MBHASHE LOCAL MUNICIPALITY (EC 121)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The Municipality is responsible for the following activities:- - collection of rates in respect of property taxes; - refuse and solid waste removal; - construction and maintenance of access roads, storm water facilities and streetlights within its jurisdiction; and - traffic control, issue of learners and drivers licences and renewal of drivers licences, law enforcement activities.
Mayoral Committee	
Executive Mayor	Cllr Samkelo Janda
Speaker	Cllr Babalwa Majavu
Members of the Mayoral Committee	
	Cllr Nomvuyiseko Mgedesi (Chairperson: Local Economic Development)
	Cllr Nombongo Apleni – (Chairperson: Municipal Financial Viability)
	Cllr Fikiswa Ndaule (Chairperson: Good Governance and Public Participation)
	Cllr Mirriam Kungeka Makapela – (Chairperson: Basic Service Delivery and Infrastructure Development)
	Cllr Nolumanyano Ngomthi (Chairpeson: Municipal Transformation and Institutional Development)
	Cllr Nolundi Gxamntwana (Chairperson: Basic Service Delivery and Community Services)
Chief WHIP	Cllr Ludwe Mantshiyose
Councillors	Cllr A Tyatyaza
	Cllr C. Zukile Gobinduku
	Cllr Simphiwe Futshane
	Cllr Thobela Nodliwa
	Cllr Buyiswa Gaven
	Cllr M.R Ndikinda
	Cllr Anda Mpatuse
	Cllr Kungeka Sigwayi
	Cllr Ernest Fipaza
	Cllr Nonyusile Ngolothi
	Cllr Mnikelo Vincent Muru
	Cllr Sonwabile Toyana
	Cllr Luyanda Mpunzi
	Cllr Siyabulela Mdabuka
	Cllr Nosiphiwo Stafana
	Cllr Nosipho Nancy Ntshontsho
	Cllr Lungisa Mahobe
	Cllr Phumelele Methu
	Cllr Shepstone Thethemini Sitwayi
	Cllr D.T Tsengwa
	Cllr Noncedile Kopolo
	Cllr Silulami Ndinisa
	Cllr Lulamile Khumelwana
	Cllr Boniswa Sithela
	Cllr Nokanyo Magatya

General Information

	Cllr Wilson Genyane Cllr Tamella Nokele Cllr Phumzile Msaro Cllr Theophilus Manelisi Nxusani Cllr Patrick Patuxolo Zuma Cllr Simothulele Labhatala Cllr Nolusindiso Nkomonye Cllr Xoliswa Morrin Tyodana Cllr Pakama Patricia Kondile Cllr Nomabandla Mkhedamo Cllr Nosipho Ganda Cllr Mangaliso Sabelo Jafta Cllr Mpendulo Herbert Gwesha Cllr Ntsikelelo Mahlathi Cllr Noluvo Tyelinganye Cllr Usivile Mboneli Cllr Mzimkulu Tetyana Cllr Yoliswa Grissel Mhlathi Cllr Nyameka Mongezi Cllr Bongani Dumezweni Cllr Lethu Madaka - Mdiniso Cllr PN Tomose Cllr Z Magazi Cllr M Takani Cllr Z Bomela Cllr N Jonas Cllr NF Ngqola
Grading of local authority	3
Municipal Manager	Mr M. Nako
Chief Finance Officer	Mr V. Jam Jam
MFMA Section 79 Chairpersons	Cllr Nosipho Ganda (MPAC Chair) Cllr M. Sibingibingi (Chairperson: Ethics & Members Interest Committee) Cllr Celiwe Genyane (Chairpeson: Womens Caucus)
Registered office	454 Streatfield Road Dutywa 5000
Postal address	P.O. Box 25 Dutywa 5000
Bankers	First National Bank (62231175953)
Auditors	Auditor General South Africa
Attorneys	Noah and Sons Burmeister Attorneys

General Information

	MSZ Attorneys
Municipal website	www.mbhashemun.gov.za

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the Council:

Abbreviations

EPWP	Extended Public Works Programme
DWAF	Department of Water Affairs and Forestry
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Plan
PPE	Property, Plant and Equipment
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
OTP Grant	Grant from The Office of the Premier
SARS	South African Revenue Service
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The Municipality is wholly dependent on the Municipality for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

The Annual Financial Statements set out on page 5 to 91, which have been prepared on the going concern basis, were approved by the Council on 31 August 2025 and were signed on its behalf by:

Mr M. Nako
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

the municipality is responsible for the following activities:-
- collection of rates in respect of property taxes;
- refuse and solid waste removal;
- construction and maintenance of access roads, storm water facilities and streetlights within its jurisdiction; and
- traffic control, issue of learners and drivers licences and renewal of drivers licences, law enforcement activities. and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had accumulated surplus of 1 205 872 641 Rands and that the municipality's total assets exceed its liabilities by 1 207 361 561 Rands.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to enforce strict cash flow management to oversee the operations. The municipality had an improved liquidity position due to the overcollection in revenue projections and also stringent cost containment measures, this has resulted in the municipal having ability to meet short term commitments within 30 days.

3. Subsequent events

The accounting officer is not aware of any significant matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer does not have any interest in the contracts that the municipality has with various suppliers for procuring goods and/or services.

5. Borrowing potential

The current ratio is above 1. This signifies the progress made in the past financial year, with the municipality passing a more leaner budget with realistic targets. The cash and cash equivalents are more than trade payables as at 30 June 2025.

Our assets versus liabilities show that we have huge potential for borrowing which the municipality is currently not exploring. This option will only be taken to fund borrowings for income-generating assets with the objective of generating a commercial return.

Mr M. Nako
Municipal Manager

Statement of Financial Position as at 30 June 2025

Figures in Rand	Note(s)	2025	2024
Assets			
Current Assets			
Receivables from exchange transactions	9&12	3 766 049	1 733 482
Receivables from non-exchange transactions	10&12	16 550 931	22 824 055
VAT receivable	11	3 941 152	7 256 965
Cash and cash equivalents	13	499 157 509	431 954 550
		523 415 641	**463 769 052**
Non-Current Assets			
Investment property	3	33 157 447	33 511 900
Property, plant and equipment	4	749 846 422	683 192 446
Intangible assets	5	247 262	333 807
Heritage assets	6	11	11
		783 251 142	**717 038 164**
Non-Current Assets		783 251 142	717 038 164
Current Assets		523 415 641	463 769 052
Total Assets		**1 306 666 783**	**1 180 807 216**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	36 548 000	34 927 908
VAT payable	17	8 142 428	6 503 915
Employee benefit obligation	8	1 696 000	1 067 000
Unspent conditional grants and receipts	14	-	19 965 196
		46 386 428	**62 464 019**
Non-Current Liabilities			
Employee benefit obligation	8	6 380 000	6 438 000
Provisions	15	46 538 794	24 382 042
		52 918 794	**30 820 042**
Non-Current Liabilities		52 918 794	30 820 042
Current Liabilities		46 386 428	62 464 019
Total Liabilities		**99 305 222**	**93 284 061**
Assets		1 306 666 783	1 180 807 216
Liabilities		(99 305 222)	(93 284 061)
Net Assets		**1 207 361 561**	**1 087 523 155**
Accumulated surplus		1 207 361 561	1 087 523 155
Total Net Assets		**1 207 361 561**	**1 087 523 155**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Service charges	19	3 893 729	3 730 340
Construction contracts	28	7 851 305	14 090 339
Rental of facilities and equipment	20	3 191 292	3 188 573
Interest income (trading)	24	5 681 555	5 123 180
Licences and permits - Commission	2223	1 944 521	1 913 486
Other income	25	3 148 297	1 310 054
Interest earned	26	45 354 175	40 207 257
Revenue from non-exchange transactions			
Property rates	27	21 098 815	20 429 729
Licence and permits	22	232 761	629 416
Grants and subsidies	28	454 742 460	434 662 283
Fines and penalties	21	1 633 823	1 615 121
Total revenue		**548 772 733**	**526 899 778**
Expenditure			
Employee related costs	29	(143 776 317)	(135 668 746)
Remuneration of Councillors	30	(26 640 292)	(23 227 383)
Depreciation and amortisation	31	(50 602 244)	(51 687 783)
Finance costs	33	(3 020 692)	(1 438 823)
Debt Impairment	34	(19 176 069)	(20 896 464)
Administrative and other expenditure	35	(169 593 222)	(157 081 204)
Total expenditure		**(412 808 836)**	**(390 000 403)**
		-	-
Total revenue		548 772 733	526 899 778
Total expenditure		(412 808 836)	(390 000 403)
Operating surplus		**135 963 897**	**136 899 375**
Profit/(Loss) on disposal of assets		(451 650)	(90 481)
Impairment (loss)/Reversal	32	(17 162 760)	(4 936 633)
		(17 614 410)	**(5 027 114)**
Operating surplus/deficit		(17 614 410)	(5 027 114)
Surplus before taxation		118 349 487	131 872 261
Taxation		-	-
Surplus for the year		**118 349 487**	**131 872 261**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance as previously reported	823 316 269	823 316 269
Surplus for the year	132 334 625	132 334 625
Balance at 01 July 2023 restated	**955 650 894**	**955 650 894**
Changes in net assets		
Surplus/(Deficit) for the year	131 872 261	131 872 261
Total changes	131 872 261	131 872 261
Balance at 30 June 2024	**1 087 523 154**	**1 087 523 154**
Changes in net assets		
Surplus/(Deficit) for the year	118 349 487	118 349 487
Total changes	118 349 487	118 349 487
Balance at 30 June 2025	**1 205 872 641**	**1 205 872 641**

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Sale of goods and services		26 804 270	18 072 733
Grants		442 628 569	446 949 044
Interest income		45 354 175	40 207 257
Other receipts		5 014 881	5 468 077
		519 801 895	510 697 111
Payments			
Employee costs		(170 958 417)	(159 043 895)
Suppliers		(166 433 063)	(158 975 267)
Finance costs		(18 173)	(20 985)
		(337 409 653)	(318 040 147)
Total receipts		519 801 895	510 697 111
Total payments		(337 409 653)	(318 040 147)
Net cash flows from operating activities	36	**182 392 242**	**192 656 964**

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(115 189 283)	(94 021 914)
Net increase/(decrease) in cash and cash equivalents		**67 202 959**	**98 635 050**
Cash and cash equivalents at the beginning of the year		431 954 550	333 319 501
Cash and cash equivalents at the end of the year	13	**499 157 509**	**431 954 551**

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	500 000	-	**500 000**	3 893 729	**3 393 729**	50.1
Construction contracts	-	-	**-**	7 851 305	**7 851 305**	
Rental of facilities and plant equipment	2 009 130	560 870	**2 570 000**	3 191 292	**621 292**	50.2
Interest received (trading)	-	-	**-**	5 681 555	**5 681 555**	50.3
Licences and permits - Commission	-	-	**-**	1 944 521	**1 944 521**	
Other income	22 952 609	10 012 331	**32 964 940**	3 148 297	**(29 816 643)**	50.4
Interest received - investment	25 000 000	12 000 000	**37 000 000**	45 354 175	**8 354 175**	50.5
Total revenue from exchange transactions	**50 461 739**	**22 573 201**	**73 034 940**	**71 064 874**	**(1 970 066)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	8 000 000	4 000 000	**12 000 000**	21 098 815	**9 098 815**	50.6
Licenses and permits	2 100 000	1 300 000	**3 400 000**	232 761	**(3 167 239)**	50.7
Transfer revenue						
Government grants & subsidies	465 880 000	1 050 737	**466 930 737**	454 742 460	**(12 188 277)**	50.8
Fines, Penalties and Forfeits	1 150 000	100 000	**1 250 000**	1 633 823	**383 823**	50.9
Total revenue from non-exchange transactions	**477 130 000**	**6 450 737**	**483 580 737**	**477 707 859**	**(5 872 878)**	
'Total revenue from exchange transactions'	50 461 739	22 573 201	**73 034 940**	71 064 874	**(1 970 066)**	
'Total revenue from non-exchange transactions'	477 130 000	6 450 737	**483 580 737**	477 707 859	**(5 872 878)**	
Total revenue	**527 591 739**	**29 023 938**	**556 615 677**	**548 772 733**	**(7 842 944)**	
Expenditure						
Employee related costs	(146 629 692)	(7 362 884)	**(153 992 576)**	(143 776 317)	**10 216 259**	50.10
Remuneration of councillors	(29 109 544)	-	**(29 109 544)**	(26 640 292)	**2 469 252**	50.11
Depreciation and amortisation	(55 000 000)	-	**(55 000 000)**	(50 602 244)	**4 397 756**	50.12
Impairment loss/ Reversal of impairments	-	-	**-**	(17 162 760)	**(17 162 760)**	50.13
Finance costs	-	-	**-**	(3 020 692)	**(3 020 692)**	50.14
Debt impairment	(2 000 000)	-	**(2 000 000)**	(19 176 069)	**(17 176 069)**	50.15
General Expenses	(203 548 406)	(56 890 163)	**(260 438 569)**	(169 593 222)	**90 845 347**	50.16
Total expenditure	**(436 287 642)**	**(64 253 047)**	**(500 540 689)**	**(429 971 596)**	**70 569 093**	
	527 591 739	29 023 938	**556 615 677**	548 772 733	**(7 842 944)**	
	(436 287 642)	(64 253 047)	**(500 540 689)**	(429 971 596)	**70 569 093**	

Operating surplus	**91 304 097**	**(35 229 109)**	**56 074 988**	**118 801 137**	**62 726 149**
Loss on disposal of assets and liabilities	-	-	**-**	(451 650)	**(451 650)**
	91 304 097	(35 229 109)	**56 074 988**	118 801 137	**62 726 149**
	-	-	**-**	(451 650)	**(451 650)**
Surplus	**91 304 097**	**(35 229 109)**	**56 074 988**	**118 349 487**	**62 274 499**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	603 870	(503 870)	**100 000**	3 766 049	**3 666 049**	50.17
Receivables from non-exchange transactions	(265 000)	665 000	**400 000**	16 550 931	**16 150 931**	50.18
VAT receivable	42 784 913	(42 784 913)	**-**	3 941 152	**3 941 152**	50.19
Cash and cash equivalents	328 869 994	6 272 606	**335 142 600**	499 157 509	**164 014 909**	50.20
	371 993 777	**(36 351 177)**	**335 642 600**	**523 415 641**	**187 773 041**	
Non-Current Assets						
Investment property	-	-	**-**	33 157 447	**33 157 447**	50.21
Property, plant and equipment	45 138 637	13 939 447	**59 078 084**	749 846 422	**690 768 338**	50.22
Intangible assets	1 478 262	(3 262)	**1 475 000**	247 262	**(1 227 738)**	50.23
Heritage assets	-	-	**-**	11	**11**	
	46 616 899	**13 936 185**	**60 553 084**	**783 251 142**	**722 698 058**	
Non-Current Assets	371 993 777	(36 351 177)	**335 642 600**	523 415 641	**187 773 041**	
Current Assets	46 616 899	13 936 185	**60 553 084**	783 251 142	**722 698 058**	
Total Assets	**418 610 676**	**(22 414 992)**	**396 195 684**	**1 306 666 783**	**910 471 099**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(12 784 130)	12 814 129	**29 999**	36 548 000	**36 518 001**	50.24
VAT payable	-	-	**-**	8 142 428	**8 142 428**	50.19
Employee benefit obligation	-	-	**-**	1 696 000	**1 696 000**	50.25
	(12 784 130)	**12 814 129**	**29 999**	**46 386 428**	**46 356 429**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	6 380 000	**6 380 000**	50.25
Provisions	-	-	**-**	46 538 794	**46 538 794**	50.27
	-	**-**	**-**	**52 918 794**	**52 918 794**	
	(12 784 130)	12 814 129	**29 999**	46 386 428	**46 356 429**	
	-	-	**-**	52 918 794	**52 918 794**	
	-	-	**-**	-	**-**	
Total Liabilities	**(12 784 130)**	**12 814 129**	**29 999**	**99 305 222**	**99 275 223**	
Assets	418 610 676	(22 414 992)	**396 195 684**	1 306 666 783	**910 471 099**	
Liabilities	12 784 130	(12 814 129)	**(29 999)**	(99 305 222)	**(99 275 223)**	
Net Assets	**431 394 806**	**(35 229 121)**	**396 165 685**	**1 207 361 561**	**811 195 876**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	431 394 806	(35 229 121)	**396 165 685**	1 207 361 561	**811 195 876**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	6 399 999	3 200 000	**9 599 999**	16 206 498	**6 606 499**	C1
Sale of goods and services	28 663 913	11 921 027	**40 584 940**	22 829 719	**(17 755 221)**	C2
Grants	465 880 000	1 050 737	**466 930 737**	443 806 264	**(23 124 473)**	C3
Interest income	25 000 000	12 000 000	**37 000 000**	45 354 175	**8 354 175**	C4
	525 943 912	**28 171 764**	**554 115 676**	**528 196 656**	**(25 919 020)**	
Payments						
Employee costs	(175 739 236)	(7 362 884)	**(183 102 120)**	(170 934 749)	**12 167 371**	C5
Suppliers	(232 565 948)	(27 842 620)	**(260 408 568)**	(168 328 868)	**92 079 700**	C6
Finance costs	-	-	**-**	(18 173)	**(18 173)**	C7
	(408 305 184)	**(35 205 504)**	**(443 510 688)**	**(339 281 790)**	**104 228 898**	
Total receipts	525 943 912	28 171 764	**554 115 676**	528 196 656	**(25 919 020)**	
Total payments	(408 305 184)	(35 205 504)	**(443 510 688)**	(339 281 790)	**104 228 898**	
Net cash flows from operating activities	**117 638 728**	**(7 033 740)**	**110 604 988**	**188 914 866**	**78 309 878**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(129 859 429)	14 306 347	**(115 553 082)**	(116 073 586)	**(520 504)**	C8
Net increase/(decrease) in cash and cash equivalents	(12 220 701)	7 272 607	**(4 948 094)**	72 841 280	**77 789 374**	
Cash and cash equivalents at the end of the year	**(12 220 701)**	**7 272 607**	**(4 948 094)**	**72 841 280**	**77 789 374**	

C1. Favourable variance is as a result that the Municipality has implemented debt collection measures which include direct negotiation with customers which in turn yielded positive results in terms of more customers paying their accounts

C2. Unfourable variance is due to the fact that the Municipality budget includes VAT refunds, which on an actual level Vat refunds are classified to VAT accounts to offset against the raised receivable.

C3. Municipality anticipated that more monies were going to be received for OTP grant and Disaster Grant, some of the costs for projects relating to these grants ended up being funded through own revenue.

C4. Favourable variance is as a resulting of being able to do short term investment for all the monies that are not yet needed for spending.

C5. Municipality managed to spend less that anticipated due to cost serving measures that are being implemented.

C6. Municipality implemented costs saving measures which are continuing to yield positive results for the Municipality, hence more money could be spent on Capital Assets..

C7. Municipality does not budget to fail to pay service providers within 30 days, hence there zero budget for this item

C8. Municipality has budget to pay for all capital assets that were sourced during the financial year before end of the financial year, but some were bought at year end resulting to invoices that formed part of payables, and another contributing factor is saving measures that were applied some involved repairing the assets instead of replacing them.

Accounting Policies

Figures in Rand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The principal accounting policy adopted in the preparation of these annual financial statements are set out below. These accounting policies are consistent with the previous period, except for the policies relating to the new standards and interpretations under note 2.1.

1.1 Presentation currency

These Annual financial statements are presented in South African Rand, which is the functional currency of the Municipality. Amounts are rounded off to the nearest Rand.

1.2 Reporting entity

Mbhashe Local Municipality ("the Municipality") is a low capacity local government institution covering Dutywa, Willowvale and Elliotdale in the Eastern Cape.

1.3 Judgements, assumptions and estimates

The preparation of Annual Financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of GRAP that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include:

- Impairment of debtors. Management is required to assess the debtors portfolio on an individual and collective basis and to determine an appropriate impairment based on the collection trends, type of consumer and the general economic environment.
- Provision for landfill sites. Management is required to base the provision for the rehabilitation of the landfill sites on appropriate supporting documentation and assumptions relating to available permitted airspace, airspace utilization factor and waste acceptance rate.
- Assessment of conditions related to unspent grants. Management must exercise judgment in assessing the extent to which the conditions pertaining to grants have been met in order to release an appropriate amount to revenue.
- Assets. Management are required to exercise judgment when assessing the fair value / deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.
- Intangible assets. Management is required to assess the useful life of intangible assets based on the period the asset is expected to generate net cash inflows or service potential.

Useful life assessment

The municipality's management determines the estimated useful life of an item of property, plant and equipment based on the municipality's expected usage of the asset. The useful life is assessed at each reporting date and if expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. The entity's management determines the estimated useful life of an item of intangible assets based on the entity's expected usage of the asset. The useful life is assessed at each reporting date and if expectations differ from previous estimate, the change is accounted for as a change in accounting estimate. 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. .

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value, management considers the impact of technology and minimum service requirements of assets..

Going concern assumption

These annual financial statements have been prepared on a going concern basis.

Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated 41. The nature and reason for the re-classification is disclosed. Where accounting errors relating to prior years have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively in terms of the requirements of the standard, and the prior year comparatives are restated accordingly.

Accounting Policies

1.4 Value add tax

The municipality accounts for VAT on the accrual basis, the completion of VAT 201 is done on payment basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1)(a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

Accounting Policies

1.5 Investment property

Initial recognition

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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

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

Subsequent measurement and derecognition - cost model

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated on the straight line basis over its expected useful life to its estimated residual value. The depreciable amount is determined after taking into account an asset`s residual value. If at any point the residual value exceeds the carrying amount of an investment property, no depreciation is calculated on that investment property. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful life of investment property is estimated to be 40 years.

Investment property is derecognised on disposal when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

Subsequent measurement and derecognition - cost model

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite useful life
Buildings	Straight line	30 years
Other assets	Straight line	5 - 10 years
Infrastructure	Straight line	10 - 60 years
Community assets	Straight line	30 years

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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

Derecognition of PPE

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its statement of financial position only when it meets the definition of an intangible asset and it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

For intangible assets with indefinite useful life amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Initial recognition

The cost of an item of an asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

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

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life.

Amortisation

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated asset average lives

Item	**Useful life**
Computer software, other	3 to 5 years

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the surplus or deficit.

1.8 Budget information

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

Accounting Policies

1.8 Budget information (continued)

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

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

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

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

1.9 Heritage assets

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

Recognition

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

The fair values cannot be measured due to nature of assets. The assets are shown in the financial statements at a nominal value of R11 for record keeping.

1.10 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other senior managers reporting directly to the Municipal Manager and supply chain officials.

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

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

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

Accounting Policies

1.11 Events after reporting period

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.12 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial instrument at fair value
- Financial instruments at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition

A financial assets/ financial liability shall be recognised in the statement of financial position when, and only when the municipality becomes a party to the contractual provisions of instrument.

Initial measurement financial assets and financial liabilities

When a financial asset/liability is recognised initially, the municipality shall measure it at its fair value plus, in the case of a financial asset/liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset/liability.

Subsequent measurement of financial assets and financial liabilities

The municipality shall measure all financial assets/liabilities after initial recognition using the following categories:
- financial instruments at amortised cost
- financial instrument at fair value

All financial assets measured at amortised cost, or cost, are subject to an impairment review in terms of GRAP 104: Financial Instruments. Financial assets are recognised using trade date accounting.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost.

Receivables from exchange transactions

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Accounting Policies

1.12 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value and subsequently carried at amortised cost using the effective interest method. Cash includes cash on hand (including petty cash) and investments comprising cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Trade and other payables from exchange transactions reflected on the face of the statement of financial position or in the notes thereto are classified as other financial liabilities.

Financial liabilities consist of trade payables and are initially measured at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the asset expires, is settled or waived, or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another party.

An entity recognises financial assets using trade date accounting.

Financial liabilities

A financial liability is derecognised when and only when the financial liability is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived).

1.12 Financial instruments (continued)

Impairment of financial assets

A financial asset measured at amortised cost or cost, is assessed at each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The municipality considers evidence of impairment at both a specific asset and collective asset level.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

Payables from exchange transactions

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

1.13 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

1.13 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

Accounting Policies

1.14 Leases

Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and not guaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The municipality recognises the aggregate payments as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Municipality as lessee

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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Operating leases - lessor

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

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

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

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

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

Accounting Policies

1.14 Leases (continued)

Municipality as a lessor

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight lined revenue and actual payment received will give rise to an asset. The Municipality recognised the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.15 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in surplus or deficit as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

Short term employee benefits (those payable within 12 months after the service is rendered) are measured on an undiscounted basis.

An accrual is recognised for the amount expected to be paid in terms of short term bonus or leave arrangements when the municipality has a present legal or constructive obligation to pay the amount as a result of a past service provided by an employee and the amount can be estimated reliably.

Liabilities for annual leave are recognised as they accrue to the employees. The liability is based on the total amount of leave days due to the employee and the total related remuneration package.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions to a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the surplus or deficit in the period in which the service is rendered by the relevant employees.

The municipality makes contributions to the following plans:
- South African Municipal Workers Union National Provident Fund
- Eastern Cape Group Municipal Pension Fund
- Eastern Cape Group Municipal Gratuity Fund

The municipality makes contributions to the following medical aid schemes:
- HOSMED
- Key Health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

1.15 Employee benefits (continued)

Other long term employee benefit

For other long term employee benefit the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries. Gains and losses arising from actuarial valuation is recognised in surplus or deficit in the year in which they occur.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation.

The municipality has an unfunded other long term employee benefit that relates to long service awards.

1.16 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost as it occurs.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgment. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the Municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the Municipality considers that an outflow of economic resources is probable, a Municipality recognises the obligation at the higher of:
- the amount determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Contingencies

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Accounting Policies

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.18 Revenue from non-exchange transactions

Revenue from non-exchange transactions includes rates levied, licences and permits, fines and grants from other spheres of government.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and if applicable, there has been compliance with the relevant legal requirements or restrictions.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. As a result, revenue from spot fines and summonses is recognised when payment is received.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the definition and recognition criteria of an asset have been met.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue when received by the entity.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant. If the compliance with the restrictions have not been met, the revenue is deferred and recognised as a liability

Interest earned on investments arising from grants is recognised as interest earned in surplus or deficit.

Principal Agent Agreement or Arrangement

The municipality has an arrangement with the Department of Transport to collect license fees on their behalf.
In determining that whether the municipality is an agent in this arrangement , All the provision of paragraph 25 of GRAP 109 have to be met. Unless there are other legislative requirements that govern terms and conditions of the transaction. In that paragraph 25(a) is not considered. It is of noting that paragraph 25(c) is not met in this arrangement, that is, the municipality is not exposed to variability of results of the transaction.

1.19 Revenue from exchange transactions

Revenue from exchange transactions includes revenue from service charges, rental of facilities and equipment, other income, interest received on investments and Construction contracts revenue.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts. Revenue from the rendering of the services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements and receiving service. Tariffs are determined per category of property usage, and are levied at a fixed monthly rate based on the category of the customer
.
Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.
Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Interest income is recognised using the effective interest rate method.
Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue from Construction contracts is linked or arises from INEP Grant amount that is received for the electrification of rural areas on behalf of Department of Energy and Eskom, this Grant comes with conditions that need to be met before it can be realised as revenue, this means therefore the basis used to account for this revenue although it is a Grant in nature falls under GRAP 11 since the money is mainly for doing electrification on behalf of another Institution, then if the Municipality would fail to execute the project these funds would have to be paid back to Department of Energy if roll over application is not approved.

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

Accounting Policies

1.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003), Municipal Systems Act (Act No.32 of 2000), Public Office Bearer Act (Act No. 20 of 1998). Unauthorised expenditure is accounted for as an expense in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.23 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.24 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), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance unless it is recoverable (i.e. receivable), where it will then be raised as an asset.

1.25 Changes in accounting policy, estimates and errors

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.26 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the municipality has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.27 Segment information

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

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

1.28 Operating expenditure

These expenses are accounted for on accrual basis, in the financial statements these are disclosed as administrative costs on the face of the Statement of financial performance, then further disclosed in classes in the note for administrative costs. Expenditure such as debt write off, debt impairment, depreciation and amortisation as well as impairment losses relating to non current assets are disclosed seperately on the face of the Statement of financial performance.

Figures in Rand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

- GRAP 103, Heritage assets (Effective date not yet determined)
- ¡GRAP 21, The effect of Past Decision on Materiality (Effective date not yet determined.
- GRAP 1, Presentation of Financial Statement (Effective date not yet determined.
- GRAP 25 as amended, Employee benefitst (Effective date not yet determined.

3. Investment property

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	33 511 900	(354 453)	33 157 447	33 511 900	-	33 511 900

Reconciliation of investment property - 2025

	Opening balance	**Impairments**	**Total**
Investment property	33 511 900	(354 453)	33 157 447

Reconciliation of investment property - 2024

	Opening balance	**Total**
Investment property	33 511 900	33 511 900

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. Total amount for land is R27 986 900, Total amount for Buildings is R5 525 000.

Maintenance of investment property

The following maintenance costs were incurred:
Corrective Maintenance incurred on

Revenue generating investment property	391 434	-

Figures in Rand	2025	2024

3. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	3 378 786	-
From Investment property that generated rental revenue		
Repairs and maintenance	391 434	-

4. Property, plant and equipment

	2025			2024		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	87 334 462	(40 290 983)	47 043 479	87 334 462	(37 220 613)	50 113 849
Plant and Machinery	44 740 925	(37 113 829)	7 627 096	44 491 139	(35 616 463)	8 874 676
Furniture and fixtures	7 105 821	(3 939 928)	3 165 893	6 951 206	(3 209 797)	3 741 409
Motor vehicles	61 420 341	(36 304 859)	25 115 482	57 540 380	(31 097 565)	26 442 815
Office equipment	2 363 768	(1 289 791)	1 073 977	2 388 235	(1 003 064)	1 385 171
Computer equipment	11 787 171	(6 460 484)	5 326 687	9 903 518	(4 906 501)	4 997 017
Infrastructure and community assets	1 186 792 924	(716 973 693)	469 819 231	1 073 713 966	(668 486 967)	405 226 999
Landfill site	43 736 275	(17 696 711)	26 039 564	21 517 808	(13 495 410)	8 022 398
Other equipment	8 711 550	(2 612 751)	6 098 799	5 872 017	(1 689 285)	4 182 732
WIP	158 536 214	-	158 536 214	170 205 380	-	170 205 380
Total	**1 612 529 451**	**(862 683 029)**	**749 846 422**	**1 479 918 111**	**(796 725 665)**	**683 192 446**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and Buildings	50 113 849	-	-	-	-	(3 070 370)	-	47 043 479
Plant and equipment	8 874 676	249 786	-	-	-	(1 460 589)	(36 777)	7 627 096
Furniture and fixtures	3 741 409	356 607	(190 598)	-	-	(665 186)	(76 339)	3 165 893
Motor vehicles	26 442 815	3 402 725	(125 639)	-	195 250	(4 703 502)	(96 167)	25 115 482
Office equipment	1 385 171	162 974	-	-	(154 197)	(288 541)	(31 430)	1 073 977
Computer equipment	4 997 017	1 993 201	(26 559)	-	-	(1 572 543)	(64 429)	5 326 687
Infrastructure and community assets	405 226 999	-	(213 781)	117 803 087	-	(36 528 660)	(16 468 414)	469 819 231
Landfill site	8 022 398	-	-	-	19 354 233	(1 337 067)	-	26 039 564
Other equipment	4 182 732	2 890 069	(85 669)	-	35 662	(889 245)	(34 750)	6 098 799
WIP	170 205 380	106 133 921	-	(117 803 087)	-	-	-	158 536 214
	683 192 446	**115 189 283**	**(642 246)**	**-**	**19 430 948**	**(50 515 703)**	**(16 808 306)**	**749 846 422**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land and Buildings	53 202 077	-	-	-	(3 088 228)	-	-	50 113 849
Furniture and fixtures	4 000 226	390 620	-	-	(664 517)	-	15 080	3 741 409
Motor vehicles	21 511 054	8 981 076	-	-	(4 074 667)	-	25 352	26 442 815
Office equipment	362 682	1 118 967	-	-	(109 643)	-	13 165	1 385 171
Computer equipment	4 637 911	1 660 100	(142 170)	-	(1 160 298)	-	1 474	4 997 017
Infrastructure and community assets	401 876 366	-	-	43 099 037	(39 713 500)	(34 904)	-	405 226 999
Plant and equipment	9 916 997	804 980	-	-	(1 850 057)	-	2 756	8 874 676
Landfill site	8 733 940	-	-	-	(711 542)	-	-	8 022 398
Other equipment	1 151 467	3 346 586	-	-	(315 531)	210	-	4 182 732
WIP	140 585 412	77 719 585	-	(43 099 037)	-	(5 000 580)	-	170 205 380
	645 978 132	**94 021 914**	**(142 170)**	**-**	**(51 687 983)**	**(5 035 274)**	**57 827**	**683 192 446**

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

Carrying values of Construction Projects that are taking significant longer to complete (Longer than the initial planned date)

COMMUNITY ASSETS		
MBH/PSP/0015/2014/15: Construction of Ward 25 Sports Field	-	45 992 653
MBH/PSP/0015/2014/15: Construction of Ward 01 Sports Field	25 294 401	19 725 485
MBH/COM/0028/2015-16: Fencing of Dutywa and Willowvale Landfill Sites	742 500	742 500
MBH/PSP/0005/2017-18 & MBH/MIG/0032/2020-21: Construction of Ngumbela Sports Facility	8 534 561	-
	34 571 462	**66 460 638**

INFRASTRUCTURE		
MBH/PSP/0015/2014/15: Construction of Vinindwa to Mazizini Bridge	3 682 079	4 136 941
Upgrade of Small Town/Dutywa Internal Street	25 328 905	-
R/EC/3392/08/09: Construction of Msikithi Access Road	-	14 968 080
MBH/MIG/022/2012-13: Construction of Vinindwa to Mazizini Access Road	-	5 000 580
MBH/PSP/0005/2017-18: Upgrading of Govern Mbheki Internal Streets	5 122 104	5 122 104
Construction of Ntlonyane Bridge	14 972 926	-
MBH/PSP0004/2022-23: Mathunzini to Nqileni Acess Road	10 956 410	-
Ward 24- Ntlahlane Access Road	564 174	-
MBH/PSP/0005/2017-18: Sibiyane Access Road	-	3 607 983
MBH/PSP/0005/2017-18: Construction of Langeni to Riverview Access Road	-	9 958 863
	60 626 598	**42 794 551**

1. Construction of Ward 1 Sportfield : - Scope of works have been ceded to the subcontractors for completion of works, and to be completed in 2025/26 finanial year. The 1st contractor performamnce was very poor.

2. Fencing of Dutywa & Willowvale Landfillsite: - The project was vandalism hence the project could not be capitalised, Fencing is currently being done and will be completed in the current financial year (2025/2026).

3. Construction of Ngumbela Sports Facility : - This project is multi-year and is constructed in phases, Phase 1 and Phase 2 are completed, in 2025/2026 Phase 3 (Fencing) will be completed as well as Phase 4.

4. Construction of Vinindwa to Mazizini Bridge: - Heavy rains that destructed the constructed works which resulted to extension of time.

5. Construction of Dutywa Internal street: - The project is being done in phases. Section 1 closed and termination letter issued and currently doing section 2 which is still within the timeframe, Project to be completed in 2026/27 financial year.

6. Upgrading of Govern Mbeki Internal street : - The project was stopped by the communuties due to their non satisfactory with the material in use (Eco-bond).

7. Construction of Ntlonyane Bridge : - Poor perfomance by the appointed contractor, Scope of works have been ceded to the subcontractors for completion of works, and to be completed in 2025/26 finanial.

8. Mathunzini to Nqileni Acess Road : - Poor perfomance by the appointed contractor, Scope of works have been ceded to the subcontractors for completion of works, and to be completed in 2025/26 finanial.

9. Ward 24 - Ntlahlane Access Road - project was stopped because the Municipality had started the project without obtating the EIA Certificate.

Figures in Rand	2025	2024

4. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Retention withheld	-	11 177 591
Infrastructure assets	113 457 034	85 923 928
Community assets	45 079 180	73 103 861
	158 536 214	**170 205 380**

The above 2023/2024 breakdown for Infrastructure and Community Assets excludes retention values.

Change in estimates

After assessing the useful lives of Non - current Assets during the financial year , the municipality has realised that some events on the ground necessitated the change of estimated useful lives and residual values of some of the assets. The impact of the assess is the decrease in depreciation by R7 041 536

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	52 807 629	53 199 063

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

5. Intangible assets

	2025			2024		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	2 897 168	(2 649 906)	247 262	2 897 168	(2 563 361)	333 807

5. Intangible assets (continued)

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	333 807	(86 545)	247 262

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	420 351	(86 544)	333 807

6. Heritage assets

	2025			2024		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage assets which fair values cannot be reliably measured: (Para .94)						
Mayoral Chain and Gown	2	-	2	2	-	2
Historical monuments	9	-	9	9	-	9
Total	**11**	**-**	**11**	**11**	**-**	**11**

Reconciliation of heritage assets 2025

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Mayoral Chain and Gown	2	2
Historical monuments	9	9
	11	**11**

Reconciliation of heritage assets 2024

	Opening balance	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)		
Mayoral Chain and Gown	2	2
Historical monuments	9	9
	11	**11**

6. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured

Graves, Caves and Memorial Sites

The Municipality`s heritage assets consists of graves, grave sites, traditional dwelling and caves. Their fair value cannot be reliably measured. Fair value cannot be determined reliably due to nature of the assets. The assets have been allocated a nominal value of 9 for record keeping.

Following is the list of heritage assets:
. Graves (Gcaleka`s Grave, King Hintsa`s Grave and King Sarhili`s Grave) .
Memorial sites (Nqadu Great Place, Fort Bowker and Fort Malan Memorial) . Caves (Sinqumeni Caves, Ngqamakhwe Rock Art and Ludiza Cave) . Mhlakaza`s House
Nongqawuse`s House.

Mayoral Chain and Gown

The other heritage assets is the Mayoral Chain and Gown, value to a total amount of R2

7. Operating lease commitments

Operating leases - as lessee (expense)

Minimum lease payments due		
-Within one year	438 777.19	877 554.37
-In second to fifth year		438 777.19

At the Statement of Financial Position date, where the municipality is a lessee under operating leases, it will have an operating lease liability.

Operating lease payments represent rentals payable by the municipality for rental of its office equipment. No contingent rental is payable.

The municipality is party to one lease commitment, which is a lease of a photocopiers.
The total period for the lease is 36 months which technically started on 01 January 2023. There is no escalation, and the municipality does not have right to retain or purchase the machines after the end of the lease term.. This means that after the lease term machines will be returned back to Xerox. The municipality may not sublease these machines to another entity in order to make profit or surplus.

Figures in Rand	2025	2024

8. Employee benefit obligations

Defined benefit plan

The municipality has an unfunded defined benefit plan that relates to long service awards. Benefits in the form of additional leave days and cash rewards accrue to employees based on the number of years of experience.

An actuarial valuation was performed using generally accepted actuarial principles

The reporting municipality and those charged with the governance of the municipality are responsible for determining the assumption used in valuations of this nature and should give evidence of their approval of the assumptions.

The disclosures shown below assumes that actuarial gain and losses are recognised immediately as required in terms of GRAP 25,.

Defined benefit obligation

	2025	2024
Opening balance	7 505 000	6 940 000
Benefits payment	(1 067 000)	(770 000)
Net expense recognised in the statement of financial performance	1 638 000	1 335 000
	8 076 000	**7 505 000**

Amount recognised in surplus and deficit

	2025	2024
Current service cost	861 000	841 000
Current interest cost	778 000	743 000
Actuarial (gains) losses	(1 000)	(249 000)
	1 638 000	**1 335 000**

Amount recognised in statement of financial position

	2025	2024
Current Employee Benefit Obligation	1 696 000	1 067 000
Non - Current Employee Benefit Obligation	6 380 000	6 438 000
	8 076 000	**7 505 000**

Reconciliation of net statement of financial position amount

	2025	2024
Opening balance	7 505 000	6 940 000
Expected return	1 638 000	1 335 000
Expected benefit payments	(1 067 000)	(770 000)
	8 076 000	**7 505 000**

Key assumptions

	2025	2024
Discount rates used	9.80 %	11.32 %
General earnings inflation rate (long - term)	4.80 %	6.28 %

GRAP 25 stipulates that the choice of discount rate should be derived from government bond yields consistent with the estimated term of the employee benefits liabilities. However, where there is no deep market in government bonds with sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 9.80% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability - weighted index - linked yield is 5.03%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2025. The duration of the liability was estimated to be 8.25 years.

The results of the valuation are sensitive to the assumptions chosen.

Figures in Rand	2025	2024

8. Employee benefit obligations (continued)

Sensitivities

	2025	2024
1% increase in discount rate	7 673 000	7 122 000
Decreases in defined benefit obligation Percentage	5.0 %	5.0 %
	-	-
1% decrease in discount rate	8 524 000	7 931 000
Increases in defined benefit obligation Percentage	6.0 %	6.0 %
	-	-
1% increase in salary inflation	8 508 000	7 914 000
Increases in defined benefit obligation Percentage	5.0 %	0.5 %

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

The municipality makes contributions to the following plans:

- South African Municipal Workers Union National Provident Fund
- Eastern Cape Municipal Pension Fund
- Eastern Cape Municipal Gratuity Fund
- CRF Pension Fund

The municipality makes contributions to the following medical aid schemes:

- HOSMED
- Key health
- South African Municipal Workers Union Medical Aid
- Bonitas
- LA Health

These contributions have been expensed.

Figures in Rand	2025	2024

9. Receivables from exchange transactions

Prepayments	126 196	367 301
Debtors - Rentals	772 775	226 569
Consumer debtors - Refuse	2 867 078	1 139 612
	3 766 049	**1 733 482**

In 2024/2025 financial year, the bullet proofs were subsequently delivered. The 2023/2024 amount included bullet proofs, portion of Target line which need to be written after getting Council approval.

Staff debtors are made of rental income for municipal buildings rented by officials of the municipality which are not yet received from these tenants as at 30 June 2025.

Figures in Rand	2025	2024

10. Receivables from non-exchange transactions

SARS Debtor & Other receivables	407 294	459 524
Consumer debtors - Rates	79 748 271	70 561 091
Consumer debtors - Impairment provision	(63 604 634)	(48 196 560)
	16 550 931	**22 824 055**

Receivables from non-exchange transactions

Balance as at 30 June 2025	Opening balance	Movement	Amount written off	Closing balance
SARS debtor (PAYE)	240 649	4 233	-	244 882
Salary owed by resigned employee	56 463	(56 463)	-	-
Fuel spent on non Municipal vehicle	162 412	-	-	162 412
	459 524	**(52 230)**	**-**	**407 294**

The amount of R244 882 relates to unallocated payments due to the municipality as reflected in the SARS PAYE Statement of Account.

During the current year Audit it was noted that a former employee was errornously paid salary for three months, the Municipality is in the process of recovering the monies from the said former employee.
Secondly it was also noted that fuel card for the Municipality was used to refuel a vehicle that does not belong to the Municipality the total cost/expense was R162 412 as shown above, this amount is also raised as Fruitless and Wasteful Expenditure.

Figures in Rand	2025	2024

11. VAT receivable

Detail		
VAT Control	-	5 970 626
VAT Input accrual	3 941 152	1 286 339
	3 941 152	**7 256 965**
VAT receivable	3 941 152	7 256 965

VAT is accounted for on accrual basis, the filing of VAT to SARS is on payment basis.

VAT is received and paid as required per the Value Added Tax Act No.89 of 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act.

VAT is submitted and paid on a monthly basis.

VAT Control is a statutory receivable in the context of GRAP 108. Statutory receivable arise from legislation, supporting regulations, or similar means, and require settlement by one party to another in a form of cash or financial asset.

Statutory receivables past due but not impaired

No VAT receivable - Statutory receivables are currently assessed as being past due as conditions necessary for their declaration/ payment/ receipt has not teaken place.

Factors the municipality has considered in assessing statutory receivables past due but not impaired.

Factors the municipality has considered in assessing statutory receivables past due but not impaired.

VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts.

Statutory receivables impaired

As at 30 June 2025, VAT receivable - statutory receivables were not required to be impaired.

12. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	79 748 271	70 561 091
Consumer debtors - Refuse	14 163 134	13 398 923
	93 911 405	**83 960 014**
Less: Allowance for impairment		
Consumer debtors - Refuse	(11 296 056)	(12 259 311)
Consumer debtors - Property rates	(63 604 634)	(48 196 560)
	(74 900 690)	**(60 455 871)**
Net balance		
Consumer debtors - Rates	79 748 271	70 561 091
Consumer debtors - Refuse	2 867 078	1 139 612
Allowance for Impairment loss	(63 604 634)	(48 196 560)
	19 010 715	**23 504 143**
Statutory receivables included in consumer debtors above are as follows:		
Property rates	79 748 271	70 561 091
Financial asset receivables included in consumer debtors above	**-**	**-**
Total consumer debtors	19 010 715	23 504 143

Figures in Rand	2025	2024

12. Consumer debtors disclosure (continued)

Rates

Current (0 -30 days)	1 010 902	380 922
31 - 60 days	686 643	1 314 228
61 - 90 days	791 532	1 349 585
91 - 181+ days	77 259 194	67 516 356
	79 748 271	**70 561 091**

Refuse

Current (0 -30 days)	432 449	263 059
31 - 60 days	345 591	328 003
61 - 90 days	335 506	318 266
91 - 181+ days	13 049 587	12 489 595
	14 163 133	**13 398 923**

Figures in Rand	2025	2024

12. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	704 685	324 212
31 - 60 days	618 327	510 494
61 - 90 days	602 651	546 569
91 - 181+ days	33 587 429	29 759 373
	35 513 092	31 140 648
Less: Allowance for impairment	(28 324 090)	(30 518 486)
	7 189 002	**622 162**
Industrial/ commercial		
Current (0 -30 days)	663 238	308 776
31 - 60 days	408 892	378 156
61 - 90 days	480 540	370 459
91 - 181+ days	16 258 688	19 367 618
	17 811 358	20 425 009
Less: Allowance for impairment	(14 277 010)	(20 016 935)
	3 534 348	**408 074**
National and provincial government		
Current (0 -30 days)	73 494	246 889
31 - 60 days	3 081	421 852
61 - 90 days	41 913	419 765
91 - 181+ days	40 379 134	19 801 890
	40 497 622	20 890 396
Less: Allowance for impairment	(32 299 590)	-
	8 198 032	**20 890 396**
Total		
Current (0 -30 days)	1 443 351	879 877
31 - 60 days	1 032 234	1 310 502
61 - 90 days	1 127 038	1 336 793
91 - 181+ days	90 308 781	68 928 881
	93 911 404	72 456 053
Less: Allowance for impairment	(74 900 690)	(60 455 871)
	19 010 714	**12 000 182**
Total debtor past due but not impaired		
Government (91 - 181+ days)	-	19 801 890
Reconciliation of allowance for impairment		
Balance at beginning of the year	(60 455 871)	(39 559 408)
Contributions to allowance	(14 444 819)	(20 896 000)
	(74 900 690)	**(60 455 871)**

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2025	2024

13. Cash and cash equivalents (continued)

Cash on hand	6 730	27 465
Main bank account	455 701 180	370 477 438
Short-term deposits	43 449 599	61 449 647
	499 157 509	**431 954 550**

The municipality had the following bank and investment accounts:

Account number / description (Continued)	Bank statement balances			Cash book balances		
	30 June 2025	**30 June 2024**	**30 June 2023**	**30 June 2025**	**30 June 2024**	**30 June 2023**
First National Bank Limited- Call Account - Account number 62562355373	37 179	35 074	114 894	37 179	35 074	114 894
First National Bank Limited - Call Account - Account number 62562352410	152 648	143 685	8 902	152 648	143 685	8 901
First National Bank Limited - Cheque account - Account number 62231175953	453 209 395	368 298 815	300 361 740	455 701 180	370 477 438	300 569 157
First National Bank - 7 Day Interest Plus - Account Number 74321424942	108 339	26 404 224	21 378 937	108 338	26 404 223	21 378 937
First National Bank - Call Account - Account Number 74813155287	43 151 433	34 866 664	11 212 410	43 151 433	34 866 664	11 212 410
Cash on hand	-	-	-	6 730	27 465	35 202
Total	**496 658 994**	**429 748 462**	**333 076 883**	**499 157 508**	**431 954 549**	**333 319 501**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
OTP Grant	-	1 714 809
Disaster Relief Grant	-	18 250 387
	-	**19 965 196**

Movement during the year

Balance at the beginning of the year	19 965 196	21 768 774
Additions during the year	116 639 264	138 701 575
Income recognition during the year	(136 604 460)	(140 505 153)
	-	**19 965 196**

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

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

See note 28 for reconciliation of grants from National/Provincial Government.

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

Figures in Rand	2025	2024

15. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	24 382 042	22 156 752	46 538 794

Reconciliation of provisions - 2024

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	21 779 404	2 602 638	24 382 042

Environmental rehabilitation provision

The Waste Act, through the DWAF minimum requirements for landfilling, sets out the regulatory requirements for properly close and maintain all active and inactive landfill sites. Under Environmental Law, there is a requirement of closure and post closure care of solid waste landfill sites. This requirement is to be provided for over the estimated remaining life of the landfill site based on usage. Landfill closure and post closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and on-going environmental monitoring, site inspection and maintenance.

The reported liability is based on estimates and assumptions with respect to events extending over the lifespan of the site using the best information available as at 30 June 2025.

The liability reported herein has been recognised based on estimates of future expenses, long term inflation rates and discount rates.

Dutywa, Willowvale and Elliotdale landfill sites

Background.

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.
The discount rate use for the current year provision is 6.41%.

Accounting for landfills requires that significant estimates and assumptions be made regarding (i) the cost to construct and develop each landfill asset; (ii) the estimated fair value of capping, closure and post-closure asset retirement obligations, which must consider both the expected cost and timing of these activities; (iii) the determination of each landfill’s remaining permitted and expansion airspace; and (iv) the airspace associated with each final capping event. Estimating the life expectancy and rehabilitation costs of a waste site is not a precise science as there are numerous factors that affect it including those within the control of landfill owners as well as those outside of the control of the landfill owners. An entity must come up with an estimate based on work of similar nature or through various methods of estimating such as jobbing, factoring, inflation, economies of scale, unit rates and day work. These methods were used in the current year Expert valuation report. The estimated discount rate, estimated area to be rehabilitated and the South Africa average annual inflation increase would influence the estimates contained in the final valuation

Assumptions

The most critical assumptions in generating the report were: The Idutywa and Willowvalle sites are still operational, even though there have been closure permits issued. This makes them active sites since no rehabilitation and closure has yet commenced. That a service provider would be used for the rehabilitation work to be done, not municipal personnel. It should be noted that part of the work done or to be done with regard to rehabilitation can be or is done by municipal personnel (Capping layers). For an example an entity can have some of the necessary machinery used during rehabilitation such as dozers and trucks. This then influence the cost price for rehabilitation work to be done since municipal personnel would be used. The 2024 report has incorrectly captured the lifespan of the sites since there are no weighbridges to quantify the volume of cover used and the waste volumes received. The 2023 Mbhashe GRAP 19 report was deemed relevant in calculating the lifespan of the sites since it proposed a 10 year planning cycle for the sites since no progress has been made by the municipality to upgrade the sites or to look for alternative sites. In the interest of accounting for the sites, this assumption is viewed to be true in this report since the permits had predicted that the Idutywa site would have been closed by 2017. The discount rate is based on the government bond yields (9.60%) and the rate of consumer price inflation in South Africa (3 %) as at 30 June 2025.

Figures in Rand	2025	2024

15. Provisions (continued)

The Dutywa landfill site was licensed was extended for 2 years in 2015 due to an inadequate buffer zone between the landfill and the residential area. The site is still receiving waste, it is technically closed (pending rehabilitation) and has no remaining site life. The estimated lifespan for this Landfill is 5 years as at the reporting date (this is aligned to IDP cycle)

Dutywa landfill site with license number HO/A20/LO17/12 was issued for closure and rehabilitation. There is a transfer station has been built and operational, about five minutes away east of the landfill site. Willowvale landfill site with license number HO/A20/LO15/12 was issued for closure and rehabilitation. The estimated lifespan for this Landfill is 5 years as at the reporting date (this is aligned to IDP cycle)

Elliotdale Landfill Site lifespan is also estimated to be 5 years for the purposes of this report, as also mentioned that these sites are not well maintained in accordance with the reuired levels .

Approach and Methodology

This report is developed in terms of GRAP 19 requirements. The discounted cash flow method was used. It takes into account the time value of money. Key elements of estimating were factored into this report inclusive of discount rate and depreciation, jobbing, factoring, inflation, economies of scale, unit rates and day work.

Figures in Rand	2025	2024

16. Payables from exchange transactions

Trade payables	16 701 974	5 628 267
Debtors with credit balances	2 744 753	2 801 038
Accrued leave pay	12 403 425	10 491 785
Accrued bonus (13th Cheque)	2 768 136	5 792 584
Agency fees (Licensing Authority)	750 646	233 192
Contract retentions	1 179 066	11 177 591
Payroll control accounts	-	(1 196 549)
	36 548 000	**34 927 908**

17. VAT payable

VAT Output accrual	8 142 428	6 503 915

VAT is received and paid as required by the Value Added Tax No.89 of 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act

VAT is submitted and paid on a monthly basis.

18. Revenue

Service charges	3 893 729	3 730 340
Construction contracts	7 851 305	14 090 339
Rental of facilities and equipment	3 191 292	3 188 573
Interest income (trading)	5 681 555	5 123 180
Licences and permits - Commission	1 944 521	1 913 486
Other income	3 148 297	1 310 054
Interest received - investment	45 354 175	40 207 257
Property rates	21 098 815	20 429 729
Licences and permits	232 761	629 416
Government grants & subsidies	454 742 460	434 662 283
Fines and Penalties	1 633 823	1 615 121
	548 772 733	**526 899 778**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	3 893 729	3 730 340
Construction contracts	7 851 305	14 090 339
Rental of facilities and equipment	3 191 292	3 188 573
Interest received (trading)	5 681 555	5 123 180
Licences and permits	1 944 521	1 913 486
Other income (Refer to note 24)	3 148 297	1 310 054
Interest earned - investments	45 354 175	40 207 257
	71 064 874	**69 563 229**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	21 098 815	20 429 729
Licence and permits	232 761	629 416
Transfer revenue		
Government grants & subsidies	454 742 460	434 662 283
Fines and penalties	1 633 823	1 615 121
	477 707 859	**457 336 549**

Figures in Rand	2025	2024

19. Service charges

Refuse removal	3 893 729	3 730 340

20. Rental of facilities and equipment

Premises		
Premises	2 871 968	2 943 453
Rental of Halls	102 678	153 053
Rental of Billboards	216 646	92 067
	3 191 292	**3 188 573**

21. Fines, Penalties and Forfeits

Law Enforcement Fines	1 633 823	1 615 121

22. Agent Dislcosure in Principal-Agent Relation

Opening balance	233 182	-
Amount received from License Fees	10 636 813	10 248 624
Amount Paid over to Department of Transport	(8 174 865)	(8 101 956)
Commision received by Municipality	(1 944 521)	(1 913 486)
	750 609	**233 182**

The municipality has an arrangement with the Department of Transport to collect license fees on their behalf.

In determining whether the municipality is an agent in this arrangement , All the provision of paragraph 25 of GRAP 109 have to be met.

unless there are other legislative requirements that govern terms and conditions of the transaction. In that paragraph 25(a) is not considered. It is of noting that paragraph 25(c) is not met in this arrangement, that is, the municipality is not exposed to variability of results of the transaction.

It is then worth noting that the municipality is receiving a commission fee of 19% in this arrangement and 81% is paid over to Registering Authority (Department of Transport).

23. Licence and permitts

Licence and permitts	232 761	629 416
Commission received from Department of Transport	1 944 521	1 913 486
	2 177 282	**2 542 902**

Through issuing Licence and permitts there is a total amount of R1 944 521.11 which is income received from Department of transport/ licence registering authority for Licence and permits services rendered by Mbhashe Local Municipality on behalf of Department of Transport/License Registering Authority.

24. Interest from Trading

Interest - earned from Refuse and Property Rates arears accounts	5 320 376	5 123 180

Municipality charges interest on monthly basis on all overdue Refuse and Property rates account follwing the Muncipality policy.

25. Other income

Administrative Fees	1 968 328	499 612
Building Plans	539 849	634 974
Burial and cemetery	3 143	3 633
Sundry income	636 977	171 835
	3 148 297	**1 310 054**

Figures in Rand	2025	2024

26. Interest earned - external investments

Interest revenue		
Interest on bank accounts and investment balances	45 354 175	40 207 257

Municipality invest monies on short term investments during the financial year and earn interest. -.

27. Property rates

Rates charged

Assessment rates	21 098 815	20 429 729

Valuations

Residential	298 144 000	298 144 000
Agriculture	110 194 300	110 194 300
Business	390 628 592	390 628 592
Government	1 558 425 400	1 558 425 400
Industrial	10 098 000	10 098 000
Multi - purpose centres	21 868 000	21 868 000
Public benefirt organisations	35 176 000	35 176 000
Public service infrastructure	4 578 000	4 578 000
Vacant land	85 446 000	85 446 000
	2 514 558 292	**2 514 558 292**

The Applicable general rates for current financial period and its comparative year is as follows:

A general rate of 0.00755 (2024: 0.00755) is applied to residential property valuations to determine assessment rates.
A general rate of R 0.01002 (2024: R 0.01002) is applied to business property valuations to determine assessment rates.
A general rate of R 0.01128 (2024: R 0.01128) is applied to government property valuations to determine assessment rate
A general rate of R 0.00877 (2024: R 0.00877) is applied to Vacant Sites valuations to determine assessment rates

Figures in Rand	2025	2024

28. Government grants and subsidies

Operating grants

Equitable share	327 167 000	310 734 000
Energy Efficience Grant	-	5 000 000
Disaster Relief Grant	42 416 387	22 226 754
Finance Management Grant	1 700 000	1 770 000
TETA SETA	107 737	-
OTP Grant	9 281 619	21 442 764
Municipal Infrastructure Grant	70 329 000	66 706 000
LG SETA Grant	308 717	270 168
Library subsidies	1 443 000	903 597
Extended Public Works Programme	1 989 000	1 750 000
Waste Recycling Solutions Subsidy	-	3 859 000
	454 742 460	**434 662 283**

Conditional and Unconditional

Included in above are the following grants and subsidies received and realised into revenue:

Conditional grants received	127 575 460	123 928 283
Unconditional grants received	327 167 000	310 734 000
	454 742 460	**434 662 283**

Equitable Share

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

OTP Grant

Balance unspent at beginning of year	1 714 809	657 166
Current-year receipts	7 566 810	22 500 407
Conditions met - transferred to revenue	(9 281 619)	(21 442 764)
	-	**1 714 809**

This is a grant received from the Office of The Premier (OTP). The purpose of it is to revatilise small towns. It is a conditional Grant as per the Gazzete that was issued during 2022/2023 Financial year..

Energy Efficience Grant

Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
	-	**-**

Municipal Infrastructure Grant

Current-year receipts	70 329 000	66 706 000
Conditions met - transferred to revenue	(70 329 000)	(66 706 000)
	-	**-**

Finance Management Grant

Current-year receipts	1 700 000	1 770 000
Conditions met - transferred to revenue	(1 700 000)	(1 770 000)
	-	**-**

Figures in Rand	2025	2024

28. Public contributions and donations (continued)

Disaster Relief Grant

Balance unspent at beginning of year	18 250 387	8 273 142
Current-year receipts	24 166 000	32 203 999
Conditions met - transferred to revenue	(42 416 387)	(22 226 754)
	-	**18 250 387**

Conditions still to be met - remain liabilities (see note 14).

Library Grant

Balance unspent at beginning of year	-	403 597
Current-year receipts	1 443 000	500 000
Conditions met - transferred to revenue	(1 443 000)	(903 597)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

This Grant is for the cost of running the Library services which are under Community services department.

EPWP

Current-year receipts	1 989 000	1 750 000
Conditions met - transferred to revenue	(1 989 000)	(1 750 000)
	-	**-**

TETA SETA GRANT

Current-year receipts	107 737	-
Conditions met - transferred to revenue	(107 737)	-
	-	**-**

This Grant from TETA SETA is for assisting permanent employees in furthering their studies..

Integrated Electrification Programme Grant

Balance unspent at beginning of year	-	12 434 869
Current-year receipts	9 029 000	4 142 000
Conditions met - transferred to revenue	(9 029 000)	(14 090 339)
Other	-	(2 486 530)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

When this Grant is realised into revenue after meeting all the conditions, it attract Output VAT @ 15%, this means that the amount that get to be reported or disclosed as revenue is net of the Output VAT.

Waste Recycling Solutions Grant

Current-year receipts	-	3 859 000
Conditions met - transferred to revenue	-	(3 859 000)
	-	**-**

LG SETA Grant

Figures in Rand	2025	2024

28. Public contributions and donations (continued)

Current-year receipts	308 717	270 168
Conditions met - transferred to revenue	(308 717)	(270 168)
	-	-

Monies received from LG SETA are used to subsidise training costs for employees and Councillors as well as Ward Committees.

Figures in Rand	2025	2024

29. Employee related costs

Bargaining council contributions	38 072	35 078
Basic	79 509 795	76 520 279
Bonus (13th cheque)	5 416 806	5 718 050
Casual employees	19 846 898	16 539 134
Cellphone Allowance	3 897 380	5 443 617
Leave related costs	2 795 017	748 814
Long-service awards	964 266	860 406
Medical aid - company contributions	8 204 451	7 452 922
Overtime payments	2 804 202	3 257 287
Performance & Structured bonus	2 050 392	234 767
Post-employment benefits	11 386 220	12 267 777
Residential allowance	2 782 921	2 774 856
Stand by Allowances	617 266	555 060
Travel, motor car, accommodation, subsistence and other allowances	2 647 344	2 537 877
Unemployment Insurance Fund	815 287	722 822
	143 776 317	**135 668 746**

Remuneration of Municipal Manager

Annual remuneration	1 088 081	1 046 284
Backpay	81 775	52 550
Bonus (Structured)	35 043	44 480
Performance bonus	338 684	-
Contributions to UIF, medical and pension funds	21 868	17 345
Travel, motor car, accommodation, subsistence and other allowance	374 375	360 656
Once off	20 340	20 340
Remote allowance	34 942	-
	1 995 108	**1 541 655**

Mr M. Nako was appointed as Municipal Manager from December 2017 to December 2022. Mr Nako was re-appointed as Municipal Manager.

Remuneration of Chief Finance Officer

Annual remuneration	984 083	871 266
Backpay	63 586	2 876
Bonus (Structured)	60 000	70 996
Performance bonus	123 428	-
Travel, motor car, accommodation, subsistence and other allowance	180 000	157 089
Contributions to UIF, medical and pension funds	18 067	15 556
Leave pay	-	144 405
Once off	18 645	-
Remote allowance	28 562	-
	1 476 371	**1 262 188**

Mr N Nokwe was appointed as Chief Finance Officer from 01 September 2020. He was deceased , his last day of employment was 30 April 2023.

Mr Jam Jam was appointed as the Acting CFO from 10 May 2023 up to 31 July 2023. Mr Jam Jam was appointed as the current CFO from 01 August 2023.

Remuneration of Senior Manager - Community Services

Annual remuneration	926 976	812 516
Backpay	63 586	42 158
Performance bonus	321 198	-
Travel, motor car, accommodation, subsistence and other allowance	303 962	273 765
Contributions to UIF, medical and pension funds	19 810	16 270

Figures in Rand	2025	2024

29. Employee related costs (continued)

Leave pay	-	142 843
Once off	18 645	20 340
Medical Aid Refund	-	11 774
Remote allowance	28 562	-
	1 682 739	**1 319 666**

Ms NP Mlungu was re - appointed as director from July 2023.

Remuneration of Senior Manager Corporate Services

Annual remuneration	906 177	835 835
Performance bonus	300 369	-
Backpay	72 422	43 626
Bonus (Structured)	30 000	36 000
Travel, motorcar, accomodation, subsistance and other allowances	433 511	431 273
Contributions to UIF, medical and pension funds	21 532	16 317
Once off	20 340	20 340
Remote allowance	30 264	-
Leave payout	96 452	-
	1 911 067	**1 383 391**

Ms Mahlathi-Nkuhlu was re - appointed as Senior Manager from April 2020 up to April 2025, she was re- appointed in May 2025.

Remuneration of Senior Manager Infrastructure Services

Annual remuneration	800 307	854 572
Backpay	64 716	45 196
Bonus (Structured)	60 000	60 000
Travel, motor car, accommodation, subsistence and other allowances	279 541	328 748
Performance bonus	229 435	-
Contributions to UIF, Medical Aid and Pension Fund	19 313	15 807
Once off	18 645	20 340
Remote allowance	28 562	-
Leave payout	145 097	-
	1 645 616	**1 324 663**

Mr S.Z.I Msipha was appointed as Senior Manager from May 2019 to May 2024. He was re-appointed in August 2024

Remuneration of Senior Manager Operations

Annual remuneration	876 063	795 016
Backpay	63 586	42 158
Bonus (Structured)	42 000	23 292
Performance bonus	307 711	-
Travel, motor car, accomodation, subsistence and other allowances	356 176	299 207
Contributions to UIF, Medical and Pension Funds	19 953	16 161
Medical aid refund	-	13 246
Leave pay	-	142 843
Once off	18 645	20 340
Acting allowance	10 226	-
Remote allowance	28 562	-
	1 722 922	**1 352 263**

Mrs T Bacela was appointed as Senior Manager Operations from July 2018 up to 30 June 2023, Mrs M Mphahlwa was appointed as new Senior Manager Operations. Included in the Performance bonus figure is an amount of R161 841.37 that relates to Mrs T.Bacela

Remuneration of Senior Manager Planning and Development

Figures in Rand	2025	2024

29. Employee related costs (continued)

Annual remuneration	892 561	776 443
Backpay	61 058	45 196
Performance bonus	268 228	-
Bonus (Structured)	54 000	-
Travel, motor car, accommodation, subsistence and other allowance	253 164	307 221
Contributions to UIF, medical and pension funds	19 127	13 717
Once off	16 950	20 340
Leave payout	133 126	-
Acting allowance	1 688	-
Remote allowance	28 562	-
	1 728 464	**1 162 917**

Mr A Mashaba was appointed as Senior Manager from May 2019 up to May 2024, Mr S. Cobokana was then appointed in August 2024. Included in the above figures is monies that were paid to Mr Mashaba that relates to Backpay, Structured bonus, Performance bonus and Once off which relates to his period of employment.

30. Remuneration of Councillors

Mayor	1 057 083	967 810
Speaker	855 267	776 063
Executive Committee Members	4 869 671	4 771 284
Chief WHIP	809 569	743 850
Council remuneration	16 120 824	15 478 592
Councillors' allowance	2 927 878	489 784
	26 640 292	**23 227 383**

31. Depreciation and amortisation

Property, plant and equipment	50 515 699	51 687 783
Intangible assets	86 545	-
	50 602 244	**51 687 783**

32. Impairment of assets

Impairments		
Property, plant and equipment	17 162 760	4 936 633

The main classes of assets affected by impairment losses are:

Movable Assets.

33. Finance costs

Interest paid on trade and other payables	218 173	20 984
Change in landfill site provision	2 802 519	1 417 839
	3 020 692	**1 438 823**

34. Debt impairment

Contributions to debt impairment provision - consumer debtors	14 906 560	20 896 464
Debt Written Off	4 269 509	-
	19 176 069	**20 896 464**

The amount of R4 269 509.08 relates to debtors that were written off during the current financial year

Figures in Rand	2025	2024

35. Administrative and other expenditure

Accounting and Professional fees	2 143 432	3 678 121
Advertising	2 166 240	2 207 918
Audit committee fees	304 136	366 550
Auditors remuneration	5 874 383	6 199 700
Bank charges	726 847	654 131
Catering	4 892 522	3 104 508
Consumables	25 910	23 296
Cleaning	531 064	456 146
Conferences and seminars	331 564	320 993
Electricity	2 683 647	2 874 851
Fuel and oil	5 108 186	5 994 170
Hiring charges	17 632 968	1 883 607
Insurance	3 355 484	2 670 630
Indigent subsidies	807 785	654 737
IT Expenses	4 634 277	4 905 021
Lease rentals on operating lease	1 470 858	1 144 619
Legal costs	4 299 010	3 417 276
Library expenses	708 706	704 717
Motor vehicle expenses	1 562 865	987 815
Other expenses	561 145	656 339
Printing and stationery	1 154 427	989 253
Project maintenance costs	14 183 409	13 089 620
Protective clothing	2 152 617	1 915 976
Promotions and Branding	1 482 281	1 254 523
Refuse	724 013	1 725 577
Repairs and maintenance	53 926 542	53 199 063
Rural Electrification Programme	7 876 035	14 090 339
Safety Plan	813 500	986 600
Skills development	1 303 077	307 323
Special programme	758 920	1 423 190
Subscription and membership fees	3 535 582	2 332 306
Telephone and fax	401 608	497 701
Tourism development	465 250	306 000
Traditional leaders	102 033	173 526
Travel - local	13 432 195	11 906 189
Training and development	1 425 397	2 683 766
Ward Committees	4 485 490	5 396 060
Water	1 549 817	1 899 047
	169 593 222	**157 081 204**

Figures in Rand	2025	2024

36. Cash generated from operations

Surplus	118 349 487	131 872 261
Adjustments for:		
Depreciation and amortisation	50 602 244	51 687 783
Gain on sale of assets and liabilities	451 650	90 481
Impairment deficit	17 162 760	4 936 633
Debt impairment	19 176 069	20 896 464
Movements in retirement benefit assets and liabilities	571 000	565 000
Movements in provisions	22 156 752	2 602 638
Changes in working capital:		
Receivables from exchange transactions	(2 032 567)	8 131 801
Consumer debtors	(19 176 069)	(20 896 464)
Other receivables from non-exchange transactions	6 273 124	(4 291 985)
Payables from exchange transactions	1 620 089	(2 606 828)
VAT	4 954 326	10 309 249
Unspent conditional gant and receipts	(19 965 196)	(1 803 578)
Other non cash movements due to error adjusting journal	(17 751 427)	(8 836 491)
	182 392 242	**192 656 964**

37. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	7 273 345	7 273 345
Cash and cash equivalents	499 009 829	499 009 829
	506 283 174	**506 283 174**

Financial liabilities

	At amortised cost	Total
Contract retentions	2 063 369	2 063 369
Trade payables	13 938 303	13 938 303
Debtors with credit balances	2 744 753	2 744 753
Agency fees (Licensing Authority)	750 646	750 646
	19 497 071	**19 497 071**

Figures in Rand	2025	2024

37. Financial instruments disclosure (continued)

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 733 482	1 733 482
Receivables from non - exchange transactions	459 524	459 524
Cash and cash equivalents	431 954 550	431 954 550
	434 147 556	**434 147 556**

Financial liabilities

	At amortised cost	Total
Contract retentions	11 177 591	11 177 591
Trade payables	4 431 721	4 431 721
Unspent conditional grant	1 714 809	1 714 809
Debtors with credit balances	2 801 038	2 801 038
Agency fees (Licensing Authority)	233 192	233 192
	20 358 351	**20 358 351**

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	85 600 960	71 884 398
• Community Assets	76 846 719	33 043 258
	162 447 679	**104 927 656**

39. Contingencies

Contingent liabilities

The municipality is currently party to the following Court Cases:	Nature of Contingent Liability	2025	2024
Changing tides 1153 vs Mbhashe LM (Progress: Request for Pre-Trial Conference has been made and there is a likelihood of getting the Trial Date around November 2025.)	Breach of contract	2 290 415	2 290 415
L. Mrasi vs Mbhashe LM (Progress: An Application by the Applicant for condonation to serve Provincial Commissioner was heard on April 2025 and the Trial Date was on the 10 June 2025. A Notice of Removal was served by Applicants on the 05 June 2025.)	Damages claim arising from alleged unlawful detention.	1 200 000	1 200 000
V.Madotyeni vs Mbhashe LM (Progress: Application to enroll the matter to be dismissed had been made as the Plaintiffs have failed to provide reports to support their claim.)	Assault	988 000	988 000
Centre Point Developers vs Mbhashe LM (Progress: Opponents were served with Discovery Notice on the 22 May 2025 and Application for a Trial Date will be made to Arbitrator on the initial claim as the opponents failed to amend their statement of claim despite numerous reminders.)	Breach of contract	18 000 000	18 000 000
M. Mlonyeni vs Mbhashe LM (Progress: Awaiting for trial date)	Unlawful arrest & prosecution	3 000 000	3 000 000
B. Mbem vs Mbhashe LM (Progress: Awaiting for application for consolidation)	Assault & Unlawful arrest	400 000	400 000
M. Silekwa vs Mbhashe LM (Progress: Application to Compel against the State was done on 27 May 2025.)	Assault & Unlawful arrest	400 000	400 000
T. Zimela vs Mbhashe LM (Progress: Application to Compel against the State was done on 27 May 2025.)	Assault & unlawful arrest	400 000	400 000
A. Mqikela vs Mbhashe LM (Progress: Application to Compel against the State was done on 27 May 2025.)	Assault & unlawful arrest	400 000	400 000
G. Sondlo vs Mbhashe LM (Awaiting for Application of Consolidation of the matter with Mbem, Silekwa and others as they have the same cause of action.)	Assault & Unlawful arrest	750 000	750 000
Embo Media vs Mbhashe LM (Progress: Awaiting for trial date)	Breach of contract	220 000	220 000
Balintulo vs Mbhashe Local Municipality (Progress: Pre- Trial minute held on the 28 May 2025 and Application for Date Allocation.)	Breach of contract	3 112 651	3 112 651
Luyanda Tshona vs Mbhashe Local Municipality (Progress: Awaiting for trial date)	Unlawful arrest	700 000	700 000
Nkamela Mphuthumi vs Mbhashe Local Municipality (Progress: Awaiting for trial date)	Unlawful arrest	800 000	800 000
S. Danti vs Mbhashe Local Municipality (Progress: Awaiting for trial)	Damages Claim	400 000	400 000
N. Mbana vs Mbhashe Local Municipality (Progress: Awaiting for trial date)	Pothole Damages	8 780 000	8 780 000
B. Vutulta vs Mbhashe Local Municipality (Progress: Statutory Notice)	Damages Claim for unlawful removal of containers	350 000	350 000
Tonise Attorneys vs Mbhashe Local Municipality (Progress: Finalised)	Non payment of invoice	-	180 553
Golden Security vs Mbhashe Local Municipality (Progress: Pre-Trial Conference was held on 19 May 2025 in Grahamstown at 10h00 where the legal representatives for Golden Security served the Notice of Withdrawal on the same day.)	Damages for Breach of Contract	10 750 158	10 750 158
E. Maramncwa vs Mbhashe Local Municipality (Progress: Trial Date – 10 July 2025)	MVA	30 162	30 162
Gay Gegson Ratau Khaile vs Mbhashe Local Municipality (Progress: The matter has now been removed from High Court with no costs against the Plaintiff and the Plaintiff referred the same to Equality Court)	Discrimination	1 174 801	1 174 801

Figures in Rand		2025	2024

39. Contingencies (continued)

C. Gcolotela vs Mbhashe Local Municipality (Progress: Awaiting for trial date)	Assault	-	450 000
Zola Majebe and Others vs Mbhashe Local Municipality (Progress: Awaiting for Trial Date)	Illegal demolition	4 965 159	-
M Tiwani vs Mbhashe Local Municipality (Progress: The matter was heard on the 24 May 2025 and remanded for the date to be confirmed by both Applicant’s and Respondent’s legal representatives.)	Assualt	400 000	-
		59 511 346	**54 776 740**

<u>The following are litigations against the Municipality for which no estimate is available</u>:

1. HAWKS vs Mbhashe Local Municipality (Alleged fraud on Discovery Life Cover) - (Progress:The matter was opened by Hawks as per the information received from the MEC. All relevant information was provided to them as they were in the possession of the Search Warrant.)

2. P. Hillie vs Mbhashe Local Municipality (Nature: Referal from Conciliation on non payment of 2.5% to the employee), (Progress: Notice to Oppose was served on June 2025).

3. HAWKS vs Mbhashe Local Municipality (Nature: Udelivered Hawker Stalls), (Progress: All the requested information was submitted to Hawks and the Municipality is waiting for further requests.

4. Gxakagxaka Locality vs L. Mbashe Local Municipality (Nature: Application for maintenance of Access Road in Ward 27), (Progress: Filed answering Affidavit)

5. Tywaka Locality vs Mbhashe Local Municipality (Nature: Application for maintenance of Access Road in Ward 27), (Progress: Filed answering Affidavit)

6. Vetsheza and Others vs Mbhashe Local Municipality (Nature: Recision of Court Order), (Progress: Filed opposition papers)

A detailed register of litigation matters is maintained and available for inspection at the Municipality's registered office.

Contingent assets

The following are cases where the Municipality is a claimant:

The municipality is currently party to the following Court Cases:	Nature of the Contingent Asset	2025	2024
Fraudulent payment (Telkom) reported to SAPS (Progress: Made follow up to SAPS and the Sergeant responsible promised to revert back on July 2025 as the docket is in the custody of Dutywa.)	Fraudulent payment	18 484	18 484
Mbhashe LM vs Various Ratepayers (Progress: Inspection in Loco postponed for January 2025 and a consultative meeting was held on the 27 May 2025.attorneys of record to provide opinion on placement and use of containers by July 2025.)	Contravention of by-laws	1 650 000	1 650 000
Mbhashe LM vs M. Mbambo (Progress: Dutywa Sherrif, Hlanganyane advised that his office was unable to locate Moses Mbambo and his Attorneys of Record had withdrawn to be his legal representatives. Consultation was held on the 26 May 2025 where the internal legal practitioner requested the file so that the legal office can make internal search to avoid incurring extra costs by the attorneys)	Illegal demolition	98 227	98 227
Mbhashe LM vs S. Gobeni (Progress: Willowvale Mr Janda Sherrif advised that his office was unable to locate Sicelo Gobeni at Weza and his Attorneys of Record had withdrawn to be his legal representatives. Consultation was held on the 26 May 2025 where the internal legal practitioner requested the file so that the legal office can make internal search to avoid incurring extra costs by the attorneys.)	Illegal demolition	10 979	10 979
Mbhashe LM vs Loyiso Consulting (Progress: Set down for Special Plea)	Breach of Contract - Undelivered Hawker Stalls	13 016 713	13 016 713

Figures in Rand		2025	2024

39. Contingencies (continued)

Mbhashe LMFuel Case (Progress: Having made consultation with SAPS, they advised that the matter was referred to theft as it did not meet the elements of fraud.)	Fuel theft	162 412	-
Mbashe LM vs All Green Consultant (Progress: Sheriff was instructed to attach on the 24 April 2025)	Legal Costs on Breach of Contract	18 240	-
		14 975 055	**14 794 403**

The following are Litigations the Municipality is the claimant, for which no estimate is available:

Mbhashe LM vs Landisile Mithi and Others (Nature: Interdict), (Progress: During the Inspection in Loco, it transpired that there were no Notices served to the unlawful occupiers , only consultative meetings were conducted by the Municipality, Mbashe Local Municipality attorneys will give consultative guide).

Mbhashe LM vs Hostel owners (Nature: Contravention of by-laws), (Progress: Inspection in Loco was done in February 2025, owners were advised to apply for rezoning, some have rezoned, the remaining ones will be served with letters for rezoning)

Mbhashe Local Municipality vs GPO Residents (Nature: Eviction), (Progress: Court order in favor of the Municipality and the orders, while waiting for the orders of the last 30 respondents, the Municipality was served with Court papers seeking Relief on Stay Away of the order as they made application for recision.)

Figures in Rand	2025	2024

40. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

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

Key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager and supply chain officials.

In terms of the MFMA, the municipality may not grant loans to councillors, management, staff and public.

Related party balances

Assessment Rates and Refuse - Owing/(Owed to) by related parties		
Cllr C.Genyane	6 427	4 122
Cllr MS Jafta	(60 091)	(2 233)
Sinazo Dyasi	2 146	1 049
Balances of amounts received from related parties for sale of land		
Sinazo Dyasi	-	82 400
B Majavu	78 600	78 600
M Noyila	15 000	15 000

In the prior years the municipality sold land to the community. Included in deposit received are the above amounts from councillors and employees of the municipality.

The land has not been transferred to the buyers, the municipality is still busy with the process of validating the data for all these properties that were sold, as at the end of the financial year, the process was still not completed which makes ot difficult to have a complete list from which the Municipality can determine the total carrying value to be diclosed in order to fully comply with iGRAP 18.

Related party transactions

During the year the Municipality rendered services to various Councillors residing within its jurisdiction, These are paid for through property rates and refuse charges.

Please refer to Note 25 for a detail of remuneration of Councillors.

During the year the Municipality actively monitored the amounts outstanding by Councillors and sent communications to remind all Councillors to ensure that all accounts are paid to date. And the Municipality did not have any write off.

Below is a list of Sale of land Purchase prices and balance outstanding/owed as at 30 June 2025 and 30 June 2024 respectively that relates to Related parties as disclosed above.

Sale of land Purchase prices and balance outstanding as at 30 June 2025	Purchase price	Payments received	Balance outstanding
Babalwa Majavu (ERF: 477)	68 800	(78 600)	(9 800)

Sale of land Purchase prices and balance outstanding as at 30 June 2024	Purchase price	Payments received	Balance outstanding
Babalwa Majavu (ERF: 477)	68 800	(78 600)	(9 800)
Sinazo Dyasi (ERF 497)	74 500	(82 400)	(7 900)
	143 300	**(161 000)**	**(17 700)**

40. Prior period errors (continued)

Key management information

Position	Name	Description
Municipal Manager	Mr M Nako	Employed in terms of Section 54(a) of MSA
Chief Financial Officer	Mr V. Jam Jam	Employed in terms of Section 56 of MSA
Senior Manager Infrastructure Services	Mr SZI Msipha	Employed in terms of Section 56 of MSA
Senior Manager Corporate Services	Mrs N Mahlathi Nkuhlu	Employed in terms of Section 56 of MSA
Senior Manager Community Services	Mrs NP Mlungu	Employed in terms of Section 56 of MSA
Senior Manager Operations	Mrs MP Mpahlwa	Employed in terms of Section 56 of MSA
Senior Manager Planning and Development	Mr S Cobokana	Employed in terms of Section 56 of MSA

40. Prior period errors (continued)

Remuneration of key management and Council

Councillors and Mayoral committee members paid during 2024/2025 financial year

2025

Name	Cellphone allowance paid as part of monthly salary	Basic salary	Backpay	Travel, accomodation, subsistence and other reimbursive claims	Structured housing allowance	Structured travel allowance	SDL, Group life or funeral cover	Commission, gain or surplus sharing arrangements	Total
Mayor - Cllr S. Janda	46 788	450 790	50 628	-	497 874	-	11 004	-	1 057 084
Speaker - Cllr B. Majavu	46 788	758 931	40 507	-	-	-	9 041	-	855 267
Chief WHIP - L. Mantshiyose	46 836	538 612	37 978	-	-	177 875	8 268	-	809 569
Cllr N Ganda (MPAC Chairperson)	46 788	697 203	37 219	-	-	-	7 344	-	788 554
Cllr C. Genyane (Womens`s Caucus Chairperson)	46 836	225 157	16 015	-	-	75 052	4 371	-	367 431
Cllr M Sibingibingi (Ethics and Members Interest Chairperson)	46 980	225 157	16 015	-	-	75 052	5 045	-	368 249
Cllr N. Mgedesi (Member of Mayoral Committee)	47 136	711 499	37 978	-	-	-	9 058	-	805 671
Cllr N. Apleni (Member of Mayoral Committee)	46 788	297 699	21 194	-	-	99 233	5 276	-	470 190
Cllr F. Ndaule (Member of Mayoral Committee)	46 788	396 928	21 194	-	-	-	5 745	-	470 655
Cllr M.K Makapela (Member of Mayoral Committee)	46 788	533 624	37 978	-	-	177 875	8 218	-	804 483
Cllr N.N Ngomthi (Member of Mayoral Committee)	46 788	396 928	21 194	-	-	-	5 745	-	470 655
Cllr N Gxamntwana (Member of Mayoral Committee)	46 716	650 768	37 978	-	-	60 731	8 453	-	804 646
Cllr Z. Gobinduku	43 788	300 209	16 015	-	-	-	4 726	-	364 738
Cllr S. Futshane	46 800	225 157	16 015	-	-	75 052	4 371	-	367 395

40. Prior period errors (continued)

Cllr D.T Tsengwa	46 980	300 209	16 015	-	-	-	4 985	-	368 189
Cllr T Nodliwa	46 980	225 157	16 015	-	-	75 052	5 045	-	368 249
Cllr B Gaven	46 080	300 209	16 015	-	-	-	4 515	-	366 819
Cllr A. Mpatuse	46 980	225 157	16 015	-	-	75 052	4 841	-	368 045
Cllr K Sigwayi	46 716	300 209	16 015	-	-	-	4 521	-	367 461
Cllr E Fipaza	46 980	300 209	16 015	-	-	-	5 196	-	368 400
Cllr N Ngolothi	46 548	225 157	16 015	-	-	75 052	4 576	-	367 348
Cllr M.V Muru	46 980	225 157	16 015	-	-	75 052	4 841	-	368 045
Cllr S. Toyana	45 084	300 209	16 015	-	-	-	4 521	-	365 829
Cllr L Mpunzi	46 980	225 157	16 015	-	-	75 052	4 841	-	368 045
Cllr S Mdabuka	45 084	288 073	16 015	-	-	12 136	4 491	-	365 799
Cllr N Stafana	-	300 209	16 015	-	-	-	4 726	-	320 950
Cllr N.N Ntshontsho	46 836	300 209	16 015	-	-	-	4 521	-	367 581
Cllr L Mahobe	46 800	225 157	11 640	-	-	75 052	4 532	-	363 181
Cllr P Methu	46 800	300 209	16 015	-	-	-	4 726	-	367 750
Cllr S.T Sitwayi	47 028	225 157	16 015	-	-	75 052	4 395	-	367 647
Cllr N. Kopolo	46 716	300 209	16 015	-	-	-	4 521	-	367 461
Cllr S Ndinisa	46 788	225 157	16 015	-	-	75 052	4 576	-	367 588
Cllr L Khumelwana	46 788	300 209	16 015	-	-	-	4 521	-	367 533
Cllr B Sithela	46 980	225 157	16 015	-	-	75 052	4 841	-	368 045
Cllr N Magatya	47 028	225 157	16 015	-	-	75 052	4 576	-	367 828
Cllr W Genyane	47 028	300 209	16 015	-	-	-	4 521	-	367 773
Cllr T Nokele	46 788	300 209	16 015	-	-	-	4 726	-	367 738
Cllr P Msaro	46 788	300 209	16 015	-	-	-	4 726	-	367 738
Cllr T.M Nxusani	46 764	225 157	16 015	-	-	75 052	4 576	-	367 564
Cllr P.P Zuma	47 858	225 157	16 015	-	-	75 052	4 371	-	368 453
Cllr S Labhatala	46 800	225 157	16 015	-	-	75 052	4 576	-	367 600
Cllr N Nkomonye	46 788	225 157	16 015	-	-	75 052	4 576	-	367 588
Cllr X.M Tyodana	46 788	385 276	20 571	-	-	-	5 411	-	458 046
Cllr P.P Kondile	45 324	225 157	16 015	-	-	75 052	4 371	-	365 919
Cllr N. Mkhedamo	45 228	300 210	16 015	-	-	-	4 455	-	365 908
Cllr Miss YG Mhlathi	-	225 157	16 015	-	-	75 052	4 371	-	320 595
Cllr Mrs N Tyelingane	46 788	225 157	16 015	-	-	75 052	4 576	-	367 588
Cllr Miss F Mbiko	15 660	72 816	11 640	-	-	24 272	1 680	-	126 068
Cllr M Tetyana	46 788	225 157	16 015	-	-	75 052	4 576	-	367 588
Cllr B Dumezweni	46 800	300 209	16 015	-	-	-	4 726	-	367 750
Cllr MH Gwesha	46 788	300 209	16 015	-	-	-	4 726	-	367 738

40. Prior period errors (continued)

Cllr Z Magazi	46 800	300 209	16 015	-	-	-	4 726	-	367 750
Cllr L Madaka	46 764	300 209	16 015	-	-	-	4 726	-	367 714
Cllr A Matshobeni	46 788	197 711	16 015	-	-	-	3 107	-	263 621
Cllr U Mboneli	46 800	225 157	16 015	-	-	75 052	4 576	-	367 600
Cllr N Mongezi	46 980	300 209	16 015	-	-	-	5 196	-	368 400
Cllr MR Ndikinda	46 980	225 157	16 015	-	-	75 052	5 045	-	368 249
Cllr MJ Jafta	47 028	300 209	16 015	-	-	-	4 726	-	367 978
Cllr M Takani	46 716	300 209	16 015	-	-	-	4 521	-	367 461
Cllr N Mahlati	46 788	225 157	16 015	-	-	75 052	4 576	-	367 588
Cllr PN Tomose	46 548	300 210	13 832	-	-	-	4 704	-	365 294
Cllr A Tyatyaza	46 980	225 157	13 832	-	-	75 052	4 820	-	365 841
Cllr Z Bomela	-	275 937	6 557	-	-	-	4 267	-	286 761
Cllr N Jonas	-	178 121	1 250	-	-	-	3 991	-	183 362
Cllr NF Ngqola	-	76 873	-	-	-	-	1 773	-	78 646
	2 769 914	**19 441 517**	**1 175 870**	**-**	**497 874**	**2 428 428**	**326 689**	**-**	**26 640 292**

40. Prior period errors (continued)

2024

Name	Cellphone allowance paid as part of monthly salary	Basic salary	Backpay	Travel, accomodation, subsistence and other reimbursive claims	Structured housing allowance	Structured travel allowance	SDL, Group life or funeral cover	Commission, gain or surplus sharing arrangements	Total
Mayor - Cllr S. Janda	-	428 318	45 373	-	483 644	-	10 475	-	967 810
Speaker - Cllr B. Majavu	-	729 568	36 949	943	-	-	8 603	-	776 063
Chief WHIP - L. Mantshiyose	-	524 200	34 843	5 885	-	170 992	7 929	-	743 849
Cllr N Ganda (MPAC Chairperson)	-	670 226	34 209	-	-	-	7 044	-	711 479
Cllr C. Genyane (Womens`s Caucus Chairperson)	-	216 449	16 584	-	-	72 150	4 158	-	309 341
Cllr M Sibingibingi (Ethics and Members Interest Chairperson)	46 130	216 449	6 633	-	-	72 150	4 724	-	346 086
Cllr N. Mgedesi (Member of Mayoral Committee)	-	683 970	34 843	2 611	-	-	8 643	-	730 067
Cllr N. Apleni (Member of Mayoral Committee)	-	286 183	20 877	-	-	95 394	5 018	-	407 472
Cllr F. Ndaule (Member of Mayoral Committee)	-	381 569	20 877	-	-	-	5 479	-	407 925
Cllr M.K Makapela (Member of Mayoral Committee)	-	512 977	34 843	-	-	170 992	7 816	-	726 628
Cllr N.N Ngomthi (Member of Mayoral Committee)	-	381 569	20 877	-	-	-	5 479	-	407 925
Cllr N Gxamntwana (Member of Mayoral Committee)	-	683 970	34 843	-	-	-	8 158	-	726 971
Cllr Z. Gobinduku	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr S. Futshane	-	222 295	16 584	-	-	66 304	4 169	-	309 352
Cllr D.T Tsengwa	46 130	288 599	13 267	-	-	-	4 724	-	352 720
Cllr T Nodliwa	11 745	216 449	16 584	-	-	72 150	4 479	-	321 407
Cllr B Gaven	11 745	288 599	16 584	-	-	-	4 296	-	321 224
Cllr A. Mpatuse	-	216 449	16 584	-	-	72 150	4 275	-	309 458

40. Prior period errors (continued)

Cllr K Sigwayi	-	288 599	16 584	-	-	-	4 302	-	309 485
Cllr E Fipaza	11 745	288 599	16 584	-	-	-	4 624	-	321 552
Cllr N Ngolothi	-	258 259	16 584	-	-	30 340	4 446	-	309 629
Cllr M.V Muru	11 745	258 259	16 584	-	-	30 340	4 359	-	321 287
Cllr S. Toyana	-	288 599	16 584	-	-	-	4 302	-	309 485
Cllr L Mpunzi	11 745	228 141	16 584	-	-	60 458	4 298	-	321 226
Cllr S Mdabuka	-	222 295	16 584	-	-	66 304	4 181	-	309 364
Cllr N Stafana	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr N.N Ntshontsho	-	288 599	16 584	-	-	-	4 302	-	309 485
Cllr L Mahobe	-	216 449	16 584	-	-	72 150	4 362	-	309 545
Cllr P Methu	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr S.T Sitwayi	-	216 449	16 584	-	-	72 150	4 181	-	309 364
Cllr N. Kopolo	-	288 599	16 584	-	-	-	4 302	-	309 485
Cllr S Ndinisa	-	216 449	16 584	-	-	72 150	4 362	-	309 545
Cllr L Khumelwana	-	288 599	16 584	-	-	-	4 302	-	309 485
Cllr B Sithela	11 745	216 449	16 584	-	-	72 150	4 275	-	321 203
Cllr N Magatya	-	216 449	16 584	-	-	72 150	4 362	-	309 545
Cllr W Genyane	-	288 599	16 584	-	-	-	4 302	-	309 485
Cllr T Nokele	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr P Msaro	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr T.M Nxusani	-	222 295	16 584	-	-	66 304	4 374	-	309 557
Cllr P.P Zuma	-	216 449	16 584	-	-	72 150	4 158	-	309 341
Cllr S Labhatala	-	216 449	16 584	-	-	72 150	4 362	-	309 545
Cllr N Nkomonye	-	216 449	16 584	-	-	72 150	4 362	-	309 545
Cllr X.M Tyodana	-	370 368	20 360	417	-	-	5 151	-	396 296
Cllr P.P Kondile	-	216 449	16 584	-	-	72 150	4 158	-	309 341
Cllr N. Mkhedamo	-	288 599	16 584	-	-	-	4 236	-	309 419
Cllr Miss YG Mhlathi	-	216 449	16 584	-	-	72 150	4 158	-	309 341
Cllr Mrs N Tyelingane	-	216 449	16 584	-	-	72 150	4 362	-	309 545
Cllr Miss F Mbiko	46 130	216 449	16 584	-	-	72 150	4 823	-	356 136
Cllr M Tetyana	-	216 449	16 584	-	-	72 150	4 362	-	309 545
Cllr B Dumezweni	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr MH Gwesha	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr Z Magazi	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr NN Sidlova	-	288 599	16 584	308	-	-	4 266	-	309 757
Cllr L Madaka	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr A Matshobeni	-	288 599	16 584	-	-	-	4 506	-	309 689

40. Prior period errors (continued)

Cllr U Mboneli	-	216 449	16 584	6 198	-	72 150	4 362	-	315 743
Cllr N Mongezi	11 745	288 599	16 584	308	-	-	4 624	-	321 860
Cllr MR Ndikinda	46 130	270 395	8 845	-	-	18 204	4 854	-	348 428
Cllr MJ Jafta	-	288 599	16 584	-	-	-	4 506	-	309 689
Cllr M Takani	-	288 599	16 584	-	-	-	4 302	-	309 485
Cllr N Mahlati	-	216 449	16 584	-	-	72 150	4 362	-	309 545
Cllr PN Tomose	3 917	218 450	-	-	-	-	3 314	-	225 681
Cllr A Tyatyaza	35 247	175 973	-	-	-	42 476	3 424	-	257 120
	231 155	**18 375 765**	**1 140 454**	**131 296**	**491 792**	**2 074 332**	**298 163**	**603 206**	**22 613 550**

Figures in Rand	2025	2024

40. Prior period errors (continued)

Remuneration of Senior Managers

2025

Name	Basic salary	Performance bonus	Self structured bonus	Contributions to UIF, medical and pension fund	Travel, motor car, accommodation, subsistence and other allowance	Acting allowance & Leave pay	Backpay	Once off earnings	Remote allowance	Total
Municipal Manager	1 088 081	338 684	35 043	21 868	374 375	-	81 775	20 340	34 942	1 995 108
Chief Financial Officer	984 083	123 428	60 000	18 067	180 000	-	63 586	18 645	28 562	1 476 371
Senior Manager Community Services	926 976	321 198	-	19 810	303 962	-	63 586	18 645	28 562	1 682 739
Senior Manager Corporate Services	906 177	300 369	30 000	21 532	433 511	96 452	72 422	20 340	30 264	1 911 067
Senior Manager Infrastructure Services	800 307	229 435	60 000	19 313	279 541	145 097	64 716	18 645	28 562	1 645 616
Senior Manager Operations	876 063	307 711	42 000	19 953	356 176	10 226	63 586	18 645	28 562	1 722 922
Senior Manager Planning and Development	892 561	268 228	54 000	19 127	253 164	134 814	61 058	16 950	28 562	1 728 464
	6 474 248	**1 889 053**	**281 043**	**139 670**	**2 180 729**	**386 589**	**470 729**	**132 210**	**208 016**	**12 162 287**

40. Prior period errors (continued)

2024

Name	Basic salary	Self structured bonus	Medical Aid Refund	Contributions to UIF, medical and pension fund	Travel, motor car, accommodation, subsistence and other allowance	Leave pay	Backpay	Once off earnings	Total
Municipal Manager	1 046 284	44 480	-	17 345	360 656	-	52 550	20 340	1 541 655
Chief Financial Officer	871 266	70 996	-	15 556	157 089	144 405	2 876	-	1 262 188
Senior Manager Community Services	812 516	-	11 774	16 270	273 765	142 843	42 158	20 340	1 319 666
Senior Manager Corporate Services	835 835	36 000	-	16 317	431 273	-	43 626	20 340	1 383 391
Senior Manager Infrastructure Services	854 572	60 000	-	15 807	328 748	-	45 196	20 340	1 324 663
Senior Manager Operations	795 016	23 292	13 246	16 161	299 207	142 843	42 158	20 340	1 352 263
Senior Manager Planning and Development	776 443	-	-	13 717	307 221	-	45 196	20 340	1 162 917
	5 991 932	**234 768**	**25 020**	**111 173**	**2 157 959**	**430 091**	**273 760**	**122 040**	**9 346 743**

Figures in Rand	2025	2024

41. Prior period errors

1. During the Audit of current year it was identified that in the Commitment Register the Municipality did not include some projects that were awarded in the 2023/2024 financial year.

2. During the current year Municipality introduced VAT Control account as a third vote in order to comply with VAT disclosure requirement where VAT 201 filed amounts have to be included in this vote and taken out from the Input VAT and Output VAT votes, what then remains under the Input VAT vote and Output VAT vote becomes the vat which is not yet declared to SARS through VAT 201. This resulted to VAT amounts disclosed in the AFS for comparative year to change as disclosed below, on net basis there is no effect on the balance sheet net VAT amount.

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

Commitments

Opening balance	-	79 967 738
Adjustments made	-	24 959 918
Restated opening balance	**-**	**104 927 656**

The comparative amount disclosed in the AFS note for Commitments has changed by a total amount of R24 959 918.

Input VAT (VAT Receivable)

Opening balance	-	10 399 208
Adjustments made	-	(3 142 243)
Restated opening balance	**-**	**7 256 965**

Adjustment made to opening balance of fruitless and wasteful expenditure is due to [state details].

Output VAT (VAT Payable)

Opening balance	-	(9 646 159)
Adjustments made	-	3 142 243
Restated opening balance	**-**	**(6 503 916)**

42. Prior-year adjustments

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

Statement of financial performance

2024

	Note	As previously reported	Re-classification	Restated
Revenue from exchange transactions - Commission		-	1 913 486	1 913 486
Revenue from non - exchange transactions - License and Permits		2 542 902	(1 913 486)	629 416
Surplus for the year		**2 542 902**	**-**	**2 542 902**

2025

	Note	As previously reported	Re-classification	Restated
Revenue from exchange transactions - Commission		-	1 944 521	1 944 521
Revenue from non - exchange transactions - License and Permits		2 177 282	(1 944 521)	232 761
Surplus for the year		**2 177 282**	**-**	**2 177 282**

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

[Nature of the reclassification] : - Commission received from Department of Transport (Licensing) was reclassfied into Revenue from Exchange. Previously it was included in the line item called License and Permits in the Income Statement which is disclosed un Revenue from non exchange transactions.

[Reason for reclassification]: - The reason for reclassification is to comply with GRAP as this revenue by nature is received for the services rendered by the Municipality on behalf of Department of Transport (Licensing).

43. Risk management

Financial risk management

The Municipality is exposed to the following risks:
- market risk (including interest rate risk);
- credit risk; and
- liquidity risk

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by the Council. The municipality does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and cash flow requirements.

The municipality manages liquidity risk by maintaining adequate reserves and banking facilities. The Finance Department monitors the cash flow requirements on a regular basis.

The Municipality's investment portfolio consists of short term deposits and current accounts with a notice period of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Interest rate risk

Market risk is the risk that changes in market prices, such as interest rates will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk consists primarily of interest rate risk
Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The municipality does not enter into long term financing arrangements thereby minimising the interest rate cash flow risk exposures on long-term financing.

The exposure to interest rate risk is limited as the municipality's investment portfolio is entirely cash based. The Municipality's primary focus is not to generate interest income but rather to preserve the capital value of the funds. There has been no change since the previous financial year to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

The Municipality is exposed to Liquidity risk on the following Trade payables

Contract retentions	2 063 369	11 177 591
Trade payables	13 938 303	4 431 721
Debtors with credit balances	2 744 753	2 801 038
Agency fees (Licensing Authority)	750 646	233 192
Unspent conditional grant	-	1 714 809
	19 497 071	**20 358 351**

43. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the entity's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such, the municipality is not able to select only creditworthy counterparts.

Potential concentrations of credit rate risk consist mainly of investments, trade receivables and cash and cash equivalents.

Trade receivables comprise of a large number of consumers, dispersed across different industries and geographical areas. Trade receivables are presented net of an allowance for impairment.

The existing trade receivable portfolio has historically been significantly impaired as a result of a number of contributing factors, including an inaccurate and unreliable customer database. The municipality is conducting an ingoing process of cleansing its trade receivable portfolio to ensure completeness of its trade receivables. All policies affecting trade receivables have been reviewed and updated to assist the municipality in the cleansing process. Refer note 15 for more detailed information on the composition of the trade receivables portfolio.

Except for trade receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

Cash and cash equivalents (including investments) are held with the following counter parties:	**2025**	**2024**
First National Bank	496 658 994	429 748 463
Total of Other Trade receivables that exposed the Municility to Credit risk	7 435 757	2 193 006

44. Events after the reporting date

The municipality is not aware of any matter or circumstance arising since the end of the financial period to the date of this report that could have a material effect on the financial statements.

45. Unauthorised expenditure

Unauthorised expenditure relates to expenditure incurred which is in excess of the budgeted amount on the individual votes. No unauthorised expenditure that have been identified during the year.

46. Fruitless and wasteful expenditure

Opening balance	10 732 747	11 004 098
Fruitless and wasteful expenditure - current year	18 172	20 984
Fruitless and wasteful expenditure - written off during the year	-	(511 210)
Fruitless and wasteful expenditure - recovered during the year	(56 463)	-
Fruitless and wasteful expenditure - identified during the Audit	200 000	-
Expenditure that could have been avoided -Identified in the previous Audit	-	218 875
	10 894 456	**10 732 747**

Details / incidents of fruitless and wasteful expenditure		
Salary paid to former employee for three months	-	56 463
Fuel and Oil to non municipal vehicle	-	162 412
Interest on overdue accounts	18 172	20 984
Fine paid to Environmental Affairs and Economic Development	200 000	-
	218 172	**239 859**

No fruitless and wasteful expenditure recovered during the year, and no fruitless and wasteful expenditure write offs that were done during the year.

The inrease in the previous year is due to the amount prepaid for undelivered Hawker Stalls in the previous years starting from 2016 to 2018. The issue at stake is the uncertainly on whether the service provider will still deliver or repay the amount that was paid for unaccounted Hawker Stalls. The municipality has started the legal route in order to recover either the Hawker Stalls or the amount paid.

47. Irregular expenditure

Opening balance	350 724	350 724
Add: Recurring Irregular Expenditure - current year movement	-	2 332 360
Add: Irregular Expenditure identified during the Audit - relating to current year	12 066 625	-
Add: Irregular Expenditure identified during the Audit - relating to prior years	9 904 407	-
Less: Irregular expenditure - written off by council	(350 724)	(2 332 360)
	21 971 032	**350 724**

During the current year audit AGSA identified Irregular Expenditure that relates to Catering and other Quotations. The Irregular expenditure of R350 724 was written off during the year. The prior year recurring Irregular expenditure movement for 2023/2024 (R2 332 360) and movement of 2022/2023 ((R12 445 731) were written off as stated in the Council resolution of 2020/2021.

47. Irregular expenditure (continued)

Details of irregular expenditure – current year

Non-compliance with PPPFA 2(1)(a) together with Preferential Procurement reg. 3(1) - Other Quotations	7 049 264
Non-compliance with SCM regulation 13(b) and 43 - IVECO Storage	115 000
Non- compliance with SCM regulation 2(1) (b) and 36 (1) - Verification of Indigent	29 978
Non-compliance with Section 116 (3)(a) of the MFMA - Insurance	29 154
Identified during the annual audit (Non compliance with SCM Regulation 12(1)(c) and 17(a)) - Catering	4 843 229
	12 066 625

Analysis of Irregular Expenditure Balance - current year

Recurring from prior years	-
Identified during the current year - relating to current year	12 066 625
	12 066 625

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA Fees

Current year subscription / fee	1 731 459	1 675 877
Amount paid - current year	(1 731 459)	(1 675 877)
	-	-

Contract awarded to close family members of person in the service of the state

1.During 2024/2025 financial year an award of R9 927 924.79 was made to Mkoko Transport, the BID number for this project is MBH/INFRA/0034/2022-23. During 2023/2024 financial year an award of R12 988 980.76 was made to Mkoko Transport and CLP Trade JV, the BID number for this project is MBH/OTP/0010/2023-24. During the 2022/2023 financial year awards amounted to R294 017.86. The owner/director of Mkoko Transport Mr. S. Mkoko is a spouse of Mrs N. Mkoko who works at IDZ .

2. During the 2024/2025 financial year awards to SMS ICT CHOICE amounts to R112 401.00 and R179 828.54. During 2023/2024 financial year awards amounting to R5 860 707.98 and R198 620.32 were made to SMS ICT CHOICE. The owner/director of ICT Choice Mr. S. Maqula is a spouse of Mrs N. Maqula who works at the Department of Human Settlements, the BID number for this project is MBH/CORP/0031/2022-23.

Audit fees

Current year subscription / fee	6 737 562	7 129 368
Amount paid - current year	(6 737 562)	(7 129 368)
	-	-

PAYE and UIF

Current year subscription / fee	25 612 248	23 307 188
Amount paid - current year	(25 612 248)	(23 307 188)
	-	-

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

Pension and Medical Aid Deductions

Current year subscription / fee	33 668 110	31 429 639
Amount paid - current year	(33 668 110)	(31 429 639)
	-	**-**

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr C Genyane	860	5 568	6 428

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr C Genyane	708	3 413	4 121

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned. Refer to note

Incident		
Storage for IVECO Municipal Bus (IMPRACTICAL/IMPOSSIBLE)	115 000	-
Maintenance of Mndundu cattle Dip tank (ward 14) (IMPRACTICAL/IMPOSSIBLE)	183 980	-
	298 980	**-**

The above are the only Deviations recoreded in the current financial year.

49. Segment information

General information

Identification of segments

The Mbhashe Local Municipality reportable segments have been identified in accordance with GRAP 18.
The segments of Mbhashe Local Municipality have been identified as those activities of the municipality that generate economic benefits or service potential whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing it`s performance and for which separate financial information is available.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making strategic decisions including the allocation of resources after also considering the economic and basic needs of communities as translated into the IDP. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The Mbhashe Local Municipality divided into three units which are Dutywa, Willowvale and Elliotdale. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments between the three units are sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Property rates	Levies charged for owning registered property within Mbhashe Jurisdiction
Refuse removal	Collecting waste, and providing waste management services to communities with Mbhashe local governance jurisdiction
Property rentals	Renting out municipal properties to earn income
Traffic Police and Law Enforcement	Maintenance of low and order, and enforcing Municipal Bylaws
Licensing	Offering license services

49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Property rates	Refuse removal	Property rentals	Traffic Police and Law Enforcement	licensing	Total
Revenue						
Revenue from non-exchange transactions	21 098 815	-	-	1 633 823	2 177 282	24 909 920
Revenue from exchange transactions	-	3 893 729	3 191 292	-	-	7 085 021
Total segment revenue	**21 098 815**	**3 893 729**	**3 191 292**	**1 633 823**	**2 177 282**	**31 994 941**
Interest revenue						51 035 730
Other unallocated revenue 1						462 593 765
Other unallocated revenue 2						3 148 297
Total revenue reconciling items						**516 777 792**
Municipality's revenue						**548 772 733**
Expenditure						
Salaries and wages	2 863 955	19 722 747	-	2 925 528	1 299 188	26 811 418
Depreciation and amortisation	-	4 602 644	-	767 547	25 598	5 395 789
General expenses	233 338	5 077 339	662 050	1 893 292	157 682	8 023 701
Debt impairment	(8 349 248)	-	-	-	-	(8 349 248)
Total segment expenditure	**(5 251 955)**	**29 402 730**	**662 050**	**5 586 367**	**1 482 468**	**31 881 660**
Total segmental surplus/(deficit)						**113 281**
Total revenue reconciling items						516 777 792
Interest expense						(2 820 692)
Unallocated expenses						(350 381 166)
Loss on disposal of assets						(451 650)
Impairment loss						(17 162 760)
Municipality's surplus (deficit) for the period						**146 074 804**

49. Segment information (continued)

	Property rates	Refuse removal	Property rentals	Traffic Police and Law Enforcement	licensing	Total
Assets						
Segment assets	35 892 150	63 765 195	33 157 447	5 858 818	100 489	138 774 099
Unallocated assets						1 191 148 492
Total assets as per Statement of financial Position						**1 329 922 591**
Liabilities						
Debtors with credit balances and Agency fees	2 744 753	-	-	-	750 646	3 495 399
Unallocated liabilities						95 609 823
Total liabilities as per Statement of financial Position						**99 105 222**

	Total
Other information	
Non current assets additions	115 189 283
Non-cash items excluding depreciation and amortisation	
Cash flows from operating activities	182 392 242
Cash flows from investing activities	(115 189 283)

2024

	Property rates	Refuse removal	Property rentals	Traffic Police	Licensing	Total
Revenue						
Revenue from non-exchange transactions	20 429 729	-	-	1 615 121	2 542 902	24 587 752
Revenue from exchange transactions	-	3 730 340	3 188 573	-	-	6 918 913
Total segment revenue	**20 429 729**	**3 730 340**	**3 188 573**	**1 615 121**	**2 542 902**	**31 506 665**

49. Segment information (continued)

Interest revenue						45 330 437
Other unallocated revenue 1						448 752 622
Other unallocated revenue 2						1 310 054
Total revenue reconciling items						**495 393 113**
Entity's revenue						**526 899 778**
Expenditure						
Salaries and wages	1 390 871	12 082 695	-	1 808 314	799 247	16 081 127
Depreciation and amortisation	-	6 289 984	-	67 274	765	6 358 023
General expenses	578 713	2 518 805	28 200	493 403	126 160	3 745 281
Debt impairment	20 896 464	-	-	-	-	20 896 464
Total segment expenditure	**22 866 048**	**20 891 484**	**28 200**	**2 368 991**	**926 172**	**47 080 895**
Total segmental surplus/(deficit)						**(15 574 230)**
Total revenue reconciling items						495 393 113
Unallocated expenses						(364 490 871)
Entity's surplus (deficit) for the period						**115 328 012**
Assets						
Segment assets	22 583 406	75 474 252	33 511 900	378 726	1 871	131 950 155
Unallocated assets						1 042 353 147
Total assets as per Statement of financial Position						**1 174 303 302**
Liabilities						
Debtors with credit balances and Agency fees	2 801 038	-	-	-	233 192	3 034 230
Unallocated liabilities						100 290 166
Total liabilities as per Statement of financial Position						**103 324 396**

49. Segment information (continued)

	Total
Other information	
Non current assets additions	94 021 914
Non-cash items excluding depreciation and amortisation	
Cash flows from operating activities	192 656 963
Cash flows from investing activities	(94 021 914)

50. Budget differences

Material differences between budget and actual amounts

50.1 Budget is based on anticipated amount to be collected, while actual is based on current year billed amount.

50.2 We collected more than what we anticipated, we have improved on rental collection strategies.

50.3 This relates to interest raised on outstanding debtors as per the municipality's Credit Control and Debt Collection Policy.We don’t budget for this kind of interest as the Municipality can not budget for not to be paid by customers/consumers.

50.4 The reason for a significant negative variance is that we budget for VAT refunds in this item, these are then reallocated to VAT account so that a correct closing balance of the VAT receivable can be disclosed..

50.5 Although we increased our Budget during January 2025 Adjustment, the municipality managed to invest longer than anticipated due to monies that were not spent on conditional grants.

50.6 Budget is based on anticipated amount to be collected, while actual is based on current year billed amount.

50.7 Favourable variance is due to the fact that more people managed to renew their licenses than what we anticipated.

50.8 The unfavourable variance is as a result of the fact that the Municipality had budgeted for more anticipated Grant than what was actually received from OTP.

50.9 The favourable variance in terms of revenue is due to the fact that we had more than anticipated people paying for contravening of our By-Laws and traffic rules. Our budget was more aligned to previous year amount.50.10 The contribution to the favourable dvariance is that the municipality improved on implementing its cash management policies which resulted to savings in the costs incurred in the remuneration of employees.

50.11 The budget was based on anticipated increase, the actual increament on Council remuneration was less than what we anticipated, the other portion of the variance is cellphone allowance currently reported with other cellphone allowances of the Municipality.

50. Budget differences (continued)

50.12 The reason for the favourable variance is the fact that some assets are fully depreciated. And some big projects were only capitalised towards year end having lesser that anticipated depreciation.

50.13 We don’t budget for unforseen losses which are non cash items.

50.14 This type of expenditure relates to interest charged on overdue accounts, and another portion is the change in the discounting factor of the landfill site rehabilitation provision. Municipality does not budget to fail to pay creditors within prescribed time-frames.

50.15 The favourable difference is due to the fact that the Municipality revised Debtors Impairment loss is less that the previous year one, what contributed to that is good collection rate on business related accounts and implementation of incentives and negotiated write off.

50.16 The reason for the favourable variance as far as cost containment measures are concerned is the fact that some user departments practised cost saving measures as enforced from time to time by the CFO which then yielded positive outcomes.

50.17 The actual amount includes prepayment for guns and bullet proof jackets that were delivered and rental due from municipal staff.

50.18 Actual amount relates to the credit amount from SARS for the EMP 201.

50.19 The municipality budgeted for VAT refunds under other income on the SOFP and the actual amount relates to the VAT receivable at year-end

50.20 Actual amount has taken impairment into consideration for debtors. The budget amount does not take into account the effect of debt impairment provision.

50.21 The budgeted amount was based on the balance from previous financial year plus current year anticipated revenues, the budget amount does not take into account effects of anticipated payments..

50.22 The budget amount is based on the previous year audited carrying amount , the actual amount is also taking into effect current year depreciation, and additions in the current year were much lesser than the previous financial year, majority of projects were not completed.

50.23 The budget amount included previous year audited cost amount while the actual amount is carrying amount for the current year, therefore variance is made of accumulated depreciation and current year depreciation which is budgeted for under Income Statement.

50.24 The contributor to the current year balance is Accrued 13th Cheques and Accrued leave pay balances, the trade payables relates to invoices that were captured in June 2024 and effectively paid beginning of July 2024

50.25 On the budget these are provided for under the personnel costs.

50.26 The Budget amount does not take into account the withdrawal vote of the conditional grants liability accounts.

50.27 The actual amount is made up of opening balance and current year movement. Rehabilitation will start in future.