000 and of the estimated legal cost, R870 has been incurred to date.

Plaintiff: Hlengiwe Doebel
The municipality is sued R67 000 for damage to a car due to a pothole accident, The estimated legal cost R10 000 and of the estimated legal cost, R15 135 has been incurred to date.

Plaintiff: Vusimuzi Ndaba
The municipality is sued R29 238 for damage to a car due to a pothole accident which occurred at 1166 MF1 street. The estimated legal cost R10 000 and of the estimated legal cost, R7 587 has been incurred to date.

Plantiff: Jabu Maseko
The municipality is sued R21 392 for damage to a car due to a pothole accident on Me15 Madadeni section 5. The estimated legal cost R10 000 and of the estimated legal cost, R6 400 has been curred to date

Plaintiff: Eagle Peak Spur
Default Judgement was granted against the municipality for an amount of R411 264 and an application for the rescission of the default judgement was granted by the court on the 11th of October 2024. The estimated legal cost R80 000 and of the estimated of legal cost, R34 131 has been incurred to date.

Plaintiff: Mbatha Thabani
The municipality is sued R50 000 on a labour related matter. The estimated legal cost R25 000 and of the estimated legal cost, R7 474 has been incurred to date

Plaintiff: Sbongile Dladla
The municipality is sued R24 218 for injuries sustained when entering the municipal ablution facility at Newcastle taxi rank. The estimated legal cost R15 000 and of the estimated legal cost, R6 612. has been incurred to date

Plaintiff: HG Khumalo
The municipality is sued R64 279 for the damage to property caused by the burst of a water pipe. The estimated legal cost R10 000 and of the estimated legal cost, no amount has been incurred to date.

Plantiff: **Alistar Van Wyk**
The municipality is sued R6 000 000 for an insurance claim and the matter is attended by the municipal insurance.The estimated legal cost R5000 and of the estimated legal cost, no amount has been incurred to date.

Plaintiff: Vishal Herralal
The municipality is sued R1 050 500 for an insurance claim and the matter is attended by the municipal insurance.The estimated legal cost R5000 and of the estimated legal cost, no amount has been incurred to date.

Plaintiff: Guard Risk
The municipality is sued R1 463 500 for damages in respect of a burst water pipe on a third partys property. The estimated legal cost R200 000 and of the estimated cost, no cost has been incurred to date.

Notes to the Annual Financial Statements

48. Related parties

Related party balances

Amounts included in (Trade Payable) regarding related parties		
Uthukela Water	(322 690 842)	(275 370 111)
Bulk Water Purchases		
Uthukela Water	199 783 285	171 132 937
Expenses recognised in respect finance costs incurred		
UThukela Water	17 729 981	15 573 483

Remuneration of management

Management class: Councillors

30 June 2025

Name	Basic salary	Motor Vehicle Allowance	Cellphone Allowance	Post-employment benefits	Housing Allowance	Total
Executive Committee Members	6 644 568	2 561 745	564 197	999 345	29 877	10 799 732
Other Councillors	11 243 663	4 304 784	2 323 045	1 619 933	201 000	19 692 425
	17 888 231	**6 866 529**	**2 887 242**	**2 619 278**	**230 877**	**30 492 157**

30 June 2024

Name	Basic salary	Motor Vehicle Allowance	Cellphone Allowance	Post-employment benefits	Housing Allowance	Total
Executive Committee Members	6 313 924	2 452 486	563 484	949 898	30 720	10 310 512
Other Councillors	13 067 139	4 299 052	2 433 559	1 477 333	200 178	21 477 261
	19 381 063	**6 751 538**	**2 997 043**	**2 427 231**	**230 898**	**31 787 773**

Management class: Executive management

30 June 2025

Name	Basic salary	Car Allowance	Contribution to UIF, Medical and Pension Funds	Other	Performance Bonuses	Acting Allowance	Total
Municipal Manager	1 621 140	375 611	2 125	143	-	-	1 999 019
SED Chief finance officer	1 194 244	292 914	2 125	136 439	-	-	1 625 722
SED Community Services	1 234 980	287 253	2 125	143	101 220	-	1 625 721
SED Development and Planning	1 380 784	278 580	2 125	143	-	-	1 661 632
SED Corporate Services	1 300 980	191 632	168 877	143	-	23 094	1 684 726
SED Technical Services	1 380 784	278 580	2 125	143	-	-	1 661 632
	8 112 912	**1 704 570**	**179 502**	**137 154**	**101 220**	**23 094**	**10 258 452**

Notes to the Annual Financial Statements

48. Related parties (continued)

30 June 2024

Name	Basic salary	Car Allowance	Contributions to UIF, Medical and Pension Funds	Other	Performance Bonus	Acting Allowances	Total
Municipal Manager	1 380 000	323 675	2 125	137	-	-	1 705 937
SED Chief finance officer	1 194 244	292 914	2 125	136 439	-	-	1 625 722
SED Community Services	900 000	229 206	2 125	137	75 000	-	1 206 468
SED Development and Planning	1 172 798	240 000	2 125	137	-	-	1 415 060
SED Corporate Services	1 104 000	178 644	132 279	137	-	23 020	1 438 080
SED Techincal Services	1 172 798	240 000	2 125	137	-	-	1 415 060
	6 923 840	**1 504 439**	**142 904**	**137 124**	**75 000**	**23 020**	**8 806 327**

49. Risk management

Operational Risk

The Municipality is exposed to the operational Risk in the normal operations of its business. This risk is managed through the development and monitoring of risk register and through the delegation and segregation of duties. Operational risk is also managed through the development and implementation of various policies and standard operating procedures.

Liquidity risk

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

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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As as 30 June 2025	Less than 1 Year	Between 1 and 2 years	Between 3 and 5 Years
Borrowings	61 778 167	121 723 197	132 622 004
Finance Lease	21 897 985	7 647 634	20 965 365
Trade and other payables	1 053 370 164	-	-
Consumer deposits	40 539 176	-	-
	1 177 585 492	**129 370 831**	**153 587 369**

As at 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
Borrowings	61 778 167	122 945 288	171 584 849	21 593 230
Finance Lease	1 596 781	1 464 250	1 268 078	-
Trade and other payables	731 395 995	-	-	-
Consumer deposits	38 057 936	-	-	-
	832 828 879	**124 409 538**	**172 852 927**	**21 593 230**

Credit risk

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

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

49. Risk management (continued)

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

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

Financial asset exposed to credit risk at year end were as follows:		
Cash and cash equivalents	85 471 551	26 385 911
Receivable from exchange transactions	122 464 714	88 265 657
Receivable from exchange transactions - Consumer Debtors	560 264 635	491 369 969
	768 200 900	**606 021 537**

50. Going concern

As at 30 June 2025, the municipality had an accumulated surplus of R6 645 694 638 (2024:R7 007 549 911) and that the municipality's current liabilities exceed its current assets by R 499 777 752 (2024 current liabilities exceeded current assets by: R330 726 490).

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.

We draw attention to the fact that at 30 June 2025, the municipality had an net deficit of R (361 511 772) (2024: R(320 687 484)) and the municipality's Cash and Cash equivalents was R85 471 551 (2024: R26 385 911) which is not sufficient to cover the current liabilities of the municipality. The current assets are less than the current liabilities, the collection rate has improved a little bit however there is still a risk that all the outstanding debtors might not be collected. Over the next 12 months, the municipality is still committed to ensure the expenditure is kept within the funded and approved budget.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these factors are that the accounting officer will continue to bill for rates to ensure services and sustain the ongoing operations of the municipality. The Provincial and National government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

51. Events after the reporting date

There were no events identified that took place after the reporting date.

52. Unauthorised expenditure

	2025	2024
Opening balance as previously reported	344 411 250	372 849 876
Add: Unauthorised expenditure - current	467 793 557	173 940 494
Less: Amount authorised - prior period	(344 411 220)	(202 379 120)
Closing balance	**467 793 587**	**344 411 250**

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

	2025	2024
Non-cash	56 003 235	135 149 353
Cash	411 790 322	38 791 114
	467 793 557	**173 940 467**

Analysed as follows: non-cash

	2025	2024
Debt Impairment	5 074 226	108 259 669
Impairment loss/reversal	-	26 711 342
Inventories losses/write-downs	-	178 342
Depreciation and asset impairment	42 153 564	-
Irrecovable Debt written off	8 775 445	-
	56 003 235	**135 149 353**

Analysed as follows: cash

	2025	2024
Water consumed	70 794 415	2 120 788
Finance cost	103 618 563	24 530 209
General expenditure	50 846 548	12 140 144
Bulk purchases	9 671 602	-
Employee related costs	32 608 508	-
Remuneration of councillors	2 049 610	-
Contracted services	130 918 330	-
Other materials	11 282 747	-
	411 790 323	**38 791 141**

Unauthorised expenditure: Budget overspending – per municipal department:

	2025	2024
Community Services	81 667 781	7 432 049
Budget and Treasury Office	35 347 550	22 561 999
Technical Services	273 184 722	130 875 011

Figures in Rand	2025	2024

52. Unauthorised expenditure (continued)

Electrical and Mechanical Services	48 922 129	13 071 435
Corporate Services	15 993 809	-
Office of the Municipal Manager	11 553 757	-
Development Planning & Human Settlements	1 123 810	-
	467 793 558	**173 940 494**

53. Fruitless and wasteful expenditure

Opening balance as previously reported	27 416 579	17 121 099
Less: Amount written off - current	-	(711 113)
Less: Amount written off - prior period	-	(13 034 701)
DBSA	-	34 094
ITec Finance	1 967	12 514
KZN Joint Municipal Provident Fund	172 574	666 707
uThukela Water	17 729 981	15 573 483
Eskom Holding	37 960 189	7 754 468
ABSA Bank	-	28
KZN Joint Municipal Pension fund	15 712 059	-
SARS	97	-
Closing balance	**98 993 446**	**27 416 579**

Details of fruitless and wasteful expenditure

Interest and penalties	71 576 867	24 041 294

54. Irregular expenditure

Opening balance as previously reported	513 390 631	542 232 364
Opening balance as restated	**513 390 631**	**542 232 364**
Add: Irregular Expenditure - current	28 502 502	98 547 620
Add: Irregular Expenditure - prior period	-	27 236 780
Less: Amount written off - current	-	(84 058 887)
Less: Amount written off - prior period	(200 688 121)	(70 567 246)
Closing balance	**341 205 012**	**513 390 631**

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

Tender not advertised for the prescribed period	-	72 554 883
Misrepresentation in a BAC meeting	-	152 429
Conflict of Interest	9 500	-
Bid advertised using a brand name	18 041 925	53 077 088
Externsion of contract without council approval	10 451 077	-
	28 502 502	**125 784 400**

Figures in Rand	2025	2024

54. Irregular expenditure (continued)

Details of Irregular expenditure identified

Disciplinary steps taken/criminal proceedings		
Amabuso Security Solutions	-	11 635 047
FBL Trading Enterprises	-	1 273 892
Fidelity Cash Solutions	-	152 429
M17 Security Services	-	31 001 648
Prosecure (Pty) Ltd	-	10 604 087
Tactical Security Services	-	18 040 209
Inqubeko Yami Trading JV Mantobela Civils	975 916	8 574 517
Lindokuhle Empire JV Njalokhula Trading	555 812	18 244 263
Mageba Think about trading JV	1 682 081	11 219 180
Urban and Rural Construction	553 945	10 578 392
kunjalo Kunje Trading	14 274 172	4 460 736
Lateral Unison	10 451 077	-
	28 493 003	**125 784 400**

The amounts disclosed as irregular expenditure are inclusive of VAT

After Council committee investigations , council Adopted the MPAC recommendation to write of an amount of R200 688 121 for Financial years 2014/15 to 2023/2024 due to that the amount is not recoverable.The amount of R28 502 502 is incurred to be finalised.

Employed in the service of the state		
N Designs	9 500	-

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government(SALGA)

Current year subscription / fee	7 981 567	6 736 261
Amount paid - current year	(15 527 321)	(6 736 261)
	(7 545 754)	**-**

The balance is due to a prepayment made to SALGA to take advantage of early settlement discount.

Audit fees

Opening balance	539 043	216 831
Current year fee	8 372 458	7 538 614
Amount paid - current year	(8 360 620)	(6 999 571)
Amount paid - previous years	(539 043)	(216 831)
	11 838	**539 043**

PAYE , UIF & SDL

Opening balance	9 641 410	8 648 640
Current year subscription / fee	129 103 126	119 759 200
Amount paid - current year	(117 773 969)	(110 117 790)
Amount paid - previous years	(9 641 410)	(8 648 640)
	11 329 157	**9 641 410**

Pension and Medical Aid Deductions

Opening balance	13 773 719	13 304 323
Current year subscription / fee	118 005 132	144 223 687
Amount paid - current year	(102 602 759)	(130 449 968)
Amount paid - previous years	(13 773 719)	(13 304 323)
	15 402 373	**13 773 719**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2025:

30 June 2025	**Outstanding more than 90 days**	**Total**
Councillor FN Sithole	-	4 838
Councillor FL Duma	101 362	101 362
Councillor RBS Russell	-	1 705
	101 362	**107 905**

30 June 2024	**Outstanding more than 90 days**	**Total**
Councillor FN Sithole	1 768	1 768
Councillor MT Makhoba	2 551	2 551
Councillor AT Nkosi	38 899	38 899
Councillor SW Mngomezulu	3 234	3 234
Councillor LM Khumalo	41 054	41 054
Councillor TN Dlamini	9 174	9 174
Councillor FL Duma	103 761	103 761

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

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

Councillor VN Sibeko	38 720	38 720
Councillor LP Mazibuko	18 477	18 477
Councillor LP Ndebele	5 044	5 044
	262 682	**262 682**

Non-compliance with the Municipal Finance Management Act

Expenditure management- Section 62(1)(d) of the MFMA
Reasonable steps to ensure the prevention of unauthorised and fruitless and wastful expenditure was not taken
Exenditure management- Section 65(2)(e) of the MFMA
Monies owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA

56. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	246 595 490	290 557 522

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

57. Deviation from supply chain management regulations

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

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

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

Deviations		
Emergency	-	6 836 109
Sole Provider	573 349	851 830
Exceptional Case where it is impossible to follow SCM processes	222 933	801 102
Special works	138 806	58 000
	935 088	**8 547 041**

58. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality has entered in to principal-agent with the Department of Human Settlement for provision of housing and electricity infrastructure connections respectively. The mandate to provide these services lies with the two departments, however the municipality is acting as an agent on behalf of the two departments to provide such services. The assets constructed are not capitalized in the books of the municipality. The revenue and expenditure in relation to such aggreement is also not accounted for in the financial statements , except those that relate to the municipality as an agent.

Housing Grant		
Opening Balance	65 974 588	94 166 010
Receipts	-	210 612
Expenditure	(2 646)	(28 402 034)
	65 971 942	**65 974 588**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

58. Accounting by principals and agents (continued)

Agent Fees

Housing Accreditation Fees	9 527 893	6 225 310

Entity as principal

Details of the entity as a principal are as follows:

Cigicell had a contract of providing prepaid vending system for the municipality and also a 3rd party vending solution enabling the 3rd party vendors to sell electricity tokens on our behalf.

Cigicell collected and banked collections from the third party vendors almost on a daily basis and banked these into our municipal account. Forthese services hosting fees for the system and commission on collections was paid to Cigicell monthly as stipulated on the contract.

At the end of the reporting period cigicell had made total sales amounting to R 50 247 013.70 and total sales amounting to R 251 988 was still due to the municipality at the end of the period.

There are no cost implications for the entity if the principal-agent arrangement is terminated accourding to the contract entered into by the parties.

Fee paid

Fee paid as compensation to the agent	1 497 384	1 411 781

59. Construction Contract

Status of construction contract

Construction revenue recognised	-	6 122 069
Construction expenses Recognised	-	(6 122 069)
Recognised surplus/deficits	**-**	**-**

The contraction contracts relate to the agreement entered into between the Municipality and the KwaZulu Natal Department of Human Settlements in respect of the housing projects where the municipality is a project developer in the arrangement. The projects that have been accounted for under contraction contract are Charlestown. This arrangement is accounted for in line with the accounting policy for Contraction Contract – Housing Projects.

The construction contracts expenses consist mainly of contracted services wherein the Municipality procures the services of building contractors and/or other implementing agents in the construction of the houses on its behalf

The construction contract revenue is recognised on a stage of completion based on the costs incurred in proportion to contract costs. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amounts received in advance for work to be done is recognised as liability and disclosed in note 16 unspent grant liabilities.

60. Prior-year adjustments

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

Statement of financial position

30 June 2025

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		40 820 961	397 615	-	41 218 576
Receivable from exchange transaction		112 034 851	(19 379 970)	(4 389 224)	88 265 657
Receivable from non-exchange transaction		-	179 041	109 226 187	109 405 228
Statutory receivable- Traffic Fines		7 389 134	-	(7 389 134)	-
Satutory recievable-Included in Consumer debtors		101 766 523	-	(101 766 523)	-
Receivable from exchange transaction-non current assets		-	(12 504)	4 318 694	4 306 190
Investment property		1 502 461 000	89 400 000	-	1 591 861 000
Property; plant and equipment		5 828 637 748	223 502 521	-	6 052 140 269
Investment in associates		102 698 171	129 139 546	-	231 837 717
Payables from exchange transaction		(1 036 854 863)	143 753 768	(7 322 380)	(900 423 475)
VAT payable		(7 322 380)	-	7 322 380	-
Unspent conditional grants and receipts		(79 958 909)	2 473 545	-	(77 485 364)
Housing Development fund		(32 213 149)	4 631 367	-	(27 581 782)
Accumulated Surplus		(6 433 464 982)	(574 084 930)	-	(7 007 549 912)
		105 994 105	**-**	**-**	**105 994 104**

Statement of Changes in Net Assets

30 June 2025

	Note	As previously reported	Correction of error	Re-classification	Restated
Other Revenue		12 573 591	(10 232)	(331 077)	12 232 282
Property rates- interst income		4 557 887	-	331 077	4 888 964
Government grants & subsidies- Operational		796 725 976	2 473 545	(214 134 325)	585 065 196
Government grants & subsidies- Capital		-	-	214 134 325	214 134 325
Public contribution and donations		81 960	146 100	-	228 060
Fines, Penalties and Forteits		12 069 357	179 051	-	12 248 408
Depreciation and Amortisation		(365 909 837)	22 464 896	-	(343 444 941)
Finance cost		(85 926 298)	(100 454)	-	(86 026 752)
Contracted services		(302 887 224)	(9 644 502)	-	(312 531 726)
Water Consumed		(171 129 682)	-	61 931 838	(109 197 844)
Water Losses		-	-	(61 931 838)	(61 931 838)
General Expenses		(164 672 021)	(30 203 644)	-	(194 875 665)
Share of Surplus/(Deficit) in investment in associates		3 104 570	129 139 545	-	132 244 115
Inventory losses/write-down		(178 342)	397 615	-	219 273
Profit/(loss) on sale of asset		4 354 641	(22 865)	-	4 331 776
Debt Impairment		(419 674 807)	156 114 518	-	(263 560 289)
Fair value adjustments on investment property		90 328 300	298 520 000	-	388 848 300
Surplus for the year		**(586 581 929)**	**569 453 573**	**-**	**(17 128 356)**

60. Prior-year adjustments (continued)

Cash flow statement

30 June 2025

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		1 353 666 907	13 930 088	1 367 596 995
Grants		742 978 099	(2 473 544)	740 504 555
Suppliers		(1 072 588 574)	(53 938 730)	(1 126 527 304)
		1 024 056 432	**(42 482 186)**	**981 574 246**
Cash flow from investing activities				
Financial assets - (deposit)		-	2 458 776	2 824 557
Purchase of property, plant and equipment		(179 808 738)	37 198 842	(142 609 896)
		(179 808 738)	**39 657 618**	**(139 785 339)**
Cash flow from financing activities				
(Decrease) / Increase in consumer guarantees		-	2 458 776	2 458 776

Error 1

	2025	2024
Error 1 Payables from exchange transaction		
Cancelling of GRN for services not invoiced	-	64 887
Clearing of GRN erroneously captured on GL	-	821 809
Raising invoice previously omitted in the prior year for IDOL	-	(345 000)
Raising invoices previously omitted in the prior year fo Castle Construction Hire CC	-	(2 180 746)
Raising invoices previously omitted in the prior year for Kwenkeh Trading and Project	-	(516 000)
Raising invoices previously omitted in the prior year for N & M Mbatha Enterprise	-	(578 450)
Raising invoices previously omitted in the prior year for Vusamahlubi Trading Enterprise	-	(1 412 550)
Raising invoices previously omitted in the prior year for Lubembe Trading	-	(25 000)
Deposit for electricity connection erroneously transferred to revenue prio to provision of service	-	(14 159)
Interest on PAYE erreneously omitted from interest payable	-	(100 454)
Property registration cost on behalf of third parties erroneously not transferred from suspence account on payment	-	99 699
Recognition of withholding of Retetion omitted	-	(120 641)
Reversal of incorrect input VAT netting against output VAT	-	(8 381 979)
Reversal of incorrectly duplicated Retention withholding	-	327 835
Recognition of provision for doubtful debt on output VAT Omitted	-	156 114 518
	-	**143 753 769**
Error 2 Receivable from exchange transaction-current assets		
Raising VAT on invoice previously omitted in the prior year for IDOL	-	45 000
Raising VAT on invoice previously omitted in the prior year for Castle Construction Hire CC	-	284 445
Raising VAT on invoice previously omitted in the prior year for N & M Mbatha Enterprise	-	75 450
Post employment medical benefits contribution in respect of Continuation Members erreneously omited in the prior years	-	122 973
Recognition of Input VAT on withholding of Retetion omitted	-	15 736
Reversal of incorrect input VAT netting against output VAT	-	8 381 979
Reversal of incorrectly duplicated Retention withholding VAT part	-	(42 761)
Reversal of incorrectly raised input vat in previous years	-	(28 262 792)
	-	**(19 379 970)**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

60. Prior-year adjustments (continued)

Error 3 Inventories

Reversal of inventory write-off incorrectly processed	-	397 615

Error 4 Unspent conditional grants

Recognition of omitted grants expenditure against Environment Management Framework grants liability	-	502 871
Recognition of omitted grants expenditure against Ingogo Fresh Produce grants liability	-	11 353
Recognition of omitted grants expenditure against Sport Maintenance Facilities grants liability	-	10 220
Recognition of omitted grants expenditure against Osizweni Arts Centre grants liability	-	930
Recognition of omitted grants expenditure against Corridor Development grants liability	-	131 075
Recognition of omitted grants expenditure against Newcastle Airport grants liability	-	1 815 312
Recognition of omitted grants expenditure against Municipal Employment Initiative grants liability	-	1 730
Recognition of omitted grants expenditure againts Water Intervention grants liability	-	54
	-	**2 473 545**

Error 5 Receivable from exchange transaction- non-current assets

Reversal of incorrect Eskom deposit raised for the municipality	-	(12 503)

Error 6 Property; plant and equipment

Re-allocation of professional fee of project that was discontinued	-	(5 179 950)
Capitalisation of professionals fees that were incorrectly expensed	-	442 143
Recognition of omitted donated fence in the previous year	-	146 100
Capitalisation of omitted completed Medical Precint project	-	1 585 125
Capitalisation of omitted completed Medical Precint project-WIP	-	(1 585 125)
Capitalisation of omitted completed OB1 Link Stormwater project	-	1 720 609
Capitalisation ofomitted completed OB1 Link Stormwater project-WIP	-	(1 720 609)
Capitalisation of omitted completed OB1 Link Road project	-	9 417 723
Capitalisation of omitted completed OB1 Link Road project-WIP	-	(9 417 723)
Reclassification of Accumulated Depreciation from Machinary & Equipment to Community Asset- Cemetries	-	4 862 253
Reclassification of Accumulated Depreciation from Machinary & Equipment to Community Asset- Cemetries	-	(4 862 253)
Recogntion of omitted disposal of asset	-	(90 429)
Capitalisation of omitted completed Newcastle Infrastructure Airport project	-	1 683 795
Capitalisation of a omitted completed Newcastle Infrastructure Airport project-WIP	-	(1 683 795)
Recognition of omitted leased asset depreciation	-	(675 631)
Reclassification of repairs and maintenance cost incorrecltу capitalised	-	(1 600 165)
Reversing the derecognition of leased asset	-	2 643
Recognition of retetion amount omitted	-	104 905
Reversal of incorrectly duplicated Retention withholding	-	(285 074)
Reversal of incorrectly capitalisation of repairs and maintanace cost for Newcastle Pump station	-	(1 691 395)
Recognition of Motor Vehicles written -off	-	(21 582)
Correction of mis-classification due to incorrect posting	-	23 550 956
Recognition of land previously omitted	-	32 367 000
Recognition of land previously classified as investment property	-	176 433 000
	-	**223 502 521**

Error 7 Receivable from non-exchange transaction- current asset

Recognition of understated issued traffic fines	-	179 041

Error 8 Housing Development Fund

Recognition of omitted transfer from appropriation of approved expenditure to housing development fund	-	4 631 367

Error 9 Investment in associates

Recognising prio year omitted share of surplus of investment in associate	-	129 139 546

60. Prior-year adjustments (continued)

Figures in Rand	2025	2024
Error 10 Accumulated Surplus		
Reversal of expenditure for services not invoiced	-	(886 695)
Recognition of professional services expenditure- system testing	-	300 000
Recognition of contracted repairs and maintenance of water and sewage pipeline	-	1 896 301
Reversal of inventory write-off incorrectly processed	-	(397 615)
Recognition of omitted revenue recognised on grants expenditure	-	(2 473 545)
Reversal of Post employment medical benefits contribution on behalf of retired employees erroneously captured	-	(122 973)
Reversal of Eskom deposit incorrectly raised for the municipality	-	12 503
Recognition of supply and delivary of materials	-	516 000
Recognition of contracted repairs and maintenance of infrastructure	-	503 000
Recognition of supply and delivary of water and sewer pipes and fittings	-	1 412 550
Recognition of Mayoral Road shows expenditure omitted	-	25 000
Recognition of refund to cunsumer for electricity connection not provided	-	14 159
Re-allocation of professional fees for Arterial roads planning and design to operational expenditure	-	5 179 950
Re-allocation of professional fees for Newcastle East roads planning and design	-	(442 143)
Recognition of fence donated by Department of Sport, Art and Culcture	-	(146 100)
Recognition of interest on PAYE made to SARS	-	100 454
Property registration cost on behalf of third parties erroneously not transferred from suspence account on payment	-	(99 699)
Recognition of depreciation of municipal property omitted	-	90 429
Transfer from appropriation of approved housing expenditure to housing reserve	-	(4 631 367)
Recognising prio year omitted share of surplus of investment in associate	-	(129 139 546)
Correction of prior year Traffic Fines recignition	-	(179 041)
Correction of prior year leased asset Depreciation	-	675 631
Recognition of repairs and maintence cost incorrectly capitalised	-	1 600 165
Rervesing the derecognition of leased asset	-	(2 643)
Reversal of membership fee/subscription for SALGA which was erroneously accounted in the incorrect financial year which is the year preceding the comparable year of 2023/2024.	-	(6 736 261)
Recognition of repairs and maintanace cost incorrectly capitalised	-	1 691 395
Reversal of incorrectly raised input vat in previous years	-	28 262 792
Recognition of provision for doubtful debt on output VAT Omitted	-	(156 114 518)
Recognition of prior year error depreciation omitted	-	6 111 774
Derecognition of prior year overstated depreciation	-	(29 342 729)
Recogntion of omitted fair value adjusment on investment property	-	(478 087 000)
Derecognition of fair value on investment property derecognised	-	179 567 000
Recognition of loss on disposal of a motor vehocle written off	-	21 582
Recognising the subscription in 2023/2024 as the subscription was omitted in its financial year	-	6 736 261
	-	**(574 084 929)**
Investment properties		
Recogntion of omitted fair value adjusment on investment property	-	445 400 000
Derecognition of fair value on investment property derecognised	-	(179 567 000)
Reclassification of Land incorrectly classified as invesment property	-	(176 433 000)
	-	**89 400 000**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

61. Segment Reporting

2025 Reportable Segment	Electricity Manangement	Water Management	Waste Water Management	Waste Management	Total
Segment Revenue	**1 042 398 122**	**164 731 520**	**353 813 572**	**343 669 688**	**1 904 612 901**
External revenue from exchange transactions	925 123 290	113 250 814	142 749 220	237 502 125	1 418 625 449
External revenue from non-exchange transaction	116 354 110	50 925 329	210 724 085	104 884 784	482 888 308
Interest received	-	528 905	340 267	1 282 778	2 151 951
Other Revenue	920 722	26 471	-	-	947 194
Segment Expenses	**(894 394 428)**	**(523 823 299)**	**(239 864 879)**	**(137 054 240)**	**(1 795 136 846)**
Depreciation and Amortisation	(53 872 049)	(63 121 171)	(49 480 169)	(3 743 880)	(170 217 268)
Interest Expense	(37 960 189)	(17 729 981)	-	-	(55 690 170)
Internal Charges	(24 664 997)	(4 310 254)	(471 172)	(412 436)	(29 858 859)
other segment expenses	(777 897 193)	(438 661 893)	(189 913 537)	(132 897 925)	(1 539 370 548)
Surplus/(Deficit) for the year	**148 003 694**	**(359 091 779)**	**113 948 698**	**206 615 447**	**109 476 060**

Balance Sheet	Electricity Management	Water Management	Waste Water Management	Waste Management	Total
Segment Assets	889 173 306	1 035 290 772	903 491 313	75 395 891	2 903 351 282
Segment Liabilities	(611 778 835)	(333 385 699)	(3 661 523)	-	(948 826 052)
Segment Net Assets	**277 394 470**	**701 905 078**	**889 829 790**	**75 395 891**	**1 954 525 230**

61. Segment Reporting (continued)

2024 Reportable Segments	Electrical Management	Water Management	Waste Water Management	Waste Management	Total
Segment Revenue	**929 464 613**	**373 590 212**	**264 554 066**	**154 142 288**	**1 721 751 179**
External revenue from exchange transactions	813 480 820	224 944 043	134 477 292	106 644 342	1 279 546 497
External revenue from non-exchange transactions	115 054 845	147 309 366	129 477 292	46 814 316	438 655 819
Interest received	-	1 336 802	321 919	650 921	2 309 642
Other revenue	928 949	-	-	32 708	961 657
Segment Expenses	**(806 648 541)**	**(597 260 462)**	**(218 513 217)**	**(168 741 339)**	**(1 791 163 559)**
Depreciation and amortisation	(47 640 563)	(57 079 665)	(51 462 529)	(3 702 113)	(159 884 870)
Interest expense	(6 999 516)	(15 573 513)	-	(6 133 305)	(28 706 334)
Internal charges	(22 417 805)	(4 085 821)	(529 480)	(395 138)	(27 428 244)
Other segment expenses	(729 590 657)	(512 546 467)	(166 521 209)	(158 510 784)	(1 567 169 117)
Surplus/(Deficit) for the year	**122 816 072**	**(223 670 250)**	**46 040 849**	**(14 599 051)**	**(69 412 380)**

Balance Sheet	Electricity Management	Water Management	Waste Water Management	Waste Management	Total
Segment Assets	914 590 656	1 045 285 918	907 148 072	53 699 770	2 920 724 416
Segment Liability	(262 041 973)	(275 370 112)	(4 390 383)	(466 575)	(542 269 043)
Segment Net Assets	**652 548 682**	**769 915 807**	**902 757 689**	**53 233 194**	**2 378 455 373**

APPENDIX A
NEWCASTLE MUNICIPALITY
SHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2025

External Loans	Loan number	Interest Rate	Redeemption Date	Loan Amount	Balance at 01 July 2024	Received During the year	Credit Allocation	Redeemed during the year	Balance at 30 June 2025
Annuity Loans									
Development Bank	61000826	1129%	30-Sep-24	12 750 000	-	-	389 295	-	-
Development Bank	61000827	11,25%	28-Sep-29	1 975 000	-	-	1 043 754	-	-
Development Bank	61000920	10,69%	30-Jun-28	7 000 000	3 438 810	-	-	(1 099 050)	2 339 760
Development Bank	61007325	5,00%	31-Dec-26	10 854 999	3 449 536	-	-	(1 704 609)	1 744 927
Development Bank	61007195	10,40%	31-Dec-29	122 185 000	75 760 026	-	-	(17 874 901)	57 885 125
ABSA	3042598105	11,44%	30-Jun-30	284 839 959	207 909 152	-	-	(23 283 474)	184 625 678
Total Annuity Loans					**290 557 522,40**	**-**	**1 433 049,00**	**(43 962 032,96)**	**246 595 489,44**
TOTAL EXTERNAL LOANS					**290 557 522,40**	**-**	**1 433 049,00**	**(43 962 032,96)**	**246 595 489,44**

Asset Class	Balance 30 June 2024	Additions	Donations	Additions AUC	AUC Reallocation to OPEX	Transfers	Write offs	FV adjustment	Disposals	Balance 30 June 2025	Balance as at 30 June 2024
Infrastructure											
Electrical	1 705 580 862	5 911 160	-		-	-	(674 793)	-	-	1 710 817 228	(898 081 852)
Water and Sanitation	2 463 422 506	78 729 387			-	-	-	-	(1 115 792)	2 541 036 102	(1 139 230 173)
Roads and Storm water	5 795 828 770	39 555 936	-	110 109 630	-	(107 868 389)	-	-		5 837 625 948	(2 696 626 572)
Solid waste	65 293 140		-		-	-	-	-		65 293 140	(48 366 596)
	10 030 125 278	124 196 483	-	110 109 630	-	(107 868 389)	(674 793)	-	(1 115 792)	10 154 772 418	(4 782 305 195)
Community											
Community	330 943 329	7 765 465	-	13 543 799	-	(7 409 564)	-	-	-	344 863 049	(113 751 091)
Buildings											
Buildings	462 931 103	-	-	310 289	-	(597 760)	-	-	-	462 643 633	(147 582 027)
Movables											
Furniture and office equipment	38 631 355	1 069 569	58 280	-	-	-	-		(750 844)	39 008 359	(32 619 497)
Computer equipment	27 944 271	2 250 428	212 285	-	-	-	(51 877)		(965 932)	29 389 176	(19 768 579)
Machinery and equipment	44 703 355	1 123 264	251 306	-	-	-	-		(791 194)	45 286 730	(32 598 340)
Transport assets	92 462 742	5 451 749	-	-	-	-	-		(13 963 189)	83 951 302	(79 995 081)
	203 741 723	9 895 010	521 871	-	-	-	(51 877)	-	(16 471 160)	197 635 567	(165 001 507)
Lease											
Leased assets	4 793 181	41 031 714	-	-	-	-	-	-	(145 656)	45 679 237	(2 971 759)
Intangibles											
Softwares	13 501 190	-	36 817	-	-	-			-	13 538 008	(13 031 350)
Land											
Land	396 956 447	-	-			-	-	-	-	396 956 447	-
Investment Property											
Investment Property	1 591 861 000	-	-					51 638 640	-	1 643 499 640	-
Heritage											
Heritage	11 196 461	26 500	-	-	-	517 339	-		(6 355)	11 733 939	-
3	12 583 116 610	182 935 191	558 688	123 653 430	-	(114 760 620)	(726 670)	51 638 640	(17 736 964)	12 608 676 306	(5 077 060 903)

Change in estimate	Depreciation charges 2025	Diposals	Write offs	Balance 30 June 2025	Balance 30 June 2024	Impairment Losses 2025	Impairment Reversal	Disposals	Balance 30 June 2025	ACC DEP/IMP	ACC DEP/IMP	VARIANCE	Carrying value 2025	Carrying value 2024
(0)	(61 914 513)	-	444 663	(959 551 703)	(93 138 150)	(2 102 067)	-		(95 240 238)	(959 551 703)	(95 240 238)		656 025 288	714 360 859
2 069 426	(105 395 562)	455 451	-	(1 242 100 858)	(28 062 615)	(6 502 412)	-	-	(34 565 026)	(1 242 100 858)	(34 565 026)	0,00	1 264 370 218	1 296 128 719
4 261 212	(187 329 601)	-	-	(2 879 694 962)	(25 531 576)	(2 487 813)	-	-	(28 019 389) -	(2 879 694 962)	(28 019 389)		2 929 811 597	3 073 670 621
1 170 404	(5 033 412)	-	-	(52 229 606)	(107 654)		-	-	(107 654)	(52 229 606)	(107 654) -	0,00	12 955 880	16 818 888
7 501 042	(359 673 088)	455 451	444 663	(5 133 577 128)	(146 839 995)	(11 092 312)	-	-	(157 832 307)	(5 133 577 128)	(157 932 307)	0	4 863 262 983	5 100 980 088
-	(12 568 621)	-		(126 319 712)	(17 039 262)	(2 513 116)	-	-	(19 552 378)	(126 319 712)	(19 552 378)	-	198 990 959	200 152 976
-	(14 880 162)	-	-	(162 462 189)	(1 129 440)	(258 978)	-	-	(1 388 417)	(162 462 189)	(1 388 417) -	0,00	298 793 027	314 219 637
412 990	(1 731 702)	690 223	- -	(33 247 987)	(96 717)	(12 337)	-	34 504	(76 550)	(33 247 987)	(76 550) -	0,00	5 663 823	5 913 141
363 510	(2 478 925)	949 070	26 997	(20 927 927)	(44 560)	(22 732)	-	8 202	(59 091)	(20 927 927)	(59 091)	0,00	8 402 156	8 111 132
4 802 758	(3 808 533)	768 410	-	(30 835 706)	(208 336)	(11 873)	-	17 167	(203 042)	(30 835 706)	(203 042) -	0,00	14 247 963	11 896 679
582 894	(4 101 486)	13 442 843	-	(70 071 140)	(378 877)	-	-	26 506	(352 371)	(70 071 140)	(352 371) -	0,00	13 527 791	12 068 774
6 162 152	(12 120 646)	15 850 246	26 997	(155 082 769)	(730 490)	(46 942)	-	86 379	(691 054)	(155 082 759)	(691 054)	(0)	41 861 755	38 909 726
-	(5 971 783)	136 489	-	(8 807 053)		-	-	-		(8 807 053)	-	-	36 872 184	1 821 422
-	(260 372)	-	-	(13 291 722)	-	-	-	-		(13 291 722)	-		248 286	489 840
-		-			-	-				-	-	-	396 956 447	396 956 447
-	-	-			-	-	-			-		-	1 643 499 640	1 591 861 000
-	-	-			-	-	-			-		-	11 733 939	11 196 461
13 663 194	(380 594 512)	16 442 186	471 659	(5 437 078 374)	(164 609 747)	(13 652 370)	-	86 379	(178 176 738) -	(5 437 078 374)	(178 176 738)	0	7 193 424 192	7 341 447 960 -

APPENDIX C
NEWCASTLE MUNICIPALITY
DISCLOSURE OF BANK ACCOUNTS AND INVESTMENTS IN TERMS OF SECTIONS 125(a)&(b) OF MFMA, 56 OF 2003

Banking Institution	Account Purpose	Account Tpye	Account Number	Balance at 01 July 2024	Net Movement during the year	Balance at 30 June 2025
ABSA Bank	Primary banking	Cheque account	4110354947	12 541 567	(6 657 007)	5 884 560
ABSA Bank	Secondary banking	Cheque account	4110364982	3 340 718	202 221	3 542 939
ABSA Bank	Capacity Building	Investment account	9288456248	-	-	-
ABSA Bank	VAT Refund	Investment account	9300506428	635 992	4 917 798	5 553 790
ABSA Bank	Accreditation	Investment account	9387494511	1 012 372	88 627	1 100 999
Total ABSA Bank Accounts				1 648 364	(1 448 361)	16 082 288
Nedbank	Tertiary banking	Cheque account	1162867338	2 457 517	(2 457 517)	-
Nedbank	Tertiary banking	Cheque account	1162880066	-	-	-
Nedbank	Council Funds	Investment account	037648555441 46	-	-	-
Nedbank	Council Funds	Investment account	037648555441 47	-	-	-
Nedbank	Council Funds	Investment account	037648555441 48	-	-	-
Nedbank	Council Funds	Investment account	037648555441 49	-	20 103 949	20 103 949
Nedbank	Council Funds	Investment account	037648555441 52	10 568	4 133 256	4 143 824
Nedbank	Post Office Guarentee	Investment account	037648555441 53	464 354	30 825	495 179
Nedbank	Post Office Guarentee	Investment account	037648555441 56	-	-	-
Nedbank	Council Funds	Investment account	037648555441 57	-	-	-
Nedbank	Post Office Guarentee	Investment account	037648555441 58	-	-	-
Total Nedbank Accounts				2 932 439	21 810 514	24 742 953
Standard Bank	Self Insurance Reserve Fund	Investment account	068450354/015	344 102	30 273	374 375
Standard Bank	Housing Development Fund	Investment account	068450354/016	261 495	21 577 799	21 839 294
Standard Bank	Provincialisation grant	Investment account	068450354/035	-	-	-
Standard Bank	Municipal Infrastructure Grant	Investment account	068450354/036	4 133 651	6 847 028	10 980 679
Standard Bank	Neighbouhood Development Partnership grant	Investment account	068450354/037	-	-	-
Standard Bank	Electrification Grant	Investment account	068450354/038	-	-	-
Standard Bank	Finance Management Grant	Investment account	068450354/039	-	-	-
Standard Bank	Titel deed low cost housing grant	Investment account	068450354/040	777 115	8 690 286	9 467 402
Standard Bank	Housing JBC	Investment account	068450354/041	44 283	2 139	46 423
Total Standard Bank Accounts				5 560 646	37 147 526	42 708 172
TOTAL BANK ACCOUNTS				10 141 449	57 509 679	83 533 413

APPENDIX D - UNAUDITED
NEWCASTLE MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF OF SECTION 123 OF THE MFMA, 56 OF 2003

Grant Description	Transfering Department	Capital / Operational	Balance 01 July 2024	Grants Receive	Grant Adjustments	Total Expenditure during the year transferred to revenue	Balance 30 June 2025
National government grants							
Electrification Grant	Department of Energy	Operational	-	(18 000 000,00)	-	18 000 000,00	-
Financial Management Grant (FMG)	National Treasury	Operational	-	(1 800 000,00)		1 800 000,00	0,00
Municipal Infrastructure Grant (MIG)	Cooperative Governce and Traditional Affairs	Capital and Operational	-	(131 129 000,00)		121 422 849,62	(9 706 150,38)
Neighbouring Development Partnership Grant (NDPG)	National Treasury	Capital	(3 700,52)	(20 000 000,00)	-	19 999 970,50	(3 730,02)
Water Services Infrastructure Grant (WSIG)	Water and Forestry	Capital	-	(85 000 000,00)	-	74 305 147,97	(10 694 852,03)
Expanded P/Works Incentive		Operational	-	(1 896 000,00)	-	1 896 000,00	(0,00)
Total National government grants			(3 700,52)	(257 825 000,00)	-	237 423 968,09	(20 404 732,43)
Provincial government grants							
Environmental Management Framework	Water and Enviromenetal Affairs	Operational	(502 871,43)		502 871,43		-
Cleanest Town	Water and Enviromenetal Affairs	Operational	(466 575,21)		-	466 575,21	
Title Deeds Restoration Grant	Human Settlements	Operational	(957 678,27)	-	-	675 035,92	(182 642,35)
Grant Skill Development	Local Government SETA	Operational	(379 992,20)	(487 724,54)	-	867 716,74	-
Community Library Services Grant	Arts and Culture	Operational	-	(3 230 000,00)	-	2 948 793,58	(281 206,42)
Ingogo Fresh Produce	Cooperative Governce and Traditional Affairs	Operational	(11 353,39)	-	11 353,39	-	0,00
Sports Maintenance Facilities Grant	Sports and recreation	Operational	(10 220,00)	-	10 220,00	-	-
Osizweni Arts Centre	Arts and Culture	Operational	(930,00)	-	930,00	-	
Corridor Development	Cooperative Governce and Traditional Affairs	Operational	(131 074,64)		131 074,64	-	(0,00)
Provincialisation	Arts and Culture	Operational	(188 341,20)	(7 300 000,00)		7 319 445,86	(146 895,34)
Fort Amiel Museum	Arts and Culture	Operational	(258 809,56)	(497 000,00)		463 417,37	(292 392,19)
Capacity Building Housing	Human Settlements	Operational	0,00	(9 527 892,67)		8 882 573,33	(645 319,34)
Newcastle Airport	Cooperative Governce and Traditional Affairs	Operational	(1 815 281,36)	-	1 815 281,36		0,00
Hawker Stalls	EDTEA	Capital	(65 927,55)			24 700,00	(41 227,55)
Newcastle Airport	EDTEA	Operational	(30,35)	-	30,35	-	(0,00)
Municipal Employment Iniative Grant	EDTEA	Operational	(1 729,71)		1 729,71	-	0,00
All Housing Grants	Human Settlements	Operational	(65 974 587,02)	-		2 646,23	(65 971 940,79)
Sport and Recreation	Sports and recreation	Operational	(4 115 436,38)			-	(4 115 436,38)
Title Deeds Restoration Grant - Post	Human Settlements	Operational	(5 196 326,30)			-	(5 196 326,30)
Energy Efficiency and Demand Side Management Grant			-	-	-	-	-
Water Intervention Grant	Department of Mineral Sources and Energy	Operational	(53,76)	-	53,76	-	-
Municipal Disaster Recovery Grant		Operational & Capital	-	(12 391 000,00)		12 391 000,00	(0,00)
Cathsseta Grant		Operational & Capital	-	(1 442 232,48)		1 442 232,48	-
Total provincial government grants			(79 955 218,33)	(33 433 617,21)	2 473 644,64	34 041 904,24	(76 873 386,56)
GRAND TOTAL			(79 958 918,85)	(291 258 617,21)	2 473 644,64	271 465 872,33	(97 278 119,99)

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Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Final Adjustments budget	Shifting of funds	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actuals As % Of Final Budget	Reasons for Variance
	R	R			R	R	R	R	R	R	
FINANCIAL PERFORMANCE											
REVENUE											
Property Rates	389 400 296	40 074 880	429 566 176	-	-	429 566 176	436 896 351		(7 331 175)	-2%	New developments and the supplimentary valuations peformed during the year which increased the revenue
Service Charges	1 364 757 665	44 147 739	1 408 905 404		-	1 408 905 404	1 418 020 744		(9 115 340)	-1%	New connections of services done during the year, as well additional electricity demand for services during winter season.
Rental of facilities and equipment	11 643 319	-	11 643 319		-	11 643 319	13 405 918	-	(1 762 599)	-15%	More lease agreements were signed during the year which increased unantiicipatedcted revenudue to the municipality.
Interest received	6 674 950	2 402 760	9 077 710	-	-	9 077 710	10 156 590	-	(1 078 880)	-12%	More investments were maintained during the year, resulting in the increase in the interest income.
Property rates penalties	3 147 000	-	3 147 000			3 147 000	5 586 733		(2 439 733)	-78%	The increase in the levying of Property rates has also impacted the interest received from non exchange transactions , from businesses not paying accounts.
Licences and permits	55 901		55 901	-	-	55 901	86 026		(30 125)	-54%	Due to additional licenses imposed as a result of the stringent law-enforcement conducted by the municipality to identify and regulate bursses.
Transfers Recognised - Operational	676 117 627	27 889 330	704 006 957		-	704 006 957	689 840 558	-	14 166 399	2%	Some of the national grants like MIG and WSIG was not fully spent, resulting in less revenue recognised.
Fines, penalties and forfeits	7 600 938	-	7 600 938		-	7 600 938	24 862 388	-	(17 261 450)	-227%	Retentions amounting to about R20 million were forfeited during the year, due to them to qualifying to be claimed by the contractors.
Other Own Revenue	21 278 336	(9 409 193)	11 869 143			11 869 143	13 546 001	-	(1 676 858)	-14%	More demand for sundry services received during the year.
Public contributions & donations		-	-	-		-	558 688	-	(558 688)		Asset donation was received from Department of Sport which were not anticipated during budget period
Total Revenue (Excluding Capital Transfers & Contributions)	2 480 656 032	165 105 516	2 585 861 548		-	2 585 861 548	2 612 909 982	-	(26 829 756)	-1%	

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EXPENDITURE											
Employee Costs	721 545 772	(16 163 515)	705 382 257		(1 277 813)	704 104 444	739 094 076	-	(34 989 632)	-5%	Defined contributions plans have been accounted for, which were not included in the budget.
Remuneration of Councillors	27 442 548	1 000 000	28 442 548	-	-	28 442 548	30 492 158	-	(2 049 610)	-7%	Some of the office-bearers were declared as full-time office-bearers during the year, resulting in the increase in their benefits.
Debt Impairment	200 548 071	10 000 000	210 548 071	-	-	210 548 071	215 622 297		(5 074 226)	-2%	Due to the risk profiling of debtors done at year-end.
Depreciation & Amortisation	352 716 394	(2 000 000)	350 716 394	-	-	350 716 394	392 869 958		(42 153 564)	-12%	Due to review of useful lives of some of the asset that had fully depreciated.
Finance Charges	30 300 149	-	30 300 149	-	-	30 300 149	133 918 712		(103 618 563)	-342%	Variance is due to interest expense, actor late payment of suppliers, acturial benefits and the rehabilitation of landfill site, which were not included in the budget.
Bulk Purchases - (Electricity)	700 497 295	(9 682 621)	690 814 674	-	-	690 814 674	700 486 276		(9 671 602)	-1%	Winter tariffs that are charged by Eskom, which were not fully taken into account during the budget due to lack of sufficient data.
Inventory Consumed	138 266 600	1 077 132	139 343 732		(778 565)	138 565 167	199 715 516		(61 150 349)	-44%	More volumes were supplied in the Eastern Region due to the increase in the population size. Uthukela Water was requested to supply more volumes than budgeted for in order to respond to the water outcry in Madadeni and Osizweni.
Bad debts written off	93 659 255	(8 000 000)	85 659 255		-	85 659 255	94 434 700		(8 775 445)	-10%	More than expected consumers took the incentive schemes and signed arrangements and paid to have some of their old debt written off. The effective indigent identification process has also ensured that only the debt of people who really qualify as indigents is written-
Contracted services	202 111 819	88 827 769	290 939 588	-	18 776 102	309 715 690	450 665 806		(140 950 116)	-46%	Budget was cut to achieve a funded budget, however very critical operations for service delivery were still undertaken.
Other Expenditures	150 371 623	(7 259 161)	143 112 462	-	(5 419 509)	137 692 953	182 194 879		(44 501 926)	-32%	Budget was cut to achieve a funded budget, however very critical operations for service delivery were still undertaken.
Total Expenditure	2 617 459 526	67 798 604	2 678 269 110	-	11 300 215	2 686 559 345	3 139 694 378		(452 936 033)	-17%	
Surplus/(Deficit)	(138 803 494)	47 395 912	(88 407 582)	-	(11 300 215)	(160 767 707)	(538 554 386)	-	428 405 277	-423%	
Transfers Recognised - Capital	162 376 378	(21 069 235)	141 307 138	-	-	141 307 138	123 186 537	-	18 120 601	13%	This is due to delays on procurement processes. Application for rollover will be sent
Actuarial gains/losses				-		-	(7 681 904)	-	(7 681 904)		The provision was not included in the budget due to the accurate data during the budget process
Inventories losses/write-down		-		-		-	(64 938)	-	(64 938)		The provision was not included in the budget due to the accurate data during the budget process
Impairment loss/ Reversal of impairments		-	-	-	-	-	12 298 114		(12 298 114)		Due to the condition assessment performed by the Engineers on property plant and equipment, which indicated that the value of assets is low the current carrying value of such assets.
Fair value adjustment to investment proper	-	-	-	-		-	51 838 640		(51 838 640)		The provision was not included in the budget due to the accurate data during the budget process
Share Of Surplus/(Deficit) Of Associate		-	-	-		-	(17 670 916)	-	17 670 916		Variance considered immaterial
Profit/(Loss) on sale of assets	-	-	-	-		-	3 337 076	-	3 337 076		Profit on sale of asset was not anticipated during budget period
Gains from transfer of functions between entities not under common control	-	-	-	-		-		-			
Surplus/(Deficit) For The Year	25 572 870	26 326 677	51 899 556	-	(11 300 215)	40 599 341	(341 511 772)	-	(32 655 000)	-80%	

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CASH FLOWS											
Net Cash From (Used) Operating	486 089 662	(114 006 731)	374 082 931	-		374 082 931	275 230 082,00		98 852 869	26%	Less cash form service charges was received due to illegal connections, resulting in less receipts than anticipated.
Net Cash From (Used) Investing	(163 486 373)	26 034 357	(137 452 016)			(137 452 016)	- 164 696 234,00	-	27 244 218	-20%	Additional funds appropriated during the year after the budget was approved.
Net Cash From (Used) Financing	(32 985 016)		(32 985 015)	-	-	(32 988 016)	- 51 448 157,00		18 462 272	-56%	The financing activities increased due to the capitalisation of a new fleet acquired through finance lease in the 2024/2025 FY
NET INCREASE/ (DECREASE) IN CASH	291 617 374	(87 972 374)	203 645 000	-	-	203 645 000	58 985 641	-	144 659 359	71%	
Cash and cash equivalents at the beginnin	66 647 923	39 262 022	26 385 901	-		26 385 901	26 385 911	-	(10)	0%	
Cash/Cash Equivalents At The Year End	357 265 297	(127 224 396)	230 030 901	-	-	230 030 901	85 471 552,00	-	144 559 349,00	63%	

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Final Adjustments budget	Shifting of funds	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actuals As % Of Final Budget	Reasons for Variance
	R	R			R	R	R	R	R	R	
STATEMENT OF FINANCIAL POSITION											
Assets											
Current assets											
Inventories	77 946 246	16 463 878	94 410 124	-	-	94 410 124	46 495 582	-	47 914 542	51%	Variance is due to inccurate budget of water inventory, which was included under this item and not anticipated to be supplied during the year.
Trade and other receivables from exchange transactions	776 680 040	(90 643 991)	679 036 049	-	-	679 036 049	690 275 104	-	(11 239 055)	-2%	More consumers that were billed did not pay their accounts in full, resulting in the increase on recievables.
Receivables from non-exchange transactions	66 631 002	32 717 760	99 348 762	-	-	99 348 762	135 441 625	-	(36 092 863)	-36%	More consumers that were billed did not pay their accounts in full, resulting in the increase on recievables.
VAT Receivables	59 284 884	157 553 999	216 838 883	-	-	216 838 883	-	-	216 838 883	100%	The VAT amount has not been incorporated under receivables or payements due to the updated in the reporting requirements.
Other Current assets	2 732 508	568 300	3 300 812	-	-			-	-		
Cash and cash equivalent	351 674 762	(127 234 897)	224 439 865		-	224 439 865	86 471 551	-	138 968 314	62%	Limited cash resources due to the low collection rate and year-end creditor commitments.
Total current assets	1 336 849 437	(19 574 942)	1 317 374 495	-	-	1 314 073 683	957 683 862		356 389 821	27%	

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Non-Current Assets											
Investment property	1 473 726	1 183 046 491	1 184 520 217	-	-	1 134 520 217	1 643 400 640	-	(508 879 423)	-45%	The variance is due to the new valuation of investment properties which has been performed by an independent valuer. The impact of the valuation woould not be anticipated during the budget preparation process.
Property, plant and equipment	5 984 915 937	(44 801 474)	5 940 114 463	-	-	5 940 114 463	5 836 737 328		103 377 135	2%	Review and impairment of assets done during the year.
Intangible assets	7 586 559	(9 760 248)	(2 173 689)	-	-	(2 173 689)	246 256	-	(2 419 975)	111%	Additional assets were purchased during the year than anticipated.
Heritage assets	4 312 832	(311 884)	4 000 948	-	-	4 000 948	11 733 839		(7 732 891)	-193%	Additional assets were purchased during the year than anticipated.
Other non-current assets	101 739 024	959 147	102 698 171			102 698 171	218 656 596		(115 958 425)	-113%	Based on the updated net asset value of Uthukela Water. The net asset value of the entity increased more than anticipated due to the revaluation surplus the Associate (UTW) recognised in the 2023/2024 financial year
Total non current assets	6 100 828 078	1 079 132 032	7 179 160 110	-	-	7 179 160 110	7 710 873 790	-	(531 713 679)	-7%	Variance considered immaterial
Total Assets	7 436 977 515	1 059 557 090	8 496 534 605	-		8 493 233 793	8 666 557 691	-	(173 323 898)	-2%	Variance considered immaterial
Liabilities											
Current liabilities											
Financial Liabilities- Borrowings and finance lease	36 281 856	3 176 873	38 458 729	-		38 458 729	62 834 544	-	(24 375 815)	-63%	The municipality took a new finance lease agreement for the municipal plant
Consumer Deposits	35 598 586	141 497	35 740 083	-	-	35 740 083	40 539 176	-	(4 799 093)	-13%	Deposits of consumers who are defaulting on their accounts were held in order ensure that it is enough when the consumer fails to pay. Additional deposits were also raised for new accounts opened.
Trade and other payables from exchange transactions	537 620 954	9 718 363	547 338 317			547 338 317	1 233 790 498		(686 454 181)	-125%	The long-term Eskom and Uthukela Water debt was excluded from the budget amount on the advice of Provincial Treasury in order to assess the funding status of the budget.
Provisions	14 743 974	47 669 537	62 413 511	-	-	62 413 511	16 878 000		45 535 511	73%	Based on the acturial evaluation expert report, more employees were appointment during the year, which necessitate additional provision
VAT Payables	97 992 923	222 077 659	320 070 582		-	320 070 582	6 141 278		313 929 304	98%	This is due to input VAT accruals raised at year-end which were not anticipated during the budget process.
Trade and other payables from non-exchange transactions-(unspent grants)	132 531 502	(47 779 135)	84 752 367	-	-	84 752 367	97 278 118		(32 525 751)	-50%	Some of the grants that wecelved during the year and those received in prior years were not spent during the year.
Total current liabilities	863 769 795	215 901 794	1 068 771 589		-	1 068 771 589	1 457 461 614	-	(388 690 025)	-36%	
Non current liabilities											
Financial Liabilities- Borrowings and finance lease	210 287 580	(5 113 445)	205 174 115		-	205 174 115	217 557 593		(12 383 478)	-6%	There was a breakdown of waste trucks and other municipal fleet which could not be fixed and the increased number of residential areas which require waste, water maintainance, fleet was purchased on hire-purchase contract which was not anticipated during budgeting & thus contributed to this variance
Other non-current liabilities- Defined Benefit plan	199 462 348	14 572 613	214 034 961	-	-	214 034 961	223 934 000		(9 899 039)	-5%	The portion of uThukela debt over 12 months was moved to long term liabilities as per agreement
Provisions- Landfill site	72 549 158	17 272 242	89 821 400	-	-	89 821 400	95 640 414		(5 819 014)	-6%	Based on the evaluation expert report, the increase in values for assets to be provided for resulted in the increase in the provision, which was not identified during the budget process.

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Long term portion of trade payables	167 972 935	-	167 972 936	-	-	167 972 936		-	167 972 088	100%	Based on the acturial evaluation expert report, more employees were appointment during the year, which necessitate additional provision
Total non current liabilities	656 272 061	25 731 410	677 093 411	-	-	677 093 411	537 122 007	-	139 971 404	21%	
Total liabilities	1 584 061 796	241 733 294	1 748 775 060	-	-	1 748 775 060	1 994 593 621	-	(245 818 621)	-14%	
Net Assets	6 602 035 719	617 823 886	8 758 759 605	-	-	8 747 458 768	6 073 984 639			0%	
Reserves	32 291 665	265 583	32 557 249	-	-	32 557 249	28 280 386				
Housing Development Fund	32 291 665	265 583	32 557 248	-	-	32 557 249	27 951 067		4 626 581	14%	Withdrawal was made to fund housing projects
Self-insurance	-	-	-	-	-	-	337 608		(337 608)		Withdrawal from the fund due to more claims and excess amounts paid, which were not covered by the insurance in terms of the insurance contract.
Accumulated Surplus/(Deficit)	5 520 952 509	964 412 022	6 485 364 531		-	6 485 364 531	6 645 694 638		(160 330 107)	-2%	Due to changes in the income and expenditure during the year.
Total Net Asset	5 863 244 174	964 677 605	6 517 921 779	-	-	6 517 921 770	6 673 984 023	-	(160 330 107)	-2%	