



**uthukela
water**

uThukela Water (Pty) Ltd

Annual Financial Statements

For The Year Ended 30 June 2022

I am responsible for the preparation of these amended annual financial statements which are set out on the pages 3 to 61, in terms of section 126 (2) of the Municipal Finance Management Act, 56 of 2003, and the Companies Act, 71 of 2008, and which I have signed on behalf of the company.

Managing Director

25 November 2022

Date

Acting Chief Financial Officer

25 November 2022

Date

UTHUKELA WATER (PTY) LTD
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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uThukela Water (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2022

GENERAL INFORMATION

Province: Kwazulu-Natal

AFS rounding: SA Rand only, no cents.

Contact Information

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Acting Chief Financial Officer: Farida Moola

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Chairman of the Board: Dr J Vorster

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General Information

Legal form of business

uThukela Water (Pty) Ltd is an interim Water Service Provider operating under Provincial Council authority dated 6 June 2012, and via a water services provider agreement signed with the Shareholder municipalities of; Newcastle, Umzinyathi and Amajuba Districts, in accordance with the provisions of section 78 of the Municipal Systems Act 32/2000, for the purposes of providing Bulk water services to these municipalities.

The National Minister of Water Affairs and Sanitation via government gazette number 39491 dated 15 December 2015 determined that the Entity will be incorporated into a new single Water Board proposed for the whole of KwaZulu Natal.

The entity operates as a Bulk water services provider to its controlling Shareholders, and performs no other functions outside the scope of the draft agreement between the parties.

The entity is governed by the provisions of the Companies Act 71/2008, Municipal Finance Management Act 56/2003, Municipal Systems Act 32/2000, Water services Act 108/1997 and the Public Audit Service Act 25/2004.

Members of the Board

Dr. J.A Vorster (Chairman of the Board)

Dr. A.S Mokoena

Mr. E.M Zungu

Mr. P.M Ngcobo

Mr. T.G Mphela

The three Municipal Managers of the Shareholder municipalities, of Newcastle Local Municipality, Umzinyathi District Municipality and Amajuba District Municipality.

Auditors: Auditor General South Africa

Bankers: Standard Bank of South Africa

Registered Office: 79 Harding Street, Newcastle

Physical Address: 79 Harding Street, Newcastle

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Telephone Number: 034 3285000

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DIRECTORS REPORT

In terms of the Companies Act, 71/2008, as amended, and read with the Municipal Systems Act 32/2000, as amended, the Board of uThukela Water (Pty) Ltd, is the accounting authority and the bulk water services provider to the municipalities of Newcastle, Amajuba and Umzinyathi District, and the Directors have pleasure in presenting their report for the year ended 30 June 2022.

Nature of business

uThukela Water (Pty) Ltd, is an interim multijurisdictional water entity, originally established in 2003 to provide the whole spectrum of water and sanitation services, and then subsequently with effect from the 1 July 2013, was re-constituted to supply only potable bulk water to its parent municipalities. The activities of uThukela Water are in line with the provisions of the Water Act, Act 108/1997.

The primary activities in terms of section 29 of the Act are:

- (a) To treat raw water and to distribute the treated water via its infrastructure to its Shareholder municipalities.
- (b) To provide Bulk water quality assurance to its Shareholders via its laboratory analyses and measurement in terms of National Water Standards.

In terms of section 30 of the Act, uThukela Water (Pty) Ltd also engages in other services that complement bulk water services such as laboratory services, water quality monitoring and environmental management within the water reticulation systems of the Shareholders, and also acts as an implementing agent for any sphere of government for projects related to water service delivery.

The services are provided on behalf of the following parent municipalities who are also the Water Service Authorities for their respective jurisdictions:

Amajuba District Municipality
Newcastle Municipality
Umzinyathi District Municipality

Compliance with legislation

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such accounts issued by the Accounting Practices Board, with the effective standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statements as indicated

in the accounting policies of the Board. The requirements of the following relevant statutes were also taken into account when preparing the annual financial statements:

- (a) Water Services Act 108/1997,
- (b) Municipal Finance Management Act 56/2003,
- (c) Municipal Systems Act 32/2000,
- (d) Companies Act 71/2008 and
- (e) Public Audit Service Act 25/2004.

These acts require preparation of the financial information to be in compliance with the Companies Act 71/2008, as amended.

Corporate governance and risk management

The Board supports the principles of the code of Corporate Practices and Conduct as set out in the King IV report. The organizations policies, procedures and processes are continuously reviewed to align with King IV and the Board provides the required oversight and is pleased with the commitment that prevails at all spheres of the organization in as far as compliance with King IV is concerned.

The Board is responsible for monitoring the risk management process.

Share capital and Director's interests

The share capital of the Company has been issued in one hundred (100) ordinary shares, and is valued at R100.

The authorized number of ordinary shares is 10 000, with a par value of R 1 per share.

The parent municipalities (Water Service Authorities) are the sole Shareholders of the company, and their individual shareholding is as follows;

Amajuba District Municipality; 33%

Newcastle Municipality; 34%

Umzinyathi District Municipality; 33%

The details of the shares, and share certificates, are recorded in the Register of Shareholders of the Company, in terms of the provisions of the Companies Act 71 of 2008, as amended.

The MEC responsible for Co-operative Governance and Traditional Affairs, The Honorable N. Dube, on the 18 June 2012, released a decision of the Provincial Executive Committee taken at a Cabinet meeting held on the 25 April 2012, wherein it was resolved that;

- (a) The section 139 (1) (b) of the Constitution of the RSA, Act 108/1996, intervention instituted by the Provincial Executive was terminated with immediate effect, and that the Water Service Authorities would immediately resume and be accountable for water service functions previously assumed by the Provincial Executive of the Province of KZN together with the rights and obligations pertaining to uThukela Water (Pty) Ltd.
- (b) The Directive also governed that in relation to the delivery of water services operated by uThukela Water (Pty) Ltd, that in terms of section 139 (1) (a) of the Constitution, the following orders, amongst other things to be done, would be implemented;
 - All retail/reticulation water service functions would be de-centralized and returned to the respective municipalities.
 - Bulk water services would be regionalized.
 - uThukela Water (Pty) Ltd would continue to provide water services as the Bulk water service provider until such time that the National Minister for Water Affairs makes a decision concerning the future composition of the new or reconstituted Regional Bulk water service authority.
 - That uThukela Water (Pty) Ltd would be de-registered in terms of the Companies Act once the Minister of Water Affairs had made a decision regarding the new or reconstituted water service authority.

During the financial year, no contracts were entered into in which Directors or Officers of the Company had an interest and which significantly affected the business of the Company.

No special resolutions, the nature of which might be significant to the Shareholder in their appreciation of the state of affairs of the Company, were made by the Company during the period covered by this report.

The future dispensation of the Company

The Minister of Water Affairs and Sanitation has by Government Gazette number 39491 dated the 10 December 2015, declared that in terms of the provisions of the Water Services Act 108/1997, that the extension of the water services will be incorporated into a single water functionary. The mechanism and new functionary have not yet been finalized and determined by the Minister.

Financial performance

The Company's statement of financial position reflects a net asset worth of R 397 068 261 (2021: R 511 552) and is made up as follows;

Share Capital	R	100
Accumulated deficit	R	84 260 733
Asset revaluation Reserve	R	481 328 895

The total net shareholder contributions paid to uThukela Water to date is reflected at R 146 590 121 (2021: R 156 162 652) and is made up of capital contributions to water infrastructure development projects, and excludes bulk water billing payments which are appropriated to accumulated surpluses. The details hereof are reflected in note 13 to the annual financial statements.

There was a net decrease in cash and cash equivalents to R 19 800 255 from R 29 424 084 in 2021. Cash receipts and accumulated funds assisted the Company to invest R 1 233 541 (2021: R 1 258 341) into property, plant, infrastructure and equipment during the year. The total net capital investment in bulk water service infrastructure, and in respect of property plant and equipment is R 690 207 798 (2021: R 789 451 219)

Statement of Financial Performance, June 2022.

The Statement of Financial Performance for the year under review reflects a trading deficit of R 93 402 484 for the year (2021: R 127 149 807). However, it should be noted that the deficit is mainly attributable to the raising of depreciation charges amounting to R 79 285 115 (2021: R 79 261 466), which amount is written back via the accumulated surplus account as a result of the municipalities not providing for or paying for these depreciation charges and the contribution to provision for bad debts amounting to R 22 777 117 (2021: R 36 720 992). The Water Service Authorities only provide and pay for cash items in their operational budgets and do not contribute towards any of the non-cash items accounted for.

Statement of Financial Position, June 2022.

The Statement of Financial Position, present some areas of concern including a negative current ratio, adverse liquidity ratios and adverse cash coverage. These are directly as a result of the non- payment of the raw water charges billed by the Department of Water and Sanitation and consequently raised by the Entity, but not paid to the Department, as a result of non-payment by the shareholder municipalities.

The recovery and/or write off of these raw water charges is receiving attention at the highest level.

There were no external borrowings in the year under review.

Capital expenditure and commitments

Capital expenditure for the year include amounts utilized from accumulated funds and brought into account in the water services balance sheet amounting to R 1 233 541 (2021: R 1 258 341) for property, plant and equipment.

The Companies contractual capital commitments are disclosed in note 32 of the financial statements.

Materiality framework

Management for the purposes of materiality works within the framework of acceptable levels of materiality and significance set and established by the Office of the Auditor General.

Fruitless and wasteful expenditure

There was R 20 380 985 of fruitless and wasteful expenditure comprising mainly of interest raised by the Department of Water and Sanitation on outstanding accounts during the year. See note 29.

Irregular expenditure

Irregular expenditure was reported during the year under review resulting from non-compliance with the supply chain management policy. These instances will be investigated and reported to the Board. See note 29.

Fraud and financial misconduct

There were no instances of fraud and financial misconduct in the current financial year. Internal controls are reviewed and improved on continuously.

Performance against financial targets

The performance of uThukela Water against key financial indicators as agreed in the Shareholders compact is illustrated in the performance management scorecards which are reported in the annual report.

The Company scorecard reflects that the Company has performed within targets and objectives as set out in the Business plans and budgets, albeit it under difficult and restrained circumstances.

Events after the reporting period

There are no events to report

Going concern

The going concern basis has been adopted in preparing the financial statements. The Directors considered the following factors in reaching this opinion:

- The assumption that the shareholders will pay their monthly bulk water service invoices in accordance with their signed agreements and as directed by the Provincial Council in its instruction dated 7 June 2012.
- The entity continues to deliver on its mandates to its shareholders in all respects and in full compliance with all legislation as evidenced by good audit outcomes.
- Stable key executive management incumbents have been, and are in place, albeit in some cases in Acting capacities, providing; expertise, stability, industry know how and guidance in all aspects of effective and efficient water service management to the Board and its shareholders.
- Annually approved MTREF business plans, operational and capital budgets, tariff model, performance management and risk assessment plans are in place and monitored and reported on regularly to the Board and its shareholders.

UTHUKELA WATER (PTY) LTD

Report of the Auditor General

UTHUKELA WATER (PTY) LTD

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Note	2022	RESTATED 2021
		R	R
ASSETS			
Current assets		177 348 284	157 446 059
Cash and cash equivalents	1	19 800 255	29 424 084
WSA debtors	2	2 026 211	183 138
Trade and other receivables from exchange transactions	3	129 294 921	100 388 929
Other receivables from non-exchange transactions	4	2 792 640	2 653 050
VAT receivable	5	23 225 809	24 610 444
Inventory	6	208 447	186 415
Non-current assets		690 207 798	789 451 219
Property, plant and equipment	7	689 840 770	788 721 338
Intangible assets	8	367 027	729 881
Total assets		<u>867 556 081</u>	<u>946 897 278</u>
LIABILITIES			
Current liabilities		459 477 820	423 381 056
Trade and other payables	9	458 527 859	422 352 803
Unspent conditional grants and receipts	10	460 961	460 961
Current portion of staff benefit obligations	11	489 000	567 292
Non-current liabilities		11 010 000	11 963 630
Service related staff benefit obligations	11	11 010 000	11 963 630
Total liabilities		<u>470 487 820</u>	<u>435 344 686</u>
Net assets		<u>397 068 261</u>	<u>511 552 592</u>
Share capital	12	100	100
Accumulated funds	13	397 068 162	511 552 492
Net assets		<u>397 068 261</u>	<u>511 552 592</u>

UTHUKELA WATER (PTY) LTD.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	Budget 2022 R	Actual 2022 R	Budget 2021 R	Restated 2021 R
REVENUE					
Revenue from exchange transactions					
Service charges	14	175 768 423	174 372 947	170 263 232	165 403 505
Interest earned - external investments	15	114 490	858 315	107 000	1 067 037
Revenue from non-exchange transactions					
Interest on receivables		-	6 810 980		
Other receipts		50 000	3 451 215	779 300,00	293 631
Total revenue		<u>175 932 913</u>	<u>185 493 457</u>	<u>171 149 532</u>	<u>166 764 172</u>
EXPENDITURE					
Employee related costs	17	(64 313 792)	(58 813 133)	(59 541 583)	(59 561 054)
Contribution to provision for bad debts	2,3,4	-	(22 777 117)	-	(36 720 992)
Depreciation and amortisation	18	(1 885 312)	(79 285 115)	(1 787 026)	(79 261 466)
Repairs and maintenance	19	(9 313 787)	(3 948 601)	(16 110 527)	(5 177 110)
Bulk water purchases	20	(24 275 789)	(27 264 702)	(29 419 149)	(30 267 399)
Interest paid/accrued	21	-	(20 380 985)	-	(22 945 197)
Contracted services	22	(4 520 300)	(2 944 167)	(2 704 180)	(2 535 657)
Inventory adjustment	6	-	22 032	-	10 586
Operating expenses	23	(70 225 484)	(63 394 154)	(60 272 768)	(57 570 388)
Total expenditure		<u>(174 534 463)</u>	<u>(278 785 942)</u>	<u>(169 835 232)</u>	<u>(294 028 676)</u>
Gain / (loss) on disposal/scrapping of assets	24	-	(110 000)	-	114 697
Surplus(deficit) before taxation		<u>1 398 450</u>	<u>(93 402 484)</u>	<u>1 314 300</u>	<u>(127 149 807)</u>
Taxation	25	-	-	-	-
Surplus(Deficit) for the year		<u>1 398 450</u>	<u>(93 402 484)</u>	<u>1 314 300</u>	<u>(127 149 807)</u>

UTHUKELA WATER (PTY) LTD.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

Description, Nature and Purpose of Reserve	Note	Share capital invested in Entity by Shareholders in terms of Company Memorandum of Association			Partner capital grant/partner funds transferred to Entity for projects implemented by the Entity			Asset Revaluation Reserve, reflects assets at fair value, measured reliably, and carried at revalued amounts	Accumulated Surplus/(Deficit) reflects accumulated surplus or deficit of the Entity	Total Net Assets reflects net income retained, no dividends are paid
		Umzimvathl	Amaluba	Newcastle	Umzimvathl	Amaluba	Newcastle			
Balance at 30 June 2019		R	R	R	R	R	R	R	R	
		100	8 814 902	89 062 121	92 496 969	8 814 902	89 062 121	699 709 328	(168 596 001)	721 487 418
Share capital		0								0
Operating (surplus)deficit - including shareholders contributions		-	-	-	-	-	-	-	(91 828 627)	(91 828 627)
Correction of error	46								(512 959)	(512 959)
Acquired assets through partners contribution		-	(1 093 649)	9 555 653	(3 722 395)	(3 608 294)		(66 248 321)	74 672 660	9 555 653
Off- setting depreciation	13									
Balance at 30 June 2020		100	7 721 253	95 009 479	88 774 573	7 721 253	95 009 479	633 461 008	(186 264 928)	638 701 484
Operating (surplus)deficit - including shareholders contributions		-	-	-	-	-	-	-	(89 050 432)	(89 050 432)
Correction of error	46								(38 099 375)	(38 099 375)
Off- setting depreciation	13		(1 093 649)	(4 955 750)	(3 523 133)	(1 093 649)	(4 955 750)	(65 515 868)	75 088 399	-
Balance at 30 June 2021		100	6 627 604	90 053 729	85 251 440	6 627 604	90 053 729	567 945 140	(238 325 422)	511 552 591
Operating (surplus)deficit - including shareholders contributions		-	-	-	-	-	-	-	(93 402 484)	(93 402 484)
Correction of error									15 319 355	-
Fair Value Adjustment								(21 081 846)		(21 081 846)
Off- setting depreciation	13		(1 093 649)	(4 955 750)	(3 523 133)	(1 093 649)	(4 955 750)	(65 534 399)	75 106 930	-
Balance at 30 June 2022		100	5 533 955	76 309 811	75 197 121	5 533 955	76 309 811	481 328 895	(241 301 621)	397 068 262

UTHUKELA WATER (PTY) LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	RESTATED 2021
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		125 233 169	133 361 729
Sales of goods and services		124 059 296	131 882 549
Interest received		805 394	1 069 299
Other receipts		368 479	409 881
Payments		(133 623 457)	(122 749 462)
Employee costs		(58 460 588)	(59 298 174)
Suppliers		(75 076 020)	(63 347 634)
Other payments		(86 850)	(103 654)
NET CASH FROM OPERATING ACTIVITIES	26	<u>(8 390 288)</u>	<u>10 612 266</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	<u>(1 233 541)</u>	<u>(1 258 341)</u>
NET CASH FROM INVESTING ACTIVITIES		<u>(1 233 541)</u>	<u>(1 258 341)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(9 623 829)</u>	<u>9 353 925</u>
Cash and cash equivalents at the beginning of the year		29 424 084	20 070 160
Cash and cash equivalents at the end of the year	1&27	<u>19 800 255</u>	<u>29 424 084</u>
		<u>9 623 829</u>	<u>(9 353 925)</u>

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and The Companies Act, 2008 (Act 71 of 2008) and the MFMA.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rands.

Unless otherwise stated, all figures have been rounded to the nearest rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

Municipal Standard Chart of Accounts

The Entity operates its accounts on the Municipal Standard Chart of Accounts as required by National Treasury, and in line with the shareholder municipalities.

1.1 Significant judgments and sources of estimation uncertainty

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

Trade receivables

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

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

1.1 Significant judgments and sources of estimation uncertainty (continued)

Impairment testing

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

These calculations require the use of estimates and assumptions. It is reasonably possible that the useful life and market value assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including technological obsolescence, together with economic factors such as interest and inflation rates.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Post-retirement benefits

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 11 – Service related employee benefit obligations.

Effective interest rate

The entity used the prime interest rate to discount future cash flows adjusted for risks specific to the related item.

1.1 Significant judgments and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Depreciation begins when the assets are available for use and ceases

1.2 Property, plant and equipment (continued)

at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognized.

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Item	Useful life
Buildings	50 years
Water infrastructure	5 to 50 years
IT equipment	3 to 10 years
Leasehold property	
Leasehold improvements	5 years over the period of lease
Plant and machinery	
Grass-cutting Equipment	7 to 10 years
Minor plant	5 to 50 years
Mobile plant	7 to 10 years
Office equipment	
Furniture & fittings	7 to 10 years
Other office equipment	3 to 10 years
Motor Vehicles	
Trucks and light delivery vehicles	5 to 7 Years
Ordinary motor vehicles	5 to 7 Years

1.2 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

Items of property, plant and equipment are derecognized 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 derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognized as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separate from the company or from other rights and obligations.

An intangible asset is recognized when:

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

Intangible assets are initially recognized at cost.

When an intangible asset is acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

An intangible asset shall be derecognized on disposal or when no future economic benefits or service potential are expected from its use or disposal.

1.3 Intangible assets (continued)

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in surplus or deficit when the asset is derecognized.

Intangible assets are carried at cost less any accumulated amortization 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. Amortization 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 amortization is provided on a straight-line basis over their useful lives.

The amortization period and the amortization method for intangible assets are reviewed at each reporting date. Amortization begins when the assets are available for use and ceases at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognized.

The amortization charge for each period shall be recognized in surplus or deficit unless it is permitted or required to be included in the carrying amount of another asset.

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

Item	Useful life
Computer software	3 to 5 years

1.4 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortized cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

1.4 Financial instruments (continued)

- If the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognized initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognized in surplus or deficit. Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.4 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognized in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognized.

Reversals of impairment losses are recognized in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because the fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognized in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to/from economic entities

These include loans to and from controlling entities, fellow controlled entities, joint ventures and associates and are recognized initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortized cost.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the

1.4 Financial instruments (continued)

difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognized in surplus or deficit within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and are subsequently measured at amortized cost, using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognized as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognized in surplus or deficit;

1.4 Financial instruments (continued)

- A gain or loss on an available-for-sale financial asset is recognized directly in net assets, through the statement of changes in net assets, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in net assets is recognized in surplus or deficit; and
- For financial assets and financial liabilities carried at amortized cost, a gain or loss is recognized in surplus or deficit when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial assets are derecognized using trade settlement date accounting.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or

1.4 Financial instruments (continued)

modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

1.5 Leases

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

1.6 Inventories (continued)

Net realizable 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 entity will incur 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 entity.

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

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the company with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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/amortization.

Carrying amount is the amount at which an asset is recognized 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 held with the primary 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.

1.7 Impairment of cash-generating assets (continued)

Depreciation/amortization 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.

The 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.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity 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 recognized 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 entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use, the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

1.7 Impairment of cash-generating assets (continued)

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognized immediately in surplus or deficit.

Any impairment loss of a revalued 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 cash-generating asset to which it relates, the entity recognizes a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

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

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

- the future cash inflows used to determine the assets or cash-generating unit's value in use; and

1.7 Impairment of cash-generating assets (continued)

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognized for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

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

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

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

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

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognized 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 recognized 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 recognized. 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 amortization) had no impairment loss been recognized for the asset in prior periods

1.7 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating asset is recognized 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 recognized, the depreciation/amortization 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 amortization or depreciation) had no impairment loss been recognized 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.

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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/amortization.

Carrying amount is the amount at which an asset is recognized 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 held with the primary 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

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

Depreciation/amortization 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.

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognized 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 an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognized 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 entity recognizes a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognized immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

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

1.9 Shareholder's loan on incorporation

A residual interest is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Shareholder's loan on incorporation is treated as residual interest.

1.10 Employee benefits

Short-term employee benefits

The cost of short term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognized immediately to the extent that the benefits are already vested, and are otherwise amortized on a straight line basis over the average period until the amended benefits become vested.

1.10 Employee benefits (continued)

To the extent that, at the beginning of the financial period, any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognized in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognized.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognized for a reimbursement.

The amount recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs and reduced by the fair value of plan assets.

Any asset is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits and 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 entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.11 Provisions and contingencies

Provisions are recognized when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the company settles the obligation. The reimbursement is treated as a separate asset. The amount recognized 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 recognized as an interest expense.

A provision is used only for expenditures for which the provision was originally recognized. Provisions are not recognized for future operating deficits.

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

A constructive obligation to restructure arises only when the 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;

1.11 Provisions and contingencies (continued)

- 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 entity

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

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

- the amount that would be recognized as a provision; and
- the amount initially recognized less cumulative amortization.

A contingent liability is a present obligation that arises from past events but is not recognized because it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with certainty.

Contingent assets and contingent liabilities are not recognized, but disclosed.

1.12 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 entity 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.

Revenue is recognized when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

1.12 Revenue from exchange transactions (continued)

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized 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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognized 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 recognized only to the extent of the expenses recognized that are recoverable.

Service revenue is recognized by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognized when:

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

Interest is recognized, in surplus or deficit, using the effective interest rate method.

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

1.12 Revenue from exchange transactions (continued)

Dividends or their equivalents are recognized, in surplus or deficit, when the entity's right to receive payment has been established.

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

1.13 Revenue from non-exchange transactions

Water Service Authority shortfall contributions are recognized when all conditions associated with the contribution has been met in terms of the WSP agreement and is transferred directly to the Statement of Financial Performance.

Capital grant reimbursements are claimed from the Shareholders who hold all Government grant receipts, and these receipts, are only recognized for payment purposes when actually received by the entity, and are accounted for in the Statement of Financial Performance.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, 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 entity 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.

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

1.13 Revenue from non-exchange transactions (continued)

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.

The Entity is exempt from the payment of Income Tax

Recognition

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

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

Measurement

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

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

1.14 Cost of sales

When inventories are sold, exchanged or distributed the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. If there is related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value or current replacement cost and all deficits of inventories are recognized as an expense in the period the write-down or loss

1.14 Cost of sales (continued)

occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value or current replacement cost, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

The related cost of providing services recognized as revenue in the current period is included in cost of sales.

1.15 Investment income

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realizable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.7 and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalization is suspended during extended periods in which active development is interrupted.

Capitalization ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalizing borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

1.16 Borrowing costs (continued)

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

1.17 Comparative figures

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

1.18 Unauthorized expenditure

Unauthorized 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.

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.22 Gratuities

The entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognized in the statement of financial performance when the gratuity is paid.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

Partners contributions (Grants)

Water Service Authority contributions (Grants) utilized to fund assets is accounted for in the Statement of Financial Performance and transferred to the Accumulated Funds.

Water Service Authority contributions (Grants/shortfall contributions) utilized to fund operational expenditures and are accounted for in the Statement of Financial Performance.

1.24 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements as an annexure.

The period of the approved budget is the 1st July 2021 to the 30th June 2022.

1.25 Related parties

A related party is a person or entity that is related to the entity.

(a) A person or a close member of that person's family is related to the entity if that person:

(i) has control or joint control over the entity;

(ii) has significant influence over the entity; or

(iii) is a member of the key management personnel of the entity or of a parent of the entity.

(b) An entity is related to the entity if any of the following conditions applies:

(i) the entity and the company are members of the same group.

1.25 Related parties (continued)

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of a third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the entity. If the entity is itself such a plan, the sponsoring employers are also related to the entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

Transactions with related parties are entered into and disclosed at arm's length.

Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties.

In respect of transactions between related parties other than transactions that would occur within normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at an arm's length in the same circumstances, the entity discloses (a) the nature of the related party relationship, (b) the type of transaction that have occurred and (c) the elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

2. FINANCIAL RISK MANAGEMENT

2.1 Credit risk

Potential credit risk mainly consists of short-term investments, cash and cash equivalents and accounts receivable. The risk from short-term investments and other cash items is restricted by transacting only with financial institutions with high credit ratings assigned by international credit-rating agencies. Credit risk with respect to trade receivables is limited to the Shareholders and their municipality's ability to meet their capital grant and trade Bulk water purchase annual Budget commitments to the entity.

2.2 Liquidity risk

uThukela Water (Pty) Ltd manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Impairment of consumer and other debtors

Impairment of receivables is established if there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Accordingly, management's assessment of the recoverability is reflected through the creation of a provision for doubtful debts as reflected in the notes to the financial statements.

4. SEGMENTAL INFORMATION

Segmental information in respect of property, plant and equipment is disclosed in Appendix B to the annual financial statements attached.

UTHUKELA WATER (PTY) LTD.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	RESTATED 2021
	R	R
A PREAMBLE - CHANGE OF FUNCTIONS, GOING CONCERN AND DEVELOPMENTAL OBJECTIVES		
<p>Going Concern - As at 30 June 2022, the entity's current liabilities exceed its current assets by 2.6:1, consequently the entity is unable to pay the Department of Water and Sanitation accounts as and when they become due. The debtor's collection date is 281 days and there is an impairment of debtors of R22 777 117. Annually deficits have been incurred with a deficit of R 93 402 484 incurred in the current financial year. These conditions, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern in the foreseeable future.</p>		
<p>Bulk water service functions - The entity, consequent to a Provincially instituted section 78 (MSA32/2000) water services assessment conducted for the region, and in terms of a COGTA Provincial Directive dated 7 June 2012, operates as a bulk water services provider to the municipalities of Newcastle, Amajuba and Umzinyathi Districts.</p>		
<p>Developmental objectives - The Board annually submits its capital and developmental requirements to the municipalities and it is of great concern that the municipalities do not approve a funded capital budget for the Board to implement. The bulk water infrastructures are very old and outdated and require regular and constant refurbishment and replacement. This lapse in adequate funding is a high risk to the sustainability and future of bulk water services in the region. The Board has provided the municipalities with possible funding models to give emphases to its funding options, but unfortunately, these have not been approved. The municipalities also do not pay the annual capital infrastructure depreciation charges to the entity.</p>		

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	10 707	13 754
Cash at bank	1 047 061	1 069 054
Cash on call and short notice deposits	18 742 487	28 341 276
	19 800 255	29 424 084

uThukela Water (Pty) Ltd has the following bank accounts:

Account Number - Bank - Account Description	Cash Book Balance 30 06 2022	Bank Statement Balance 30 06 2022	Cash Book Balance 30 06 2021	Bank Statement Balance 30 06 2021
Cash at bank				
4059636838 - Absa	113 561	113 561	145 247	145 247
061938939 - Standard Bank - Primary Current Account	933 500	933 500	923 807	923 807
	1 047 061	1 047 061	1 069 054	1 069 054
Cash on call and short notice deposits				
268586055-020 - Standard Notice Deposit	13 194 786	13 194 786	17 271 106	17 271 106
268586055-002 - Standard Call Account	5 038 520	5 038 520	10 533 309	10 533 309
92 5753 8348 - Absa - Deposit	509 182	509 182	536 862	536 862
	18 742 487	18 742 487	28 341 276	28 341 276
Petty cash	10 707		13 754	
Total Cash and cash equivalents	19 800 255	19 789 548	29 424 084	29 410 330

For the purposes of the cash flow statement, the cash and cash equivalents comprise the total cash and cash equivalents as disclosed above.

2 WSA DEBTORS

Assets Funding	324 745	499 813
Umzinyathi District Municipality	324 745	499 813
Newcastle Municipality	-	-
Revenue Funding	84 781 816	82 763 673
Umzinyathi District Municipality	65 768 818	64 191 401
Amajuba District Municipality	19 012 997	18 572 273
Total WSA Debtors	85 106 560	83 263 487

There is a Provincial Executive Committee directive that the WSA's in arrears with their shortfall payments must make these good. See also note under section 9 below.

The asset funding debtor arises from funding the WSA's have received in the form of grants which should then be transferred to the entity to expend on it's assets. See note 44.

The revenue funding debtors arose when the entity was carrying out the reticulation function for the WSA's (prior to 1st July 2013) and the WSA's did not fully pay the entity for the amounts billed to them.

Less: Provision for bad debts

Balance at beginning of the year	83 080 349	83 080 349
Doubtful debts written off against provision	-	-
Provision/(Reversal)	-	-
Balance at end of year	83 080 349	83 080 349
	2 026 211	183 138

The debtors balance consists of interest charged.

Output Vat of R 21 272 is included in the debtor balances - also see note 5 below

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022			RESTATED 2021		
	R			R		
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS						
	Gross Balances	Provision for Doubtful Debts	Net Balance	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R	R	R	R
3.1 Trade receivables						
as at 30 June 2022						
Service debtors						
Water	213 977	(20 078)	193 898	222 909	(25 728)	197 181
Total	213 977	(20 078)	193 898	222 909	(25 728)	197 181
as at 30 June 2021						
Service debtors						
Water	222 909	(25 728)	197 181	242 145	(81 003)	161 142
Total	222 909	(25 728)	197 181	242 145	(81 003)	161 142
Water: Ageing						
Current (0 – 30 days)	165 616	-	-	66 494	-	-
31 - 60 Days	1 631	-	-	98 122	-	-
61 - 90 Days	9	-	-	2 769	-	-
+91 Days	46 720	-	-	55 524	-	-
Total	213 977	-	-	222 909	-	-
Summary of Debtors by Customer Classification	Consumers	Industrial / Commercial	National and Provincial Government	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R	R	R	R
as at 30 June 2022						
Current (0 – 30 days)	165 616	-	-	66 494	-	-
31 - 60 Days	1 631	-	-	98 122	-	-
61 - 90 Days	9	-	-	2 769	-	-
91 and over	46 720	-	-	55 524	-	-
Sub-total	213 977	-	-	222 909	-	-
Less: Provision for doubtful debts	(20 078)	-	-	(25 728)	-	-
Total debtors by customer classification	193 899	-	-	197 181	-	-
Output Vat of R 3 997.33 is included in the debtor balances - also see note 5						
Reconciliation of the doubtful debt provision						
Balance at beginning of the year	25 728			81 003		
Provision/(Reversal)	(5 649)			(55 276)		
Balance at end of year	20 078			25 728		
3.2 Trade receivables - Bulk Supplies						
Umtshayathi District Municipality	27 358 614			10 417 270		
Newcastle Municipality	156 637 109			116 667 909		
Amajuba District Municipality	13 573 044			15 403 096		
Sub-total	197 568 767			142 488 275		
Total	197 568 767			142 488 275		
Reconciliation of the doubtful debt provision						
Balance at beginning of the year	42 296 528			4 803		
Provision/(Reversal)	26 171 216			42 291 725		
Balance at end of year	68 467 744			42 296 528		
Total Trade Receivables - Bulk Supplies	129 294 921			100 388 929		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022

RESTATED 2021

	R				R
Trade receivables - Bulk Supplies: Past Due Not Impaired	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 and over	Total
as at 30 June 2022					
Umzinyathi District Municipality	2 307 485	2 450 155	2 167 712	17 827 742	24 753 094
Newcastle Municipality	976 444	964 307	972 786	139 967 250	142 880 788
Amajuba District Municipality	2 110 713	1 770 811	1 729 535	5 804 360	11 415 419
Total	5 394 642	5 185 273	4 870 033	163 599 352	179 049 301
as at 30 June 2021					
Umzinyathi District Municipality	2 104 601	2 098 804	1 904 165	1 904 165	8 011 735
Newcastle Municipality	12 177 601	10 760 511	11 751 435	70 556 276	105 245 823
Amajuba District Municipality	2 243 538	1 871 767	1 722 596	7 609 104	13 447 004
Total	16 525 740	14 731 082	15 378 195	80 069 545	126 704 562

Output Vat of R 16 222 905 is included in the debtor balances - also see note 5 below
No receivables were pledged as security

4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors	1 150 848	1 069 990
Deposits with suppliers	2 728 655	2 641 805
Total other debtors	3 879 503	3 711 795
Less: Provision for bad debts		
Balance at beginning of the year	1 058 745	1 061 060
Contributions to provision	28 117	(2 315)
Balance at end of year	1 086 863	1 058 745
	2 792 640	2 653 050

Output Vat of R 248,21 is included in the debtor balances - also see note 5 below
No receivables were pledged as security

	2022	2021
5 VAT		
Debtors Vat Raised - Not Yet Due	(16 244 425)	(13 118 377)
Creditors Invoices Vat Raised - Not Yet Claimed	40 147 649	37 108 730
VAT receivable/(payable)	(677 416)	620 091
Total VAT receivable/(payable)	23 225 809	24 610 444

VAT is currently paid and claimed on the receipts and payments basis. Only once payment is received from debtors or made to creditors is VAT paid/claimed to/from SARS - See also notes 2, 3, 4 & 9.

As the impairment provision for unpaid debtors includes VAT, the amount provided for debtors - vat raised not yet due - excludes the impaired debtors in the provision

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	RESTATED 2021
	R	R
6 INVENTORY		
Water	<u>208 447</u>	<u>186 415</u>
Inventories are measured at the cost of production and subsequent net realisable value utilizing the cost of production, and represents the fair value of the inventory at 30 June 2022.		
The total carrying amount of inventory in classification appropriate to the Entity is: Potable; 48,4 MI at R3,92 per Kl and Raw water; 26,93 MI at R0,6867 and 4.03 MI at R0.0323 per kl	208 447	186 415
The total carry amount of inventory at fair Value Less cost to sell : Already accounted for		
The amount of inventory recognized as an expense during the period ended 30 June 2022	(22 032)	(10 586)

No inventory or carrying amounts of inventory were pledged as security

The entity has prepared the Statement of Financial Performance in line with paragraph 50 of GRAP 12, and has adopted a format for surplus or deficit that results in amounts being disclosed other than the cost of inventories recognised as an expense during the period. Under this format, the entity presented an analysis of expenses using a classification based on the nature of expenses. In this case, the entity disclosed the costs recognised as an expense for raw materials and consumables, labour costs, technical water losses and other costs together with the amount of the net change in inventories for the period.

The entity has chosen this method of presenting the Statement of Financial Performance as the sole function of the entity is the supply of bulk water to municipalities and very limited private consumers. As a result all costs incurred in the entity are directly related to this function.

Furthermore, the entity has calculated the net realisable value (NRV) of inventory at R 377 059.72. As inventory is measured at the lower of cost and NRV, this represents the maximum possible value of inventory.

7 PROPERTY, PLANT & EQUIPMENT

<u>Assets at 30 June 2022</u>	Balance at 30-Jun-22	Additions	Write-Offs	Re-Valuations	Balance at 30-Jun-21
Water Infrastructure					
Bulk Water Pipe Lines	736 514 037	-	-	-	736 514 037
Chambers and Components on Pipe Lines	14 729 240	-	-	-	14 729 240
Water Pump Stations	46 813 785	-	-	-	46 813 785
Water Reservoirs	54 299 532	-	-	-	54 299 532
Dams	140 125 465	-	-	-	140 125 465
Buildings	38 605 114	-	-	(21 081 846)	59 686 960
Water Treatment Plants	309 321 942	-	-	-	309 321 942
Vehicles	5 489 827	-	-	-	5 489 827
Plant & Equipment	69 916 037	1 114 382	(110 000)	-	68 911 655
Furniture, Equipment and Fittings	4 044 668	119 159	-	-	3 925 509
Totals	<u>1 419 859 648</u>	<u>1 233 541</u>	<u>(110 000)</u>	<u>(21 081 846)</u>	<u>1 439 817 953</u>
<u>Accumulated Depreciation</u>	<u>Balance at 30-Jun-22</u>	<u>Additions</u>			<u>Balance at 30-Jun-21</u>
Water Infrastructure					
Bulk Water Pipe Lines	484 021 281	47 474 310			436 546 971
Chambers and Components on Pipe Lines	11 304 748	1 391 621			9 913 127
Water Pump Stations	19 714 665	2 574 549			17 140 116
Water Reservoirs	21 645 296	3 037 643			18 607 653
Dams	21 949 844	2 752 625			19 197 219
Buildings	19 522 221	2 451 455			17 070 766
Water Treatment Plants	98 330 604	12 823 630			85 506 973
Vehicles	4 466 627	570 560			3 895 967
Plant & Equipment	45 348 037	5 469 984			40 378 053
Furniture, Equipment and Fittings	3 215 555	375 785			2 839 770
Totals	<u>730 018 879</u>	<u>78 922 263</u>	<u>-</u>	<u>-</u>	<u>651 096 616</u>
<u>Carrying Values at Year End</u>	<u>Balance at 30-Jun-22</u>	<u>Movement</u>			<u>Balance at 30-Jun-21</u>
Water Infrastructure					
Bulk Water Pipe Lines	252 492 756	(47 474 310)			299 967 066
Chambers and Components on Pipe Lines	3 424 492	(1 391 621)			4 816 113
Water Pump Stations	27 099 120	(2 574 549)			29 673 669
Water Reservoirs	32 654 236	(3 037 643)			35 691 878
Dams	118 175 621	(2 752 625)			120 928 246
Buildings	19 082 893	(2 451 455)			42 616 194
Water Treatment Plants	210 991 338	(12 823 630)			223 814 969
Vehicles	1 023 200	(570 660)			1 593 860
Plant & Equipment	24 068 000	(4 355 602)	(110 000)		28 533 603
Furniture, Equipment and Fittings	829 113	(256 626)			1 085 739
Totals	<u>689 840 770</u>	<u>(77 688 722)</u>	<u>(110 000)</u>	<u>(21 081 846)</u>	<u>788 721 337</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Assets at 30 June 2021	2022		RESTATE 2021	
	R Balance at 30-Jun-21	Additions	Re-Valuations	R Balance at 30-Jun-20
Water Infrastructure				
Bulk Water Pipe Lines	736 514 037			736 514 037
Chambers and Components on Pipe Lines	14 729 240			14 729 240
Water Pump Stations	46 813 785			46 813 785
Water Reservoirs	54 299 532			54 299 532
Dams	140 125 465			140 125 465
Buildings	59 686 960			59 686 960
Water Treatment Plants	309 321 942			309 321 942
Vehicles	5 489 827			5 489 827
Plant & Equipment	68 911 655	817 994		68 093 661
Furniture, Equipment and Fittings	3 925 509	440 347		3 485 162
Totals	1 439 817 953	1 258 341		1 438 559 612

Accumulated Depreciation	2022		RESTATE 2021	
	R Balance at 30-Jun-21	Additions	Re-Valuations	R Balance at 30-Jun-20
Water Infrastructure				
Bulk Water Pipe Lines	436 546 971	47 474 310		389 072 661
Chambers and Components on Pipe Lines	9 913 127	1 391 521		8 521 507
Water Pump Stations	17 140 116	2 574 569		14 565 548
Water Reservoirs	18 607 653	3 037 643		15 570 011
Dams	19 197 219	2 752 625		16 444 593
Buildings	17 070 766	2 451 455		14 619 310
Water Treatment Plants	85 506 973	12 823 630		72 683 343
Vehicles	3 895 967	540 660		3 355 307
Plant & Equipment	40 378 053	5 401 177		34 976 876
Furniture, Equipment and Fittings	2 839 770	371 332		2 468 438
Totals	651 096 616	78 819 003		572 277 613

Carrying Values at Year End	2022		RESTATE 2021	
	R Balance at 30-Jun-21	Additions	Re-Valuations	R Balance at 30-Jun-20
Water Infrastructure				
Bulk Water Pipe Lines	299 967 066	(47 474 310)		347 441 376
Chambers and Components on Pipe Lines	4 816 113	(1 391 621)		6 207 733
Water Pump Stations	29 673 669	(2 574 569)		32 248 238
Water Reservoirs	35 691 878	(3 037 643)		38 729 521
Dams	120 928 246	(2 752 625)		123 680 872
Buildings	42 616 194	(2 451 455)		45 067 650
Water Treatment Plants	273 814 969	(12 823 630)		236 638 599
Vehicles	1 593 860	(540 660)		2 134 520
Plant & Equipment	28 533 603	(4 583 183)		33 116 786
Furniture, Equipment and Fittings	1 085 739	69 015		1 016 724
Totals	788 721 337	(27 560 661)		866 281 998

8 INTANGIBLE ASSETS

Assets at 30 June 2022	Balance at 30-Jun-22	Movement	Disposals	Balance at 30-Jun-21
Software	5 014 600			5 014 600
Totals	5 014 600			5 014 600

Accumulated Amortization	Balance at 30-Jun-22	Movement	Disposals	Balance at 30-Jun-21
Software	4 647 573	362 854		4 284 719
Totals	4 647 573	362 854		4 284 719

Carrying Values at Year End	Balance at 30-Jun-22	Movement	Disposals	Balance at 30-Jun-21
Software	367 027	(362 854)		729 881
Totals	367 027	(362 854)		729 881

Assets at 30 June 2021	Balance at 30-Jun-21	Movement	Disposals	Balance at 30-Jun-20
Software	5 014 600			5 014 600
Totals	5 014 600			5 014 600

Accumulated Amortization	Balance at 30-Jun-21	Movement	Disposals	Balance at 30-Jun-20
Software	4 284 719	442 464		3 842 255
Totals	4 284 719	442 464		3 842 255

Carrying Values at Year End	Balance at 30-Jun-21	Movement	Disposals	Balance at 30-Jun-20
Software	729 881	(442 464)		1 172 345
Totals	729 881	(442 464)		1 172 345

Intangible assets comprise of computer software programmes

9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	450 008 191			411 242 675
Leave pay accrual	6 760 691			6 408 146
Consumer Debtors - Payments in advance	13 732			13 411
Other creditors	1 714 505			1 575 851
Unallocated Receipts	30 240			3 112 710
Total Creditors	458 527 859			422 352 803

Trade Creditors 2022 - All e/n/g	Current Period	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 and Over	Total
	28 455 020	4 094 259	-1 400 606	2 407 004	416 452 514	450 008 191

Inclde in the above trade creditors figure an amount of R 443 404 300.29 raised in respect of bulk raw water charges owed to the Department of Water and Sanitation. This amount is subject to the payment by the Water Service Authorities of their bulk water accounts and raw water budgeted costs. Negotiations are currently taking place between uThukela Water, the WSA's and the Department to resolve this matter.

Leave pay accrual is based on the number of hours accruing to the employee at balance sheet date multiplied by the employee's hourly rate of pay. The accrual includes the liability in respect of accumulated leave due to employees previously in the employ of the WSA prior to transfer to the company which has not yet been paid over to the company.

Input Vat of R 40 147 649 is included in the Trade Creditor balances - also see note 5 above

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	RESTATED 2021
	R	R
10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Newcastle	388 455	388 455
Umzinyathi	72 506	72 506
	<u>460 961</u>	<u>460 961</u>
Refer to Note 44		
11 SERVICE RELATED STAFF OBLIGATIONS		
Non Current		
Long Service Awards	2 709 000	2 545 380
Post-employment medical benefits	8 301 000	9 418 250
	<u>11 010 000</u>	<u>11 963 630</u>
Current		
Long Service Awards	221 000	296 950
Post-employment medical benefits	268 000	270 342
	<u>489 000</u>	<u>567 292</u>
Total Provisions	<u>11 499 000</u>	<u>12 530 922</u>
The movement in Leave provisions is reconciled as follows: -		
Balance B/fwd	6 408 146	6 096 815
Increase in provision	1 779 203	1 217 943
Expenditure incurred	(1 426 658)	(906 612)
as at 30 June	<u>6 760 691</u>	<u>6 408 146</u>

Leave pay accrual

Long Service Awards

uThukela offers employees LSA for every five years of service completed, starting from five years of service calculated as follows:

Long Service Awards for levels of past service					
Completed Service (in years)	Long Service Bonuses(% of Annual Salary)	Description	Completed Service (in years)	Long Service Bonuses(% of Annual Salary)	Description
5	2,0%	5/ 249 x annual salary	5	2,0%	5/ 249 x annual salary
10	4,0%	10/ 249 x annual salary	10	4,0%	10/ 249 x annual salary
15	8,0%	20/ 249 x annual salary	15	8,0%	20/ 249 x annual salary
Every five years thereafter	12,0%	30/ 249 x annual salary	Every five years thereafter	12,0%	30/ 249 x annual salary

In the month that each "Completed Service" milestone is reached, the employee is granted a LSA. Working days awarded are valued at 1/249 the of annual salary per day.

An actuarial valuation of the future liability for this benefit has been undertaken by an independent firm of Actuaries with the following results:

	Year ending 2018/06/30	Year ending 2019/06/30	Year ending 2020/06/30	Year ending 2021/06/30	Year ending 2022/06/30
Opening Accrued Liability	2 191 793	2 529 666	2 574 007	2 205 463	2 842 330
Current-service Cost	241 883	302 466	223 878	190 067	234 000
Interest Cost	167 997	204 355	167 481	147 337	216 000
Benefit payments	101 788	(276 618)	-9 225	476 567	(297 000)
Total Annual Expense	511 668	230 203	440 584	813 971	153 000
Past Service Cost	-173 795	-185 862	-809 128	-177 104	-65 000
Actuarial Loss / (Gain)					
Closing Accrued Liability	2 529 666	2 574 007	2 205 463	2 842 330	2 930 000

Key Financial Assumptions

	2022/06/30	
	Males	Females
Discount rate	10,52%	
General salary Inflation	4,90%	
Net effective discount rate	2,12%	
Average retirement age	63	58
Mortality during employment	SA85-90	

In service members withdrawing before retirement

	Males	Females
Age 20	16%	24%
Age 30	12%	18%
Age 40	8%	10%
Age 50	4%	4%
Age 55	2%	2%

Post-employment medical benefits

Medical Scheme Arrangements

The Employer offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Membership Eligibility

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

In-service members will receive a post-employment subsidy of 60% of the contribution payable. All continuation members receive a 60% subsidy. Widow(er)s and orphans of eligible in-service members are entitled to receive this same subsidy on and after the death in-service of an employee.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022

RESTATED 2021

R

R

An actuarial valuation of the future liability for this benefit has been undertaken by an independent firm of Actuaries with the following results:

	Year ending 2018/06/30	Year ending 2019/06/30	Year ending 2020/06/30	Year ending 2021/06/30	Year ending 2022/06/30
Opening Accrued Liability	8 609 181	8 396 642	8 673 753	8 070 742	9 689 000
Current-service Cost	405 655	501 915	349 858	327 067	421 000
Interest Cost	83 413	796 911	914 049	1 024 804	1 079 000
Benefit payments	(239 713)	(248 407)	(246 507)	(277 645)	(270 000)
Total Annual Expense	1 000 055	1 050 419	1 017 400	1 074 226	1 230 000
Actuarial Loss / (Gain)	(1 212 594)	-773 303	(1 620 411)	543 623	(2 350 000)
Closing Accrued Liability	8 396 642	8 673 753	8 070 742	9 688 591	8 569 000

Key Financial Assumptions

	2022/06/30		2021/06/30	
	Males	Females	Males	Females
Discount rate	13,02%		11,29%	
Health care cost inflation rate	10,02%		7,81%	
Net effective discount rate	2,73%		3,23%	
Average retirement age	63	58	63	58
Proportion continuing membership at retirement	100,00%		100,00%	
Proportion of retiring members who are married	100,00%		100,00%	
Proportion of eligible current non-member employees joining the scheme by retirement	10,00%		10,00%	
Mortality during employment	SA85-90		SA85-90	
Mortality post retirement	PA(90)-1		PA(90)-1	

In service members withdrawing before retirement

	2022/06/30		2021/06/30	
	Males	Females	Males	Females
Age 20	12%	24%	12%	24%
Age 30	5%	15%	5%	15%
Age 40	3%	6%	3%	6%
Age 50	2%	2%	1%	2%
Age 55	1%	1%	1%	1%

12 SHARE CAPITAL

Issued ordinary shares	100	100
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The authorised number of ordinary shares is 10 000 with a par value of R 1 per share. The company has issued 100 ordinary shares.

13 ACCUMULATED FUNDS

Accumulated Funds Surplus/Deficit			
Balance Beginning Year - Surplus/Deficit	(56 392 648)		5 241 291
Surplus/(Deficit) for year	(93 402 484)		(127 149 207)
Off Setting Depreciation/Partners Cont/Reval Reserve	65 534 399		65 515 868
Balance Year End	<u>-84 260 733</u>		<u>-186 392 648</u>
Asset Revaluation Reserve	567 945 140		633 461 008
Less: Off Setting Depreciation	<u>(86 616 245)</u>		<u>(65 515 868)</u>
Balance Year End	<u>481 328 895</u>		<u>567 945 140</u>
Total Accumulated Funds	<u>397 068 162</u>		<u>511 552 492</u>
Shareholder Contributions - Projects			
Umzinyathi District Municipality	157 040 888		181 932 779
Amajuba District Municipality	75 197 121		85 251 440
Newcastle Municipality	5 533 955		6 627 604
Newcastle Municipality	76 309 811		90 053 729
Accumulated Funds Surplus/Deficit - Excluding Shareholder Contributions - Projects	<u>(241 301 621)</u>		<u>(238 325 421)</u>

14 SERVICE CHARGES

Sale of water	174 372 947	165 408 505
Total Service Charges	<u>174 372 947</u>	<u>165 408 505</u>

15 INTEREST EARNED - EXTERNAL INVESTMENTS

Banks	771 465	963 382
Deposits Made with Suppliers	86 860	108 654
Total Interest	<u>858 325</u>	<u>1 072 036</u>

16 GRANTS AND SUBSIDIES

16.1 Project funding			
Umzinyathi District Municipality	-	-	-
Newcastle Municipality	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

Refer to Note 44

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	RESTATED 2021
	R	R
17 EMPLOYEE RELATED COSTS		
Salaries and Wages	37 341 054	37 052 866
Medical, Pension and Provident Fund	7 424 338	9 454 293
Leave pay	1 779 203	1 217 943
Bonuses	4 107 883	4 797 719
Housing benefits and allowances	2 649 129	2 112 578
Overtime payments	4 515 641	4 191 818
Other	995 885	733 837
	<u>58 813 133</u>	<u>59 561 054</u>
Included in the employee related costs are the following:		
Managing Director:		
Annual Remuneration	1 505 594	-
Travel, motor car, accommodation, subsistence and other allowances	110 222	-
Contributions to UIF, Medical and Pension Funds	46 237	-
Accumulated Leave	188 699	-
Total	<u>2 050 752</u>	<u>-</u>
Chief Financial Officer:		
Annual Remuneration	1 375 864	1 365 136
Travel, motor car, accommodation, subsistence and other allowances	59 458	54 000
Contributions to UIF, Medical and Pension Funds	204 735	183 449
Accumulated Leave	206 613	300 178
Total	<u>1 846 671</u>	<u>1 902 763</u>
Heads of Departments		
Operations/Engineering		
Annual Remuneration	1 590 132	1 679 464
Travel, motor car, accommodation, subsistence and other allowances	135 997	146 260
Contributions to UIF, Medical and Pension Funds	228 482	262 484
Accumulated Leave	384 451	356 141
Total	<u>2 339 062</u>	<u>2 444 349</u>
Human Resources Manager		
Annual Remuneration	1 655 605	1 602 138
Travel, motor car, accommodation, subsistence and other allowances	144 318	152 351
Contributions to UIF, Medical and Pension Funds	289 284	279 107
Accumulated Leave	267 265	281 012
Total	<u>2 356 472</u>	<u>2 314 608</u>
Remuneration of directors		
Chairman	58 500	-
Deputy Chairman	-	-
Other board members	192 000	-
Total Director's Remuneration	<u>250 500</u>	<u>-</u>
18 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	78 922 262	78 819 001
Intangible assets	362 854	442 464
Total Depreciation and Amortisation	<u>79 285 115</u>	<u>79 261 466</u>
19 REPAIRS AND MAINTENANCE ON PROPERTY, PLANT AND EQUIPMENT		
Expended	<u>3 948 601</u>	<u>5 177 110</u>
The amounts reflected for the respective financial years indicate the amounts spent by the entity to repair and maintain PPE, and include costs of maintenance, preservation, monitoring, repair, refurbishment, renovation, materials, service provider and if applicable direct employee costs.		
20 BULK PURCHASES		
Water	22 318 969	25 047 706
Water services and management levy	4 945 733	5 219 693
	<u>27 264 702</u>	<u>30 267 399</u>
21 INTEREST PAID/ACCRUED		
Overdue accounts	20 380 985	22 945 197
Refer to Note 29.2	<u>20 380 985</u>	<u>22 945 197</u>
22 CONTRACTED SERVICES		
Professional fees and consultant costs	2 711 804	2 394 852
Legal expenses	232 363	140 805
	<u>2 944 167</u>	<u>2 535 657</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	RESTATED 2021
	R	R
23 OPERATING EXPENSES		
Included in operating expenses are the following:-		
Advertising	39 892	124 836
Bank charges	83 087	74 987
Board meeting and Chairman's discretionary	321 978	13 183
Chemicals	8 354 705	8 176 203
Communications costs	1 120 835	1 070 278
Conferences and seminars	32 078	21 454
Consumables and stores	103 517	138 764
Covid-19 expenses	41 780	317 253
Electricity	45 101 236	39 787 833
Fuel and Dil	1 022 292	668 285
Insurance	825 279	834 323
Licensing of Motor Vehicles & Trailers	111 088	191 241
Membership fees	24 484	37 079
Municipal services	234 447	207 362
Postage and courier services	6 230	18 248
Printing and stationery	145 643	125 565
Protective clothing	205 991	166 799
Rental	1 412 970	1 434 893
Safety and security	702 217	786 252
Scada and telemetric costs	186 753	150 462
Servitudes and Land Surveys	-	12 250
Software Licenses	802 074	726 526
Staff and other meeting costs	667	400
Staff Emergency Rations	5 754	5 169
Staff recruitment and relocation costs	18 159	2 720
Subsistence and travel	237 941	142 878
Tools and equipment	52 815	4 322
Training	269 245	642 158
Water analysis	1 930 997	1 688 666
	<u>63 394 154</u>	<u>57 570 388</u>
24 GAIN / (LOSS) ON DISPOSAL/SCRAPPING OF ASSETS		
Property, plant and equipment	-110 000	114 697
Total Gain / (Loss) on Disposal/Scrapping of Assets	<u>-110 000</u>	<u>114 697</u>
25 TAXATION		
The Company is exempt from the payment of income tax and duties in terms of section 10 (1) (t) (ix) of the Income Tax Act 58/1962		
26 CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	(93 402 484)	(127 149 807)
Adjustment for: -		
Depreciation	79 285 115	79 261 466
Scrapping of assets	110 000	-
Contribution to bad debt provision	22 777 117	36 720 992
Contribution to staff benefits provision	(679 377)	2 566 047
Operating surplus before working capital Amendments	<u>8 090 371</u>	<u>(8 601 302)</u>
(Increase)/Decrease in Inventories	(22 032)	(10 586)
Decrease/(Increase) in consumer and other debtors	(57 082 341)	(33 795 044)
(Decrease)/Increase in creditors	35 822 511	52 781 789
(Decrease)/Increase in VAT	4 801 203	237 410
Cash generated by operations	<u>(8 390 289)</u>	<u>10 612 266</u>
27 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the		
Bank balances and cash	1 057 768	1 082 808
Cash on call and short notice deposits	18 742 487	28 341 276
Net cash and cash equivalents (net of bank overdrafts)	<u>19 800 255</u>	<u>29 424 084</u>
28 CHANGE IN ACCOUNTING POLICY		
No change in accounting policies during the year		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022			RESTATED 2021		
	R			R		
29 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED						
29.1 Unauthorised expenditure						
Reconciliation of unauthorised expenditure						
Opening balance						
Unauthorised expenditure current year						
Unauthorised expenditure awaiting authorisation						
29.2 Fruitless and wasteful expenditure						
Reconciliation of fruitless and wasteful expenditure						
Opening balance as previously reported	110 706 715			87 761 518		
Correction of prior period error						
Opening balance as restated	110 706 715			87 761 518		
Add: Fruitless and wasteful - current	20 380 985			22 945 197		
Add: Fruitless and wasteful - prior period identified in current year						
Less: Amount recoverable - current						
Less: Amount recoverable - prior period						
Less: Amounts written-off - current						
Less: Amounts written-off - prior period						
Closing balance	131 087 700			110 706 715		
R 131 050 515 comprises of Interest raised by the Department of Water and Sanitation on outstanding accounts. Negotiations are currently taking place between uThukela Water, the WSA's and the Department to resolve this matter.						
29.3 Irregular expenditure						
Opening balance as previously reported	66 989 560			62 807 570		
Correction of prior period error	2 868 985					
Opening balance as restated	69 852 545			62 807 570		
Add: Irregular expenditure - current	1 231 898			4 175 990		
Closing balance	71 084 443			66 983 560		
Included/cases reported in the current year include those listed below						
Competitive bidding not invited	1 044 369					
False declaration of Interest	161 334					
Non compliance with local content	26 195					
	1 231 898					
30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL SECTION 27 FINANCE MANAGEMENT ACT						
30.1 Contributions to organised local government						
Opening balance						
Council subscriptions						
Amount paid - current						
Amount paid - previous years						
Balance unpaid (included in payables)						
30.2 Audit fees						
Audit fees paid during the year	1 773 069			1 705 851		
30.3 VAT						
VAT input - receivables and VAT output - payables are shown in note 5. During the year all VAT returns were submitted by the due date.						
30.4 PAYE						
Opening Balance						
Current year payroll deductions	11 913 025			10 225 668		
Amount paid - current year	(11 913 025)			(10 226 668)		
Balance unpaid at year end included in creditors						
30.5 UIF						
Opening Balance						
Current year payroll deductions	363 713			312 787		
Amount paid - current year	(363 713)			(312 787)		
Balance unpaid at year end included in creditors						
30.6 Medical aid						
Opening Balance						
Current year payroll deductions	3 615 912			3 349 388		
Amount paid - current year	(3 615 912)			(3 349 388)		
Balance unpaid at year end included in creditors						
30.7 Pension and provident fund contributions						
Opening Balance						
Current year payroll deductions	9 381 824			8 501 008		
Amount paid - current year	(9 361 824)			(8 501 008)		
Balance unpaid at year end included in creditors						
31 COUNCILLOR'S ARREAR CONSUMER ACCOUNTS						
The following Councillors had arrear accounts outstanding for more than 90 days as at:	Total	Outstanding less than 90 days	Outstanding more than 90 days	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R	R	R	R
as at 30 June 2022						
Total Councillor Arrear Consumer Accounts	Nil	-	-	Nil	-	-
as at 30 June 2021						
Total Councillor Arrear Consumer Accounts	Nil	-	-	Nil	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	RESTATED 2021
	R	R
32 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
- Approved and contracted for Infrastructure	-	-
- Approved but not yet contracted for Infrastructure	-	-
Total	-	-
33 OPERATING LEASES		
At the reporting date the entity has outstanding commitments under operating		
Operating leases - lessee		
Within one year	(1 562 683)	(1 520 696)
In the second to fifth year inclusive	(158 429)	(1 760 276)
After five years	-	-
Total	(1 721 112)	(3 280 972)
Operating Leases consists of the following:		
Operating lease payments represent rentals payable by the municipality for its head office property at Lot 600 Newcastle. The current lease expires on 31 July 2023. As well as payments payable to ITEC for rental of printers the contract of which expires on the 31/08/2022 and 09/03/2024		
34 RETIREMENT PLANS		
34.1 Defined contribution plans		
During the year contributions were made to the following are defined contribution plans: Natal Joint Municipal Pension Fund - Provident Funds and GEPP pension fund. These contributions have been expensed.		
34.2 Defined benefit plan		
The following are defined benefit plans: Natal Joint Municipal Pension Funds - Superannuation and Retirement funds and Government Employees Pension Fund. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.		
In respect of Natal Joint Municipal Pension Funds - Superannuation and Retirement funds regular actuarial assessments are carried out in terms of the fund rules and any actuarial deficit is recovered by a surcharge on all employer members		
34.3 Employees retirement funding		
An amount of R6 323 878 (2021 : R5 747 938) was contributed by Council in respect of Employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.		
35 CONTINGENT LIABILITY		
Claim for damages	Nil	Nil
2022		
There were no significant matters to report on		
2021		
There were no significant matters to report on		
36 CONTINGENT ASSET		
2022		
There were no significant matters to report on		
2021		
There were no significant matters to report on		
37 IN-KIND DONATIONS AND ASSISTANCE		
The Entity received no in-kind donations and assistance		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	R	RESTATED 2021	R
38 RELATED PARTIES				
The nature of the relationship between the company and its shareholders, namely: the Water Service Authorities (Umzinyathi District Municipality, Amajuba District Municipality and Newcastle Municipality) is such that any transactions between the parties are related party transactions. Specific categories of such transactions includes:				
Revenue Received				
Bulk Water Services		179 525 134		164 129 300
Umzinyathi District Municipality		24 190 504		21 335 005
Amajuba District Municipality		20 503 745		20 287 504
Newcastle Municipality		134 830 885		122 506 386
		<u>179 525 134</u>		<u>164 129 300</u>
Year End Balances				
Assets Funding				
Umzinyathi District Municipality		324 745		499 813
Newcastle Municipality		324 745		499 813
Less: Provision for Doubtful Debt		-316 676		-316 676
		<u>8 069</u>		<u>188 138</u>
Bulk Water Services		197 568 767		142 488 275
Umzinyathi District Municipality		27 358 614		10 417 270
Amajuba District Municipality		13 573 044		15 403 096
Newcastle Municipality		156 637 109		116 667 909
Less: Provision for Doubtful Debt		-68 467 744		-42 296 528
		<u>129 101 023</u>		<u>100 191 747</u>
Revenue Funding				
Umzinyathi District Municipality		84 781 816		82 763 673
Amajuba District Municipality		65 768 818		64 191 401
Less: Provision for Doubtful Debt		-82 763 673		-82 763 673
		<u>2 018 143</u>		<u>-</u>
Sundry [mSCOA System]				
Umzinyathi District Municipality		897 810		875 503
Amajuba District Municipality		196 178		191 303
Less: Provision for Doubtful Debt		701 633		684 200
		<u>-875 503</u>		<u>-875 503</u>
		<u>22 307</u>		<u>-</u>
Key Management Personnel				
[Refer to Note 17]				

The nature of the related party relationship entered into by the Board and the consultancy service; LL Cunha and Associates, is detailed hereunder, and herewith this note also sets out the terms and conditions of the written agreement and subsequent written amendments, all transactions relating thereto, any commitments and outstanding balances, if any, entered between the parties.

The Consultancy service was initially introduced to the Board by Provincial Treasury in terms of a section 139 of the Constitution of SA intervention, and the objectives thereof were to provide urgently needed financial support services to the entity, including the performance by Mr LL Cunha of the Acting Chief financial Officer duties. At the time of the engagement of the consultant, PWC SA, had issued a compilation report regarding the collapse of the financial affairs of the Board, and had proposed an urgent and immediate intervention. Financial statements had not been issued and audits had not been conducted for a period of 6 years, and the Shareholder municipalities were very concerned with the status of the entity, as it impacted quite severely on their own financial affairs. Subsequent to the recovery of the entity to unqualified audit status, and pending the establishment of a new water institution envisaged by Provincial Cabinet resolution dated 7 June 2012, the shareholder municipalities took a resolution and placed a moratorium on the appointment of any new senior management positions by the entity during the transitional phase. In October 2014 the Managing Director of the entity resigned and terminated his services with the Board, and the Board, as an interim arrangement to ensure the continuity of its operational requirements, directed the Acting CFO Mr LL Cunha, to carry the Managing Director responsibilities in addition to those of the CFO position, until otherwise directed, or pending the imminent formation of the new water institution.

Consequent to the delays with the implementation of the Provincial Cabinet decision, and the subsequent Government Gazette Notice published on the 15 December 2015 issued by the National Minister of Water Affairs and Sanitation regarding the formation of the new water institution for KZN- Natal, the Board took a decision to secure, on a relatively short term basis, the interim arrangements concerning the Acting Manager Director responsibilities, were secured by contract terminating on the 31 March 2020. This contract was further extended, initially by 3 months to the end of June 2020, then by 6 months to the 31 December 2020, and thereafter two 3 months contracts to 30 June 2021 and a six months contract to 31 December 2021, followed by three further extensions of 3 months each due to the effects and prohibitions on movements imposed by the National COVID19 regulations. The leave and Performance incentives were not continued beyond the 30 June 2020 by mutual agreement due to the short term nature of the contract extensions. Mr Cunha terminated his services in August 2021.

No guarantees are given or provided for in the agreements except for the performance objectives required by the Board.

Detailed hereunder are the transactions resulting from these arrangements and contractual obligations for the period reported in the annual financial statements for the year ending 30 June 2022.

Payments made for contracted services	362 102	4 175 990
Payments for Ad Hoc services to LL Cunha and Associates	355 777	3 230 589
Payments for rental accommodation	6 325	869 501
		<u>75 900</u>

39 EVENTS AFTER THE REPORTING DATE

None

40 DEVIATIONS FROM SCM REGULATIONS | SCM Regulation Number 36

Emergency procurement	874 376	178 315
Deviation less than R200 000.00	5 249 943	6 241 506

Supply chain deviations from SCM policy listed above were, in terms of section 36 of the municipal SCM regulations, approved by the accounting officer or officials in terms of delegated powers, and noted by the board.

The reasons for the deviations include the following: Acquisition from sole suppliers, non-responsive suppliers, supplies where mechanical units required a strip and quote, acquisitions direct from manufacturers or agents and, where in terms of Board policy, equipment was standardised.

Emergency procurement and circumstances where it is impractical or not possible to follow the official procedure, are assessed in terms of the stipulated criteria by the SCM Bid Adjudication Committee.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021		
	R	R		
41 RISK MANAGEMENT				
41.1 Liquidity risk				
The company's risk to liquidity is related to the timeous payment of bulk water accounts by its shareholding municipalities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The entity manages liquidity risk through ongoing review of future commitments and credit facilities.				
41.2 Credit risk				
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.				
Trade receivables comprise of the three municipalities (Amajuba District Municipality, Newcastle Municipality and uMzinyathi Municipality) and other private customers. 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.				
41.3 Interest rate risk				
As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.				
Financial instruments				
Financial liabilities				
Trade and other payables	458 527 859	422 352 803		
Unspent conditional grants and receipts	460 961	460 961		
Current portion of staff benefit obligations	489 000	567 292		
	<u>459 477 820</u>	<u>423 381 056</u>		
Financial assets exposed to credit risk at year end were as follows:				
Financial assets				
Cash and cash equivalents	19 800 255	29 424 084		
WASA debtors	2 026 211	183 138		
Trade and other receivables from exchange transactions	129 294 921	100 388 929		
Other receivables from non-exchange transactions	2 792 640	2 653 050		
	<u>132 087 561</u>	<u>103 041 976</u>		
42 BULK WATER LOSSES				
Water stock				
	2022	2021		
	ML	ML		
Opening balance treated water	47	48		
Opening balance raw water	31	22		
Raw water purchases	47 153	47 358		
Treated water sales	43 873	43 056		
Process water in system	361	2 522		
Technical water loss	2 918	1 772		
Closing water stock	<u>79</u>	<u>78</u>		
Water losses				
	ML	R	ML	R
Opening Stock Raw	31	20 286	22	13 246
Opening stock Treated	47	184 240	48	166 080
Units purchased - Newcastle and Amajuba	40 950	22 326 899	41 600	25 047 360
Units purchased - Umzinyathi	6 193		5 758	
Total units purchased	<u>47 231</u>	<u>22 531 426</u>	<u>47 428</u>	<u>25 226 686</u>
Units sold	43 873	171 982 160	43 056	164 043 350
Unsold process water in system	361	1 415 120	2 522	9 608 820
Closing Stock	79		78	
Total loss	<u>2 918</u>	<u>1 909 539</u>	<u>1 772</u>	<u>1 064 972</u>
Comprising of				
Technical losses	2 918	1 909 539	1 772	1 066 921
Total loss	<u>2 918</u>	<u>1 909 539</u>	<u>1 772</u>	<u>1 066 921</u>
Percentage loss				
Technical losses	6,18%		3,74%	
Total	<u>6,18%</u>		<u>3,74%</u>	
43 TRANSFERS OF GRANTS AND OTHER FUNDING TO THE ENTITY TO IMPLEMENT CAPITAL PROJECTS ON BEHALF OF THE MUNICIPALITIES				
The WASA's are the recipients of all government grants paid in terms of the Division of Revenue Act, and in cases where the Entity is appointed by the municipality to implement any of its capital grant projects, these are done on an implementation basis only, and the relevant municipality reflects the grants and its conditions and reports back to National or Provincial Treasury directly in relation to the requirements of the grants.				
In cases where the municipality transfers its own capital funding to the Entity to implement capital projects, these are also carried out as implementing agent only, and these transfers are not conditional grants, except to say that they are for a specific purpose or project as directed by the municipality.				

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022			RESTATE 2021		
	R			R		
44 SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022						
For management purposes, the municipal entity is organised and operates in nine key functional segments. To this end, management monitors the operating results of these segments for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these segments are allocated at a transactional level.						
	2022 Actual Revenue	2022 Actual Expenditure	2022 Surplus/ (Deficit)	2021 Actual Revenue	2021 Actual Expenditure	2021 Surplus/ (Deficit)
	R	R	R	R	R	R
Strategy and Leadership		(6 015 081)	(6 015 081)		(6 513 698)	(6 513 698)
Company Secretary		(2 295 923)	(2 295 923)		(1 997 342)	(1 997 342)
Human Resources		(3 770 608)	(3 770 608)		(6 996 756)	(6 996 756)
Finance	4 309 530	(54 898 728)	(50 589 198)	1 360 668	(71 663 917)	(70 303 249)
Technology		(5 796 940)	(5 796 940)		(5 736 427)	(5 736 427)
Environmental Management		(6 633 336)	(6 633 336)		(5 757 210)	(5 757 210)
Engineering		(3 733 356)	(3 733 356)		(3 163 876)	(3 163 876)
ICS		(5 065 107)	(5 065 107)		(4 930 496)	(4 930 496)
Water	181 183 927	(190 576 862)	(9 392 935)	165 403 505	(187 208 956)	(21 865 451)
Total	185 493 457	(278 785 942)	(93 292 484)	166 764 172	(294 028 676)	(127 264 504)
Gain / (loss) on disposal/scraping of assets		(110 000)	(110 000)	114 697		114 697
	185 493 457	(278 895 942)	(93 402 484)	166 878 869	(294 028 676)	(127 149 807)

45 CORRECTION OF ERROR AND RESTATEMENT OF COMPARATIVE INFORMATION

During the 2021/2022 financial year the following errors were identified:

1. Vat incorrectly raised on the Department of Water and Sanitation WRL charges
2. No impairment for debtors calculated in the prior financial year
3. Leave accrual was incorrectly classified
4. Accrual for annual bonuses not raised
5. Correction of partners contribution

The effect of the errors on the individual line items in the financial statements is as follows:

	2020/2021			2019/2020		
	Original	Revised	Difference	Original	Revised	Difference
Statement of Financial Position						
Current assets	194 713 303	157 446 059	37 267 243	151 757 865	151 244 906	512 959
Trade and other receivables	145 492 543	103 225 106	42 267 437			
VAT receivable	19 610 261	24 610 444	(5 000 184)	19 847 670	19 334 711	512 959
Total assets	984 164 522	946 897 278	37 267 243	1 019 212 208	1 018 699 249	512 959
Current liabilities	422 035 966	423 381 056	(1 345 091)			
Trade and other payables	414 599 566	422 352 803	(7 753 237)			
Current portion of staff benefit obligations	6 975 438	567 292	6 408 146			
Total liabilities	433 999 596	435 344 686	(1 345 091)			
Net assets	550 164 926	511 552 592	38 612 334	639 215 358	638 702 399	512 959
Accumulated funds	550 164 826	511 552 492	38 612 334	639 215 258	638 702 299	512 959
Statement of Financial Performance						
REVENUE						
Other receipts	326 923	293 631	33 293			
Total revenue	166 797 465	166 764 172	33 293			
EXPENDITURE						
Employee related costs	(58 215 964)	(59 561 054)	1 345 091	(27 749 518)	(28 262 477)	512 959
Contribution to provision for bad debts		(36 720 992)	36 720 992			
Total expenditure	(255 962 593)	(294 028 676)	38 066 083	(242 382 869)	(242 895 828)	512 959
Surplus/(Deficit) for the year	(89 050 432)	(127 149 807)	38 099 375	(91 828 627)	(92 341 586)	512 959
Statement of Changes in Net Assets						
Operating surplus/(deficit)	(89 050 432)	(127 149 807)	38 099 375	(91 828 627)	(92 341 586)	512 959
Balance	550 164 012	549 651 053	512 959	639 214 444	638 701 484	512 959
Notes to the Annual Financial Statements						
Note 3						
TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS						
3.1 Reconciliation of the doubtful debt provision						
Balance at beginning of the year	81 003	81 003				
Provision/(Reversal)	(30 278)	(55 276)	24 298			
Balance at end of year	50 025	25 728	24 298			
3.2 Reconciliation of the doubtful debt provision						
Balance at beginning of the year	4 803	4 803				
Provision/(Reversal)		42 291 725	(42 291 725)			
Balance at end of year	4 803	42 296 528	(42 291 725)			
Note 5						
VAT						
Debtors Vat Raised - Not Yet Due	(18 631 520)	(13 118 377)	(5 513 143)			
Note 9						
TRADE AND OTHER PAYABLES						
Leave pay accrual		6 408 146	(6 408 146)			
Other creditors	230 760	1 575 851	(1 345 091)			
Note 11						
SERVICE RELATED STAFF OBLIGATIONS						
Current						
Leave pay accrual	6 408 146		6 408 146			
Note 13						
ACCUMULATED FUNDS SURPLUS (DEFICIT)						
Balance Beginning Year	5 754 250	5 241 291	512 959	21 778 904	21 265 945	512 959
Surplus/(Deficit) for year	(89 050 432)	(127 149 807)	38 099 375			
Balance Year End	(17 780 314)	(56 392 648)	38 612 334	5 754 250	5 241 291	512 959
Total Accumulated Funds	550 164 826	511 552 492	38 612 334			

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

46 Comparison of Budget and Actual Amounts for the year ended 30 June 2022

	Original Budget 1	Budget Adjustments (i.e. s28 & s31 Of the WFRMA) 2	Virement (i.e. Council Approved By-law) 3	2022 Final Budget 4	2022 Actual 5	2022 Variance 6	2022 % Variance to Final Budget 7	2022 % Variance to Original Budget 8	Explanation for Significant Variances of more than 10% from Budget
Financial Performance									
Service charges	175 768 423	-	-	175 768 423	174 372 947	(1 395 476)	-1%	-1%	Conservative budget provided for interest income due to uncertainty of payments from WSA's
Interest received	114 490	-	-	114 490	858 315	743 825	650%	650%	Not budgeted for
Interest on Debtors	-	-	-	-	6 810 980	-	-	-	Other receipts includes the AG requested prescription of unknown receipts totalling R 3 081 979
Other receipts	50 000	-	-	50 000	3 451 215	3 401 215	6802%	6802%	
Total Revenue (Excluding Capital Transfers & Contributions)	175 932 913	-	-	175 932 913	185 493 457	2 749 564	2%	5%	
Expenditure									
Employee related costs	(64 794 522)	480 730	-	(64 313 792)	(58 813 133)	5 572 752	-9%	-9%	Provision not included in budget
Contribution to Provision for bad debts	-	-	-	-	(22 777 117)	(22 777 117)			Full effect of depreciation on assets not provided for on budget - Capital grant and revaluation depreciation off-set not budgeted for.
Depreciation	(1 885 312)	-	-	(1 885 312)	(79 285 115)	(77 399 803)	4105%	4105%	Two WSA's approved a lesser budget and indicated that they would address it in their adjustment budget but they did not do so
Bulk water purchases	(24 275 789)	-	-	(24 275 789)	(27 264 702)	(2 988 912)	12%	12%	

NO TES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Repairs and maintenance	(15 415 444)	6 101 657	(9 313 787)	(9 948 601)	5 365 186	-58%	-74%	Due to intermittent payment from two WSA's, expenditure has been curtailed
Interest paid/accrued	-	-	-	(20 380 985)	(20 380 985)	100%	-	Not included in budget. Department of Water and Sanitation interest on overdue accounts. Non payment of charges by WSA's and dispute with the department
Contracted services	(6 890 995)	2 370 695	(4 520 300)	(2 944 167)	1 576 133	-35%	-57%	Due to intermittent payment from two WSA's, expenditure has been curtailed
Inventory	-	-	-	22 032	22 032	-	-	Annual adjustment not budgeted for
Other expenditures	(51 272 401)	(8 953 083)	(70 225 484)	(63 394 154)	6 831 329	-10%	3%	
Total Expenditure	(174 534 463)	(0)	(174 534 463)	(278 785 942)	(104 179 385)	60%	60%	
Gain / (loss) on disposal/scraping of assets	-	-	-	(110 000)	-	-	-	
Surplus/(Deficit)	1 398 450	(0)	1 398 450	(93 402 484)	(101 429 821)	-	-	
Surplus/(Deficit) After Capital Transfers & Contributions	1 398 450	1 398 450	1 398 450	(93 402 484)	(101 429 821)			
Capital Expenditure & Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	-	-	-	(1 233 541)	(1 233 541)	100	100	No approved capital budget from the WSA's
Internally Generated Funds	-	-	-	1 233 541	1 233 541	-	-	
Total Sources Of Capital Funds	-	-	-	1 233 541	1 233 541			
Cash flows								
Net Cash From (Used) Operating	1 398 450	(0)	1 398 450	(8 390 288)				
Net Cash From (Used) Investing	-	-	-	(1 233 541)				
Net Cash From (Used) Financing	-	-	-	-				
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1 398 450	(0)	1 398 450	(9 623 829)				

APPENDIX A: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2022

Description	Accumulated Depreciation											
	Balance at 30 Aug 20	Additions	Disposals	Transfer to Retirements	Transfer to WSC's	Transfer to WSC's	Transfer to WSC's	Transfer to WSC's	Transfer to WSC's	Transfer to WSC's	Transfer to WSC's	Transfer to WSC's
WATER INFRASTRUCTURE												
Laboratory Equipment	39 331 892	1 820 000										
Buildings	29 655 260	1 820 000										
Pump Stations	48 813 785	15 255 204										
Reservoirs	4 822 065	2 750 475										
Retreatment	51 279 235	18 479 400										
Water Treatment	14 729 400	4 019 840										
Water Services	1 532 52 085	1 532 52 085										
VEHICLES	5 339 619	5 339 619										
Administrative	1 578 879	1 578 879										
PLANT & EQUIPMENT												
Electricity Metering	4 099 827	3 092 827										
Electricity Meters	4 234 844	4 234 844										
Sanitary Equipment	2 251 364	2 251 364										
Water Pumps	62 521 045	62 521 045										
INTANGIBLE ASSETS												
Patents	614 649	614 649										
Software	1 059 816	1 059 816										
Human Resources	1 218 000	1 218 000										
Other Intangible Assets	1 218 000	1 218 000										
TOTAL	1 104 620	5 224 620										

UTHUKELA WATER (PTY) LTD.

APPENDIX B: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Balance at 2020/05/30		Additions		Disposals		Revaluation		Balance at 30 Jun 21		Water Service assets transferred from WSA's		Write-offs		Revaluation		Transfers		Balance at 30 Jun 22		Additions		Disposals		Balance at 30 Jun 22		Water Service assets transferred to WSA's		Accumulated Depreciation		Carrying Value				
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R			
SUMMARY	1 444 938 544	817 994	1 114 882	1 114 882	1 435 724 537	1 114 882				1 415 665 673	599 692 212	78 846 276	648 138 938	78 540 478	726 669 416	867 232 330	787 603 599	688 995 657																	
Water	6 897 710	424 869	87 514	87 514	7 312 339	87 514				7 224 825	3 278 278	60 388	5 208 576	576 093	6 852 469	1 067 542	1 449 783	957 264																	
Technology	671 069		4 040	4 040	621 099	4 040				625 849	127 810	61 888	165 003	21 844	813 488	196 778	1 010 266	77 001																	
Administration	206 888		205 888	205 888	621 099	205 888				205 888	118 159	21 844	165 003	21 844	383 848	40 279	424 127	24 001																	
Finance	1 34 807		134 807	134 807	134 807	134 807				134 807	93 850	13 662	107 502	13 662	321 154	40 957	27 895	13 662																	
Human Resources	790 446	15 498	305 945	27 605	305 945	27 605				333 550	543 361	76 538	614 699	81 257	695 866	247 086	191 336	137 684																	
Engineering																																			
	1 443 574 523	1 258 941	1 444 842 545	1 333 541	1 444 842 545	1 333 541				1 424 874 242	576 119 880	79 267 155	655 383 377	79 285 116	734 666 443	867 454 343	799 451 218	690 207 257																	