



INXUBA YETHEMBA LOCAL MUNICIPALITY
(Registration number: EC131)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of municipality	EC131 - Local Municipality - The municipality's operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000; and various other acts and regulations.
Nature of business and principal activities	Inxuba Yethemba Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. The municipality performs the functions as set out in the Constitution. This in effect means that the municipality provides services like electricity and refuse removal to the community. Inxuba Yethemba Local Municipality also serves as an agent to the Provincial Department of Transport.
Jurisdiction	Cradock and Middelburg
Executive committee	
Executive mayor	NP Zonke
Speaker	Mbotya, TP
Mayoral committee	Davids, L Masawe, SV Ndongose, S Mongo, NNA
Councillors	Dakuse, A Desha, M Featherstonehaug, MH Jacobus, R Lawens, BL Rasmeni, M Reeners, J Samuels, C Van der Merwe, J Vorster, HB, Smith Z
MPAC Chairperson	Biko, N
Grading of local authority	Three (3)
Chief Finance Officer (CFO)	Mr S. Fokazi
Accounting Officer	MWM Mbebe
Registered office and business address	1 J A Calata Street Cradock 5880
Bankers	First National Bank
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Metcalf & Kie Attorneys Nolte and Smit Attorneys Minnaar and De Kock Attorneys Zepe & Co Attorneys NE Mbewana Attorneys Dyushu and Majebe Inc Attorneys Peyper Attorneys

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

	Page
Accounting Officer's Responsibilities and Approval	3
Accounting officer's Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 15
Accounting Policies	16 - 38
Notes to the Annual Financial Statements	39 - 83

Abbreviations used:

MIG	Municipal Infrastructure Grant
GRAP	Generally Recognised Accounting Practice
IYM	Inxuba Yethemba Municipality
MPAC	Municipal Public Accounts Committee
MFMA	Municipal Finance Management Act
AGSA	Auditor General South Africa

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors

The annual financial statements set out from page 5, which have been prepared on the going concern basis, were approved and signed by the municipal manager on August 31, 2025.



MWM Mbebe
Municipal Manager

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting officer's Report

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

1. Review of activities

Main business and operations

The municipality operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 376 031 172 (2024: deficit R 117 274 097).

2. Going concern

We draw attention to the fact that as at 30 June 2025, the municipality had an accumulated surplus of R 197 918 201 and that the municipality's current liabilities exceed its current assets by R 756 725 289. In addition, the municipality incurred a deficit of R 376 031 172 (2024: R 117 274 097). The municipality continues to experience cash flow challenges with a net outflow of cash reserves in the current financial year. The growing of the Eskom debt also poses a risk to the municipality to continue as a going concern. The municipality receives governments grants annually to assist with the running of its operational activities. The municipality has also entered into the payment arrangement with Eskom as a way of assisting the municipality to pay the outstanding amount of the debt. The arrangement involves the writing off of the Eskom debt if they adhere to the arrangement, The arrangement has led to the reduction of the municipality total debts owed .

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities 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 municipal manager continues to procure funding for the ongoing operations of the municipality.

Management has also put in place some of the following plans to ensure that the Municipality is a going concern;

- Management will develop and implement a financial recovery plan to improve the situation.
- Continued efforts to improve revenue billing information through regular physical verification of meter readings along with review of exception reports.
- The municipality will enforce the credit control and debt collection policies robustly by (inter-alia) cutting off electricity on long outstanding debtors to ensure that outstanding debt is settled.
- Debt management and credit control department actively liaises with other Government Departments and Local Authorities to ensure timely collection of their debt.

3. Subsequent events

The accounting officer is not aware of matters or circumstances arising since the end of the financial year that would require disclosure in the annual financial statements.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of GRAP issued by the Accounting Standards Board as the prescribed framework by National Treasury and in accordance with Section 122(3) of the MFMA.

5. Accounting officer's interest in contracts

The accounting officer has no interests in contracts of the municipality.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand

	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	5 990 812	5 275 469
Receivables from exchange transactions	4	2 357 122	1 882 854
Statutory receivables	5	30 890 914	26 885 894
Vat Input Accrual	6	76 063 431	68 277 258
Consumer debtors	7	22 240 818	32 514 075
Cash and cash equivalents	8	2 274 175	5 702 495
		139 817 272	140 538 045
Non-Current Assets			
Investment property	9	68 343 346	60 550 059
Property, plant and equipment	11	913 979 645	1 114 110 631
Heritage assets	10	16 019 999	16 019 999
		998 342 990	1 190 680 689
Total Assets		1 138 160 262	1 331 218 734
Liabilities			
Current Liabilities			
VAT Output Accrual	6	12 033 909	7 025 458
VAT payable to SARS	6	955 488	574 551
Payables from exchange transactions	12	856 852 764	678 489 707
Payables from non-exchange transactions	13	3 701 607	5 093 957
Consumer deposits	14	1 313 667	1 312 069
Unspent conditional grants and receipts	15	1 952 650	3 290 481
Provisions	17	19 732 476	-
		896 542 561	695 786 223
Non-Current Liabilities			
Employee benefit obligation	16	38 256 127	38 791 843
Provisions	17	5 443 373	22 691 293
		43 699 500	61 483 136
Total Liabilities		940 242 061	757 269 359
Net Assets		197 918 201	573 949 375
Accumulated surplus		197 918 201	573 949 375
Total Net Assets		197 918 201	573 949 375

* See Note 58

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand

	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	148 919 983	152 670 160
Rental of facilities and equipment	19	4 423 382	1 705 351
Agency services	20	2 954 637	2 908 437
Other income	21	2 312 897	2 426 078
Interest received	22	27 372 459	29 023 586
Fair value adjustments	23	7 733 287	3 982 575
Actuarial gains	24	4 485 172	4 853 419
Total revenue from exchange transactions		198 201 817	197 569 606
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	51 024 279	41 356 512
Transfer revenue			
Government grants & subsidies	26	100 096 039	100 182 420
Fines, Penalties and Forfeits	27	3 234 493	4 125 593
Interest Eskom Debt write off	28	-	43 520 416
Services in-kind	29	-	2 069 340
Total revenue from non-exchange transactions		154 354 811	191 254 281
Total revenue		352 556 628	388 823 887
Expenditure			
Employee related costs	30	(121 060 135)	(120 090 360)
Remuneration of councillors	31	(9 575 029)	(9 419 082)
Depreciation and amortisation	33	(85 634 868)	(51 915 741)
Impairment loss	34	(187 313 340)	(13 041 979)
Finance costs	32	(38 574 051)	(43 685 171)
Lease rentals on operating lease	35	(1 399 503)	(1 398 884)
Bad debts written off	36	(18 992 709)	(36 081 578)
Bulk purchases	37	(129 547 924)	(116 868 088)
Contracted services	38	(58 857 952)	(36 088 913)
Loss on disposal of assets	39	(97 678)	(233 509)
Inventories losses/write-downs	3	-	(1 635 410)
General Expenses	42	(61 187 591)	(59 234 131)
Repairs and maintenance	41	(16 347 020)	(16 405 138)
Total expenditure		(728 587 800)	(506 097 984)
Deficit for the year		(376 031 172)	(117 274 097)

* See Note 58

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	672 807 465	672 807 465
Adjustments		
Correction of errors (*)	(564 961)	(564 961)
Balance at 01 July 2023	672 242 504	672 242 504
Correction of errors - note 57	18 980 968	18 980 968
Net income (losses) recognised directly in net assets	18 980 968	18 980 968
Deficit for the year	(117 274 097)	(117 274 097)
Total recognised income and expenses for the year	(98 293 129)	(98 293 129)
Balance at 01 July 2024 as restated	573 949 373	573 949 373
Deficit for the year	(376 031 172)	(376 031 172)
Balance at 30 June 2025	197 918 201	197 918 201

* See Note 58

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Cash Flow Statement

Figures in Rand

	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		166 898 708	168 926 596
Grants		98 758 208	103 472 901
Interest income		28 674 129	23 465 477
		<u>294 331 045</u>	<u>295 864 974</u>
Payments			
Employee costs		(129 923 348)	(128 592 897)
Suppliers		(125 975 089)	(115 311 862)
Finance costs		(1 662 639)	(3 207 470)
		<u>(257 561 076)</u>	<u>(247 112 229)</u>
Net cash flows from operating activities	43	<u>36 769 969</u>	<u>48 752 745</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	<u>(40 198 289)</u>	<u>(45 357 408)</u>
Net increase/(decrease) in cash and cash equivalents		(3 428 320)	3 395 337
Cash and cash equivalents at the beginning of the year		5 702 495	2 307 158
Cash and cash equivalents at the end of the year	8	<u>2 274 175</u>	<u>5 702 495</u>

The accounting policies on pages 16 to 38 and the notes on pages 39 to 83 form an integral part of the annual financial statements.

* See Note 58

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	249 690 043	(17 394 202)	232 295 841	148 919 983	(83 375 858)	N1
Rental of facilities and equipment	1 980 060	915 907	2 895 967	4 423 382	1 527 415	N2
Agency services	2 608 747	-	2 608 747	2 954 637	345 890	N3
Other income	2 452 959	9 448 928	11 901 887	2 312 897	(9 588 990)	N4
Interest received	42 856 357	-	42 856 357	27 372 459	(15 483 898)	N5
Gains on disposal of assets	11 643 900	5 000 000	16 643 900	-	(16 643 900)	N6
Total revenue from exchange transactions	311 232 066	(2 029 367)	309 202 699	185 983 358	(123 219 341)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	55 237 196	16 000 000	71 237 196	51 024 279	(20 212 917)	N7
Transfer revenue						
Government grants & subsidies	97 866 000	-	97 866 000	100 096 039	2 230 039	N8
Fines, Penalties and Forfeits	5 228 947	1 873 250	7 102 197	3 234 493	(3 867 704)	N9
Interest Eskom Debt write off	5 769 500	5 152 519	10 922 019	-	(10 922 019)	N10
Total revenue from non-exchange transactions	164 101 643	23 025 769	187 127 412	154 354 811	(32 772 601)	
Total revenue	475 333 709	20 996 402	496 330 111	340 338 169	(155 991 942)	
Expenditure						
Employee related cost	(116 472 530)	(4 800 000)	(121 272 530)	(121 060 135)	212 395	N11
Remuneration of councillors	(9 573 527)	-	(9 573 527)	(9 575 029)	(1 502)	N12
Depreciation and amortisation	(68 000 003)	22 000 006	(45 999 997)	(85 634 868)	(39 634 871)	N13
Impairment loss - PPE	-	-	-	(154 146 697)	(154 146 697)	N14
Finance costs	(15 210 500)	(14 000 000)	(29 210 500)	(38 574 051)	(9 363 551)	N15
Lease rentals on operating lease	-	-	-	(1 399 503)	(1 399 503)	N16
Debt Impairment	(45 000 000)	15 000 000	(30 000 000)	(33 166 643)	(3 166 643)	N17
Bad debts written off	-	-	-	(18 992 709)	(18 992 709)	N18
Bulk purchases	(105 000 000)	20 000 000	(85 000 000)	(129 547 924)	(44 547 924)	N19
Contracted Services	(28 506 051)	(44 478 263)	(72 984 314)	(58 857 952)	14 126 362	N20
General Expenses	(49 984 536)	(7 110 933)	(57 095 469)	(61 187 591)	(4 092 122)	N21
Repairs and maintenance	(1 867 810)	(6 860 757)	(8 728 567)	(16 347 020)	(7 618 453)	N22
Total expenditure	(439 614 957)	(20 249 947)	(459 864 904)	(728 490 122)	(268 625 218)	
Operating deficit	35 718 752	746 455	36 465 207	(388 151 953)	(424 617 160)	
Loss on disposal of assets	-	-	-	(97 678)	(97 678)	N23
Fair value adjustments	-	-	-	7 733 287	7 733 287	N24
Actuarial gains/losses	-	-	-	4 485 172	4 485 172	N25
	-	-	-	12 120 781	12 120 781	
Surplus/(Deficit)	35 718 752	746 455	36 465 207	(376 031 172)	(412 496 379)	

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	35 718 752	746 455	36 465 207	(376 031 172)	(412 496 379)	
Reconciliation						

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7 440 762	308 546	7 749 308	5 990 812	(1 758 496)	N26
Receivables from exchange transactions	223 962	249 342	473 304	2 357 122	1 883 818	N27
Statutory receivables	20 271 476	38 924 137	59 195 613	30 890 914	(28 304 699)	N28
VAT receivable	91 971 992	22 805 387	114 777 379	-	(114 777 379)	N29
Consumer debtors	76 258 365	(1 842 947)	74 415 418	22 240 818	(52 174 600)	N30
Vat Input Accrual	(20 100)	(5 047 529)	(5 067 629)	76 063 431	81 131 060	N31
Cash and cash equivalents	26 919 846	(22 791 126)	4 128 720	2 274 175	(1 854 545)	N32
	223 066 303	32 605 810	255 672 113	139 817 272	(115 854 841)	
Non-Current Assets						
Investment property	51 095 681	1 990 692	53 086 373	68 343 346	15 256 973	N33
Property, plant and equipment	1 096 575 327	16 718 116	1 113 293 443	913 979 645	(199 313 798)	N34
Heritage assets	16 019 999	-	16 019 999	16 019 999	-	
	1 163 691 007	18 708 808	1 182 399 815	998 342 990	(184 056 825)	
Total Assets	1 386 757 310	51 314 618	1 438 071 928	1 138 160 262	(299 911 666)	
Liabilities						
Current Liabilities						
VAT Output Accrual	-	-	-	12 033 909	12 033 909	N35
Payables from exchange transactions	558 808 710	113 156 454	671 965 164	856 852 763	184 887 599	N36
Taxes and transfers payable (non-exchange)	(851 531)	3 561 426	2 709 895	3 701 607	991 712	N37
VAT payable	56 874 594	22 087 233	78 961 827	955 488	(78 006 339)	N38
Consumer deposits	3 612 591	224 472	3 837 063	1 313 667	(2 523 396)	N39
Unspent conditional grants and receipts	-	-	-	1 952 650	1 952 650	N40
Provisions	2 111 395	(18 353)	2 093 042	19 732 476	17 639 434	N41
	620 555 759	139 011 232	759 566 991	896 542 560	136 975 569	
Non-Current Liabilities						
Employee benefit obligation	35 391 510	(645 800)	34 745 710	38 256 127	3 510 417	N42
Provisions	22 355 427	4 381 999	26 737 426	5 443 373	(21 294 053)	N41
	57 746 937	3 736 199	61 483 136	43 699 500	(17 783 636)	
Total Liabilities	678 302 696	142 747 431	821 050 127	940 242 060	119 191 933	
Net Assets	708 454 614	(91 432 813)	617 021 801	197 918 202	(419 103 599)	
Net Assets						
Reserves						
Accumulated surplus	708 454 614	(91 432 813)	617 021 801	197 918 201	(419 103 600)	

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	276 045 851	31 523 292	307 569 143	168 200 378	(139 368 765)	N44
Grants and subsidies	113 819 909	(21 610 919)	92 208 990	98 758 208	6 549 218	N45
Interest income	1 804 147	-	1 804 147	27 372 459	25 568 312	N46
	391 669 907	9 912 373	401 582 280	294 331 045	(107 251 235)	
Payments						
Payments to suppliers and employee costs	(330 993 762)	(55 073 554)	(386 067 316)	(226 215 696)	159 851 620	N48
Finance costs	(15 210 500)	(14 000 000)	(29 210 500)	(31 345 380)	(2 134 880)	N49
	(346 204 262)	(69 073 554)	(415 277 816)	(257 561 076)	157 716 740	
Net cash flows from operating activities	45 465 645	(59 161 181)	(13 695 536)	36 769 969	50 465 505	
Cash flows from investing activities						
Purchase of property, plant and equipment	(32 064 750)	-	(32 064 750)	(40 198 289)	(8 133 539)	N50
Proceeds from sale of property, plant and equipment	11 643 900	5 000 000	16 643 900	-	(16 643 900)	N51
Net cash flows from investing activities	(20 420 850)	5 000 000	(15 420 850)	(40 198 289)	(24 777 439)	
Net increase/(decrease) in cash and cash equivalents	25 044 795	(54 161 181)	(29 116 386)	(3 428 320)	25 688 066	
Cash and cash equivalents at the beginning of the year	2 312 551	3 389 944	5 702 495	5 702 495	-	
Cash and cash equivalents at the end of the year	27 357 346	(50 771 237)	(23 413 891)	2 274 175	25 688 066	

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
-----------------	-----------------	-------------	--------------	----------------	----------	-----------

N1: Service charges: During the Adjustment Budget the budget amounts were adjusted downwards in line with the actuals at mid term. Services charges billed reduced significantly due to electricity losses

N2: Rental of facilities: The difference is caused by revenue from newly renovated flats that could not be taken into account during budgeting as the budget was passed earlier than the plan to renovate was initiated.

N3: Agency fees increased during the year because of increased fines issued, as well as increase traffic transactions

N4: Other Income: The municipality had budgeted the collection on traffic revenue as other income while the collection on behalf of department of Transport (91% of the collection is allocated to payables).

N5: Interest Received: The actual revenue on interest received was lesser than the budgeted amount due to due to write offs of debtors during the year.

N6: Gains on disposal of assets: There was no gain on disposal of assets in the current financial year instead, it was a loss on disposal of assets. The municipality was anticipating disposing assets through an auction which was going to result in gains in disposal of assets.

N7: Property rates: The baseline for budgeting was prior year actuals which had an error, therefore in the current year the Annual Financial Statements there is a prior year adjustment on property rates which resulted in material variance between budget vs actual.

N8: Government grants & subsidies: The difference is as a result of mid-term adjustment (MIG and MDR Grant) and also the Equitable Share increased in the current year compared to previous year per the DoRA allocation.

N9: Fines, Penalties and Forfeits: The baseline for budgeting was prior year actuals which had an error, therefore in the current year the Annual Financial Statements there is a prior year adjustment on fines, penalties and forfeits.

N10: Interest Eskom Debt write off: The municipality did not qualify for the Eskom relief in the current year.

N11: Employee related cost: The variance is due to vacant position of some senior management position from July to December which was filled in January 2025.

N12: Remuneration of councillors: The variance is not significant as the councillors were paid as per gazette.

N13: Depreciation - Usefull lives of some of the assets was revised resulting in increase in the depreciation at year end.

N14: Impairment loss: The budget was prepared using prior year audited amounts as a basis and prior year there was no impairment. However the assets were impaired in the current year due to impairment indicators identified on assets which had been impaired.

N15: Finance costs: Increased interest expenditure due to not paying Service Providers within 30 days

N16: Lease rentals on operating lease: There was no budget to lease rental on operating lease while there is actual amount of R1 399 503.

N17: Debt Impairment: The debt write offs resulted in decrease in debt impairment recognised in the income statement than the amount budgeted.

N18: Bad debts written off: There was no budget on bad debts written off.

N19: Bulk Purchases: Budget reduced as Municipality was buying less units of electricity due to customers moving from the grid, wrote to eskom to change from Night save to Megaflex tariffs.

N20: Contracted Services: The reduction is a result of controlled expenditure on contracted services.

N21: General expenses include operational cost, inventory consumed and transfers and subsidies. The difference was caused by the decrease in budget for inventory consumables during adjustment budget.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
<hr/>						
N22: Repairs and maintenance: Municipal assets are getting old resulting in higher expenditure on repairs and maintenance.						
N23: Loss on disposal of assets: There was an anticipation of disposing more assets during the year.						
N24: Fair value adjustments: No budget on fair value adjustment.						
N25: Actuarial gains/losses: No budget on fair value adjustment.						
N26: Inventories: The reduction is a result of land inventory transfers to Investment property and owner occupied land.						
N27: Receivables from exchange transactions: The difference is caused by debtors from newly renovated flats that could not be taken into account during budgeting as the budget was passed way earlier than the plan to renovate was initiated.						
N28: Statutory receivables: The baseline for budgeting was prior year actuals which had an error, therefore in the current year the AFS there is a prior year adjustment on property rates, further there was only one SV implemented whereas the baseline for budgeting takes into account two as per last year's actuals.						
N29: VAT receivable: This is due to additional disclosure requirements, i.e additional disclosure line items splitting VAT receivable accrual, Input accrual and VAT owed to/ from SARS.						
N30: Consumer debtors: This is due to vigorous implementation of Credit Control Policy through issuing of demand letters, blocking of electricity and appointed a service provider for data cleansing exercise.						
N31: Vat Input Accrual: This is due to additional disclosure requirements, i.e additional disclosure line items splitting VAT receivable accrual, Input accrual and VAT owed to/ from SARS						
N32: Cash and cash equivalents: The municipality paid for more commitments at year end than anticipated.						
N33: Investment property: The increase is due to increase to transfer from land inventory to investment property and the subsequent revaluation.						
N34: Property, plant and equipment: The increase is due to transfer from WIP to infrastructure assets and other additions to various other assets components.						
N35: VAT Output Accrual: This is due to additional disclosure requirements, i.e additional disclosure line items splitting VAT receivable accrual, Input accrual and VAT owed to/ from SARS.						
N36: Payables from exchange transactions: Due to increase interest in interest from Eskom, Auditor General and failure to pay creditors within 30 days.						
N37: This is due to additional disclosure requirements, i.e additional disclosure line items splitting VAT receivable accrual, Input accrual and VAT owed to/ from SARS.						
N38: VAT payable: This is due to additional disclosure requirements, i.e additional disclosure line items splitting VAT receivable accrual, Input accrual and VAT owed to/ from SARS.						
N39: Consumer deposits - The movement of consumer deposits shows an increase, therefore the comment was supposed to demonstrate that the municipality will be able to settle these commitments and the budget amount was an anticipation of the new lines that were going to be done or constructed.						
N40: Unspent conditional grants and receipts: Work on disaster recovery grant was not completed on time resulting in an unspent at year end.						
N41: The movement is due to actuarial estimates and other variables used to calculate provisions per given period.						
N42: Employee benefits: The movement is due to actuarial estimates and other variables used to calculate provisions per given period.						

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Reference
-----------------	-----------------	-------------	--------------	----------------	----------	-----------

N43: Taxation The baseline for budgeting was prior year actuals which had an error, therefore in the current year the AFS there is a prior year adjustment on property rates, further there was only one SV implemented whereas the baseline for budgeting takes into account two as per last year's actuals.

N44: Sale of goods and services: Customers collections was lesser than anticipated.

N45: The difference is as a result of mid-term adjustment (MIG and MDR Grant) and also The Equitable Share increased in the current year compared to previous year per the DoRA allocation.

N46: Interest income: Narration to state that the actual amount includes interest derived from receivables and also investments as the budget is only for interest received from receivables.

N47: Other Receipts: Collections were lower than anticipated.

N48: Payments to suppliers and employee related costs: Suppliers were not being paid within 30 days.

N49: Finance costs: narration to state that the difference is due to creditors not being paid within 30 day period hence the municipality was charged more interest.

N50: Purchase of property, plant and Equipment: Increase in funding during the year resulted in more spending on capital grants.

N51: Proceeds on sale of property, plant and equipment: Municipality did not sale any assets on cash as planned.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of GRAP (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions used may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

The municipality considers the following events or circumstances as possible indications that an impairment may have occurred:

- Property, plant and equipment that are damaged, where an asset's market value has declined significantly more than would be expected as a result of the passage of time, obsolescence, assets that become idle, plans to dispose of an asset before the previously expected date, plans to discontinue or restructure the operation to which the asset belongs, a decision to halt the construction of the asset before it is complete or in a usable condition or where internal reporting indicates that the economic performance of an asset is, or will be worse than expected.
- Damaged or derelict buildings and heritage assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to its present value where the effect is material.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provision for rehabilitation of landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

- The landfill closure designs are based on current day legislation (Minimum Requirements for Waste Disposal by Landfill, Second Edition 1998) and current permits. Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.
- It is assumed that clean sand and clay is available locally (nearby / alongside / within) to the site and no importation (long-distance haulage) of materials is required. Material on or close to site is sufficient for closure.
- It is assumed that the general public have not requested a specific final shape or end use for the landfill sites.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 16.

Useful lives of property, plant and equipment

The municipality depreciates its property, plant and equipment over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

At each reporting date management assesses the assets for any indication that the municipality's expectations about the residual values and the useful lives of assets have changed since the preceding reporting date. If any such indication exists, the municipality shall revise the expected useful life and / or residual value accordingly.

Determination of fair value for property, plant and equipment

In the absence of an invoice to support the purchase of an asset, those assets have been brought into account using the fair value. Fair value was determined by obtaining the market value of the asset in the current financial year and adjusting the market value using CPI to establish the current replacement cost at measurement date, namely 1 July 2020. The current replacement cost was adjusted to take into account the condition and age of the asset at measurement date using the depreciated replacement cost method.

Determination of fair value for heritage assets

In the absence of an invoice to support the purchase of an asset, those assets have been brought into account using the fair value. Fair value was determined by obtaining the market value of the asset in the current financial year and adjusting the market value using the consumer price index to establish the current replacement cost at measurement date, namely 1 July 2020. Current replacement cost was used and adjusted (if required) after an assessment for impairment in terms of the heritage assets accounting policy.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

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

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

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 loss in the period of retirement or disposal.

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

1.4 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 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.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.4 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.

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 are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Land	Indefinite
Buildings	20 to 30 years
Landfill sites	30 years
Plant and machinery	2 to 15 years
Furniture and fixtures	2 to 20 years
Motor vehicles	3 to 10 years
Office equipment	2 to 10 years
IT Equipment	2 to 10 years
Infrastructure	4 to 80 years
Community	10 to 50 years

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

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indicators:

- The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- The use of the asset has changed, because of the following:
 - The municipality has changed the manner in which the asset is used.
 - The municipality has changed the utilisation rate of the asset.
 - The municipality has made a decision to dispose of the asset in a future reporting period(s) and that this decision will change the expected period over which the asset will be used.
 - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - Legal or similar limits placed on the use of the asset have changed.
 - The asset was idle or retired from use during the reporting period.
- The asset is approaching the end of its previously expected useful life.
- Planned repairs and maintenance on, or refurbishments of, the asset and / or its significant components either being undertaken or delayed.
- Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- The asset is assessed as being impaired.
- Other indicators which may indicate a change in useful life or residual value of the asset.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.4 Property, plant and equipment (continued)

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 municipality capitalise project expenditure as work in progress as and when the expenditure occurs. Upon completion of the project, the project assets are componentised and transferred to the relevant category of property, plant and equipment, investment property or heritage assets.

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. 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 41).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

If the related asset is measured using the cost model:

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

1.6 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.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.6 Heritage assets (continued)

Impairment

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

Derecognition

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

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

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.7 Financial instruments (continued)

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality first assesses individually significant debtors for impairment and will then use a portfolio approach on the remaining debtors.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.7 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Gains and losses relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.8 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.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.8 Statutory receivables (continued)

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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

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

Derecognition

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 municipality 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.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.9 Leases

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

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

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.

Income for leases is disclosed under revenue in statement of financial performance. The difference between the amounts recognised as income and the contractual receipts are recognised as an operating lease asset or liability.

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.11 Impairment of cash-generating assets

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

Identification

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. The recoverable amount is considered to be the higher of the value in use and the fair value less costs to sell.

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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

Reversal of impairment loss

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

Refer to note 1.11 for the accounting treatment of cash-generating assets.

Identification

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

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset. The recoverable service amount is considered to be the higher of the non-cash generating asset's value in use and the fair value less costs to sell.

Value in use

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

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

Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.13 Employee benefits (continued)

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Long-service award

The municipality has an obligation to provide long-service award benefits to all of its employees. According to the rules of the long-service award scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.13 Employee benefits (continued)

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

- the present value of the defined benefit obligation at the reporting date; and
- plus any liability that may arise as a result of a minimum funding requirement.

Any adjustments arising from the limit above is recognised in surplus or deficit. The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.14 Provisions and contingencies (continued)

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus. If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. These contractual obligations are not recognised in the statement of financial position. Refer to note 44 for commitments the municipality are required to honour.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

1.17 Revenue from non-exchange transactions

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Measurement

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

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

Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Once the conditions are met, revenue is recognised and the liability is reduced. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related conditions are recognised in the statement of financial performance in the period in which they become receivable.

Fines

The municipality has two types of fines: 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 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. An estimate is made for the revenue due to the municipality from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.18 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent otherwise it is the principle.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Recognition

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

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

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

1.19 Borrowing costs

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

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year and / or restated for prior period adjustments.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending of the total amount appropriated in the municipality's approved budget.
- Overspending of the total amount appropriated for a vote in the approved budget.
- Expenditure from a vote unrelated to the department or functional area covered by the vote.
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- Spending of an allocation otherwise than in accordance with the conditions of the allocation.
- A grant by the municipality otherwise than in accordance with the MFMA.

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

1.22 Fruitless and wasteful expenditure

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

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred in contravention of or that is not in accordance with the:

MFMA;

Municipal Systems Act (Act No. 32 of 2000);

- Public Office-Bearers Act (Act No. 20 of 1998); or

- A requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy; and

- which has not been condoned in terms of that Act, policy or by-law.

MFMA Circular 68 requires the following (effective from 1 April 2008):

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the annual financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme / expenditure item, be disclosed as such in the note to the annual financial statements and updated accordingly in the irregular expenditure register.

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

1.24 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.

1.25 Budget information

The approved budget is prepared on a accrual basis and relates solely to the municipality. The approved budget covers the fiscal period from 1 July 2024 to 30 June 2025.

The municipality considers budget variances greater than 10% and R951 237.04 (approximately 0.5% of revenue) as material.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.25 Budget information (continued)

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.

1.26 Related parties

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

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

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

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

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

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

Related parties include key management personnel such as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager and close family members of key management personnel.

Related party transactions during the year and balances at reporting date is disclosed in note 55.

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

1.27 Value-Added Tax

The municipality is registered with the SARS for VAT on the payment basis, in accordance with Sec15 (2)(a) of the Value-Added Tax Act No 89 of 1991.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, SARS is separately disclosed in the statement of financial position.

1.28 Events after reporting date

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

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.28 Events after reporting date (continued)

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.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103 (as revised): Heritage Assets	Effective date not yet determined	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Effective date not yet determined	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

Land held for resale	616 696	676 696
Stores (consumables and materials)	5 374 116	4 598 773
	5 990 812	5 275 469

Inventory written off during the year - 816 934

Inventories recognised as an expense during the year 2 699 403 2 461 010

Inventories expensed during the year relate to consumables (note 42) .

Inventories losses/write-downs

Inventories losses/write-downs - 1 635 410

Inventory write off relate to land inventory that was revalued at the reporting date as inventories is measured at the lower of cost or net realisable value.

Inventory pledged as security

Inventory was not pledged as security.

4. Receivables from exchange transactions

Rental Debtors	6 666 355	6 102 806
Sundry Debtors	2 082 273	431 689
Less: Allowance for impairment	(6 391 506)	(4 651 641)
	2 357 122	1 882 854

The ageing of receivables from exchange transactions is as follows:

Current (0 - 30 days)	81 684	520 277
31 - 60 days	31 088	71 314
61 - 90 days	2	67 786
91 - 120 days	6 939	67 257
121 - 150 days	95 236	44 366
More than 151 days	2 142 173	1 111 854
	2 357 122	1 882 854

Total receivables from exchange transactions 2 357 122 1 882 854

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
--	------	------

4. Receivables from exchange transactions (continued)

Trade and other receivables past due but not impaired

At 30 June 2025, R 1 573 015 (2024: R 835 917) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	31 088	71 314
2 months past due	2	67 786
3 months past due	6 939	67 257
4 months past due	95 236	44 366
More than 4 months past due	1 439 750	585 194
	1 573 015	835 917

Trade and other receivables impaired

As of 30 June 2025, trade and other receivables of R 5 048 037 (2024: R 4 651 641) were impaired and provided for.

The ageing of these receivables from exchange transactions is as follows:

0 to 3 months	424 785	68 372
3 to 6 months	288 615	94 489
6 to 9 months	399 248	133 877
More than 9 months	3 935 389	4 354 903
	5 048 037	4 651 641

Reconciliation of provision for impairment of trade and other receivables

Opening balance	4 651 641	4 037 187
Allowance for impairment	396 396	614 454
	5 048 037	4 651 641

5. Statutory receivables

Gross rates receivable	156 934 752	139 394 416
Traffic fines	6 664 800	3 851 800
Less: Allowance for impairment	(132 708 628)	(116 360 322)
Net rates debtors	30 890 924	26 885 894

Rates are billed based on consumer choice (i.e. either monthly or annually). No interest is charged on rates accounts until the end of the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance. The municipality did not pledge any of its statutory receivables as security for borrowing purposes.

In determining the recoverability of statutory receivables, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Cradock and Middelburg geographical area. Accordingly, management believe that there is no further credit provision required in excess of the allowance for impairment.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

_____ 2025 2024

5. Statutory receivables (continued)

Statutory receivables included in receivables

Current (0 - 30 days)	1 441 759	11 324 580
31 - 60 days	874 347	474 138
61 - 90 days	910 131	535 924
91 - 120 days	821 430	546 293
121 - 150 days	4 430 135	2 574 581
More than 151 days	22 413 122	11 430 378
	30 890 924	26 885 894

Statutory receivables past due but not impaired

At 30 June 2025, statutory receivables of R 29 449 165 (2024: R 15 561 314) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	874 347	474 138
2 months past due	910 131	535 924
3 months past due	821 430	546 293
4 months past due	4 430 135	2 574 581
More than 4 months past due	22 413 122	11 430 378
	29 449 165	15 561 314

Statutory receivables impaired

As of 30 June 2025, statutory receivables of R 132 708 627 (2024: R 116 360 322) were impaired and provided for.

The ageing of amounts impaired is as follows:

0 to 3 months	2 446 437	488 253
3 to 6 months	1 646 679	1 305 683
6 to 9 months	1 571 686	1 502 757
More than 9 months past due	127 043 825	113 063 629
	132 708 627	116 360 322

Reconciliation of allowance for impairment of statutory receivables

Opening balance	116 360 322	111 189 898
Allowance for impairment	16 348 306	5 170 424
	132 708 628	116 360 322

6. VAT

VAT Receivable (Input Accrual)	76 063 431	68 277 258
VAT Payable (Output Accrual)	(12 033 909)	(7 025 458)
VAT payable to SARS	(955 488)	(574 551)

No interest is payable to the SARS if the VAT is paid over timeously, however interest and penalties for late payments is charged according to the SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
7. Consumer debtors		
Gross balances		
Electricity	40 152 235	48 524 121
Refuse	137 346 256	124 051 522
	177 498 491	172 575 643
Less: Allowance for impairment		
Electricity	(20 295 780)	(20 772 373)
Refuse	(134 961 893)	(119 289 195)
	(155 257 673)	(140 061 568)
Net balance		
Electricity	19 856 455	27 751 748
Refuse	2 384 363	4 762 327
	22 240 818	32 514 075
Electricity		
Current (0 - 30 days)	8 074 146	11 408 041
31 - 60 days	1 643 002	2 347 827
61 - 90 days	1 402 010	2 197 725
91 - 120 days	1 359 630	1 598 699
121 - 365 days	6 938 932	1 341 987
> 365 days	438 735	8 857 469
	19 856 455	27 751 748
Refuse		
Current (0 - 30 days)	1 150 173	1 335 307
31 - 60 days	59 855	170 868
61 - 90 days	31 398	89 014
91 - 120 days	20 282	78 652
121 - 365 days	368 420	14 115
> 365 days	754 235	3 074 371
	2 384 363	4 762 327
Consumer debtors past due but not impaired		
At 30 June 2025, R 13 076 290 (2024: R 18 584 487) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	1 702 857	2 518 695
2 months past due	1 433 408	2 286 739
3 months past due	1 379 912	1 677 351
4 months past due	7 582 940	1 356 102
More than 4 months past due	977 173	10 745 600
	13 076 290	18 584 487

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

_____ 2025 2024

7. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2025, consumer debtors of R 155 140 038 (2024: R 140 061 567) were impaired and provided for.

The ageing of these impaired amounts is as follows:

0 to 3 months	11 966 508	4 323 384
3 to 6 months	8 448 755	4 980 316
6 to 9 months	6 788 766	5 284 758
Over 9 months	127 936 009	125 473 108
	155 140 038	140 061 566

Reconciliation of allowance for impairment of consumer debtors

Opening balance	140 061 566	136 228 232
Allowance for impairment	15 078 472	3 833 334
	155 140 038	140 061 566

Consumer debtors from exchange transactions are billed monthly. No interest is charged on consumer debtor accounts until the end of the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance.

The municipality did not pledge any of its consumer debtors from exchange transactions as security for borrowing purposes.

In determining the recoverability of consumer debtors from exchange transactions, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers in the Cradock and Middelburg geographical area. Accordingly, management believe that there is no further credit provision required in excess of the allowance for impairment.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 689	-
Bank balances	2 024 241	5 008 146
Short-term deposits	247 245	694 349
	2 274 175	5 702 495

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank - 51980028125 (Current)	1 452 031	4 129 493	514 198	1 962 346	4 990 563	1 202 173
First National Bank - 51981035195 (Current)	12 079	9 793	525 398	534 976	9 793	525 398
First National Bank - 62483143493 (Call)	427	406	406	427	406	406
ABSA Bank - 9274923100 (Call)	1 128	217 883	204 138	1 128	217 883	204 138
ABSA Bank - 9264494272 (Call)	1 000	181 634	171 789	1 000	181 635	172 401
ABSA Bank - 9247070027 (Call)	1 095	86 267	81 481	1 095	86 267	81 481
Standard Bank of South Africa - 288553187010 (Call)	230 616	180 491	166 476	230 616	200 134	166 476
Nedbank Limited - 08851015 (Investment)	13 416	12 271	11 086	13 416	12 271	11 086
Nedbank Limited - 08851015	25 081	3 543	3 534	25 081	3 543	3 534
Total	<u>1 736 873</u>	<u>4 821 781</u>	<u>1 678 506</u>	<u>2 770 085</u>	<u>5 702 495</u>	<u>2 367 093</u>

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025 2024

9. Investment property

	2025			2024		
	Fair value	Accumulated impairment	Fair value less impairments	Fair value	Accumulated impairment	Fair value less impairments
Investment property	68 343 346	-	68 343 346	60 550 059	-	60 550 059

Reconciliation of investment property - Statement of Financial Position

	Opening balance	Fair value adjustments	Total
Investment property	60 550 059	7 793 287	68 343 346

Reconciliation of investment property - Statement of Financial Position

	Opening balance	Fair value adjustments	Total
Investment property	56 567 484	3 982 575	60 550 059

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.

Details of valuation

The effective date of the revaluations was Monday, 30 June 2025. Fair valuations were performed by F Taruva, who contracted an independent valuer, F Taruva, who is registered with the Professional Valuers Council. F Taruva are not connected to the municipality and have recent experience in location and category of the investment property being valued.

Based on the nature of the properties, different valuation methods were used. For vacant land, the comparable sales method of valuation was used. For sports clubs the depreciated replacement cost method of valuation was used, while for properties on which rental are charged, the income capitalisation method of valuation was used. Various assumptions are used for valuating the properties and these valuation certificates are available for inspection at the municipality. These assumptions are based on current market conditions. All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

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

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1 529 871	1 599 125
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	-	2 410 845
Repairs and maintenance	-	78 831
	-	2 489 676

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025 2024

10. Heritage assets

	2025			2024		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	16 019 999	-	16 019 999	16 019 999	-	16 019 999

Reconciliation of heritage assets Statement of Financial Position

	Opening balance	Total
Historical buildings	16 019 999	16 019 999

Reconciliation of heritage assets Statement of Financial Performance

	Opening balance	Total
Historical buildings	16 019 999	16 019 999

Restrictions on heritage assets

There are no restrictions on the remittance of revenue of heritage asset, however there are restrictions on realisability and proceeds of disposal of inalienable heritage assets. There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements. There are no heritage assets pledged as security for liabilities. There are no indications of impairment of Heritage assets as at year end.

11. Property, plant and equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	36 611 790	-	36 611 790	36 611 790	-	36 611 790
Buildings	146 478 377	(60 321 417)	86 156 960	146 478 377	(53 063 701)	93 414 676
Plant and machinery	5 791 217	(2 474 143)	3 317 074	5 344 842	(2 189 674)	3 155 168
Furniture and fixtures	5 397 125	(4 413 362)	983 763	5 292 166	(4 510 560)	781 606
Motor vehicles	19 579 541	(13 556 315)	6 023 226	26 109 163	(20 037 903)	6 071 260
Office equipment	2 067 026	(1 127 446)	939 580	1 927 413	(1 029 212)	898 201
IT equipment	10 750 794	(8 051 291)	2 699 503	11 411 951	(7 054 038)	4 357 913
Infrastructure	1 261 470 570	(638 015 956)	623 454 614	1 236 320 479	(414 956 942)	821 363 537
Community	131 825 848	(37 746 079)	94 079 769	131 825 848	(33 199 996)	98 625 852
Landfill sites	26 241 461	(20 176 006)	6 065 455	26 466 246	(19 655 167)	6 811 079
Work in progress	53 647 911	-	53 647 911	42 019 549	-	42 019 549
Total	1 699 861 660	(785 882 015)	913 979 645	1 669 807 824	(555 697 193)	1 114 110 631

Inxuba Yethemba Local Municipality

(Registration number EC131)
Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Change in estimate	Transfers	Depreciation	Impairment loss	Total
Land	36 611 790	-	-	-	-	-	-	36 611 790
Buildings	93 414 676	-	-	-	-	(5 487 982)	(1 769 734)	86 156 960
Plant and machinery	3 155 168	674 343	(51 943)	-	-	(460 494)	-	3 317 074
Furniture and fixtures	781 606	442 493	(851)	-	-	(239 485)	-	983 763
Motor vehicles	6 071 260	1 359 842	(20 137)	-	-	(1 387 739)	-	6 023 226
Office equipment	898 201	315 232	(2 390)	-	-	(271 463)	-	939 580
IT equipment	4 357 913	403 141	(22 358)	-	-	(2 039 193)	-	2 699 503
Infrastructure	821 363 537	160 080	-	-	24 990 011	(70 681 590)	(152 377 424)	623 454 614
Community	98 625 852	-	-	-	-	(4 546 083)	-	94 079 769
Landfill sites	6 811 079	-	-	(224 785)	-	(520 839)	-	6 065 455
Work in progress	42 019 549	36 618 373	-	-	(24 990 011)	-	-	53 647 911
	1 114 110 631	39 973 504	(97 679)	(224 785)	-	(85 634 868)	(154 147 158)	913 979 645

Inxuba Yethemba Local Municipality

(Registration number EC131)
Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	36 611 790	-	-	-	-	-	36 611 790
Buildings	101 366 021	-	-	-	(5 641 995)	(2 309 350)	93 414 676
Plant and machinery	272 138	3 261 477	(2)	-	(370 995)	(7 450)	3 155 168
Furniture and fixtures	483 060	487 886	(144)	-	(189 196)	-	781 606
Motor vehicles	3 134 881	5 512 834	-	-	(1 653 292)	(923 163)	6 071 260
Office equipment	643 124	465 493	(2)	-	(199 714)	(10 700)	898 201
IT equipment	4 496 378	1 836 556	(82 834)	-	(1 764 586)	(127 601)	4 357 913
Infrastructure	819 818 049	350 810	-	38 339 801	(37 145 123)	-	821 363 537
Community	103 168 824	-	-	-	(4 542 972)	-	98 625 852
Landfill sites	4 325 452	2 893 495	-	-	(407 868)	-	6 811 079
Work in progress	47 073 549	33 285 801	-	(38 339 801)	-	-	42 019 549
	1 121 393 266	48 094 352	(82 982)	-	(51 915 741)	(3 378 264)	1 114 110 631

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
--	------	------

11. Property, plant and equipment (continued)

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

The following community asset project is taking significantly longer period of time to complete than expected and also been halted in the previous reporting period due to the following reasons:

Upgrading of cattle custom feed - Project delays were due to lack of funding. The project resumed in the 2024-25 financial year.	3 168 797	716 079
Design. Supervision and Monitoring of Various Roads in Cradock - Project delays were due to lack of funding	6 301 060	6 301 060
Design. Supervision and Monitoring of Various Roads in Middelburg - Project delays were due to lack of funding	6 582 934	6 582 934
Rehabilitation/Resealing of Roads (Middelburg) Phase 1 - Project delays were due to lack of funding	589 500	589 500
	16 642 291	14 189 573

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Total
Opening balance	41 303 470	716 079	42 019 549
Additions / capital expenditure	34 435 236	2 183 137	36 618 373
Transferred to completed items	(24 990 011)	-	(24 990 011)
	50 748 695	2 899 216	53 647 911

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	46 357 470	716 079	47 073 549
Additions / capital expenditure	33 285 801	-	33 285 801
Transferred to completed items	(38 339 801)	-	(38 339 801)
	41 303 470	716 079	42 019 549

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. There are no restrictions on the realisability of property, plant and equipment or the remittance of revenue and proceeds of disposal. There are no contractual obligations on property, plant and equipment.

Refer to note 41 for details about repairs and maintenance disclosure.

12. Payables from exchange transactions

Trade payables	806 168 598	635 089 522
Accrued leave pay	8 893 906	7 414 940
Accrued bonus	2 204 020	2 093 042
Other payroll accrual	3 141 847	3 450 101
Deposits received	2 741 056	2 524 994
Other payables	4 303 486	1 980 496
Retention	12 287 926	11 695 015
Credit balance in debtors	9 337 811	7 109 151
Amounts payable to principal	7 774 114	7 132 446
	856 852 764	678 489 707

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024

12. Payables from exchange transactions (continued)

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe, however due to liquidity problems, the municipality was not able to meet payment commitments. Credit balances in debtors relates to overpaid debtors accounts.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date. Accrued thirteenth cheque relates to the thirteenth cheque payable annually on the employees birthday month by the municipality. The accrual is an estimate of the amount due at the reporting date.

Other payables consists of unidentified deposits received by the municipality from account holders
Refer to note 19 for further information on amounts due to agency arrangement principal

13. Payables from non exchange transactions

Credit balance in debtors	3 701 607	5 093 957
---------------------------	-----------	-----------

Payables from non exchange transactions comprises of debtors who paid in advance for services that are non exchange in nature.

14. Consumer deposits

Electricity	1 313 667	1 312 069
-------------	-----------	-----------

Consumer deposits from exchange transactions are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid by the municipality on consumer deposits from exchange transactions held.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Disaster Relief Grant	1 952 650	3 290 481
---------------------------------	-----------	-----------

Movement during the year

Balance at the beginning of the year	3 290 481	-
Additions during the year (All conditional grants)	98 753 669	103 443 846
Income recognition during the year (All conditional grants)	(100 091 500)	(100 153 365)
	1 952 650	3 290 481

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

See note 25 for reconciliation of grants received.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

_____ 2025 2024

16. Employee benefit obligations

Defined benefit plan

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The liability represents an estimation of the awards to which employees in the service of the municipality may become entitled to in the future, based on an actuarial valuation performed.

At 31 June 2025, 302 (2024: 302) employees were eligible for long-service awards.

The independent valuers, One Pangaea Expertise and Solutions (Pty) Ltd ('OPES'), have been engaged to carry out a GRAP 25: Employee benefits actuarial valuation of the municipality's liability as at 30 June 2025 arising out of the long service awards to be awarded to qualifying in-service employees.

Long Service award obligation

Opening balance	4 046 134	4 586 965
Current service costs	287 717	462 925
Interest cost	409 743	439 050
Benefits paid	(300 651)	(787 102)
Acturial losses /(gains)	501 008	(655 704)
	4 943 951	4 046 134

Key assumption used

Financial assumptions in percentages below:

Discount rate	8,97	11,11
Consumer price inflation	3,90	6,08
Normal salary increase rate	4,90	7,08
Net effective discount rate	3,88	3,76

Number of employees at the end of financial year end

Number of active employees	297	302
Average annual salary (R)	241 259	213 419
Salary weighted average age	46,55	46,20
Weighted average past service years	12,00	11,96

Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	38 256 127	38 791 843

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
--	------	------

16. Employee benefit obligations (continued)

Post Employment Medical Subsidy

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired employees of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement. The municipality is thus liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees. Currently the qualifying members will received a 60% subsidy on the medical aid contributions.

The independent valuers, One Pangaea Expertise and Solutions (Pty) Ltd ('OPES), have been engaged to carry out an GRAP 25: Employee Benefits actuarial valuation of the municipality's liability as at 30 June 2025 arising out of the post retirement medical aid plan awarded to qualifying in-service employees

Opening balance	34 745 709	35 391 509
Interest cost	4 109 587	4 427 356
Benefits paid	(2 080 514)	(2 035 250)
Current service cost	1 222 922	1 159 809
Remeasurements over the financial year	(4 685 528)	(4 197 715)
Balance at the end of the year	33 312 176	34 745 709

Current service costs are included in employee related costs in the statement of financial performance (refer to note 29).

Key assumptions used

Assumptions used at the reporting date:

Discount rate	10,80 %	12,21 %
Consumer price inflation	5,14 %	6,75 %
Healthcare cost inflation	6,64 %	8,25 %
Net discount rate	3,90 %	3,65 %

17. Provisions

Reconciliation of provisions - Statement of Financial Position

	Opening Balance	Interest cost	Change in estimate	Total
Rehabilitation of landfill site	22 691 293	2 709 341	(224 785)	25 175 849

Reconciliation of provisions - Statement of Financial Performance

	Opening Balance	Interest cost	Change in estimate	Total
Rehabilitation of landfill site	17 768 462	2 029 336	2 893 495	22 691 293
Non-current liabilities			5 443 373	22 691 293
Current liabilities			19 732 476	-
			25 175 849	22 691 293

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
--	------	------

17. Provisions (continued)

Environmental rehabilitation provision

Landfill site provision is the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. The operation of a landfill results in an obligation to rehabilitate the landfill and prevent any further pollution after closure thereof.

The municipality has an obligation to rehabilitate its landfill sites in terms of the conditions set out in the original licenses and subsequent extensions to the licenses. The estimated value of the rehabilitation cost of landfill sites has been determined as at 30 June 2025 by technical experts, One Pangaea Expertise and Solutions (OPES). The provision is the best estimate of the value of the rehabilitation costs of the landfill sites to restore the sites at the end of their useful lives. The landfill sites are classified as current and non-current liabilities. Additional text

The following assumptions were made when calculating the provision:

Discount Rate Assumption

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 was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2025 was 11.37% p.a. The consumer price inflation of 5.94% p.a. was obtained from the differential between the averages of the Nominal Bond and the Real Bond (Zero Yield Curves).

- Costs included in the provision relate only to estimated costs to be incurred relating to pre-closure, closure and post closure activities of the current landfill sites. Any costs associated with the new site will be capitalised to a new landfill asset in future.
- **Cradock Landfill Site:**
The Cradock landfill site is currently operational, receiving general domestic waste (waste type 2) from the town and nearby residential areas. Unfortunately, specific data on the total tonnage of waste deposited at the site is not available due to the absence of incoming waste records. The landfill site was issued a closure licence due to lapse on the 13th of October 2025. The effective useful life is therefore 0 years.
- **Middelburg Landfill Site:**
The Middelburg landfill site is licenced for operations in terms of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008) by the Department of Economic Development, Environmental Affairs and Tourism. The permit referenced HO/A/10/L27/14 issued on the 24th of March 2015 was initially valid for 10 years awaiting and due for compliance review and possible extension.

Key financial assumptions used

Discount rate (D)	11,37 %	11,94 %
Consumer price inflation (C)	5,94 %	6,51 %
Net discount rate $((1+D)/(1+H)-1)$	5,13 %	5,10 %
	22,44 %	23,55 %

The discounted cost to rehabilitate the landfill sites are calculated to be:

Cradock landfill	19 732 476	17 862 091
Middelburg landfill	5 443 372	4 829 202
	25 175 848	22 691 293

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
18. Service charges		
Sale of electricity	126 193 582	124 201 563
Refuse removal	22 726 401	28 468 597
	148 919 983	152 670 160
19. Rental of facilities and equipment		
Premises		
Premises	1 532 255	1 400 615
Venue hire	297 619	222 237
	1 829 874	1 622 852
Facilities and equipment		
Rental of equipment	2 593 508	78 740
Vehicle hire	-	3 759
	2 593 508	82 499
	4 423 382	1 705 351
<p>Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out. Rentals mainly consists of short-term rentals.</p>		
20. Agency services		
Driver's Licenses	2 954 637	2 908 437
21. Other income		
Administration fees received	103 278	64 259
Cemetery fees	936 029	783 323
Clearance application fees	67 904	62 818
Commission received	157 376	145 460
Connection fees	444 552	230 889
Plan fees	367 961	287 041
Sundry fees	235 797	852 288
	2 312 897	2 426 078
22. Investment revenue		
Interest revenue		
Bank	394 616	296 401
Interest charged on trade and other receivables	26 977 843	28 727 185
	27 372 459	29 023 586
23. Fair value adjustments		
Land Inventory and Investment property	7 733 287	3 982 575
24. Actuarial losses		
<p>Actuarial losses for the year is stated after accounting for the following:</p>		

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
24. Actuarial losses (continued)		
Actuarial (gains)/losses on the post retirement medical benefit obligation	(4 485 172)	(4 197 715)
Actuarial (gains) /losses on the long service award	-	(655 704)
	(4 485 172)	(4 853 419)

25. Property rates

Rates received

Residential	51 024 279	41 356 512
-------------	------------	------------

Property rates are levied on the value of land and improvements, for which valuation is performed every four years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions. Rates are levied based on consumer choice (i.e. monthly or annually) on property owners and are payable the end of each month. Interest is levied at a rate determined by Council on outstanding rates amounts.

Valuations

Residential	1 695 402 700	1 642 314 000
Commercial	556 945 000	608 448 000
State	382 789 500	820 898 000
Small holdings and farms	7 625 075 200	7 529 015 400
Public Service Infrastructure	84 270 001	48 047 000
	10 344 482 401	10 648 722 400

26. Government grants & subsidies

Operating grants

Equitable share	57 496 000	54 269 000
Finance Management Grant	3 000 000	3 100 000
Expanded Public Works Programme Integrated Grant	1 754 000	2 050 000
Department of Sport, Recreational Arts and Culture: Libraries Grant	2 940 000	2 510 000
Local Government Sector Education and Training Authority	592 207	652 901
Municipal Infrastructure Grant	911 250	1 232 900
	66 693 457	63 814 801

Capital grants

Municipal Infrastructure Grant	17 313 750	23 425 100
Energy Efficiency and Demand-Side Management Grant	-	5 000 000
Integrated National Electrification Programme	6 322 000	-
Municipal Disaster Relief Grant	9 766 832	7 942 519
	33 402 582	36 367 619
	100 096 039	100 182 420

Equitable Share

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

All registered indigents receive a monthly subsidy of R 268 (2024: R 268), which is funded from the grant.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

26. Government grants & subsidies (continued)

Energy Efficiency and Demand-Side Management Grant

	2025	2024
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	-	(5 000 000)
	-	-

All conditions attached to this grant have been met. (see note 15).

Local Government Sector Education and Training Authority

Current-year receipts	587 669	652 901
Conditions met - transferred to revenue	(587 669)	(652 901)
	-	-

All conditions attached to this grant have been met. (see note 15).

Integrated National Electrification Programme

Current-year receipts	6 322 000	-
Conditions met - transferred to revenue	(6 322 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Financial Management Grant

Current-year receipts	3 000 000	3 100 000
Conditions met - transferred to revenue	(3 000 000)	(3 100 000)
	-	-

All conditions attached to this grant have been met. (see note 15).

Municipal Infrastructure Grant (Operational)

Current-year receipts	911 250	1 232 900
Conditions met - transferred to revenue	(911 250)	(1 232 900)
	-	-

All conditions attached to this grant have been met. (see note 15).

All conditions attached to this grant have been met.

Municipal Infrastructure Grant (Capital)

Current-year receipts	17 313 750	23 425 100
Conditions met - transferred to revenue	(17 313 750)	(23 425 100)
	-	-

All conditions attached to this grant have been met.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
26. Government grants & subsidies (continued)		
Expanded Public Works Programme Integrated Grant		
Current-year receipts	1 754 000	1 778 000
Conditions met - transferred to revenue	(1 754 000)	(1 778 000)
	-	-
All conditions attached to this grant have been met. (see note 15).		
Municipal Disaster Relief Grant		
Balance unspent at beginning of year	3 290 481	-
Current-year receipts	8 429 000	11 233 000
Conditions met - transferred to revenue	(9 766 831)	(7 942 519)
	1 952 650	3 290 481
All conditions attached to this grant have been met.(see note 15).		
27. Fines		
Illegal Connections Fines	360 608	150 618
Law Enforcement Fines	2 872 667	3 971 812
Overdue Books Fines	1 218	3 163
	3 234 493	4 125 593
28. Interest on Eskom Debt write off		
Interest on eskom debt written off	-	43 520 416

The municipality entered into a payment arrangement with Eskom as a way of assisting the municipality to pay the outstanding amount of the debt. The arrangement involves the writing off of the Eskom debt if they adhere to the arrangement.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
29. Services in-kind		
Services in-kind	-	2 069 340
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	148 919 983	152 670 160
Rental of facilities and equipment	4 423 382	1 705 351
Agency services	2 954 637	2 908 437
Other income	2 312 897	2 426 078
Interest received - investment	27 372 459	29 023 586
	185 983 358	188 733 612
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	51 024 279	41 356 512
Transfer revenue		
Government grants & subsidies	100 096 039	100 182 420
Fines, Penalties and Forfeits	3 234 493	4 125 593
Interest Eskom Debt write off	-	43 520 416
Services in-kind	-	2 069 340
	154 354 811	191 254 281

Nature and type of services in-kind are as follows:

In terms of sec 23(6) of the Public Audit Act, if the audit fee exceeds one percent of the total current and capital expenditure of such auditee for the relevant financial year, such excess must be defrayed from the National Treasury's vote, provided that the National Treasury is of the view that the auditee has financial difficulty to settle the cost. This excludes national and provincial departments.

The Service in-kind amount is recognised when Treasury has paid to the Auditor General of South Africa the amount of the audit fee that is in excess of one percent of the total current and capital expenditure of such auditee for the relevant financial year. Further the Services in-kind is measured at the amount of the credit notes which appear in the AGSA statements.

30. Employee related costs

Basic	83 009 758	81 996 473
Bonus	5 337 427	5 293 349
Medical aid - company contributions	4 238 887	3 074 691
UIF	671 001	680 067
SDL	1 071 494	1 050 114
Defined contribution plans	11 620 528	11 435 164
Travel, motor car, accommodation, subsistence and other allowances	6 487 548	5 826 521
Overtime payments	4 073 814	6 499 231
Long-service awards	595 356	462 924
Acting allowances	1 724 067	1 776 697
Housing benefits and allowances	210 375	106 910
Other allowances	629 352	581 837
Group Life Insurance	936	936
Bargaing Council levy	63 377	51 798
Adjustments to post retirement medical obligation	1 326 215	1 253 648
	121 060 135	120 090 360

Refer to note 54 for remuneration paid to section 57 managers.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
31. Remuneration of councillors		
Executive Mayor	1 018 801	995 962
Mayoral Committee Members	2 615 299	2 841 594
Speaker	824 922	811 240
Councillors	4 215 447	3 886 966
Ward committee members' allowances	900 560	883 320
	9 575 029	9 419 082
In-kind benefits		
<p>The Executive Mayor, Speaker and some executive committee members are full-time councillors. The Executive Mayor and Speaker are provided with an office and secretarial support at the cost of the Council. Remuneration of councillors includes the total earnings for the annum plus the employer contributions for the year. Refer to note 55 for details of remuneration paid to councillors.</p>		
32. Finance costs		
Payables from exchange transactions	31 345 379	38 818 765
Interest expense on landfill site and employee benefit obligations	7 228 672	4 866 406
	38 574 051	43 685 171
33. Depreciation		
Property, plant and equipment	85 634 868	51 915 741
34. Impairment loss		
Impairments		
Property, plant and equipment	154 146 697	3 423 766
There was an impairment on infrastructure due to the deterioration of the roads.		
Debt Impairment	33 166 643	9 618 213
Consumer debtors from exchange transactions, Statutory receivables and Receivables from exchange transactions had been impaired as a result of non-payment by account holders. The municipality have implemented collection procedures against these accounts which have not been successful to date.		
	187 313 340	13 041 979
35. Lease rentals on operating lease		
Equipment		
Contractual amounts	1 399 503	1 398 884
36. Bad debts written off		
Bad debts written off	18 992 709	36 081 578
<p>The council did approve a write off on irrecoverable debt. Council did assess the consumer accounts that who do qualify to be indigent and approve their outstanding debt.</p>		
37. Bulk purchases		
Electricity - Eskom	129 547 924	116 868 088

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
--	------	------

37. Bulk purchases (continued)

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Eskom.

38. Contracted services

Consultants and Professional Services

Preparation of fixed asset register	3 064 500	9 683 560
Preparation of financial statements and improving audit outcomes	29 698 938	11 679 225
Legal costs	1 595 537	-
Municipal finance system maintenance	-	3 368 250
Other	321 319	13 442 322
Provision for Training	11 221 790	150 000
Computer system maintenance	5 909 249	(2 234 444)
Security Services	7 046 619	-
	58 857 952	36 088 913

39. Loss on disposal of assets

Property, plant and equipment	97 678	233 509
-------------------------------	--------	---------

40. Accounting by principals and agents

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

Details of arrangement where municipality is the agent

The municipality has entered into a service level agreement with the Department of Transport to execute and deliver services on behalf of the Department of Transport in relation to registering authorities, driving license testing centres and vehicle testing stations. The Department of Transport is the principal and the municipality is the agent in the arrangement. The municipality benefits from the arrangement because it is able to collect additional revenue and there is no significant increase in risk to the municipality as a result of this arrangement. There has been no change to the arrangement in the current year.

The revenue collected as disclosed above is earned with as follows:

- Registering Authority: The municipality is entitled to 19% of the total amount collected and the balance of 81% accrues to the Department of Transport.
- Driving License Testing Centre: The municipality must deposit the prescribed amount to the Driving License Card Production Entity for each drivers' license card ordered. The municipality is entitled to all the fees collected other than the prescribed amount per card ordered.
- Vehicle Testing Station: The municipality is entitled to 97% of the revenue collected and the remainder accrues to the Department of Transport.

The municipality does not incur costs on behalf of the Department of Transport.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

_____ 2025 2024

40. Accounting by principals and agents (continued)

Revenue recognised

The aggregate amount of revenue that the municipality recognised as compensation for the transactions carried out on behalf of Department of Transport is R2 954 637 (2024: R2 908 437).

Payables recognised

Amount payable to principal R7 774 114 (2024: R7 132 446)

Municipality as Principal

Fees Paid

Commission paid to prepaid vendors 1 347 189 1 843 236

The municipality has directed various vendors through a binding arrangement to undertake transactions with third parties on behalf of Inxuba Yethemba Local Municipality, which is sale of municipal electricity. These are vendors which are used due to capacitation of the municipality and is more cost effective which provide customers easy access to prepaid electricity.

Electricity vendors are entitled to of claim 5% commission on sales of prepaid electricity.

41. Repairs and maintenance

Buildings and structures	158 173	563 740
Infrastructure	13 875 110	13 844 219
Office equipment and furniture	589 638	630 150
Tools and accessories	376 960	12 134
Vehicles	1 347 139	1 354 895
	16 347 020	16 405 138

42. General expenses

Audit Committee fees	526 534	662 291
Advertising	332 523	892 731
Auditors remuneration	7 363 415	6 283 368
Bank charges	1 753 480	1 197 405
Commission paid	2 193 235	1 735 010
Computer expenses	143 376	610 756
Consulting and professional fees	1 037 175	686 956
Consumables	3 248 940	2 461 010
Donations	-	62 490
Hire	2 748 114	601 663
Insurance	2 538 284	3 546 837
Motor vehicle expenses	2 699 403	2 448 000
Printing and stationery	1 199 727	552 818
Security (Guarding of municipal property)	-	6 113 637
Subscriptions and membership fees	1 655 595	1 273 675
Telephone and fax	512 123	751 882
Training	5 866 497	9 194 880
Travel, subsistence and accomodation	6 290 160	5 462 822
Special programs and events	13 931 788	5 038 257
Other expenses	7 147 222	9 657 643
	61 187 591	59 234 131

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
43. Cash generated from operations		
Deficit	(376 031 172)	(117 274 097)
Adjustments for:		
Depreciation and amortisation	85 634 868	51 915 741
Gain on sale of assets and liabilities	97 678	233 509
Fair value adjustments	(7 793 287)	(3 982 575)
Property, Plant and Equipment Impairment loss	154 147 158	3 423 766
Bad debts written off and movement in debt impairment	52 276 994	45 699 791
Interest expense provisions for rehabilitation	2 709 341	2 029 336
Service in kind	-	(2 069 340)
Interest cost on employee benefit obligations	3 648 804	3 666 788
Interest on eskom write off	-	(43 520 416)
Inventory losses or write-downs	-	1 635 410
Actuarial losses / (gains) on employee benefit obligation	(4 184 520)	(4 853 419)
Other movements in PPE	224 785	(150 527)
Changes in working capital:		
Inventories	(715 343)	(165 721)
Receivables from exchange transactions	(2 214 133)	(776 869)
Consumer debtors	(4 922 848)	(1 542 493)
Statutory receivables	(39 346 045)	(54 216 532)
Payables from exchange and non exchange transactions	176 970 707	166 234 601
VAT	(2 396 785)	(824 635)
Unspent conditional grants and receipts	(1 337 831)	3 290 481
Consumer deposits	1 598	(54)
	36 769 969	48 752 745
44. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure assets	45 242 149	68 493 968
• Prior period error	-	(1 958 333)
	45 242 149	66 535 635
Authorised operational expenditure		
Total commitments		
Total commitments		
Authorised capital expenditure	45 242 149	66 535 635
This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated and grant income received.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	871 701	1 609 295
- in second to fifth year inclusive	-	871 701
	871 701	2 480 996

The lease agreements are for office equipment leased from 1 August 2017 for a period of 3 years and 2 additional machines leased from 1 March 2018 for a period of 29 months. The contract expired in the previous financial year and the municipality is currently leasing the equipment on a month to month basis.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
45. Distribution losses		
Electricity losses (units)		
Electricity units (kWh) purchased from Eskom	61 173 860	59 370 562
Electricity units (kWh) sold to consumers	(47 140 082)	(49 695 913)
	14 033 778	9 674 649
Electricity losses (Rands)		
Electricity cost excluding VAT	119 386 905	103 381 960
Electricity Service charge	(91 998 584)	(86 535 493)
	27 388 321	16 846 467

Electricity losses for the financial year amounted to 22.94% (2024: 16.27%) of the electricity consumed in the area.

Technical losses are based on Transformer Efficiency and Line losses. The average transformer efficiency is 93% (industry average) therefore 4% of the losses are due to transformer losses (Hysteresis + Eddy-current). Line losses constitute approximately 3% of total loss. These remaining losses are attributable to electricity line losses within the electricity network infrastructure due to faulty meters and theft.

46. Contingent liabilities

2025

Adelaide Klara KOK vs Inxuba Yethemba Local Municipality - Instruction from municipality to defend Plaintiff's claim to be repaid for payment made to obtain clearance certificate. Estimated amount R66 359,67.

Charlene Vorster vs Inxuba Yethemba Local Municipality - Instruction from municipality to defend Plaintiff's claim to be repaid for payment made to obtain clearance certificate. Case no: 199/2023. Estimated amount R19 843,22.

Bebeza - Mili & Others vs Inxuba Yethemba Local Municipality - Unfair Labour Practice. Estimated amount R0,00

Msobomvu Human Capital (PTY) Ltd vs Inxuba Yethemba Local Municipality - Mining company who has instituted litigation against the municipality to have the cancellation of a purported verbal lease agreement declared unlawful and to regain access to the land on which they were mining/intend to mine. Estimated amount R0,00.

X Msweli vs Inxuba Yethemba Local Municipality - The matter has already been argued at the trial Labour Court and the judgement was granted of the IYM. Mr Msweli applied for a leave to appeal and lost. After losing the leave to appeal Mr Msweli has petitioned the appeal which we are also opposing. Estimated R0,00

Nasiphi Qali vs Inxuba Yethemba Local Municipality - The case concerns insubordination, Disrespect by an employee(Nasiphi) to her senior director. The employee was dismissed by Internal disciplinary hearing based on insubordination and damage of property. She referred her dismissal as unfair . Estimated amount R0,00

V.Dusubane SALGBC//IYM - Exchange of pleadings are at its final stages, the respondent has served and filed her answering affidavit, the Counsel is still deciding whether it worth replying or not. The Bargaining that we refer the matter back to the Bargaining Council by agreement.Estimated amount R0,00.

DIKGATO ENGINEERING CONSULTANTS // IYM - Contractual claim against the municipality Case no: 1484/2022. Matter defended. Litigation in its early stages. Estimated R677 925,31

Wendy Langa vs Inxuba Yethemba Local Municipality - Claim for damages to motor vehicle due to pothole. Matter defended. Estimated amount R46 308,61.

Busisiwe Dyantyi vs Inxuba Yethemba Local Municipality - The municipality is sued for the incident which occurred on the 21 June 2021 at Siyabulela street Ingelihle of child which was injured to death by a stormwater pipe. Case no : 2372/2022. Estimated amount R920 000.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
--	------	------

46. Contingent liabilities (continued)

SALGBC// Inxuba Yethemba Local Municipality - Panziso - An award has been issued against the municipality in favour of the employee stating the dismissal was substantively and procedurally unfair. Estimated amount R0,00.

SALGBC// Inxuba Yethemba Local Municipality - Bantom - An award has been issued against the municipality in favour of the employee stating the dismissal was substantively and procedurally unfair. Estimated amount R0,00.

JH HOON & ANOTHER//IYM - Spoliation application against the Municipality for disconnection of electricity supply regarding settlement. We are still awaiting confirmation from the Municipality. Costs to date - R70 000,00.

2024

Adelaide Klara KOK vs Inxuba Yethemba Local Municipality - Instructions received from IYM to rescind Judgment against Municipality for refund of rates payment made to obtain clearance certificate Case no: 44/2022. Estimated amount R66 359,67.

Charlene Vorster vs Inxuba Yethemba Local Municipality - Instructions received from IYM to rescind Judgment against Municipality for refund of rates payment made to obtain clearance certificate Case no: 55/2022. Estimated amount R19 843,22.

Sipunzi vs Inxuba Yethemba Local Municipality - Unfair labour practice Case no : PR155/21.

Fortuin vs Inxuba Yethemba Local Municipality - Contempt of court application Case no: P130/22, Applicant abandoned contempt of court proceedings and will instead proceed with an application to quantify the arbitration award. Estimated amount R103 049.

Reza vs Inxuba Yethemba Local Municipality - Application for reconnection of electricity and ancillary relief launched against Municipality Case no: 95/2023. Estimated amount R100 000.

Vuyiseka Hukwe vs Inxuba Yethemba Local Municipality - Section 30 letter of demand received by municipality for a claim for damages due to injury. Estimated amount R400 000

Siphiwo G. Tyindi vs Inxuba Yethemba Local Municipality - A claim was instituted against the Municipality for damages by Plaintiff - breach of contract. Estimated amount R90 654.03.

Bebeza - Mili & Others vs Inxuba Yethemba Local Municipality - Unfair Labour Practice. Estimated amount R0.00.

Msobomvu Human Capital (Pty) Ltd vs Inxuba Yethemba Local Municipality - Mining company who has instituted litigation against the municipality to have the cancellation of a purported verbal lease agreement declared unlawful and to regain access to the land on which they were mining/intend to mine. Estimated R0.00

V.Dusubane SALGBC//IYM - An award has been issued against the municipality in favour of the employee stating the dismissal was substantively and procedurally unfair. Estimated amount R0,00.

X Msweli vs Inxuba Yethemba Local Municipality - Unfair Labour Practice. Estimated R0,00.

N.Qali SALGBC//IYM - An award has been issued against the municipality in favour of the employee stating the dismissal was substantively and procedurally unfair. Estimated amount R0,00.

Ncumisa Nwabisa Amelisa Mongo vs IYLM - New instruction - memorandum of advice will be prepared and submitted to the municipality in due course. Estimated amount R0.00

Vuyokasi Dubusana vs Inxuba Yethemba Local Municipality - The case concerns dismissal of an employee (Vuyokasi),she referred her dismissal as unfair . Estimated amount R0.00

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
--	------	------

46. Contingent liabilities (continued)

Ms. Jane Songase vs IYM. The dispute- arises as a result of the deed of sale concluded between the Inxuba Yethemba Local Municipality and Jane Songase that was erroneously transferred to Queen Wayisa who drafted a will and bequeathed the house to her descendants. Estimated R200 000.

CHARLES FEATHERSTONEHAUGH // INXUBA YETHEMBA MUNICIPALITY - Summons issued against Municipality for non-payment of monthly stipend of member of ward committee. Instructions received from MM to defend the matter. Plaintiff has done nothing to further the matter, awaiting the opposing attorney's advice on their client's intentions. Estimated R21 000.

DIKGATO ENGINEERING CONSULTANTS // IYM - Contractual claim against the municipality Case no: 1484/2022. Matter defended. Litigation in its early stages. Estimated R677 925.31

WENDY LANGA // IYM - Claim for damages to motor vehicle due to pothole. Matter defended. Plaintiffs consented to rescission of judgment which was incorrectly granted. Plea filed and pleadings closed. Attending to discovery processes. Estimated R46 308,6

BUSISIWE DYANTYI // IYM - The municipality is sued for the incident which occurred on the 21 June 2021 at Siyabulela street Ingelile of child which was injured to death by a stormwater pipe. Case no : 2372/2022 Estimated R920 000

IYM in re: CLEARANCE FIGURES ERF 6398 CRADOCK - Dispute over provision of a clearance certificate due to outstanding rates and a dispute over who is responsible for payment of same. Estimated R0.00

IYM // ARENGO 316 (PTY) LTD - Property to be sold on auction by business rescue practitioners of Arengo 316 (Pty) Ltd- property was supposed to revert to the municipality once 5 years had lapsed and the project had not progressed. Property was never transferred back to municipality.

Contingent assets

2025

No contingent asset in the 2024-25 financial year.

2024

Inxuba Yethemba Local Municipality vs Mr Reza - We issued Summons against Mr Reza for the amount of R580,085.73. Summons was successfully served on him. The matter will be mediated and, if mediation is unsuccessful, litigation will continue.

47. Unauthorised expenditure

Opening balance	648 451 266	633 039 020
Unauthorised expenditure in the current year	266 220 150	22 987 861
Less: Amount written off- current	(201 851 979)	(7 575 615)
Closing balance	712 819 437	648 451 266

Unauthorised expenditure is presented per department. The municipality has identified unauthorised expenditure during the prior periods.

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

Analysed as follows: non-cash

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
--	------	------

47. Unauthorised expenditure (continued)

Analysed as follows: cash

Unauthorised expenditure: Budget overspending – per municipal department:

Municipal Manager	13 172 499	19 641 782
Corporate Services	1 487 763	3 346 078
Financial Services	154 558 124	-
Community Services	12 771 245	-
Technical Services	83 748 048	-
LED Services	482 471	-
	266 220 150	22 987 860

48. Fruitless and wasteful expenditure

Opening balance	114 866 510	114 247 002
Fruitless wasteful Expenditure incurred in prior year but identified in the current	36 782 987	-
Fruitless and wasteful expenditure incurred in the current year	31 973 941	1 322 580
Less: Amount written off	(47 255 467)	(703 072)
Closing balance	136 367 971	114 866 510

49. Irregular expenditure

Opening balance as previously reported	458 034 888	472 656 034
Add: Irregular expenditure - current	53 847 907	58 121 423
Less: Amount written off - prior period	(83 773 561)	(72 742 569)
Closing balance	428 109 234	458 034 888

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

R 2 000 to R 10 000 - Various suppliers	11 783	1 421 759
R 10 000 to R 30 000 - Various suppliers	44 821	6 270 036
R 30 000 to R 200 000 - Various suppliers	1 612 702	3 093 532
More than R 200 000 - Various suppliers	52 178 601	47 336 096
	53 847 907	58 121 423

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Balance payable at the beginning of the year	1 376 290	97 616
Current year subscription / fee	1 315 920	1 273 674
Additional invoices	370 484	5 000
Amount paid - current year	(2 159 203)	-
Balance payable at the end of the year	903 491	1 376 290

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees (amounts includes VAT)		
Balance payable at the beginning of the year	8 905 018	9 453 335
Audit fees charged in current year	8 467 927	4 874 609
Interest charged during the year	857 337	536 794
Interest credit given during the year	(272 370)	-
Amount paid - previous years	(4 909 872)	(5 959 720)
Balance payable at the end of the year	13 048 040	8 905 018

PAYE and UIF

Balance payable at the beginning of the year	1 694 520	1 302 438
Restatement	(357 430)	-
Contributions	17 349 743	11 116 122
Interest and penalties - current year	146 569	120 389
Amount paid - current year	(16 159 057)	(9 541 991)
Amount paid - previous years	(1 337 090)	(1 302 438)
Balance payable at the end of the year	1 337 255	1 694 520

Pension and Medical Aid Deductions

Balance at the beginning of the year	2 791 270	3 998 719
Current year subscription / fee	26 875 627	23 092 674
Amount paid - current year	(29 667 061)	(24 300 123)
Balance payable at the end of the year	(164)	2 791 270

VAT

VAT	63 074 034	60 677 249
-----	------------	------------

The municipality is on the payment basis for VAT and submit monthly returns. All VAT returns have been submitted by the due date throughout the year.

The Vat disclosed above is the net of Vat input accrual, Vat output accrual and Vat Payable as at year end

All VAT returns have been submitted by the Municipality throughout the year and Vat payable to SARS as at 30 year end was 2025: R955 488 (2024: 574 551)

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 R	Outstanding more than 90 days R	Total R
Zonke, NP	18 251	292	18 543
Mbotya, TP	3 029	3 850	6 879
Dauids, L	-	(1 870)	(1 870)
Masawe, SV	-	6 021	6 021
Mongo, NNA	-	(878)	(878)
Rasmeni, M	846	65 334	66 180
Dakuse, A	846	75 376	76 222
Featherstonehaugh, MH	1 940	-	1 940
Reeners, JJ	1 037	11	1 048

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Samuals, C	883	-
Smith, Z	367	-
Desha, M	-	(6)
van der Merwe JHP	6 741	29 519
Voster, HB	293	-
Jacobus, R	6 247	549
Lawens, BL	-	(1 225)
Ndondose, S	-	(1 289)
	40 480	175 684
		216 164

30 June 2024

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Zonke, NP	-	1 555	1 555
Mbotya, TP	807	24 870	25 677
Davids, L	-	612	612
Masawe, SV	987	7 413	8 400
Mongo, NNA	290	-	290
Rasmeni, M	-	32 233	32 233
Biko, N	202	-	202
Dakuse, A	807	65 168	65 975
Featherstonehaugh, MH	852	2 403	3 255
Vorster, HB	-	249	249
Reeners, J	936	4 566	5 502
Samuels, C	-	(660)	(660)
Smith, Z	176	3	179
Desha, M	202	-	202
	5 259	138 412	143 671

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 City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Sole / single supplier	394 910	922 185
Emergencies	-	398 326
Exceptional cases	-	260 182
Impractical to use another supplier	6 042	44 175
Invalid Deviations	551 161	7 972 922
	952 113	9 597 790

51. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 197 918 201 and that the municipality's current liabilities exceed its current assets by R 756 725 289. In addition, the municipality incurred a deficit of R 376 031 172 (2024: R 117 274 097). The municipality continues to experience cash flow challenges with a net outflow of cash reserves in the current financial year. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. The municipality receives governments grants annually to assist with the running of its operational activities. The municipality has also entered into the payment arrangement with Eskom as a way of assisting the municipality to pay the outstanding amount of the debt. The arrangement involves the writing off of the Eskom debt if they adhere to the arrangement, The arrangement has led to the reduction of the municipality total debts owed .

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

_____ 2025 2024

51. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent liabilities 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 municipal manager continues to procure funding for the ongoing operations of the municipality.

Management has also put in place some of the following plans to ensure that the Municipality is a going concern;

- Management will develop and implement a financial recovery plan to improve the situation.
- Continued efforts to improve revenue billing information through regular physical verification of meter readings along with review of exception reports.
- The municipality will enforce the credit control and debt collection policies robustly by (inter-alia) cutting off electricity on long outstanding debtors to ensure that outstanding debt is settled.
- Debt management and credit control department actively liaises with other Government Departments and Local Authorities to ensure timely collection of their debt.

52. Events after the reporting date

No material fact or circumstance has occurred between the accounting date and the date the annual financial statements are authorised for issue other than those items already mentioned which required disclosure in the annual financial statements.

53. Risk management

Financial risk management

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	835 568 449	-	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	661 026 134	-	-	-

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

_____ 2025 2024

53. Risk management (continued)

Credit risk

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

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate allowance for impairment has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and note 4 and note 7 to the annual financial statements.

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

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

No financial assets past due or impaired whose terms have been renegotiated.

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

Financial instrument	Statement of Financial Position	Statement of Financial Performance
Cash and cash equivalents	2 274 175	5 702 495
Receivables from exchange transactions	2 357 122	1 882 943
Consumer debtors from exchange transactions	22 240 818	32 514 075

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rate. No formal policy exists to hedge volatilities in the interest rate market and no sensitivity analysis was performed.

Interest rate risk

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

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

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality's interest bearing external loan liabilities, as are trade and other payables from exchange transactions.

54. Financial instruments disclosure

Categories of financial instruments

Statement of Financial Position

Financial assets

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

54. Financial instruments disclosure (continued)

	2025	2024
	At amortised cost	Total
Receivables from exchange transactions	2 357 122	2 357 122
Consumer debtors	22 240 818	22 240 818
Cash and cash equivalents	2 274 175	2 274 175
	26 872 115	26 872 115

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	835 568 449	835 568 449
Consumer deposits	1 313 667	1 313 667
	836 882 116	836 882 116

Statement of Financial Performance

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 882 854	1 882 854
Consumer debtors	32 514 075	32 514 075
Cash and cash equivalents	5 702 495	5 702 495
	40 099 424	40 099 424

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	661 026 134	661 026 134
Consumer deposits	1 312 069	1 312 069
	662 338 203	662 338 203

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

55. Related parties

Section 57 managers

Municipal Manager (Full reporting period)	Mbebe, MWM
Chief Financial Officer (Appointed 1 February 2025)	Fokazi, S
Acting Chief Financial Officer (1 July 2024 to 31 January 2025)	Singeni, V
Acting Director Corporate Services ()	Makwabe, NM
Director of Local Economic Development (Full reporting period)	Makwabe, NM
Director of Corporate Services (1 July 2024 to 30 December 2024)	Dayi SJ
Director of Community Services (Full reporting period)	Majimba, NT
Director of Technical Services (full reporting period)	Nomandela, S

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

55. Related parties (continued)

Remuneration of management

Mayoral committee members

2025

Position and name	Councillors' allowance	Other allowances	Total
Mayor - Zonke, NP	741 480	281 125	1 022 605
Speaker - Mbotya, TP	593 184	234 301	827 485
MPAC Chairperson - Biko, N	396 219	47 004	443 223
Executive committee member - Davids, L	731 704	47 004	778 708
Executive committee member - Masawe, SV	556 113	222 596	778 709
Executive committee member - Mongo, NNA	310 242	144 963	455 205
Executive committee member - Ndongose, S	310 242	144 963	455 205
	3 639 184	1 121 956	4 761 140

2024

Position and name	Councillors' allowance	Other allowances	Total
Mayor - Zonke, NP	727 525	274 342	1 001 867
Speaker - Mbotya, TP	585 845	230 869	816 714
MPAC Chairperson - Biko, N	391 604	46 353	437 957
Executive committee member - Davids, L	716 068	45 353	761 421
Executive committee member - Masawe, SV	548 720	217 345	766 065
Executive committee member - Mongo, NNA	307 957	141 746	449 703
Executive committee member - Ndongose, S	307 057	141 746	448 803
MPAC Chairperson - Biko, N	351 949	51 684	403 633
	3 936 725	1 149 438	5 086 163

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

55. Related parties (continued)

Councillors

2025

Position and name	Councillors' allowance	Other allowances	Total
Councillor - Dakuse, A	308 722	47 004	355 726
Councillor - Desha, M	308 722	47 004	355 726
Councillor - Samuels, C	308 722	47 004	355 726
Councillor - Smith, Z	233 732	121 093	354 825
Councillor - Van der Merwe, JHP	234 633	121 093	355 726
Councillor - Vorster, HB	234 633	121 093	355 726
Councillor - Featherstonehaugh, MH	234 633	121 093	355 726
Councillor - Jacobs, R	234 633	121 093	355 726
Councillor - Reeners, JJ	234 633	121 093	355 726
Councillor - Lawens, BL	234 633	121 093	355 726
Councillor - Rasmeni, M	234 633	121 093	355 726
	2 802 329	1 109 756	3 912 085

2024

Position and name	Councillors' allowance	Other allowances	Total
Councillor - Dakuse, A	305 865	46 353	352 218
Councillor - Desha, M	305 865	46 353	352 218
Councillor - Samuels, C	305 865	46 353	352 218
Councillor - Smith, Z	226 824	118 503	345 327
Councillor - Van der Merwe, JHP	233 203	118 503	351 706
Councillor - Vorster, HB	216 450	118 503	334 953
Councillor - Featherstonehaugh, MH	233 034	118 503	351 537
Councillor - Jacobs, R	233 715	118 503	352 218
Councillor - Reeners, JJ	233 715	118 503	352 218
Councillor - Lawens, BL	233 715	118 503	352 218
Councillor - Rasmeni, M	233 715	118 503	352 218
	2 761 966	1 087 083	3 849 049

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

55. Related parties (continued)

Executive management

2025

Position	Salary and acting allowances	Contributions to UIF, Medical and Pension Funds	Other allowances	Total
Municipal Manager - Mbebe, MWM	1 193 216	16 232	434 275	1 643 723
Chief Financial Officer - Fokazi, L	203 528	5 888	377 425	586 841
Acting Chief Financial Officer - Singeni, V	840 013	105 635	84 969	1 030 617
Director of Local Economic Development - Makwabe, NM	1 326 296	16 696	354 984	1 697 976
Director of Corporate Services - Dayi SJ	521 253	6 878	147 910	676 041
Director of Community Services - Majimba, NT	979 070	13 787	354 984	1 347 841
Director of Technical Services - Nomandela, S	963 818	13 422	363 384	1 340 624
	6 027 194	178 538	2 117 931	8 323 663

2024

Position	Salary and acting allowances	Contributions to UIF, Medical and Pension Funds	Other allowances	Total
Municipal Manager - Mbebe, MWM	1 221 589	15 686	420 401	1 657 676
Chief Financial Officer - Hanana, L	234 123	2 350	59 877	296 350
Chief Financial Officer - Boti, N	140 205	1 993	28 637	170 835
Acting Chief Financial Officer - Hanana, L	1 004 709	113 800	82 651	1 201 160
Acting Chief Financial Officer - Singeni, V	708 820	131 163	111 282	951 265
Director of Local Economic Development - Makwabe, NM	1 208 722	14 374	343 644	1 566 740
Director of Corporate Services - Dayi, SJ	1 005 978	16 109	343 637	1 365 724
Director of Community Services - Majiba, NT	1 005 978	13 209	343 537	1 362 724
Director of Technical Services - Nomandela, S	933 122	11 761	259 828	1 204 711
	7 463 246	320 445	1 993 494	9 777 185

Salaries, allowances and benefits of the political office-bearers and councillors are within the upper limits of the framework envisaged in section 219 of the Constitution. Awards to close family members of persons in the service of the state were as follow:

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

56. Segment information

General information

Identification of segments

The municipality operates within 4 distinctive segments. The municipality has appointed a director to manage and control the performance of each segment. They are grouped as per their common activities as per strategic mandate such as Community Services, Technical Services and Local Economic Development Services. The municipality uses the same segments to determine strategic objectives.

Information reported about these segments is used by municipality as the basis for evaluating the segments performances and for making decision about the allocation of resources. The disclosure of the information is considered about these segments is also considered appropriate for external purposes.

The first segment is Community Services and this segment is mandated with providing basic services to the communities of Inxuba Yethemba Local Municipality. Its main functions are cemeteries, funeral parlours and crematoriums, civil defence, community parks (including nurseries), fire fighting and protection, libraries and archives, museums and art galleries, police forces, traffic and street parking control, recreational facilities, solid waste removal, and sports grounds.

The second segment is Technical Services which is mandated with providing infrastructure services to Inxuba Yethemba Local Municipality. Its main function is the provision of public road and electricity infrastructure.

The third segment is Local Economic Development which is to provide economic development to communities of Inxuba Yethemba Local Municipality. Its main functions are cultural matters, economic development/planning, housing, and town planning, building regulations and enforcement, and city engineering.

The fourth segment is a combination of segments' activities are included as administrative and/or revenue generating functions. The Municipal Manager's office, Corporate Services and the Finance Office have been aggregated because these functions share in the same regulatory environment and offer the same internal service. The key sources of revenue include levying of taxes, provision of electricity and waste removal services and agency fees. Management report on these distinct segments on a monthly basis.

Accounting policies applied when compiling segment reports are consistent with those applied to the municipality as a whole.

Inxuba Yethemba Local Municipality
 (Registration number EC131)
 Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Statement of Financial Position

	Administrative support	Community Services	LED Services	Technical Services	Total
Revenue					
Revenue from exchange transactions: Service Charges	10 595 828	(32 325 104)	193 055	(127 383 762)	(148 919 983)
Revenue from exchange transactions: Rental of Facilities & Equipment	-	(4 307 889)	(79 117)	(36 375)	(4 423 381)
Revenue from exchange transactions: Agency Services	-	(2 902 985)	(51 652)	-	(2 954 637)
Revenue from exchange transactions: Other Income	(433 182)	(1 017 500)	(406 391)	(455 824)	(2 312 897)
Revenue from exchange transactions: Interest received	(27 372 459)	-	-	-	(27 372 459)
Revenue from exchange transactions: Fair value adjustments	-	-	-	(7 733 287)	(7 733 287)
Revenue from exchange transactions: Actuarial losses	(4 485 172)	-	-	-	(4 485 172)
Revenue from non-exchange transactions: Property rates	(51 024 279)	-	-	-	(51 024 279)
Revenue from non-exchange transactions: Government grants and subsidies	(61 088 207)	(4 694 000)	-	(34 313 832)	(100 096 039)
Revenue from non-exchange transactions: Fines	-	(2 872 666)	-	(361 828)	(3 234 494)
Total segment revenue	(133 807 471)	(48 120 144)	(344 105)	(170 284 908)	(352 556 628)
Entity's revenue					(352 556 628)

Inxuba Yethemba Local Municipality
(Registration number EC131)
Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	Administrative support	Community Services	LED Services	Technical Services	Total
56. Segment information (continued)					
Expenditure					
Employee related costs	42 904 644	43 381 878	7 259 158	27 514 455	121 060 135
Remuneration of councillors	9 575 028	-	-	-	9 575 028
Depreciation and amortisation	573 598	7 319 273	-	77 741 998	85 634 869
Impairment loss	-	-	-	187 313 340	187 313 340
Finance Costs	38 574 051	-	-	-	38 574 051
Lease rentals on operating lease	-	-	-	1 399 503	1 399 503
Bad debts written off	-	18 992 709	-	-	18 992 709
Bulk purchases	-	-	-	129 547 924	129 547 924
Contracted Services	43 082 561	-	-	15 775 390	58 857 951
Loss on disposal of PPE	36 111 495	6 928 378	6 665 024	11 482 694	61 187 591
General expenses	6 111	812 428	548	15 527 934	16 347 021
Repairs and maintenance	-	-	-	97 678	97 678
Total segment expenditure	170 827 488	77 434 666	13 924 730	466 400 916	728 587 800
Total segmental surplus/(deficit)	37 020 018	47 401 475	13 580 625	278 029 054	376 031 172
Assets					
Current assets	(78 939 109)	40 309 936	428 961	178 017 487	139 817 275
Non Current assets	24 613 977	2 538 759	-	971 190 249	998 342 985
Total segment assets	(54 325 132)	42 848 695	428 961	1 149 207 736	1 138 160 260
Total assets as per Statement of financial Position					1 138 160 260
Liabilities					
Current Liabilities	(592 780 459)	(53 568 588)	(48 760 274)	(200 783 553)	(895 892 874)
Non Current liabilities	(43 699 500)	-	-	-	(43 699 500)
Total segment liabilities	(636 479 959)	(53 568 588)	(48 760 274)	(200 783 553)	(939 592 374)
Total liabilities as per Statement of financial Position					(939 592 374)

Inxuba Yethemba Local Municipality

(Registration number EC131)
Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

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

Statement of Financial Performance

	Administrative support	Community Services	LED Services	Technical Services	Total
Revenue					
Revenue from exchange transactions: Service Charges	5 830 999	(33 404 624)	(125 499 738)	395 104	(152 678 259)
Revenue from exchange transactions: Rental of facilities	(1 536 896)	(56 428)	(20 017)	(92 010)	(1 705 351)
Revenue from exchange transactions: Agency Svices	(14 782)	(2 893 655)	-	-	(2 908 437)
Revenue from exchange transactions: Other Income	(1 085 481)	(859 446)	(241 992)	(286 828)	(2 473 747)
Revenue from exchange transactions: Investment Revenue	(29 344 953)	-	-	-	(29 344 953)
Revenue from exchange transactions: Fair value adjustment	868 011	-	-	-	868 011
Revenue from exchange transactions: Actuarial gains	(4 853 419)	-	-	-	(4 853 419)
Revenue from non-exchange transactions: Property rates	(66 565 959)	-	-	-	(66 565 959)
Revenue from non-exchange transactions: Government grants and subsidies	(58 021 901)	4 560 000	-	-	(53 461 901)
Revenue from non-exchange transactions: Fines	-	(123 175)	(37 600 519)	-	(37 723 694)
Revenue from non-exchange transactions: Interest Eskom debt	(43 520 416)	-	(150 618)	-	(43 671 034)
Revenue from non-exchange transactions: Services in-kind	(2 069 340)	-	-	-	(2 069 340)
Total segment revenue	(200 314 137)	(32 777 328)	(163 512 884)	16 266	(396 588 083)
Entity's revenue					(396 588 083)

Inxuba Yethemba Local Municipality

(Registration number EC131)
Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued)

Expenditure								
Employee related costs	62 090 420	37 072 721	2 342 466	24 026 874	125 532 481			
Remuneration of councillors	9 419 082	-	-	-	9 419 082			
Depreciation and asset impairment	22 297	-	-	51 198 431	51 220 728			
Impairment	3 423 766	-	-	9 618 213	13 041 979			
Finance charges	43 685 171	-	-	-	43 685 171			
Lease rentals	-	-	-	1 398 884	1 398 884			
Bad debts written off	-	36 081 578	-	-	36 081 578			
Bulk purchases	-	-	-	116 868 088	116 868 088			
Contracted Services	35 938 912	-	-	-	35 938 912			
Loss on disposal of property, plant and equipment	233 509	-	-	-	233 509			
Inventory losses/write offs	1 635 410	-	-	-	1 635 410			
General expenditure	36 615 600	2 227 918	396 893	13 594 025	52 834 436			
Repairs and maintenance	588 691	9 195 558	106 378	6 514 512	16 405 139			
Total segment expenditure	193 652 858	84 577 775	2 845 737	223 219 027	504 295 397			
Total segmental surplus/(deficit)	(393 966 995)	(117 355 103)	(166 358 621)	(223 202 761)	(900 883 480)			
Assets								
Current Assets	1 010 549	(49 470)	2 517 948	128 189 448	131 668 475			
Non Current Assets	1 175 147 217	7 065 742	-	13 714 991	1 195 927 950			
Total segment assets	1 176 157 766	7 016 272	2 517 948	141 904 439	1 327 596 425			
Total assets as per Statement of financial Position					1 327 596 425			
Liabilities								
Current Liabilities	(460 756 987)	(36 597 246)	(162 420 895)	(33 656 291)	(693 431 419)			
Non Current Liabilities	(58 773 794)	-	-	-	(58 773 794)			
Total segment liabilities	(519 530 781)	(36 597 246)	(162 420 895)	(33 656 291)	(752 205 213)			
Total liabilities as per Statement of financial Position					(752 205 213)			

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

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

57. Auditors' remuneration

Fees	7 363 415	6 283 368
------	-----------	-----------

58. Prior-year adjustments

Statement of Financial Performance

	Note	As previously reported	Correction of error	Re-classification	Restated
Interest received	[1]	(29 344 953)	321 367	-	(29 023 586)
Property rates	[2]	(66 565 959)	25 209 447	-	(41 356 512)
Fines, Penalties and Forfeits	[3]	(273 793)	(3 851 800)	-	(4 125 593)
Other Income	[4]	(2 473 747)	47 669	-	(2 426 078)
Fair value adjustment	[5]	(868 011)	(3 114 564)	-	(3 982 575)
Depreciation	[6]	51 220 728	695 013	-	51 915 741
General Expenditure	[7]	52 834 436	1 107 573	5 442 122	59 384 131
Employee Related Cost	[8]	125 532 482	-	(5 442 122)	120 090 360
		130 061 183	20 414 705	-	150 475 888

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

58. Prior-year adjustments (continued)

Statement of Financial Position

	Note	As previously reported	Correction of error	Re-classification	Restated
Property, plant and equipment	[9]	1 125 562 654	(11 452 023)	-	1 114 110 631
Accumulated Surplus	[10]	(575 391 212)	1 441 692	-	(573 949 520)
Payables from exchange transactions	[11]	(686 119 528)	2 535 864	-	(683 583 664)
Cash and cash equivalents	[12]	5 667 436	35 205	-	5 702 641
Statutory receivables	[13]	48 598 167	(21 712 273)	-	26 885 894
Vat receivable	[14]	35 992 128	(35 992 128)	-	-
VAT Receivable (Input accrual)	[15]	-	68 277 258	-	68 277 258
VAT Payable (Output accrual)	[16]	-	(7 025 458)	-	(7 025 458)
VAT payable to SARS	[17]	-	(574 551)	-	(574 551)
Consumer Debtors	[18]	31 911 954	602 121	-	32 514 075
Receivables from exchange transactions	[19]	1 882 943	(89)	-	1 882 854
Inventories	[20]	7 615 847	-	(2 340 374)	5 275 473
Investment property	[21]	54 345 297	3 864 382	2 340 374	60 550 053
Provisions - Current liability	[22]	(2 709 341)	-	2 709 341	-
Provisions - Non Current liability	[22]	(19 981 952)	-	(2 709 341)	(22 691 293)
		27 374 393	-	-	27 374 393

- Interest received had been increased due to bank vote of R35 205 which was incorrectly mapped under interest on bank revenue instead of cash and cash equivalents. Furthermore interest of debtors had been adjusted by R286 162.
- Property, rates for R25 294 112 was accounted in wrong period now corrected resulting in decrease in statutory receivables by the same amount.
- Fines, Penalties and Forfeits revenue was accounted on cash basis now accounted on accrual basis as per GRAP requirement resulting in increase in Fines, penalties and forfeits by R3 851 800 and statutory receivables by the same amount.
- Other Income: Votes relating to payables were remapped from other income and also cash surplus was remapped from general expenditure to other income with a net difference of R47 669.
- Fair value adjustment was adjusted due to land which was reclassified from inventory to investment property which is valued at fair value.
- Depreciation was understated by R695 013 in prior year due to assets which were not capitalised in the prior year but completed.
- General expenditure: Travel and subsistence was of R5 442 122 was reclassified from employee related costs to general expenditure. Furthermore gains in inventory votes was remapped to other income and transactions were which were captured in incorrect period were corrected resulting in adjustment of R1 107 573.
- Employee Related Cost - ITravel and subsistence was of R5 442 122 was reclassified from employee related costs to general expenditure.
- Property, plant and equipment - Work in progress had been adjusted due to projects completed in prior years but not capitalised as infrastructure assets. This resulted in cost and accumulated depreciation with a net amount of R11 452 023. Some assets were also incorrectly classified within Property, plant and equipment classes. The net difference was nil on the reclassification within property, plant and equipment.
- Accumulated Surplus was adjusted due to net adjustments on income statement and other line items within statement of financial position.
- Payables from exchange transactions was adjusted due to adjustment on payroll accrual and trade payables and debtors with credit balances with a net adjustment of R2 535 864. Furthermore retention of R7 135 631 paid in prior year was not accounted correctly resulting in decrease in retention and increase in accumulated surplus by the same amount.

Inxuba Yethemba Local Municipality

(Registration number EC131)

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

58. Prior-year adjustments (continued)

12. Cash and cash equivalents increased by R35 205 due to a vote which was incorrectly mapped to interest revenue.

13. Statutory receivables - Property, rates for R25 294 112 was accounted in wrong period now corrected resulting in decrease in statutory receivables by the same amount. Furthermore traffic fines outstanding now recognised as receivable at year end, resulting in increase in statutory receivables by R3 581 839.

14. Vat receivable was now reported in accordance with VAT fact sheet classification of VAT requirements as it is now reported as VAT receivable/payable, Vat Input accrual and VAT output accrual.

15. VAT Input accrual - Reported in accordance with VAT fact sheet classification of VAT requirements.

16. VAT Output accrual - Reported in accordance with VAT fact sheet classification of VAT requirements.

17. VAT payable to SARS - Reported in accordance with VAT fact sheet classification of VAT requirements.

18. Consumer debtors was adjusted by R602 121 due to adjustment on electricity receivables.

19. Receivables from exchange transactions was adjusted by R89 due to correction of gross debtor.

20. Land inventory was overstated as it included investment property now corrected resultin in decrease in land inventory by R2 340 374 and increase in investment property by the same amount.

21. Land inventory was overstated as it included investment property now corrected resultin in decrease in land inventory by R2 340 374 and increase in investment property by the same amount. Furthermore investment property was revalued which resulted to fair value adjustment and an increase in investment propertyby R3 864 382.

22. Provisions - Current portion of the Landfill site provision was reclassified to non current portion resulting in nill amount of the current liability of the land fill site provision.

23. Commitments

Amount previously disclosed

68 493 968

Correction of error

(1 958 333)

Restated balance

66 535 635

Commitments were adjusted due to project completed prior year but was incorrectly disclosed with a commitment.