



Ntabankulu Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Nature of business and principal activities

Ntabankulu Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The Municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.

Municipal Councillors

Cllr PT Sobuthongo : Mayor

Cllr V Matwasa: Speaker

Cllr S Menziwa: Chief Whip

Exco Members

Cllr N Kinase: Portfolio Head: Corporate Services

Cllr EU Joyi: Portfolio Head: Community Services

Cllr M Dinwayo: Portfolio Head: Budget and Treasury Office

Cllr T Lubisi: Portfolio Head: Development Planning

Cllr N Sithunzi: Exco member without portfolio

Cllr A Zakhabana: MPAC Chairperson

Cllr M Nqwazi

Cllr S Bakeni

Cllr SN Ncekana

Ordinary Members

Cllr SJ Madwakasi

Cllr PM Mafilika

Cllr AO Ranana

Cllr S Zwelonke

Cllr S Sophaqa

Cllr A Ngconjana

Cllr N Daniel

Cllr KS Nkaenkae

Cllr N Gantsu

Cllr N Sobuthongo

Cllr N Sidudu

Cllr M Mcunukelwa

Cllr N Zakade

Cllr M Nokhence

Cllr A N Mtyingizane

Cllr T Ngeyane

Cllr T A Mhlana

Cllr S Nkweba

Cllr Z Mlonyeni

Cllr MP Ndabeni

Cllr A Diko

Cllr ZL Nofayile

Cllr S Mathumbu

Cllr N Pezisa

Cllr A Mahlaba

Cllr M Tshaka - Signed oath on 04 September 2024

Grading of local authority

Grade 3

Accounting Officer

Mrs I Sikhulu-Nqwena

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Chief Financial Officer (CFO)	Mr M Mhlifili
Registered office	Erf 85 Main Street Ntabankulu 5130
Business address	Erf 85 Main Street Ntabankulu 5130
Postal address	P.O. Box 234 Ntabankulu 5130
Auditors	Auditor-General South Africa Registered Auditors 14 St Helena Road, Beacon Bay, 5241
Attorneys	Municipal Attorneys TL Luzipho Attorneys 26 Cnr Madeira and Veronica Street 1st Floor Steve Motors Building Mthatha 5099
Bankers	First National Bank 151 York Road, Mthatha, 5100
Website	www.ntabankulu.gov.za

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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

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Abbreviations used:

ASSA	Actuarial Society of South Africa
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

Ntabankulu Local Municipality

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 30 June 2025 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 Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, she 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 12 months to 30 June 2026 and, in light of this review and the current financial position, she is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 8 to 91, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2025 and were signed by:

Mrs I Sikhulu-Nqwena
Municipal Manager

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Audit and Performance Committee Report

We are pleased to present our report for the year ended 30 June 2025.

Audit and Performance Committee members and attendance

The Audit and Performance Committee consists of the members listed here under and should meet 4 times per annum as per its approved terms of reference. During the period, 7 meetings were held.

Currently there are 4 Audit and Performance Committee members whose contracts are active.

Name of member	Number of ordinary meetings attended	Number of special meetings attended
Mr S Maharaj (Chairperson) (01 June 2022 - 30 May 2025)	4	2
Mr G Labane (Chairperson) (01 June 2025 - 30 May 2028)		1
Dr L Konar (01 June 2022 - 30 May 2025)	4	2
Mr Z Zulu (01 July 2022 - 30 June 2025)	4	2
Ms K J Tubane (01 July 2022 - 30 June 2025)	4	1
Mr A M Langa (01 June 2025 - 30 May 2028)		1
Ms B Ntshongwana (01 June 2025 - 30 May 2028)		1
Ms S C Gumbi (01 June 2025 - 30 May 2028)		1

Audit and Performance Committee responsibility

Overview

In adherence to the terms of the MFMA, the Audit and Performance Committee established and defined its composition, purpose and duties in the Audit Committee Charter. The Audit and performance Committee reports that it complies with all legal and regulatory requirements as necessary under South African legislation. In fulfilling its duties, the Audit and Performance Committee:

- approved the internal audit plan;
- received and considered reports from internal auditors; and
- reviewed and discussed the annual financial statements with the Accounting Officer and the Chief Financial Officer.

Following a review conducted by the Internal Audit Unit, and meeting the requirements of the terms of reference, the Committee is satisfied that:

- Internal financial controls are effective; however, not all material weaknesses in financial controls have been identified; and
- The co-sourced internal audit function performed their duties as per the terms of reference contained in the Internal Audit Charter and addressed all components of the Internal Audit Plan and the external auditors of the Municipality (Auditor-General South Africa), are independent.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Audit and Performance Committee Report

Internal Audit

Ntabankulu Local Municipality has a co-sourced Internal Audit Function. The Internal Audit Function provides the Audit and Performance Committee with assurance on the key areas of Ntabankulu Local Municipality's systems of internal control and risk management. The Internal Audit Plan and the Internal Audit Charter are annually reviewed and approved by the Audit Committee. Internal Audit provides assurance that Ntabankulu Local Municipality operates in a responsibly governed manner by performing the following functions:

- objectively assuring effectiveness of risk management and the internal control framework;
- analysing and assessing business processes and associated controls; and
- reporting audit findings and recommendations to management and the Audit and Performance Committee.

The Audit and Performance Committee is of the opinion that Ntabankulu Local Municipality system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements.

The Audit and Performance Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the municipality during the period under review..

Evaluation of the annual financial statements

The Audit and Performance Committee has reviewed the annual financial statements for the year ended 30 June 2025 and concluded that it complies, in all material respects, with the requirements of GRAP. The Committee recommended the approval of the Annual Financial Statements.

Furthermore, the Audit and Performance Committee recommended the adoption of the annual financial statements. In this regard, the committee:

- > Considered all representations and risks that may impact on the integrity of the annual financial statements; and
- > Reviewed and commented on the annual financial statements.

The Accounting Officer subsequently approved the annual financial statements.

The Audit and Performance Committee is of the opinion that Ntabankulu Local Municipality system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. The Audit and Performance Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the management of the municipality during the period under review.

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Conclusion

The Committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and approved terms of reference during the year.

Chairperson of the Audit and Performance Committee

Date: _____

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Ntabankulu Local Municipality is a South African category B municipality (local municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations.

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 surplus of the municipality was R 52 484 804 (2024: surplus R 67 615 130).

2. Going concern

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

Ntabankulu Local Municipality

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	1 925 163	1 816 233
Deposits	4	6 000 000	-
VAT input accrual	5	501 851	1 709 134
Receivables from exchange transactions	6	1 385 559	1 321 697
Statutory receivables	7	5 181 379	5 706 999
Receivables from non-exchange transactions	8	22 761 579	16 450 544
Cash and cash equivalents	9	2 925 309	24 941 061
		40 680 840	51 945 668
Non-Current Assets			
Investment property	10	57 160 968	52 087 341
Property, plant & equipment	11	457 973 301	416 140 986
		515 134 269	468 228 327
Non-Current Assets		515 134 269	468 228 327
Current Assets		40 680 840	51 945 668
Total Assets		555 815 109	520 173 995
Liabilities			
Current Liabilities			
Consumer Deposit	12	1 992 030	1 423 464
Other financial liabilities	13	4 427 809	8 689 631
Payables from exchange transactions	14	33 162 510	37 708 147
VAT output accrual	15	116 366	634 062
Unspent conditional grants and receipts	16	3 987 116	11 140 451
Payables from non-exchange transactions	17	4 993 624	1 505 970
Long service awards	18	298 094	961 892
VAT payable	19	13 164 825	12 484 769
		62 142 374	74 548 386
Non-Current Liabilities			
Other financial liabilities	13	704 924	5 132 733
Provisions	20	1 052 094	1 095 181
Long service awards	18	4 043 327	4 022 157
		5 800 345	10 250 071
Non-Current Liabilities		5 800 345	10 250 071
Current Liabilities		62 142 374	74 548 386
Total Liabilities		67 942 719	84 798 457
Assets		555 815 109	520 173 995
Liabilities		(67 942 719)	(84 798 457)
Net Assets		487 872 390	435 375 538
Accumulated surplus		487 860 342	435 375 538
Total Net Assets		487 860 342	435 375 538

* See Note 64

Ntabankulu Local Municipality

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	21	755 920	660 063
Construction contracts revenue	22	17 562 319	8 259 752
Rental of facilities and equipment	23	627 355	894 847
Licences and permits	24	818 978	797 913
Sundry income	25	1 021 910	1 233 097
Interest received - from exchange transactions	26	4 111 994	4 829 954
Total revenue from exchange transactions		24 898 476	16 675 626
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	25 036 114	17 042 981
Interest from non-exchange receivables	28	3 435 853	3 060 488
Transfer revenue			
Government grants & subsidies	29	258 175 111	251 692 915
Fines, Penalties and Forfeits	30	1 138 722	1 203 400
Total revenue from non-exchange transactions		287 785 800	272 999 784
		24 898 476	16 675 626
		287 785 800	272 999 784
Total revenue	31	312 684 276	289 675 410
Expenditure			
Employee related costs	32	(101 192 449)	(91 649 178)
Employee costs - Remuneration of councillors	33	(13 889 972)	(13 233 109)
Depreciation and amortisation	34	(25 835 708)	(23 116 792)
Finance costs	35	(1 664 315)	(2 406 623)
Lease rentals on operating lease	36	(26 701)	-
Debt Impairment	37	(7 714 285)	(2 328 157)
Bad debts written off	38	(302 456)	(47 379)
Inventory consumed	39	(4 671 875)	(1 933 510)
Contracted services	40	(32 517 379)	(35 730 773)
Construction contract costs	41	(18 503 278)	(8 549 005)
Operational Costs	42	(48 600 479)	(45 904 823)
Total expenditure		(254 918 897)	(224 899 349)
		-	-
Total revenue		312 684 276	289 675 410
Total expenditure		(254 918 897)	(224 899 349)
Operating surplus		57 765 379	64 776 061
Decrease/(increase) in provision for landfill site	43	173 852	94 548
Fair value adjustments	44	2 007 149	2 825 568
Actuarial gains/(losses)	45	692 432	(378 321)
Liability write off	46	588 711	3 220 777
Property, plant & equipment write off	11	(1 117 765)	(1 077 099)
Inventories losses/write-downs	48	(2 053)	(542 326)
Impairment loss: Property, plant & equipment	49	(7 622 901)	(1 304 078)
		(5 280 575)	2 839 069

* See Note 64

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Operating surplus/deficit		(5 280 575)	2 839 069
Surplus before taxation		52 484 804	67 615 130
Taxation		-	-
Surplus for the year		52 484 804	67 615 130

* See Note 64

Ntabankulu Local Municipality

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	367 966 946	367 966 946
Adjustments		
Prior year adjustments (Note 64)	(206 535)	(206 535)
Balance at 01 July 2023 as restated*	367 760 411	367 760 411
Changes in net assets		
Prior year adjustments (Note 64)	(1 096 618)	(1 096 618)
Net income (losses) recognised directly in net assets	(1 096 618)	(1 096 618)
Surplus (deficit) for the year as previously reported	68 711 741	68 711 741
Total recognised income and expenses for the year	67 615 123	67 615 123
Total changes	67 615 123	67 615 123
Restated* Balance at 01 July 2024	435 375 538	435 375 538
Changes in net assets		
Surplus for the year	52 484 804	52 484 804
Total changes	52 484 804	52 484 804
Balance at 30 June 2025	487 860 342	487 860 342

Note(s)

* See Note 64

Ntabankulu Local Municipality

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			
Property rates		20 767 694	14 491 895
Service charges		322 342	120 758
Operating grants		172 047 192	163 828 162
Capital grants		78 794 084	83 748 832
Other income		1 021 910	1 377 723
Licence fees and permits		818 978	797 913
Rentals		1 094 201	746 403
Fines		257 122	286 340
Construction contracts		17 562 319	8 259 752
Receipts from VAT		399 200	752 780
Interest income		4 426 476	6 172 758
		297 511 518	280 583 316
Payments			
Employee costs		(99 739 906)	(91 413 318)
Remuneration of councillors		(13 889 976)	(13 233 109)
Suppliers		(119 262 705)	(86 064 052)
Finance costs		(1 059 462)	(1 828 584)
		(233 952 049)	(192 539 063)
Total receipts		297 511 518	280 583 316
Total payments		(233 952 049)	(192 539 063)
Net cash flows from operating activities	50	63 559 469	88 044 253
Cash flows from investing activities			
Purchase of property, plant & equipment	11	(77 474 301)	(89 862 517)
Proceeds from sale of biological assets that form part of an agricultural activity		588 711	-
Net cash flows from investing activities		(76 885 590)	(89 862 517)
Cash flows from financing activities			
Proceeds from loans		-	11 000 000
Repayment of loans		(8 689 631)	(7 378 052)
Net cash flows from financing activities		(8 689 631)	3 621 948
Net increase/(decrease) in cash and cash equivalents		(22 015 752)	1 803 684
Cash and cash equivalents at the beginning of the year		24 941 061	23 137 377
Cash and cash equivalents at the end of the year	9	2 925 309	24 941 061

* See Note 64

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	760 000	-	760 000	755 920	(4 080)	imm
Construction contracts	422 000	12 984 000	13 406 000	17 562 319	4 156 319	1
Rental of facilities and equipment	1 375 000	-	1 375 000	627 355	(747 645)	2
Licences and permits	1 230 000	-	1 230 000	818 978	(411 022)	3
Agency services	79 286 000	32 967 000	112 253 000	-	(112 253 000)	4
Operational revenue	4 435 000	3 095 000	7 530 000	1 021 910	(6 508 090)	5
Interest received - debtors	552 000	-	552 000	269 700	(282 300)	6
Interest received - investment	5 000 000	-	5 000 000	3 842 294	(1 157 706)	7
Total revenue from exchange transactions	93 060 000	49 046 000	142 106 000	24 898 476	(117 207 524)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	17 000 000	6 798 000	23 798 000	25 036 114	1 238 114	8
Supercharges and taxes	19 008 000	-	19 008 000	-	(19 008 000)	9
Fines, penalties and forfeits	155 000	-	155 000	1 138 722	983 722	10
Licences and Permits (Non-exchange)	1 680 000	-	1 680 000	-	(1 680 000)	11
Interest received MEPF	-	552 000	552 000	3 435 853	2 883 853	12

Transfer revenue

Government grants & subsidies	183 619 000	(9 654 000)	173 965 000	258 175 111	84 210 111	13
Government grants & subsidies - capital	79 986 000	12 421 000	92 407 000	-	(92 407 000)	14

Total revenue from non-exchange transactions	301 448 000	10 117 000	311 565 000	287 785 800	(23 779 200)	
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'Total revenue from exchange transactions'	93 060 000	49 046 000	142 106 000	24 898 476	(117 207 524)	
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'Total revenue from non-exchange transactions'	301 448 000	10 117 000	311 565 000	287 785 800	(23 779 200)	
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Total revenue	394 508 000	59 163 000	453 671 000	312 684 276	(140 986 724)	
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Expenditure

Personnel	(101 699 000)	(1 482 000)	(103 181 000)	(101 192 449)	1 988 551	15
Employee costs - Remuneration of councillors	(15 242 000)	232 000	(15 010 000)	(13 889 972)	1 120 028	16
Depreciation and amortisation	(23 483 000)	(19 647 000)	(43 130 000)	(25 835 708)	17 294 292	17
Finance costs	(2 100 000)	890 000	(1 210 000)	(1 664 315)	(454 315)	18
Lease rentals on operating lease	-	-	-	(26 701)	(26 701)	
Irrecoverable debts written off	-	(2 172 000)	(2 172 000)	(302 456)	1 869 544	20
Contracted Services	(47 968 000)	(94 763 000)	(142 731 000)	(39 617 979)	103 113 021	21
Transfers and Subsidies	(1 070 000)	(171 000)	(1 241 000)	-	1 241 000	22
Inventory consumed	-	(3 404 000)	(3 404 000)	(4 671 875)	(1 267 875)	23
Construction contract costs	-	-	-	(18 503 278)	(18 503 278)	24

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Gain or loss on disposal of assets and liabilities	(7 634 000)	-	(7 634 000)	-	7 634 000	25
Operational costs	(50 556 000)	(5 327 000)	(55 883 000)	(48 600 479)	7 282 521	26
Other losses	21 000 000	(22 000 000)	(1 000 000)	-	1 000 000	27
Total expenditure	(228 752 000)	(147 844 000)	(376 596 000)	(254 305 212)	122 290 788	
	394 508 000	59 163 000	453 671 000	312 684 276	(140 986 724)	
	(228 752 000)	(147 844 000)	(376 596 000)	(254 305 212)	122 290 788	
Operating surplus	165 756 000	(88 681 000)	77 075 000	58 379 064	(18 695 936)	
Losses from write off of assets and liabilities	-	-	-	(1 117 765)	(1 117 765)	27
Increase in provision for landfill site	-	-	-	173 852	173 852	28
Fair value adjustments	-	-	-	2 007 149	2 007 149	28
Actuarial gains/losses	-	-	-	692 432	692 432	28
Inventory write down	-	-	-	(27 027)	(27 027)	28
Impairment loss	-	-	-	(7 622 901)	(7 622 901)	28
Intercompany/Parent subsidiary transactions	60 324 000	-	60 324 000	-	(60 324 000)	29
	60 324 000	-	60 324 000	(5 894 260)	(66 218 260)	
	165 756 000	(88 681 000)	77 075 000	58 379 064	(18 695 936)	
	60 324 000	-	60 324 000	(5 894 260)	(66 218 260)	
Surplus before taxation	226 080 000	(88 681 000)	137 399 000	52 484 804	(84 914 196)	
Deficit before taxation	226 080 000	(88 681 000)	137 399 000	52 484 804	(84 914 196)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	226 080 000	(88 681 000)	137 399 000	52 484 804	(84 914 196)	

imm = Immaterial, as the difference is below R 100 000 and 10%.

1 Constructions contracts

The INEP allocation was almost fully spent during the year, with only R3 615 unspent at year-end. The variance arose because the budgeted amount exceeded the actual allocation received.

2 Rental of facilities and equipment

There were certain leases that were not renewed during the year, which reduced billings. However, the municipality ensured that by year-end tenants were secured for these properties.

3 Licenses and Permits

The budget for licences and permits was based on the anticipated opening of the new Traffic Offices during the year, which would have enabled the Municipality to provide additional services such as driver's licence testing and vehicle licensing. As at year-end, these offices were not yet operational, resulting in the variance.

4 Agency fees – (exchange transaction)

The budget for the housing programme reflected the estimated funding for housing construction. However, the agreement between the Municipality and the funder (ECDHS) has been assessed as a construction contract in terms of GRAP 11. Furthermore, the budget was based on the total project allocation, whereas the actual progress during the current year was lower than the total remaining allocation at the beginning of the financial year.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

5 Operational Revenue

The budget included anticipated sales of identified land. However, as at year-end, these sales had not yet occurred, resulting in the variance.

6 Interest on received - debtors

Interest revenue on exchange transactions was lower than budgeted. This resulted from actual billings for the relevant service charges being slightly below budget, combined with collections exceeding budgeted amounts, which reduced the outstanding balances on which interest is earned.

7 Interest on received – investments

Interest on investments was lower than budgeted. The budget assumed that projected cash balances would be available throughout the year based on historical trends. However, actual funds held were lower due to two major agreements: an advance payment of R6,000,000 made to DBSA for co-funding, and payments incurred under the human settlement housing programme, which are reimbursed by ECDHS. Collections from ECDHS were slower than anticipated, reducing the cash available to earn interest.

8 Property rates

Property rates were below in the budget due to the initial billing report used for budgeting, which omitted certain properties included in the new General Valuation Roll, effective from 1 July 2024. These properties were only identified after the budget revision but were adequately billed for the full financial year.

9 Surcharges and Taxes

The budgeted amount relates to VAT refunds. In terms of the GRAP reporting framework, these receipts do not qualify as revenue, resulting in the variance between budgeted and actual amounts.

10 Fines, penalties and forfeits

The budget of R155 000 under this line related only to pound fees, which were close to actual collections (R146 000). In addition, an amount of R1 680 000 was incorrectly budgeted under 'Licences and permits' but was intended for traffic fines. Against this intended budget, actual traffic fines amounted to R992 000, which is lower than expected due to fewer transgressions.

11 Licenses and permits (non-exchange)

The budget of R1 680 000 presented under 'Licences and permits - non exchange transactions' related to traffic fines rather than permit fees. No revenue was recognised under licences and permits, with R992,000 collected and recognised under fines instead.

12 Interest received MEPF

The municipality budgeted a lower amount based on the expectation that the MEPF debt would be fully settled during the financial year. However, the MEPF had not settled its outstanding debt by year-end.

13 Government Grants & subsidies – Operational

All operational grants were fully spent by year-end. The variance arises because the budgeted amount exceeded the actual allocation received.

14 Government Grants & subsidies – Capital

For capital grants, one of the reasons is as result of the unspent portion as reflected on current liabilities. Additionally another portion related the amount of budget being over the allocation.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

15 Personnel costs

The budgeted amount was based on the organogram, including both filled positions and those planned to be filled during the financial year. The budget also incorporated employee benefits and anticipated costs. However, some positions remained vacant until year-end, while others were filled later than anticipated, resulting in underspending. In addition, the budget included Skills Development Levy (SDL) costs under employee-related costs, whereas the actual expenditure is reported under operational costs.

16 Remuneration of councillors

The variance is mainly due to the resignation of a councillor in June 2024, who was only replaced in September 2024. In addition, Skills Development Levy (SDL) costs for councillors were budgeted under councillor remuneration, whereas the actual expenditure is reported under operational costs.

17 Depreciation and amortisation

The actual depreciation and amortisation is lower than the budgeted amount because the budget included other non-cash items such as debt impairment, provision for landfill site, fair value adjustments, actuarial gains/(losses), inventory write-downs, and asset impairment losses. These items are not reported under depreciation and amortisation in the actual results.

18 Finance Costs

The budget for finance costs did not include interest on the land provision and employee benefits provision, as these were budgeted under operational costs. However, in line with the reporting framework, the actual expenditure is reported under finance costs, resulting in the variance.

19 Debt Impairment

Debt impairment is budget under depreciation and amortisation resulting to the variance.

20 Irrecoverable debts written off

The budget assumed high take-up of payment arrangements offered to ratepayers, which would result in certain debts being written off. Actual participation was lower than expected, leading to reduced debt write-offs during the year.

21 Contracted Services

The budget for contracted services included costs relating to the housing programme. However, in terms of GRAP 11, the agreement between the Municipality and the funder (ECDHS) has been assessed as a construction contract, and therefore payments to contractors are recognised as construction contract costs. Similarly, expenditure on electrification construction costs was budgeted under contracted services but is presented separately in the income statement for comparability, as the related construction revenue is separately disclosed.

22 Transfers and subsidies

The actual expenditure incurred was included on the operation cost to align to nature of the relevant expenditure.

23 Inventory consumed

Inventory consumed was lower than budgeted. This is mainly due to the planned sale of land not occurring, which resulted lower inventory consumed.

24. Construction contract costs

Construction contract costs were budgeted under contracted services. The variance arises because the actual expenditure is reported separately in the income statement to align with the nature of the related construction revenue.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

25. Gains and losses on disposal of assets

No assets were disposed of during the year other than through write-offs. The planned auction of assets did not materialise, resulting in no gains or losses on disposals.

26. Operational costs

Operational costs were below budget. The variance is mainly due to lower operational activity during the year and the implementation of cost-containment measures by the municipality in response to cash constraints.

27. Other losses & losses from write off of assets and liabilities

Losses from write off of assets and liabilities were budget under Other Losses. Other losses were lower than budgeted. Verification of assets revealed fewer items than anticipated in a condition requiring write-off, resulting in lower actual losses.

28. Others gains and losses.

The amounts reflected under other gains and losses were originally budgeted under depreciation and amortisation. The variance arises from the reclassification of these items in the actual results in line with the reporting framework.

29. Intercompany/Parent subsidiary transactions.

Budget included consolidated non-cash items; actuals are separately reported.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9 545 000	(9 487 000)	58 000	1 925 163	1 867 163	30
Deposits	-	-	-	6 000 000	6 000 000	31
VAT input accrual	-	-	-	501 851	501 851	32
Receivables from exchange transactions	7 529 000	(1 875 000)	5 654 000	1 385 559	(4 268 441)	33
Statutory receivables	27 356 000	14 976 000	42 332 000	5 181 379	(37 150 621)	34
Receivables from non-exchange transactions	50 165 000	(807 000)	49 358 000	22 761 579	(26 596 421)	35
Cash and cash equivalents	160 276 000	(151 351 000)	8 925 000	2 925 309	(5 999 691)	36
	254 871 000	(148 544 000)	106 327 000	40 680 840	(65 646 160)	
Non-Current Assets						
Investment property	42 377 000	-	42 377 000	57 160 968	14 783 968	37
Property, plant & equipment	482 624 000	15 235 000	497 859 000	457 973 301	(39 885 699)	38
	525 001 000	15 235 000	540 236 000	515 134 269	(25 101 731)	
Non-Current Assets	525 001 000	15 235 000	540 236 000	515 134 269	(25 101 731)	
Current Assets	254 871 000	(148 544 000)	106 327 000	40 680 840	(65 646 160)	
Total Assets	779 872 000	(133 309 000)	646 563 000	555 815 109	(90 747 891)	
Liabilities						
Current Liabilities						
Other financial liabilities	28 750 000	(15 190 000)	13 560 000	4 427 809	(9 132 191)	39
Consumer deposits	(30 000)	20 000	(10 000)	1 992 030	2 002 030	40
Payables from exchange transactions	91 190 000	(93 420 000)	(2 230 000)	33 162 510	35 392 510	41
VAT output accrual	-	-	-	132 243	132 243	42
Unspent conditional grants and receipts	-	-	-	3 987 116	3 987 116	43
Payables from non-exchange transactions	9 500 000	1 640 000	11 140 000	4 993 624	(6 146 376)	44
Long service awards	10 040 000	1 020 000	11 060 000	298 095	(10 761 905)	45
VAT payable	785 000	-	785 000	13 164 825	12 379 825	46
	140 235 000	(105 930 000)	34 305 000	62 158 252	27 853 252	
Non-Current Liabilities						
Other financial liabilities	29 200 000	(3 800 000)	25 400 000	704 924	(24 695 076)	40
Provisions	16 660 000	2 159 000	18 819 000	1 052 094	(17 766 906)	45
Long service awards	-	-	-	4 043 327	4 043 327	46
	45 860 000	(1 641 000)	44 219 000	5 800 345	(38 418 655)	
	140 235 000	(105 930 000)	34 305 000	62 158 252	27 853 252	
	45 860 000	(1 641 000)	44 219 000	5 800 345	(38 418 655)	
	-	-	-	-	-	
Total Liabilities	186 095 000	(107 571 000)	78 524 000	67 958 597	(10 565 403)	
Assets	779 872 000	(133 309 000)	646 563 000	555 815 109	(90 747 891)	
Liabilities	(186 095 000)	107 571 000	(78 524 000)	(67 958 597)	10 565 403	

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets	593 777 000	(25 738 000)	568 039 000	487 856 512	(80 182 488)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	593 777 000	(25 738 000)	568 039 000	483 122 009	(84 916 991)	
Undefined Difference	-	-	-	4 738 333	-	
Total Net Assets	593 777 000	(25 738 000)	568 039 000	483 122 009	(84 916 991)	

30. Inventories.

The budget for land held for sale was included under investment property. However, in the statement of financial position, it has been reported under inventories.

31. Deposits.

These items were budgeted under the relevant expenditure categories to which they would be classified. For example, the Telkom costs were budgeted under operational costs, while the co-funding to DBSA for the bridge was budgeted under property, plant, and equipment. The variance arises from actual classification and reporting in line with the nature of the expenditure.

32. VAT Input Accrual

The VAT input accrual was budgeted under statutory receivables. The variance arises from the actual reporting of VAT input in line with the applicable accounting treatment and classification requirements.

33. Receivables from exchange transactions

Actual receivables from exchange transactions are lower than budgeted. This is primarily because billing for exchange revenue was a significant contributor to the difference, being lower than anticipated during the financial year.

34. Statutory receivables

The budget for statutory receivables was based on high anticipated VAT refunds. However, the contribution towards electrification construction resulted in higher VAT output, reducing the expected refunds. In addition, the fast turnaround of SARS in settling refunds reduced the receivable at year-end, as amounts were paid almost immediately.

35. Receivables from non-exchange transactions

Actual receivables from exchange transactions are lower than budgeted. This is primarily because billing for non-exchange revenue was a significant contributor to the difference, being lower than anticipated during the financial year.

36. Cash and cash equivalents

This variance is mainly attributed to the funding agreements with the Eastern Cape Department of Human Settlements (ECDHS). In terms of these agreements, the municipality initially paid the contractors, after which ECDHS refunded the municipality. This resulted in a receivable of over R5 million at year-end.

37. Investment property

The variance is due to anticipated fair value adjustments. The budget provided for a fair value loss, which would have reduced the carrying amount of investment property. However, the fair value report from the independent expert reflected a fair value gain instead, resulting in an increase in the carrying amount of investment property.

38. Property, plant and equipment

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

The budget assumed higher acquisitions of property, plant and equipment, aligned to the capital grants budget, which was not achieved. In addition, the co-funding contribution to DBSA for the bridge project was budgeted under property, plant and equipment, but at year-end it is reflected as a deposit since the project had not yet commenced.

39. Consumer deposits

Consumer deposits relating to debtors with credit balances (for various services and property rates) were budgeted under payables from non-exchange transactions. However, in the financial statements these are reported separately as consumer deposits. The budget for this item only included deposits for the hire of municipal properties.

40. Financial liabilities

The financial liabilities budget was based on the previously reported balances of the two outstanding loans. During the year, repayments were made in line with the loan agreements, resulting in a decrease in the actual balances compared to the budget. No new borrowings were undertaken.

41. Payables from exchanges transactions

The budgeted amount was incorrectly reflected as a negative balance. Payables from exchange transactions were also anticipated to be lower, as the municipality had budgeted to settle all invoices by year-end, in line with its commitment to pay creditors within 30 days. However, a number of invoices were submitted close to year-end and others only in July, which resulted in higher payables from exchange transactions than budgeted.

42. VAT Output accrual

This item was budgeted under VAT Payable, whereas in the financial statements it is presented separately as VAT Output Accrual.

43. Unspent conditional grants and receipts

The budget for unspent grants was classified under payables from non-exchange transactions, whereas in the financial statements these are reported separately as unspent conditional grants and receipts.

44. Payables from non-exchange transactions

The variance arises from two items—debtors with credit balances and unspent grants—that were budgeted under this category but are reported separately in the financial statements.

45. Provisions

Provisions were budgeted higher than actuals. The budget included amounts for long service awards, which are reported separately in the financial statements, as well as other items for which the municipality did not have full expertise at the time of budgeting. The actual assessment of these items resulted in lower provision amounts.

46. Long service awards

No separate budget was prepared for long service awards, as these were included under provisions. In the financial statements, long service awards are reported separately, which results in a variance when compared to the zero budget.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	13 260 000	5 302 000	18 562 000	20 767 694	2 205 694	47
Service charges	114 000	-	114 000	322 342	208 342	48
Operational grants	184 119 000	(10 154 000)	173 965 000	172 047 192	(1 917 808)	49
Capital grants	79 986 000	12 421 000	92 407 000	78 794 084	(13 612 916)	50
Interest income	5 000 000	-	5 000 000	4 426 476	(573 524)	51
Other receipts	103 380 000	49 066 000	152 446 000	14 786 927	(137 659 073)	52
	385 859 000	56 635 000	442 494 000	291 144 715	(151 349 285)	
Payments						
Employee costs and suppliers	(149 471 000)	(195 655 000)	(345 126 000)	(226 467 387)	118 658 613	53
Transfers and grants	(1 070 000)	(171 000)	(1 241 000)	-	1 241 000	54
Finance costs	(200 000)	(1 010 000)	(1 210 000)	(1 059 462)	150 538	55
	(150 741 000)	(196 836 000)	(347 577 000)	(227 526 849)	120 050 151	
Total receipts	385 859 000	56 635 000	442 494 000	291 144 715	(151 349 285)	
Total payments	(150 741 000)	(196 836 000)	(347 577 000)	(227 526 849)	120 050 151	
Net cash flows from operating activities	235 118 000	(140 201 000)	94 917 000	63 617 866	(31 299 134)	
Cash flows from investing activities						
Purchase of property, plant & equipment	(88 942 000)	(17 114 000)	(106 056 000)	(76 943 987)	29 112 013	56
Proceeds from sale of property, plant & equipment	-	1 000 000	1 000 000	-	(1 000 000)	57
Net cash flows from investing activities	(88 942 000)	(16 114 000)	(105 056 000)	(76 943 987)	28 112 013	
Cash flows from financing activities						
Repayment of other financial liabilities	(7 000 000)	-	(7 000 000)	(8 689 631)	(1 689 631)	58
Receipts from borrowings	7 000 000	610 000	7 610 000	-	(7 610 000)	59
Net cash flows from financing activities	-	610 000	610 000	(8 689 631)	(9 299 631)	
Net increase/(decrease) in cash and cash equivalents	146 176 000	(155 705 000)	(9 529 000)	(22 015 752)	(12 486 752)	
Cash and cash equivalents at the beginning of the year	4 702 000	22 867 000	27 569 000	24 941 061	(2 627 939)	60
Cash and cash equivalents at the end of the year	150 878 000	(132 838 000)	18 040 000	2 925 309	(15 114 691)	

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

47. Property rates

Cash collections on property rates were higher than budgeted. This variance is mainly due to improved collection efforts during the year, including follow-ups on arrear accounts and stricter enforcement of credit control policies.

48. Service charges

Cash collections on service charges were higher than budgeted. This variance is mainly due to strengthened collection initiatives during the year, including enhanced credit control measures and follow-ups on overdue customer accounts.

49. Operational grants

Cash received from operational grants was lower than budgeted. This variance is mainly due to the budgeted amounts being higher than the actual allocations made to the municipality during the year.

50. Capital grants

Cash received from capital grants was lower than budgeted, as the budgeted amount exceeded the actual allocations made during the year. In addition, the variance includes unspent grant funds that were not planned for, as the municipality had budgeted to fully utilize all capital grant allocations during the year.

51. Interest income

Interest income was lower than budgeted, mainly due to lower levels of billing and outstanding customer accounts, which reduced the base on which interest is charged. In addition, lower cash and investment balances than anticipated during the year resulted in reduced interest earned on investments.

52. Other receipts

Other receipts were higher than budgeted mainly due to the budget including amounts for the Human Settlements contract. These receipts are budgeted under this line; however, in the financial statements they are treated in accordance with the agent–principal

53. Employee cost and suppliers

The actual expenditure is lower than budgeted mainly because the budget included higher projected costs than what materialised. A significant portion of this variance relates to the Human Settlements contract, which was budgeted under this line item but, in the financial statements, is treated in terms of an agent–principal arrangement and therefore not recognised as expenditure.

54. Transfers and grants

The budget included transfers and grants as a separate cash outflow item. However, in the actuals these amounts are classified under payments to suppliers, resulting in no direct cash flow presented under this line.

55. Finance cost

Finance costs were lower than budgeted because the budget assumed proceeds from new borrowings, which did not occur during the year. As a result, interest and related finance costs were lower than anticipated.

56. Purchase of property, plant & equipment

The purchase of property, plant, and equipment was lower than budgeted as the budget was linked to capital grants, which were higher than the actual allocations. In addition, a portion of the variance relates to unspent capital grant funds that were not utilised during the year.

57. Proceeds from sale of property, plant equipment

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Approved Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

No assets were disposed of during the year other than through write-offs. The planned auction of assets did not materialise, resulting in no gains or losses on disposals.

58. Repayment of loan

The actual repayment of borrowings was higher than budgeted. This variance arises from updated repayment schedules during the year, where the timing and amounts of principal repayments differed slightly from the budgeted estimates.

59. Receipts from borrowings

No new borrowings were undertaken during the year, which explains why actual receipts from borrowings were lower than budgeted.

60. Cash and cash equivalents at the beginning

The opening cash balance differs from the budgeted amount primarily due to a prior period correction that included the Nedbank account. In addition, the audited balance from the 2023/24 financial statements also differs from the budgeted figure, contributing to the variance.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Significant Accounting Policies

Figures in Rand	Note(s)	2025	2024
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1. Significant account policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables, loans and other receivables

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

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

- The payments received from receivables for the year, with the exception of traffic fines.
- The age of the debt
- Current and 30 days were considered not to have passed due date
- Receivables which were 60 days old were considered to be past due date but were not impaired

The Municipality assessed the balances that were 60 days old for recoverability and believes that they are of good credit quality. The creation and the release of the impairment loss for receivables has been included in the Statement of Financial Performance.

For traffic fines, the following additional assumptions are considered;

- Each individual ticket fine is considered as a receivable when it is raised.
- Impairment calculation will be based on the ticket fine raised and not on the payment behaviour of the offender.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation – Financial Instruments

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

In calculating the impairment loss for receivables, the following were considered:

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

The payments received from receivables for the year, with the exception of traffic fines.

The age of the debt

Current and 30 days were considered not to have passed due date

Receivables which were 60 days old were considered to be past due date but were not impaired

The Municipality assessed the balances that were 60 days old for recoverability and believes that they are of good credit quality. The creation and the release of the impairment loss for receivables has been included in the Statement of Financial Performance.

For traffic fines, the following additional assumptions are considered;

Each individual ticket fine is considered as a receivable when it is raised.

Impairment calculation will be based on the ticket fine raised and not on the payment behaviour of the offender.

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 20 - Provisions.

On receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that receivables are impaired. The impairment is measured as the difference between the Receivables carrying amount and receivables recoverable amounts.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024

1.4 Significant judgements and sources of estimation uncertainty (continued)

Contingent liabilities and contingent assets

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a contingent liability, a provision is recognised in the annual financial statements of the period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent assets arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the approved annual financial statements.

Residual values, useful lives and impairment of property, plant and equipment

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually.

Where significant parts (components of an item of Property, Plant and Equipment) have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying amount exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

Allowance for doubtful debts

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

1.5 Investment property

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Investment properties comprise properties held for earning rental income or for capital appreciation or both. This does not include properties held for the supply of services or for administrative purposes.

Investment Property is measured initially at its cost (transaction costs shall be included in this initial measurement). Where an Investment Property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. After initial recognition, investment property is held at the fair value model except in cases where the Municipality cannot reliably determine the fair value thereof.

A gain or loss arising from a change in the fair value of investment property shall be included in surplus or deficit for the period in which it arises. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The differences between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of financial performance in the period of derecognition.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

2025

2024

1.5 Investment property (continued)

Fair value - Investment Property

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

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

If the Municipality determines that the fair value of an investment property under construction is not reliably determinable, it is expected that the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If it determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, that investment property will be measured using the cost model (as per the accounting policy on Property, Plant and Equipment). The residual value of the investment property is then assumed to be zero. The Municipality applies the cost model (as per the accounting policy on Property, Plant and Equipment) until disposal of the investment property.

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

1.6 Property, plant & equipment

Property, plant & equipment is recognised when it is probable future economic benefits will flow to the entity and the cost can be measured reliably. Property, Plant and Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes all directly attributable costs that are incurred in order to bring the asset into a location and condition necessary to enable it to operate as intended by management and includes the cost of materials and direct labour.

Subsequent expenditure relating to an item of Property, Plant and Equipment is capitalised if the cost can be measured reliably and it is probable that the future economic benefits associated with the item will flow to the municipality. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. When significant parts of property, plant and equipment are required to be replaced at intervals, the municipality recognises such part as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance expenditure is recognised as an expense in the year it is incurred.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the estimated useful life of the asset on the same basis as owned assets. If the Municipality does not have reasonable certainty that it will obtain ownership of the leased asset at the end of the lease term, the asset is depreciated over the shorter of its lease term and its useful life.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight line basis over the estimated useful life of each part of the Property, Plant and Equipment from when it is available to operate as intended by management.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	8 - 50 Years
Machinery	Straight line	7 - 15 Years
Furniture	Straight line	5 - 7 Years
Motor vehicles	Straight line	5 - 6 Years
Office equipment	Straight line	5 - 7 Years
IT equipment	Straight line	3 - 5 Years
Computer software	Straight line	2 - 5 Years
Infrastructure	Straight line	10 - 60 years
Landfill site	Straight line	30 - 50 years

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1.6 Property, plant & equipment (continued)

Culverts and ditch drains	Straight line	20 - 60 years
Traffic signs	Straight line	5 - 20 years
Electricity infrastructure	Straight line	40 - 50 years
Traffic barriers	Straight line	10 - 30 years
Roads and paving	Straight line	10 - 60 years
Recreational facilities	Straight line	10 - 60 years
Bridges	Straight line	60 - 80 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted (where required) annually. Where significant parts (components of an item of property, plant and equipment have different useful lives or depreciation methods to the item itself, these parts are accounted for as separate items of property, plant and equipment.

The carrying amounts of Property, Plant and Equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in operating surplus. Items or part of an item of property, plant and equipment are derecognised at the earlier of the date of disposal or the date when no future economic benefits are expected from its use. Gains or losses on derecognition of items of property, plant and equipment are included in the statement of financial performance. The gain or loss is the difference between the net disposal proceeds and the carrying amount of the asset.

1.7 Financial instruments

Financial assets and liabilities are recognised on the Municipality's statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value at date of acquisition. Subsequent to initial recognition, financial instruments are measured as set out below;

Receivables from exchange transactions

Receivables from exchange transactions are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. At each reporting date, the Municipality assesses whether there is any objective evidence that trade and other receivables are impaired. A provision for impairment of trade and other receivables is raised in the statement of financial performance, when there is objective evidence that the Municipality will not be able to collect all amounts due, in accordance with the original terms agreed upon. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The Municipality recognises the impairment of trade receivables directly to the carrying amount of the asset and recognises the impairment in profit and loss.

Receivables from non-exchange transactions

Receivables from non-exchange transactions are subsequently measured at amortised cost using the prime interest rate plus two percentage points according to the Municipality's Credit Control and Debt Collection policy.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and call deposits. Cash on hand is initially recognised at fair value and subsequently measured at fair value. Deposits are carried at amortised cost. However, due to their short-term nature, the amortised cost normally approximates its fair value.

Financial liabilities at amortised cost

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, when the Municipality becomes party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the cost and the redemption value is recognised in the statement of financial position over the period of the borrowings as interest.

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1.7 Financial instruments (continued)

Payables from exchange transactions

Payables from exchange transactions are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Payables from non-exchange transactions

A non-exchange transaction is a transaction where an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Payables from non-exchange transactions are initially measured at cost and are subsequently measured at amortised cost.

Impairment of financial assets

Financial assets, other than those financial assets classified as fair value through the statement of financial performance, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is recognised in the surplus or deficit.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Classification

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

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Payables from exchange transactions
Payables from non-exchange transactions
Other financial liability

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

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1.8 Inventories

Inventories acquired through an exchange transaction are initially stated at cost. 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. Cost is determined using the First In First Out method. Inventories acquired through a non-exchange transaction are initially measured at fair value as at the date of acquisition.

All inventories are subsequently measured at lower of cost and net realisable value. The net realisable value of inventories is the estimate of the selling price in the ordinary course of business, less the estimated selling expenses.

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.

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1.9 Construction contracts

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.10 Impairment of cash-generating assets

At each reporting date, the Municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance. Where it is not possible to estimate the recoverable amount of an individual asset, the Municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, if related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the statement of financial performance. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life.

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1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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1.12 Employee benefits

Identification

Employee benefits

Long-service bonus awards employment benefit

Long-service employment benefits

Ntabankulu offers bonuses for every 5 years of completed service from 10 years to 45 years of service. The liability recognised in respect of the long-service bonus awards is the present value of the obligation at the reporting date. The benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms of maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance, in the period in which they arise. Current service costs are recognised immediately in surplus and deficit.

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration of employees is charged to the Statement of Financial Performance. A provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

Defined contribution plans

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

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

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

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

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

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

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

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

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1.13 Value Added Tax (VAT)

The Ntabankulu Local Municipality is a registered VAT Vendor in terms of the VAT Act of 1991.

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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

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1.15 Commitments

Commitments represent contracts that have been awarded, but no payment has been made at the reporting date. These amounts are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance as risks and rewards of ownership has not been transferred to the Municipality prior delivery therein. However, are disclosed as part of the disclosure notes.

The commitments disclosed in the disclosure note is capital expenditure approved and contracted for at the reporting date, to the extent that the amount has not been recorded in the annual financial statements.

Other commitments for which disclosure is necessary to achieve a fair presentation will be disclosed in a note if both the following criteria are met:

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

1.16 Revenue from exchange transactions

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipalities activities. Revenue is reduced for customer returns, rebates and other similar allowances.

Service charges and licenses and permits are recognised in the statement of financial performance when the significant risks and rewards of ownership have been transferred to the customer.

Revenue from services rendered is recognised by reference to stage of completion.

Commission income is recognised in the statement of financial performance as revenue when it becomes due to the Municipality.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Rental of facilities and equipment revenue arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

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1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions arise where the Municipality will receive resources and provide no or nominal consideration directly in return. These constitute government grants, property rates, fines and penalties.

Government grants pertain to funds and/or subsidies received or receivable by the Municipality from other state organs. These include conditional and non-conditional grants. Conditional grants arise where the Municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. Non-conditional grants are grants received or receivable, for the Municipality's operational needs, with no obligation to pay cash or another financial asset to the grantor.

Non-conditional government grants are recognised as revenue when received and conditional government grants received and recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow, the revenue shall be measured at the amount of the increase in net assets recognised by the entity.

Subsequently, as an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset or expense, it shall reduce the carrying amount of the liability recognised and recognise an amount of revenue equal to that reduction.

Property rates satisfy the definition of "non-exchange transaction", because the homeowner transfers resources to the government without receiving approximately equal value directly in exchange.

The Municipality shall recognise an asset in respect of property rates when the taxable event occurs and the asset recognition criteria are met and, to the extent that an asset (cash or receivables) is recognised, the Municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Fines and penalties are economic benefits or service potential received or receivable by an entity from an individual or other entity, as determined by a court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. And, to the extent that an asset is recognised, the Municipality shall also recognise the amount as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

In instances where a defendant reaches an agreement with a prosecutor that includes the payment of a penalty instead of being tried in court, the payment thus received or receivable shall be recognised as fine revenue.

1.18 Investment income

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

1.19 Borrowing costs

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

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

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1.20 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

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. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

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.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

1.21 Comparative figures

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

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1.22 Unauthorised expenditure

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.

1.23 Fruitless and wasteful expenditure

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

Irregular expenditure is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefore are provided in the relevant note.

1.24 Segment information

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.

Measurement

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

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

1.25 Budget information

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

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

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

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

The 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

The Municipality, in the ordinary course of business, entered into various sale and purchase transactions on an arm's length basis at market rates with related parties. The Municipality is presumed to be related to all other government entities within the national sphere by virtue of its classification as a Category B Municipality. Only transactions that are not carried out on an arms' length basis are disclosed. Key personnel are limited to the S56 employees only.

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1.27 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).

1.28 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount. The statutory receivables shall be measured initially in accordance with the applicable Standard of GRAP. The amount determined on initial measurement in accordance with another Standard of GRAP is the same as the transaction amount described in this Standard.

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.

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1.28 Statutory receivables (continued)

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

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

Impairment losses

The Municipality assesses at each reporting date whether there is any indication that an impairment loss should be recognised by comparing the carrying amount of the receivable to the cash flows the Municipality expects to receive. The cash flows are discounted if the time value of money is material. While there are specific indicators that identify the need to assess if an impairment loss exists, municipalities should also consider the effect of delayed payment and whether this affects the carrying amount of the receivable.

1.29 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 - 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.

1.30 Consumer Deposit

Compulsory convertible preference shares [Compulsory convertible debentures] are compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible instruments and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the municipality, is included in equity.

Combined units are compound instruments, consisting of a debenture (liability) component and a share (equity) component. The debentures are carried at amortised cost, and any premium or discount on issue is written off over the redemption period using the effective interest rate method.

Issue costs are apportioned between the liability and equity components of the compound instruments based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Ntabankulu Local Municipality

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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 2023 Improvements to the Standards of GRAP 2023	01 April 2099	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	No effective date	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

3. Inventories

Land inventory	1 504 974	1 480 000
Consumable stores	420 189	336 233
	1 925 163	1 816 233

Inventories recognised as an expense during the year 4 146 480 1 933 510

The amount of write down of inventories recognised as an expense is R 2 053 (2024: R 0).

At the Ordinary Council Meeting held on 31 July 2023, the council resolved to dispose of a number of identified sites in phases for the development of the town. These properties have been classified as inventory, under land inventory, reflecting the municipality's intention to sell them.

Inventory pledged as security

No inventory was pledged as security

4. Deposits

Deposits	6 000 000	-
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The deposits include an amount of R 6 000 000 paid to the DBSA in terms of an agreement requiring the municipality to provide co-funding prior to the commencement of the project. The appointment of a contractor was planned to take place after year-end.

5. VAT input accrual

VAT input accrual	501 851	1 709 134
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VAT input accrual relates to VAT on Trade payables that have not yet been paid at year end. Only once payment is made, the VAT becomes receivable from SARS.

Ntabankulu Local Municipality

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6. Receivables from exchange transactions		
Rental debtors	967 580	1 434 426
Sundry receivables	827 781	327 811
Refuse receivables	4 544 747	4 111 169
Allowance for impairment - Rentals	(500 558)	(447 219)
Allowance for impairment - Sundry debtors	(224 882)	(224 882)
Allowance for impairment - Refuse	(4 229 109)	(3 879 608)
	1 385 559	1 321 697

Trade and other receivables pledged as security

No receivables from exchange transactions are pledged as security,

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2025, R 948 130 (2024: R 417 680) were past due but not impaired.

Trade and other receivables impaired

As of 30 June 2025, trade and other receivables of R 5 391 978 - (2024: R 5 446 893) were impaired and provided for.

The amount of the provision was R 4 954 548 as of 30 June 2025 (2024: R 4 551 709).

The ageing of these receivables is as follows:

June 2025	Refuse	Rentals	Sundry	Total
Current - 30 days	66 280	88 668	-	154 948
31 - 60 days	62 299	80 991	513 509	656 799
61 - 90 days	61 129	75 254	-	136 383
91 - 120 days	60 512	9 714	-	70 226
121 - 150 days	60 451	14 308	(13 538)	61 221
151 - 180 days	60 237	38 975	18 262	117 474
>180 days	4 173 839	659 670	309 548	5 143 057
Subtotal	4 544 747	967 580	827 781	6 340 108
	4 544 747	967 580	827 781	6 340 108
June 2024	Refuse	Rental	Sundry	Total
Current - 30 days	61 115	82 787	-	143 902
31 - 60 days	60 116	80 091	-	140 207
61 - 90 days	59 275	74 296	-	133 571
91 - 120 days	59 130	74 296	-	133 426
121 - 150 days	57 977	70 613	-	128 590
151 - 180 days	56 617	62 543	18 262	137 422
>180 days	3 756 939	989 799	309 549	5 056 287
Subtotal	4 111 169	1 434 425	327 811	5 873 405
	4 111 169	1 434 425	327 811	5 873 405

June 2025

Ntabankulu Local Municipality

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6. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	4 551 707	4 178 692
Provision for impairment	402 840	373 015
	4 954 547	4 551 707

7. Statutory receivables

Customer receivable - Rates	36 440 582	31 906 052
Customer receivable - Interest	9 935 848	8 644 985
Customer receivable - Traffic fines	6 756 499	5 874 899
Allowance for impairment - Rates	(32 016 481)	(26 898 791)
Allowance for impairment - Interest	(9 426 564)	(8 191 705)
Allowance for impairment - Traffic fines	(6 508 505)	(5 628 441)
	5 181 379	5 706 999

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered for allowance for impairment. At 30 June 2025, R 3 714 120 (2024: R 4 477 878) were past due but not impaired.

Statutory receivables impaired

As of 30 June 2025, statutory receivables of R 49 418 808 (2024: R 49 948 058) were impaired and provided for.

The amount of the provision was R 47 951 551.23 as of 30 June 2025 (2024: R 40 718 937)

The ageing of statutory receivables is as follows:

June 2025	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	1 325 805	166 076	62 200	1 554 081
31-60 days	873 418	163 724	77 500	1 114 642
61-90 days	782 385	160 812	102 200	1 045 397
91-120 days	750 480	158 012	77 700	986 192
121 - 150 days	710 656	155 907	80 500	947 063
151-180 days	660 425	153 630	107 300	921 355
> 180 days	31 337 412	8 977 687	6 249 099	46 564 198
	36 440 581	9 935 848	6 756 499	53 132 928

June 2024	Rates	Customer Interest	Traffic Fines	Total
Current-30 days	1 224 618	153 546	153 500	1 531 664
31-60 days	1 235 736	156 000	89 100	1 480 836
61-90 days	1 219 353	136 125	109 900	1 465 378
91-120 days	1 185 208	135 119	63 300	1 383 627
121 - 150 days	1 129 263	132 906	65 800	1 327 969
151-180 days	605 332	130 592	80 700	816 624
> 180 days	25 306 542	7 800 697	5 312 599	38 419 838
	31 906 052	8 644 985	5 874 899	46 425 936

Ntabankulu Local Municipality

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7. Statutory receivables (continued)

Statutory receivables allowance for impairment

The current year contribution to allowance for impairment loss amounted to R 7 232 614.23 (2024: R 2 044 418).

The amount of the provision was R 47 951 551 as of 30 June 2025 (2024: R 40 718 937).

The contribution to allowance for impairment is made up of the following:

	2025	2024
Rates	5 117 691	830 329
Traffic fines	880 064	871 587
Customer interest	1 234 859	342 502
	7 232 614	2 044 418

Reconciliation of provision for impairment of statutory receivables

Opening balance	40 718 937	38 674 519
Provision for impairment	7 232 614	2 044 418
	47 951 551	40 718 937

The following prescripts authorises the Municipality to charge and collect funds to fund its mandate. The resulting receivables are therefore classified as statutory receivables to be disclosed as such under GRAP 108 disclosures. These are:

- Section 229(1) of the Constitution of the Republic of South Africa
- Municipal Systems Act
- Section 75A of the Systems Act
- Section 74(1) of the Systems Act
- Section 75(1) of the Systems Act
- Section 75(2) of the Systems Act
- Value Added Tax Act
- Municipal Properties Rates Act
- Administrative Adjudication of Road Traffic Offences Act

The following statutory receivables have been identified by the Municipality:

Non-exchange transactions:

- VAT receivable.
- Rates receivables.
- Traffic fines receivables.
- Interest on outstanding refuse and rates payments.

The method to determine the amount chargeable for the above transactions are documented in Annexure I of the Ntabankulu Local Municipality Tariffs Policy which is promulgated and approved annually.

All interest on overdue accounts is charged at an interest rate of 5% per annum as per par 6.5 of the Ntabankulu Local Municipality Credit control and debt collection policy. During the year, no interest charges were written off by Council.

Ntabankulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
8. Receivables from non-exchange transactions		
MEPF Debtor	15 688 645	13 858 137
Department of Human Settlements debtor	6 212 959	1 912 759
LG SETA debtor	131 400	131 400
Department of Transport	860 144	548 248
Allowance for impairment - LG SETA debtor	(131 400)	-
	22 761 748	16 450 544

The amounts relate to LGSETA conditional grant, Department of Transport and Small Town Revitalisation grant claims not paid at reporting date, expenditure paid by the municipality on behalf of the Department of Human Settlements (Implementing Agent).

The municipality is being owed an amount of R15.8 million excluding interest by the MEPF, in an attempt to have the amount paid back to the municipality, the municipality approached the High Court of Johannesburg wherein the matter was heard on 5 September 2022 and the judgement was granted in favour of the municipality.

No receivable from non-exchange transactions are pledged as security.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	160	109
Bank balances	(5 546 499)	294 767
Short-term deposits	8 471 648	24 646 185
	2 925 309	24 941 061

Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposit are made for varying periods, depending on the immediate cash requirements and interest at respective short-term deposit rate. The municipal accounts are held at FNB.

Cash on hand is made up of daily cashier's collection.

The Municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2025	30 June 2024	30 June 2025	30 June 2024
Main Bank - Account	1 089 770	594 064	(5 546 499)	294 703
Operations Call Account	1 000	1 000	1 000	1 000
VAT Call Account	1 000	1 000	1 000	1 000
Municipal Support Institution FNB Call Account	1 000	1 000	1 000	1 000
INEP FNB Call Account	1 835 052	1 000	1 835 052	1 000
FMG FNB Call Account	1 000	1 000	1 000	1 000
MIG FNB Call Account	2 941 412	2 558 405	2 941 412	2 558 405
DSRAC FNB Call Account	1 000	1 432	1 000	1 432
EPWP FNB Call Account	1 000	1 000	1 000	1 000
Solidarity Fund FNB Cheque Account	-	-	-	-
Traffic Fines FNB Call Account	1 000	1 000	1 000	1 000
Solidarity FNB Call Account	-	-	-	-
Small Town Revitalisation FNB Call Account	1 070	1 858	1 070	1 858
Surety Standard Bank	1 379 975	1 271 799	1 379 975	1 271 799
Human Settlement FNB Call Account	1 148	1 000	1 148	1 074
Municipal Disaster Recovery	2 275 282	20 776 074	2 275 282	20 776 074
Nedbank	30 758	28 603	30 758	28 603
Total	9 561 467	25 240 235	2 925 198	24 940 948

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	57 160 968	-	57 160 968	52 087 341	-	52 087 341

Reconciliation of investment property - 2025

	Opening balance	Transfers received from PPE	Fair value adjustments	Total
Investment property	52 087 341	3 066 478	2 007 149	57 160 968

Reconciliation of investment property - 2024

	Opening balance	Transfers received	Transfers to Inventories	Fair value adjustments	Total
Investment property	47 038 652	4 245 447	(2 022 326)	2 825 568	52 087 341

Pledged as security

No items of investment property are pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality. The investment property was valued during the 2025 financial year using Fair Value model as prescribed in GRAP 16. The determination of fair value was supported by market evidence. The fair value of the investment property was determined by an independent valuer who is registered as a professional associated valuer.

Investment property balance as at 30 June 2025 consists of both vacant land and improved properties. Properties that were found not to be owned by the Ntabankulu Local Municipality any longer as per the deeds office are transferred out of Investment Property.

Ntabankulu Local Municipality

Annual Financial Statements for the year ended 30 June 2025

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11. Property, plant & equipment

	2025			2024		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 793 181	-	2 793 181	2 793 181	-	2 793 181
Buildings	39 685 328	(12 727 012)	26 958 316	39 303 099	(10 897 969)	28 405 130
Plant and machinery	7 569 198	(1 152 821)	6 416 377	6 905 551	(620 530)	6 285 021
Furniture and fixtures	4 452 641	(3 021 588)	1 431 053	3 964 970	(2 761 926)	1 203 044
Motor vehicles	14 499 451	(6 962 000)	7 537 451	14 499 451	(5 323 803)	9 175 648
IT equipment	7 028 459	(4 017 439)	3 011 020	6 313 206	(3 610 571)	2 702 635
Infrastructure	398 610 295	(135 141 193)	263 469 102	303 900 522	(113 228 755)	190 671 767
Community	167 888 837	(61 497 544)	106 391 293	164 423 203	(59 649 900)	104 773 303
Work in Progress	34 165 240	-	34 165 240	64 189 263	-	64 189 263
Landfill site	7 090 307	(1 290 039)	5 800 268	7 090 307	(1 148 313)	5 941 994
Total	683 782 937	(225 809 636)	457 973 301	613 382 753	(197 241 767)	416 140 986

Ntabankulu Local Municipality

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Figures in Rand

11. Property, plant & equipment (continued)

Reconciliation of property, plant & equipment - 2025

	Opening balance	Additions	Transfer to Investment Property	Transfers received from WIP	Transfers out of WIP	Write-offs	Depreciation	Impairment loss	Total
Land	2 793 181	-	-	-	-	-	-	-	2 793 181
Buildings	28 405 130	382 229	-	-	-	-	(1 405 373)	(423 670)	26 958 316
Plant and machinery	6 285 021	778 294	-	-	-	(56 301)	(503 753)	(86 884)	6 416 377
Furniture and fixtures	1 203 044	610 804	-	-	-	(10 771)	(344 012)	(28 012)	1 431 053
Motor vehicles	9 175 648	-	-	-	-	-	(1 638 197)	-	7 537 451
IT equipment	2 702 635	1 031 089	-	-	-	(84 485)	(634 018)	(4 201)	3 011 020
Infrastructure	190 671 767	-	(2 849)	95 105 990	-	(325 286)	(16 162 983)	(6 192 835)	263 469 102
Community	104 773 303	203 816	(3 036 630)	10 857 857	-	(63 441)	(5 005 648)	(1 310 969)	106 391 293
Work in progress	64 189 263	76 121 934	-	-	(106 145 957)	-	-	-	34 165 240
Landfill site	5 941 994	-	-	-	-	-	(141 726)	-	5 800 268
	416 140 986	79 128 166	(3 039 479)	105 963 847	(106 145 957)	(540 284)	(25 835 710)	(8 046 571)	457 973 301

Ntabankulu Local Municipality

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11. Property, plant & equipment (continued)

Reconciliation of property, plant & equipment - 2024

	Opening balance	Additions	Transfers to Investment Property	Transfers received	Transfers out	Write-off	Depreciation	Impairment loss	Total
Land	2 793 181	-	-	-	-	-	-	-	2 793 181
Buildings	33 595 992	-	(3 656 090)	476 900	-	-	(2 011 672)	-	28 405 130
Plant and machinery	610 458	6 344 023	-	-	-	(284 549)	(367 240)	(17 671)	6 285 021
Furniture and fixtures	1 381 897	230 168	-	-	-	(110 650)	(290 119)	(8 252)	1 203 044
Motor vehicles	4 453 694	6 836 327	-	-	-	(482 274)	(1 632 099)	-	9 175 648
IT equipment	2 078 660	1 604 039	-	-	-	(105 478)	(832 399)	(42 187)	2 702 635
Infrastructure	160 351 114	-	-	44 294 360	-	(94 148)	(12 923 915)	(955 644)	190 671 767
Community	109 189 538	-	(585 452)	1 342 836	-	-	(4 893 294)	(280 325)	104 773 303
Work In Progress	32 429 004	78 063 103	-	-	(46 302 844)	-	-	-	64 189 263
Landfill site	6 084 108	-	-	-	-	-	(142 114)	-	5 941 994
	352 967 646	93 077 660	(4 241 542)	46 114 096	(46 302 844)	(1 077 099)	(23 092 852)	(1 304 079)	416 140 986

Pledged as security

No items of property, plant and equipment are pledged as security.

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

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	64 189 263	-	-	64 189 263
Additions/capital expenditure	65 116 357	10 857 862	147 715	76 121 934
Transferred to completed items	(94 771 043)	(10 857 862)	-	(105 628 905)
	34 534 577	-	147 715	34 682 292

Ntabankulu Local Municipality

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11. Property, plant & equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Total
Opening balance	32 148 255	-	32 148 255
Additions/capital expenditure	76 335 368	1 727 735	78 063 103
Transferred to completed items	(44 294 360)	(1 727 735)	(46 022 095)
	64 189 263	-	64 189 263

Construction projects that are taking significant longer to complete (Longer than the initial planned date) :

Infrastructure assets

Habhu access road (1)	7 388 149	7 333 798
Dikidikini bridge (2)	434 783	434 783
	7 822 932	7 768 581

Reasons for the delays

- 1.
2. The municipality only had budget for the planning phase and is currently sourcing funds.

Ntabankulu Local Municipality

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11. Property, plant & equipment (continued)

Maintenance of property, plant and equipment

Ntabankulu Local Municipality

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11. Property, plant & equipment (continued)

Maintenance of property, plant & equipment by condition - 2025

	Preventative Maintenance		Corrective Maintenance		Total
	Interval Based	Total	Planned	Total	
Buildings	-	-	2 095 271	2 095 271	2 095 271
Motor vehicles	887 309	887 309	-	-	887 309
Equipment	277 492	277 492	-	-	277 492
Road infrastructure	-	-	459 649	459 649	459 649
	1 164 801	1 164 801	2 554 920	2 554 920	3 719 721

Maintenance of property, plant & equipment by condition - 2024

	Preventative Maintenance		Corrective Maintenance		Total
	Interval Based	Total	Planned	Total	
Buildings	-	-	3 107 845	3 107 845	3 107 845
Motor vehicles	883 740	883 740	-	-	883 740
Equipment	194 091	194 091	-	-	194 091
Road infrastructure	-	-	266 849	266 849	266 849
	1 077 831	1 077 831	3 374 694	3 374 694	4 452 525

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.

12. Consumer Deposit

Debtors with credit balances	1 986 788	1 423 222
Consumer deposits	5 242	242
	1 992 030	1 423 464

Debtors with credit balances arise from prepayments made by consumers in respect of services and property rates. Consumer deposits represent amounts held by the municipality at year-end, relating to deposits received to secure the hire of municipal facilities.

13. Other financial liabilities

Carrying value of financial liabilities

Reconciliation of carrying value - 2025	Opening Balance	Interest	Repayments	Proceeds	Total
Bank loan	13 822 364	1 059 462	(9 749 093)	-	5 132 733
Subtotal	13 822 364	1 059 462	(9 749 093)	-	5 132 733

Reconciliation of carrying value - 2024	Opening Balance	Interest	Repayment	Proceeds	Total
Bank loan	10 200 416	1 656 458	(9 034 510)	11 000 000	13 822 364
Subtotal	10 200 416	1 656 458	(9 034 510)	11 000 000	13 822 364
	10 200 416	1 656 458	(9 034 510)	11 000 000	13 822 364

At amortised cost

Ntabankulu Local Municipality

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13. Other financial liabilities (continued)

Non-current liabilities

At amortised cost 704 924 5 132 733

Current liabilities

At amortised cost 4 427 809 8 689 631

Financial liabilities at amortised cost

Terms and conditions

The Municipality obtained a long-term loan in the 2022/23 financial year for the financing of Property, Plant and Equipment. The loan of R14 million was secured from Standard Bank through a normal bidding process and in compliance with section 46 of the MFMA. It bears interest at 10,28% per annum over a period of three years.

In the 2023/24 financial year, the Municipality obtained an additional long-term loan of R11 million from Standard Bank. This loan bears interest at 10,74% per annum over a period of three years.

14. Payables from exchange transactions

Trade payables	4 406 367	390 154
Payments received in advanced - contract in process (INEP)	3 619	4
Accruals	3 260 921	14 994 581
Accrued leave pay	9 401 656	8 525 120
Accrued bonus	2 406 079	2 183 759
Salaries Payables	211 341	-
Retentions	13 472 527	11 614 529
	33 162 510	37 708 147

15. VAT output accrual

VAT output accrual 116 366 634 062

VAT output accrual relates to VAT on rental and refuse receivables that have not yet been received at year end.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal disaster recovery grant	3 987 115	10 905 257
Small town revitalisation grant	-	235 194
	3 987 115	11 140 451

This liability relates to conditional grants, which arise where the Municipality has a conditional obligation to pay cash or another financial asset to the grantor, upon unsuccessful discharge of the grantor's conditions. The values disclosed above represents funds received for which the Municipality has not yet satisfied the grant conditions. The nature and extent of the government grants is recognised in the Annual Financial Statements.

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

See note 29 for reconciliation of grants from National/Provincial Government.

Ntabankulu Local Municipality

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Notes to the Annual Financial Statements

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17. Payables from non-exchange transactions		
Salaries third party payments	4 185 496	1 505 970
Staff Creditors	241 498	-
Workmen's Compensation Fund	777 971	-
	5 204 965	1 505 970

18. Long service awards

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

Carrying value

Present value of the defined benefit obligation	4 341 421	4 984 049
Non-current liabilities	4 043 327	4 022 157
Current liabilities	298 094	961 892
	4 341 421	4 984 049

An independent, statutory actuarial valuation was performed by Q Point Group.

The long service award is determined using the Projected Unit Credit Method. This liability is based on actuarial assumptions about the future. The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular, the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP 25.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(4 984 049)	(3 950 486)
Current service cost	(537 608)	(431 446)
Interest cost	(474 088)	(444 720)
Benefits payments	961 892	220 924
Actuarial gains/(losses)	692 432	(378 321)
	(4 341 421)	(4 984 049)

Net expense recognised in the statement of financial performance are as follows:

Service cost	(537 608)	(431 446)
Interest cost	(474 088)	(444 720)
Actuarial gain/(losses)	692 432	(378 321)
Benefits Payments	961 892	220 924
	642 628	(1 033 563)

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Figures in Rand

2025

2024

18. Long service awards (continued)

Key assumptions used

GRAP25 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 valuation date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The key assumptions used in the valuation are as follows:

Assumption	2025	2024
Discount rate	10.28%	10.53%
CPI	4.23%	4.94%
Salary Increase rate	5.23%	5.94%
Net Discount Rate	4.80%	4.33%

The methodology for setting the financial assumptions is duration specific. At the current valuation date, the duration is 8.53 years. At this duration, the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June is 10.28% p.a. and the yield on inflation linked bonds of a similar term was about 5.33% p.a. Assuming an inflation risk premium of 0.5% p.a. implies an underlying expectation of inflation of 4.23% p.a. (i.e. $[1+10.28\%-0.50\%]/[1+5.33\%]-1$).

We have assumed that salary inflation would exceed general inflation by 1.0% p.a. (i.e. 5.23% p.a.)

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 4.80% p.a. ($[1+10.28\%]/[1+5.23\%]-1$).

Demographic and Mortality assumption

Assumption	2025	2024
Normal retirement age (years)	65	63
Mortality	SA85-90	SA85-90

The retirement assumption is updated in this valuation as the rules for the relevant pension fund is set at 65.

Withdrawal Table

The following withdrawal assumptions were applicable over the valuation periods:

Age	Withdrawal rates (Female)	Withdrawal rates (Male)
20	16.0%	24.0%
25	12.0%	18.0%
30	10.0%	15.0%
35	8.0%	10.0%

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18. Long service awards (continued)		
40	6.0%	6.0%
45	4.0%	4.0%
50	2.0%	2.0%
55	1.0%	1.0%
60+	0.0%	0.0%

Eligible employees

The table below summarises the employees eligible for long service bonus awards as at the current valuation date.

	30-Jun-25	30-Jun-24
Number of employees	214	186
Average salary (R)	316 301	286 163
Average age (years)	42.96	42.16
Average past service (years)	8.84	9.17

The average salary includes a 5.23% expected increase as at 1 July 2025.

Long Service Awards

Ntabankulu offers bonuses for every 5 years of completed service from 10 years to 45 years. Below we outline the benefits awarded to qualifying employees.

Completed service (Years)	Long service bonus awards	Long service bonus awards
	(Days accumulated)	(% of Annual Salary)
5	5	2%
10	10	3%
15	15	4%
20	15	5%
25,30,35,40 & 45	15	6%

Long service accumulated leave must be taken within one year of receiving such leave and cannot be cashed. The leave bonus awarded is thus not included in the liability valued.

Ntabankulu Local Municipality

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Figures in Rand 2025 2024

19. VAT payable

VAT payable	11 545 605	12 050 891
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VAT is payable/refundable on the receipts/payment basis. Only once payment is received from debtors, payment made to creditors, VAT is paid over/received from SARS. At year end, the municipality has a payable and has set off the receivable and payable.

20. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Utilised during the year	Change in discount factor	Total
Provision for landfill site	1 095 181	(173 852)	130 765	1 052 094

Reconciliation of provisions - 2024

	Opening Balance	Utilised during the year	Change in discount factor	Total
Provision for landfill site	1 056 410	(94 548)	133 319	1 095 181

The Ntabankulu landfill site is situated some 900 meters north of the Ntabankulu Central Business District. It is located on Portion 87 of ERF 1966 in the Ntabankulu Commonage. This landfill is licensed in terms of National Environmental Management Act. The landfill site has an area of 8 500 square metres. The expected closure year is 2066.

It is estimated that the site will not be rehabilitated within 1 year from reporting date and thus there are no short-term portions associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the legal requirements subsequent to the expected closure date of the site as indicated below.

GRAP 19 prescribes that the discount rate be determined by reference to market yields at the reporting date, on government bonds of similar term to the liability. The currency and term of the bonds should be consistent with the currency and estimated life of the landfill site. For this valuation, the discount rate was deduced from the average of the South African zero-coupon government bond yield curve over the relevant future period. On 30 June 2025, the annualised long-term nominal discount rate (D) is estimated at 11.50% p.a. The consumer price inflation (C) assumption is 5.69% p.a., derived as the differential between the nominal and inflation-linked bond yields (real yield ~5.50% p.a.). This yields a net discount rate of 5.50% p.a. (calculated as $(1+D)/(1+C) - 1$) for the provision.

21. Service charges

Refuse removal	755 920	660 063
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22. Construction contracts revenue

Constructions contracts revenue	17 562 319	8 259 752
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At year-end, the municipality had the following active construction contracts:

Contract between Ntabankulu Local Municipality (NLM) and the Department of Mineral Resources and Energy for the electrification of houses.

Contract between NLM and the Eastern Cape Department of Human Settlements for the construction of houses.

Revenue for these contracts is recognised continuously as construction progresses, based on the actual costs of completion certified by engineers, in accordance with paragraph 29 of GRAP 9 (Revenue from Exchange Transactions). The following amounts were recognised for each contract:

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Figures in Rand	2025	2024
22. Construction contracts revenue (continued)		
	2025	2024
1) Department of Mineral Resources and Energy	-	-
Constructions contract costs	11 195 516	5 222 605
Advances received	3 619	4
Retentions	-	-
2) Eastern Cape Department of Human Settlements	-	-
Constructions contract costs	7 307 762	3 326 400
Advances received	-	-
Retentions	-	-
	-	-
23. Rental of facilities and equipment		
Municipal facilities		
Municipal facilities	627 355	894 847
24. Licences and permits		
Traffic and business licence revenue	818 978	797 913
25. Sundry income		
Insurance income	538 822	806 468
Other municipal revenue	483 088	571 255
	1 021 910	1 377 723
26. Interest from exchange transactions		
Interest revenue		
Interest on bank	3 842 294	4 577 127
Interest charged on trade and other receivables	269 700	252 827
	4 111 994	4 829 954
	-	-
	4 111 994	4 829 954
27. Property rates		
Rates		
Residential	773 443	1 144 275
Commercial	2 310 195	1 585 514
State	21 569 004	14 069 206
Agricultural	383 472	243 986
	25 036 114	17 042 981
28. Interest from non-exchange transactions		
Interest - MEPF	1 830 508	1 675 158
Interest - Property rates debtors	1 605 345	1 385 330
	3 435 853	3 060 488

Ntabankulu Local Municipality

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Figures in Rand	2025	2024
29. Government grants & subsidies		
Operating grants		
Equitable share	165 408 000	157 487 000
Finance Management Grant	2 599 999	2 650 000
Extended Public Works Programme	2 675 000	2 304 000
DSRAC	915 000	500 000
LGSETA Grant	167 793	787 162
ANDM IDP Support Grant	150 000	100 000
	171 915 792	163 828 162
Capital grants		
Municipal Infrastructure Grant	41 331 000	45 748 333
Small Town Revitalisation Grant	15 197 496	22 292 568
Department of Transport Grant	1 498 681	2 325 109
Municipal Disaster Recovery Grant	28 232 142	17 498 743
	86 259 319	87 864 753
	171 915 792	163 828 162
	86 259 319	87 864 753
	258 175 111	251 692 915
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	-	-
Finance Management Grant	2 599 999	2 650 000
Extended Public Works Programme	2 675 000	2 304 000
DSRAC	915 000	500 000
Municipal Infrastructure Grant	41 331 000	45 748 333
Department of Transport Grant	1 498 681	2 325 109
ANDM IDP Support Grant	150 000	100 000
Municipal Disaster Recovery Grant	28 232 142	17 498 743
Unconditional grants received	-	-
Equitable share	165 408 000	157 487 000
Small Town Revitalisation Grant	15 197 496	22 292 568
LGSETA	167 793	787 162
	258 175 111	251 692 915
Municipal Disaster Relief Grant		
Balance unspent at beginning of year	-	21 353
Conditions met - transferred to revenue	-	(21 353)
	-	-
Extended Public Works Program		
Current-year receipts	2 675 000	2 304 000
Conditions met - transferred to revenue	(2 675 000)	(2 304 000)
	-	-
Finance Management Grant		
Current-year receipts	2 600 000	2 650 000
Conditions met - transferred to revenue	(2 600 000)	(2 650 000)

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024
29. Government grants & subsidies (continued)		
	-	-
Municipal Infrastructure Grant - MIG		
Balance unspent at beginning of year	-	16 077 333
Current-year receipts	41 331 000	29 671 000
Conditions met - transferred to revenue	(41 331 000)	(45 748 333)
	-	-
Department of Sport, Recreation, Art and Culture (DSRAC)		
Current-year receipts	915 000	500 000
Conditions met - transferred to revenue	(915 000)	(500 000)
	-	-
Small Town Revitalisation		
Balance unspent at beginning of year	235 190	-
Current-year receipts	14 962 302	22 527 762
Conditions met - transferred to revenue	(15 197 492)	(22 292 568)
	-	235 194
Municipal Disaster Recovery Grant		
Balance unspent at beginning of year	10 905 257	-
Current-year receipts	21 314 000	28 404 000
Conditions met - transferred to revenue	(28 232 142)	(17 498 743)
	3 987 115	10 905 257
Conditions still to be met - remain liabilities (see note 16).		
The grant is utilised to rebuild or repair the infrastructure that was damaged in floods disaster.		
LG SETA		
Current-year receipts	71 546	787 162
Conditions met - transferred to revenue	(71 546)	(787 162)
	-	-
ANDM IDP Support Grant		
Current-year receipts	150 000	100 000
Conditions met - transferred to revenue	(150 000)	(100 000)
	-	-
Department of Transport		
Balance unspent (owed to the municipality) at beginning of year	(548 248)	(178 527)
Current-year receipts	1 186 785	1 955 388
Conditions met - transferred to revenue	(1 498 681)	(2 325 109)
	(860 144)	(548 248)

Ntabankulu Local Municipality

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Figures in Rand	2025	2024
30. Fines, Penalties and Forfeits		
Pound Fees Fines	146 322	152 900
Municipal Traffic Fines	992 400	1 050 500
	1 138 722	1 203 400
31. Total revenue		
Service charges	755 920	660 063
Construction contracts	17 562 319	8 259 752
Rental of facilities and equipment	627 355	894 847
Licences and permits	818 978	797 913
Sundry income	1 021 910	1 233 097
Interest from exchange transactions	4 111 994	4 829 954
Property rates	25 036 114	17 042 981
Interest from non-exchange transactions	3 435 853	3 060 488
Government grants & subsidies	258 175 111	251 692 915
Fines, Penalties and Forfeits	1 138 722	1 203 400
	312 684 276	289 675 410
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	755 920	660 063
Construction contracts	17 562 319	8 259 752
Rental of facilities and equipment	627 355	894 847
Licences and permits	818 978	797 913
Sundry income	1 021 910	1 233 097
Interest exchange transactions	4 111 994	4 829 954
	24 898 476	16 675 626
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	25 036 114	17 042 981
Interest non-exchange transactions	3 435 853	3 060 488
Transfer revenue		
Government grants & subsidies	258 175 111	251 692 915
Fines, Penalties and Forfeits	1 138 722	1 203 400
	287 785 800	272 999 784

Ntabankulu Local Municipality

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Figures in Rand	2025	2024
32. Employee related costs		
Basic	64 095 141	57 264 498
Bonus	5 242 132	4 798 933
Medical aid - company contributions	4 815 943	4 265 255
UIF	447 031	415 818
Workmen's Compensation Fund	777 971	695 824
Leave pay	1 052 824	1 016 590
Shift allowance	445 101	360 099
Overtime	1 940 669	782 701
Standby allowance	719 350	1 231 842
Long-service awards	14 541	552 447
Acting allowances	58 039	683 852
Car allowance	6 439 336	6 014 527
Housing benefits and allowances	5 709 560	4 872 137
Contribution to Bargain Council	30 078	26 697
Cellphone allowance	-	4 884
Provident and pension fund	9 083 384	8 466 865
Other non-pensionable allowances	321 349	196 209
	101 192 449	91 649 178

33. Remuneration of councillors

Executive Major	987 797	945 649
Speaker	790 238	9 196 684
Chief Whip	413 304	395 671
Executive Committee	2 066 521	2 695 105
All Other Councillors	9 231 174	-
Section 79 committee chairperson	400 938	-
	13 889 972	13 233 109

Additional information

2025	Basic salaries	Motor vehicle allowance	Pension	Medical aid	Housing allowance	Total
Mayor	596 490	4 444	89 473	54 884	242 505	987 796
Speaker	490 440	197 560	73 566	28 672	-	790 238
Chief whip	248 548	103 326	37 282	24 148	-	413 304
Executive committee	1 365 316	515 630	74 723	109 852	-	2 065 521
Section 79 committee chairperson	300 879	100 059	-	-	-	400 938
All other councillors	6 481 894	2 307 973	242 863	198 444	-	9 231 174
Subtotal	9 483 567	3 228 992	517 907	416 000	242 505	13 888 971
	9 483 567	3 228 992	517 907	416 000	242 505	13 888 971

2024	Basic salaries	Motor vehicle allowance	Pension	Medical aid	Housing allowance	Total
Mayor	572 662	-	85 899	50 676	236 412	945 649
Speaker	470 096	189 130	70 514	26 780	-	756 520
Chief whip	238 432	98 918	35 765	22 556	-	395 671
Executive committee	1 310 402	493 652	71 780	100 872	-	1 976 706
Section 79 committee chairperson	278 894	92 964	-	-	-	371 858
All other councillors	6 158 953	2 196 058	239 021	192 674	-	8 786 706
Subtotal	9 029 439	3 070 722	502 979	393 558	236 412	13 233 110
	9 029 439	3 070 722	502 979	393 558	236 412	13 233 110

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Figures in Rand	2025	2024
34. Depreciation and amortisation		
Property, plant & equipment	25 835 708	23 116 792
35. Finance costs		
Interest on loan	1 059 462	1 656 458
Interest on long service award provision	474 088	444 720
Interest on landfill site provision	130 765	133 319
Trade and other payables	-	172 126
	1 664 315	2 406 623
36. Lease rentals on operating lease		
Equipment		
Contractual amounts	26 701	-
The Municipality has entered into a lease agreement with Genbiz Trading 1001 for the lease of a Xerox C8135 printer machine. The lease commenced on 21 January 2025 and is for a period of three years, ending on 20 January 2028.		
Contingent rent: The lease payments are fixed and not linked to usage or performance. No contingent rent is payable.		
Renewal / purchase options: The lease does not transfer ownership of the asset to the Municipality at the end of the lease term. The Municipality may negotiate renewal terms upon expiry.		
Escalation: Lease payments do not escalate during the lease term (0% escalation, linked to prime rate).		
Restrictions: The lease agreement does not impose significant restrictions on the Municipality regarding return of surplus, dividends, additional debt, or further leasing of assets.		
Future minimum lease payments under this operating lease are as follows:		
	2025	2024
Within 1 year	64 082	-
Between 1 and 5 years	101 463	-
	165 545	-
37. Debt impairment		
Debt impairment	7 714 285	2 328 157
38. Bad debts written off		
Property rates	114 404	19 137
Refuse	85 658	20 963
Interest	102 394	7 279
	302 456	47 379
39. Inventory consumed		
Inventory consumed	4 146 410	1 933 510

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Figures in Rand	2025	2024
40. Contracted services		
Outsourced Services		
Administrative and Support Staff	563 740	377 250
Animal Care	58 989	239 984
Burial Services	29 025	-
Business and Advisory	2 608 974	2 031 104
Catering Services	2 572 981	1 791 120
Cleaning Services	1 500 721	214 878
Fire Services	-	9 850
Litter Picking and Street Cleaning	23 600	579 850
Personnel and Labour	5 323 776	8 454 867
Printing Services	(64 600)	83 503
Refuse Removal	1 009 397	313 335
Transport Services	123 700	611 640
Drivers Licence Cards	126 412	316 955
Consultants and Professional Services		
Business and Advisory	5 043 920	4 343 994
Infrastructure and Planning	446 065	115 000
Legal Cost	874 807	1 160 931
Contractors		
Artists and Performers	243 200	-
Audio-visual Services	56 500	139 704
Building	137 963	155 650
Catering Services	10	825 840
Electrical	-	1 579 693
Event Promoters	44 725	-
Fire Protection	-	26 399
Gardening Services	129 000	2 427 350
Interior Decorator	198 000	696
Maintenance of Buildings and Facilities	825 155	2 952 195
Maintenance of Equipment	343 142	1 024 335
Maintenance of Unspecified Assets	1 317 507	319 999
Plants, Flowers and Other Decorations	305 970	520 919
Preservation/Restoration/Dismantling/Cleaning Serv	521 325	-
Transportation	199 045	-
Safeguard and Security	6 813 295	4 981 402
Sewerage Services	833 995	-
Sports and Recreation	138 740	117 830
Stage and Sound Crew	168 300	14 500
Presented previously	-	-
Outsourced Services	13 876 715	15 024 336
Consultants and Professional Services	6 364 792	5 619 925
Contractors	12 275 872	15 086 512
	32 517 379	35 730 773
41. Construction contract costs		
Construction contract costs	11 195 516	5 222 605
Undefined Difference	7 307 762	3 326 400
	18 503 278	8 549 005

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Figures in Rand	2025	2024
42. Operational costs		
Advertising	1 072 187	1 157 061
Municipal services	133 740	4 474 871
Auditors remuneration	5 835 442	5 429 890
Bank charges	134 494	113 237
Cleaning	85 500	-
Management fees	259 263	68 281
Minor Assets	120 000	-
Communication	3 999 318	4 066 005
Achievements and awards	671 852	55 265
Licences	242 072	2 582 392
Personnel agency fees	2 692 507	-
Entertainment	1 865 447	(2 192 924)
Registration fees	1 778 189	339 570
Supplier development programme	-	88 678
Learnerships and Internships	2 469 096	1 018 848
Rewards and incentives	164 410	271 455
Gifts	15 000	-
Hire charges	4 231 326	6 042 130
Insurance	5 304 840	1 570 022
System access and information fees	-	228 450
Transport as part of departmental activities	19 800	25 700
IT expenses	1 631 586	3 338 788
Transfers and subsidies	336 890	1 317 815
Printing, publication and books	463 046	333 971
Skills development levy	962 703	879 345
Subscriptions and membership fees	11 083	33 020
Transport as part of departmental activities	551 000	844 880
Training	247 199	-
Travel and subsistence	6 694 361	6 887 004
Refuse	9 850	-
Indigent Relief	232 104	206 185
Wet fuel	2 226 927	2 507 279
Uniform and protective clothing	1 058 251	795 721
Ward committees	3 043 500	2 957 750
Other expenses	37 496	464 134
	48 600 479	45 904 823
43. Decrease/(increase) in provision for landfill site		
Decrease/(increase) in provision for landfill site	173 852	94 548
44. Fair value adjustments		
Investment property (Fair value model)	2 007 149	2 825 568
45. Actuarial gains/losses		
Actuarial gains/(losses)	692 432	(378 321)
46. Liability write off		
SAMWU Liability write off	588 711	3 220 777

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Figures in Rand	2025	2024
47. Property, plant & equipment write off		
Property, plant and equipment	820 261	1 077 099
48. Inventory losses/write downs		
Inventory losses	27 027	-
49. Impairment loss: Property, plant and equipment		
Property, plant and equipment	7 451 094	1 304 078
50. Cash generated from operations		
Surplus	52 484 804	67 615 130
Adjustments for:		
Depreciation and amortisation	25 835 708	23 116 792
Write off of SAMWU Liability	(588 711)	(3 220 777)
Impairment of property, plant & equipment	7 622 901	1 304 078
Loss from asset write off	1 117 765	1 077 099
Fair value adjustments	(2 007 149)	(2 825 568)
Debt impairment	7 714 285	2 328 157
Bad debts written off	302 456	47 379
Leave & Bonus Provision	1 098 856	158 657
Long service award provision	(642 628)	1 033 563
Movements in landfill site provision	(43 087)	38 771
Inventory losses or write-downs	27 027	-
Changes in working capital:		
Inventories	(110 983)	54 264
Receivables from exchange transactions	(8 009 101)	(2 233 906)
Consumer deposit	568 566	(509 172)
Other receivables from non-exchange transactions	(5 952 136)	(754 245)
Statutory receivables	525 620	(909 701)
Deposits	(6 000 000)	-
Payables from exchange transactions	(8 133 171)	4 514 511
VAT	406 530	663 502
Unspent conditional grants and receipts	(5 579 107)	(4 958 231)
Payables from non-exchange transactions	2 921 024	1 503 950
	63 559 469	88 044 253
51. Commitments		
Total commitments		
Property, plant & equipment		
Authorised capital expenditure	161 297 689	117 991 014

This committed expenditure relates to property and will be financed by retained surpluses, existing cash resources, funds internally generated, and government grants.

Ntabankulu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand			2025	2024
52. Contingencies				
Plaintiff	Reference	Case Number	June 2025	June 2024
Lindokuhle Khumalo and Sipehelele Khumalo	i	06/2016	250 000	250 000
Bomi Mankahla	ii	20/2021	27 318	27 318
Economic Freedom Fighters and 24 Others	iii	983/2021	300 000	300 000
Ntabankulu Local Municipality V The MEPF	iv	11262/2022	500 000	500 000
Ayanda Mtshixa	v	128/2022	18 000	18 000
Nontombi Gcaba & 108 Others	vi	28/22	22 000 000	22 000 000
Municipal Workers Retirement Fund V Ntabankulu Local Municipality &13 Others	vii	4279/2024	400 000	-
Subtotal	-	-	23 495 318	23 095 318
			23 495 318	23 095 318

i) Lindokuhle Khumalo and Sipehelele Khumalo

The municipality is defending a matter brought by the Khumalos, who were arrested and detained while trading unlawfully on a municipal sidewalk. Summons was served in February 2016 and the municipality cited as First Defendant. The matter was last heard on 3 March 2023 and postponed to a date to be arranged. The applicants' attorneys have since indicated difficulty in securing their clients, and the matter has not progressed further. The municipality awaits formal removal of the matter by the Court.

ii) Bomi Mankahla

In the month of April 2020, the municipality was served with a demand letter dated the 4th day of April 2020. The demand letter was referred to the municipality by the insurance of Mr. Mankahla claiming payment of damages suffered as a result of the pothole on the main road by Imvomvo Ntabankulu. This action was issued at Ntabankulu Magistrate Court, the plaintiff is suing for damages in her motor vehicle caused by a pothole in the alleged jurisdiction of the municipality. The matter is defended and still at pleading stage.

iii) Economic Freedom Fighters and 24 Others

The EFF has lodged an application with the High Court, wherein they are challenging the Rules, Orders and Procedures of the Council. Matter is currently in Grahamstown High Court wherein the Council Dress Code is being challenged by the EFF across the province. An answering affidavit was filed accompanied by the Council's Rules, Standing Orders and Procedures. We are waiting for an allocation of a date for hearing.

iv) Ntabankulu Local Municipality V The MEPF

The municipality is engaged in ongoing litigation with the Municipal Employees Pension Fund (MEPF) relating to the recovery of contributions and related returns. An amount of R5 127 149.63 is being claimed in addition to amounts previously recovered. The matter has been subject to various court proceedings, including judgments in favour of the municipality and subsequent appeals by the MEPF. At the reporting date, the case has been granted leave to appeal to the Supreme Court of Appeal, and the hearing date is pending. The outcome of the matter remains uncertain.

v) Ayanda Mtshixa

The plaintiff alleges that municipal agents, while demolishing an alleged illegal structure on 26 June 2019 in Ndakeni Location, Ntabankulu District, caused the death of four of his sheep. The matter is defended by the municipality's attorneys, a plea has been filed, and the case is at the discovery stage.

vi) Nontombi Gcaba & 108 Others

The municipality is defending a claim for damages related to demolitions that took place in the Mbangweni area in 2018. The plaintiffs are claiming R200 000 each. The matter has been consolidated and is currently at the discovery stage.

vii) Municipal Workers Retirement Fund V Ntabankulu Local Municipality &13 Others

Ntabankulu Local Municipality

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52. Contingencies (continued)

The municipality is defending a matter brought by the Municipal Workers Retirement Fund, which alleges that 13 former employees unlawfully withdrew pension benefits by misrepresenting their resignation status. The Fund is seeking an order compelling the municipality to repay the amounts withdrawn, together with interest. The matter was heard in the High Court on 30 April 2025, and judgment is pending.

Ntabankulu Local Municipality

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53. Related parties

Key management information

Remuneration of management

Executive Management

2025

Name	Basic salary	13th Cheque	Other benefits	Total
Ms I Sikhulu-Nqwena - Municipal Manager	717 033	96 000	387 644	1 200 677
Mr S Matiwane - Director Community Services	527 336	48 007	373 050	948 393
Ms N Ndlaku - Director Development Planning *	-	-	1 221	1 221
Ms X N Venn - Chief Financial Officer *	-	-	2 307	2 307
Mr P L Mpendulo - Director Technical Services	585 098	48 007	331 917	965 022
Ms S N Ntlaahla - Director Corporate Services	502 476	60 000	387 062	949 538
Mr M Vakalisa - Director Development Planning	503 343	60 000	383 829	947 172
Mr M Mhlifili- Chief Financial Officer	547 165	78 000	317 812	942 977
	3 382 451	390 014	2 184 842	5 957 307

2024

Name	Basic salary	13th Cheque	Other benefits	Total
Ms I Sikhulu-Nqwena - Municipal Manager	651 940	40 000	285 830	977 770
Mr S Matiwane - Director Community Services	390 567	59 736	390 662	840 965
Ms N Ndlaku - Director Development Planning	76 710	51 735	178 953	307 398
Ms X N Venn - Chief Financial Officer	150 114	60 693	215 081	425 888
Mr P L Mpendulo - Director Technical Services	549 171	32 005	340 345	921 521
Ms S N Ntlaahla - Director Corporate Services	525 785	57 080	500 050	1 082 915
Mr M Vakalisa-Director Development Planning	298 198	10 000	246 254	554 452
Mr M Mhlifili- Chief Financial Officer	292 001	6 500	169 437	467 938
Ms Z Komanisi - Acting Corporate Services	159 517	-	112 006	271 523
Ms VJ Sifika - Acting Director Community Services	180 505	-	68 440	248 945
Mr L Mkula- Acting Director Community Services	173 875	59 687	195 680	429 242
Mr O Mdudi - Acting Chief Financial Officer	180 505	-	68 853	249 358
	3 628 888	377 436	2 771 591	6 777 915

* The directors had resigned in the prior year. The amounts paid relate to non-pensionable allowances and were backdated to the period during which the directors were still employed by the municipality.

Management class: Councillors

2025

Name	Basic salary	Motor vehicle allowance	Other short-term employee benefits	Total
Cllr PT Sobuthongo: Mayor	596 490	4 444	387 539	988 473
Cllr V Matwasa: Speaker	490 440	197 560	105 385	793 385
Cllr S Menziwa: Chief Whip and Portfolio Head: Technical Services	248 548	103 326	63 014	414 888
Cllr T Lubisi: Portfolio Head Development Planning	247 633	103 326	65 619	416 578
Cllr EU Joyi	284 778	103 326	26 784	414 888

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53. Related parties (continued)				
Cllr N Kinase	272 406	103 326	41 015	416 747
Cllr MK Dinwayo: Portfolio Head: Financial Management	250 520	103 326	65 517	419 363
Cllr N Sithunzi	309 978	103 326	1 211	414 515
Cllr S Bakeni	300 879	100 293	12 604	413 775
Cllr M Nqwazi	261 024	100 293	45 214	406 530
Cllr SJ Madwakasi	234 443	78 148	1 584	314 175
Cllr AO Ranana	234 443	78 148	-	312 591
Cllr S Zwelonke	210 295	78 148	25 732	314 175
Cllr A Zakhabana	300 879	100 059	14 915	415 853
Cllr A Ngconjana	234 443	78 148	4 919	317 510
Cllr PM Mafilika	181 951	78 148	54 077	314 175
Cllr KS Nkaenkae	209 243	78 148	27 488	314 879
Cllr N Gantsu	209 243	78 148	26 784	314 175
Cllr S Sophaqa	182 866	78 148	60 153	321 167
Cllr N Sidudu	234 443	78 148	14 163	326 754
Cllr M Mcunukelwa	234 443	78 148	5 024	317 615
Cllr N Daniel	203 864	78 148	42 274	324 286
Cllr N Zakade	234 443	78 148	1 584	314 175
Cllr N Sobuthongo	181 951	78 148	54 077	314 175
Cllr M Nokhence	234 443	78 148	1 584	314 175
Cllr A N Mtyingizane	234 443	78 148	1 584	314 175
Cllr S Ncekana	221 655	93 305	63 447	378 437
Cllr T Ngeyane	234 443	78 148	1 584	314 175
Cllr T A Mhlana	234 443	78 148	1 584	314 175
Cllr S Nkweba	234 443	78 148	3 289	315 880
Cllr Z Mlonyeni	234 443	78 148	1 584	314 175
Cllr MP Ndabeni	180 552	78 148	58 766	317 466
Cllr A Diko	234 443	78 148	1 056	313 647
Cllr Z L Nofayile	234 443	78 148	1 056	313 647
Cllr S Mathumbu	234 443	78 148	1 584	314 175
Cllr N Pezisa	203 864	78 148	31 284	313 295
Cllr A Mahlaba	234 443	234 443	1 056	313 647
Cllr PN Mankahla	2 386	795	-	3 182
Cllr M Tshaka	181 026	59 593	1 584	242 203
	9 483 559	3 386 293	1 317 718	14 031 301

2024

Name	Basic salary	Motor vehicle allowance	Other allowances	Total
Cllr PT Sobuthongo: Mayor	572 662	236 412	144 776	953 850
Cllr V Matwasa: Speaker	470 096	189 130	103 450	762 676
Cllr S Menziwa: Chief Whip and Portfolio Head: Technical Services	238 432	98 918	61 557	398 907
Cllr T Lubisi: Portfolio Head Development Planning	237 790	98 866	62 044	398 700
Cllr EU Joyi	273 613	98 918	26 504	399 035
Cllr N Kinase	262 061	98 918	38 074	399 053
Cllr MK Dinwayo: Portfolio Head: Financial Management	240 742	98 918	59 251	398 911
Cllr N Sithunzi	296 196	98 033	3 331	397 560
Cllr S Bakeni	288 041	96 013	3 237	387 291
Cllr M Nqwazi	250 470	96 013	40 683	387 166
Cllr SJ Madwakasi	224 447	74 816	2 518	301 781
Cllr AO Ranana	224 447	74 816	2 534	301 797
Cllr S Zwelonke	201 891	74 816	25 108	301 815
Cllr A Zakhabana	278 894	92 964	3 134	374 992
Cllr A Ngconjana	224 447	74 816	2 518	301 781
Cllr PM Mafilika	175 050	74 816	51 857	301 723
Cllr KS Nkaenkae	201 308	74 816	25 693	301 817

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53. Related parties (continued)				
Cllr N Gantsu	201 308	74 816	25 693	301 817
Cllr S Sophera	175 558	74 816	51 351	301 725
Cllr N Sidudu	224 447	74 816	2 445	301 708
Cllr M Mcunukelwa	224 447	74 816	2 518	301 781
Cllr N Daniel	195 172	74 816	31 702	301 690
Cllr N Zakade	224 447	74 816	2 518	301 781
Cllr N Sobuthongo	175 050	74 816	51 857	301 723
Cllr M Nokhence	224 447	74 816	2 518	301 781
Cllr A N Mtyingizane	224 447	74 816	2 518	301 781
Cllr S Ncekana	175 558	74 816	51 348	301 722
Cllr B Mkhizwana	74 543	31 602	21 534	127 679
Cllr T Ngeyane	224 447	74 816	2 518	301 781
Cllr T A Mhlana	224 447	74 816	2 518	301 781
Cllr B Xhangayi	7 978	2 659	101	10 738
Cllr S Nkweba	224 447	74 816	2 518	301 781
Cllr Z Mlonyeni	224 447	74 816	2 518	301 781
Cllr MP Ndabeni	175 050	74 816	51 857	301 723
Cllr A Diko	224 447	74 816	2 518	301 781
Cllr Z L Nofayile	224 447	74 816	2 518	301 781
Cllr S Mathumbu	224 447	74 816	2 518	301 781
Cllr N Pezisa	197 019	75 524	32 004	304 547
Cllr A Mahlaba	216 450	72 150	2 687	291 287
Cllr PN Mankahla	81 796	26 516	1 030	109 342
	9 029 433	3 307 138	1 007 576	13 344 147

Ntabankulu Local Municipality

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54. Risk management

Financial risk management

Liquidity risk

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cashflow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counter parties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer receivables, other receivables, bank and cash balances.

Investments/Bank, cash and cash equivalents

The Municipality limits its counter party exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on going basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

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

Financial instrument	2025	2024
Receivables from exchanges transactions	872 327	1 321 697
Receivables from non-exchange transactions	22 442 749	16 450 543
Cash and cash equivalents	2 925 309	24 941 061

Market risk

Market risk

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

Ntabankulu Local Municipality

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54. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments

Ntabankulu Local Municipality

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55. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	872 327	872 327
Other receivables from non-exchange transactions	22 442 749	22 442 749
Cash and cash equivalents	2 925 309	2 925 309
	26 240 385	26 240 385

Financial liabilities

	At amortised cost	Total
Other financial liabilities	4 427 809	4 427 809
Trade and other payables from exchange transactions	31 132 805	31 132 805
Trade and Payables (non-exchange)	4 185 496	4 185 496
	39 746 110	39 746 110

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 321 697	1 321 697
Other receivables from non-exchange transactions	16 450 543	16 450 543
Cash and cash equivalents	24 941 061	24 941 061
	42 713 301	42 713 301

Financial liabilities

	At amortised cost	Total
Other financial liabilities	13 822 364	13 822 364
Trade and other payables from exchange transactions	37 784 623	37 784 623
Payables (non-exchange)	1 505 970	1 505 970
	53 112 957	53 112 957

56. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The municipality's current liabilities exceed current assets at year-end, resulting in a liquidity ratio below 1. Despite this, the municipality continues to meet its obligations as they fall due through a combination of ongoing revenue collections, conditional grant allocations, and cash management measures. Management has assessed the cash flow projections for the forthcoming financial year and is confident that the municipality will continue as a going concern for the foreseeable future. Accordingly, the financial statements do not include any adjustments that may be necessary should the municipality be unable to continue as a going concern.

57. Unauthorised expenditure

The Municipality did not incur any unauthorised expenditure as at 30 June 2025.

Ntabankulu Local Municipality

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58. Fruitless and wasteful expenditure		
Opening balance as previously reported	-	26 050 383
Add: Fruitless and wasteful expenditure identified - current	-	172 124
Less: Amount written off - current	-	(26 222 507)
Closing balance	-	-

59. Irregular expenditure

Opening balance as previously reported	-	7 908 297
Add: Irregular expenditure - current	-	5 912 725
Less: Amount written off - current	-	(13 821 022)
Closing balance	-	-

60. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	5 835 442	5 370 651
Amount paid - current year	(5 835 442)	(5 370 651)
	-	-

PAYE and UIF

Current year subscription / fee	18 939 485	17 081 183
Amount paid - current year	(17 322 211)	(15 721 201)
	1 617 274	1 359 982

Pension and Medical Aid Deductions

Current year subscription / fee	23 471 249	21 489 104
Amount paid - current year	(21 429 481)	(21 489 104)
	2 041 768	-

VAT

VAT payable	11 531 976	12 050 891
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VAT output payables and VAT input receivables are shown in note 19.

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

Ntabankulu Local Municipality

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61. Awards to close family members			
Heading			
Family member	Supplier name	Description of award	Total
Z Komanisi - Manager council support	Sbala Trading	Supply of goods and services	2 300 168
Z Komanisi - Manager Council Support	ZM Gcaba	Transportation services	957 134
N Mana - Waste Management Officer	Don Stick	Supply of goods and services	315 900
N Nyikinya - Project Accountant	Nalwe Novel	Supply of goods and services	20 200
S Malawana - Corporate Services PA	Dinda 41 Trading	Supply of goods and services	267 110
M Sicwayi - General Assistance	Nozankwane Construction	Supply of goods and services	23 300
D Ngema - Social Amenities Administrator	Sivuya Sonke Trading	Supply of goods and services	558 613
Y Gadalane - Cashbook Accountant	ALG 47 Projects	Supply of goods and services	90 100
Y Gadalane - Cashbook Accountant	Opinionated trading enterprise	Supply of goods and services	792 700
Y Gadalane - Cashbook Accountant	Sira Trading	Supply of goods and services	310 660
M Ngwandla - Driver	Bahlongwana Trading	Supply of goods and services	302 095
L Hlamandana - Admin Clerk	AMLG Creations	Supply of goods and services	10 730
Mbodla - Chief of Staff KZN	Amatshutsha Logistics	Supply of goods and services	1 172 977
Cllr M Nqwazi	Councillor	Supply of goods and services	29 000
Mbodla - Chief of Staff KZN	Councillor	Supply of goods and services	1 493 960
			8 644 647

62. Segment information

General information

Ntabankulu Local Municipality

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62. Segment information (continued)

Identification of segments

The segments were organised based on the type and nature of goods and services delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis.

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

Aggregated segments

The municipality does not have aggregated segments.

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Community services	Halls, cemeteries, parks, tourism, animal pounds and library services
Planning and development	Strategic development and planning
Public safety	Traffic control
Roads	Construction and maintenance of roads and storm water
Refuse	Waste management and refuse removal
Electricity	Electrification
Unallocated	Unallocated segments

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62. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
Revenue								
Service charges	-	-	-	-	-	755 920	-	755 920
Rental of facilities and equipment	627 355	-	-	-	-	-	-	627 355
Interest revenue	4 111 994	-	-	-	-	-	-	4 111 994
Licences and permits	-	-	72 918	-	-	746 060	-	818 978
Sundry income	1 021 910	-	-	-	-	-	-	1 021 910
Construction revenue	-	-	-	-	-	-	11 195 516	11 195 516
Property rates	25 036 114	-	-	-	-	-	-	25 036 114
Government grants and subsidies	168 325 792	3 590 000	-	84 685 086	-	-	-	256 600 878
Fines	-	-	-	-	1 138 722	-	-	1 138 722
Interest revenue from non-exchange transactions	3 435 853	-	-	-	-	-	-	3 435 853
Total segment revenue	202 559 018	3 590 000	72 918	84 685 086	1 138 722	1 501 980	11 195 516	304 743 240
Entity's revenue								304 743 240

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	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
62. Segment information (continued)								
Expenditure								
Employee related cost	80 273 201	6 128 714	1 097 371	2 106 216	6 303 176	4 000 714	505 086	100 414 478
Remuneration of councillors	13 889 974	-	-	-	-	-	-	13 889 974
Depreciation and amortisation	10 785 979	5 206 542	68 393	9 663 782	65 166	514	250 967	26 041 343
Lease rentals on operating lease	-	26 701	-	-	-	-	-	26 701
Interest paid	474 088	-	-	719 436	340 026	130 765	-	1 664 315
Bad debts written off	302 456	-	-	-	-	-	-	302 456
Inventory consumed	2 898 186	-	-	-	-	-	-	2 898 186
Contribution allowance for impairment	7 642 783	-	-	-	-	-	-	7 642 783
Contracted services	17 051 745	9 140 164	1 160 487	2 686 236	-	-	-	30 038 632
Construction contract costs	-	-	-	-	-	-	11 195 516	11 195 516
Operation costs	46 150 265	4 096 665	2 092 622	309 532	-	-	-	52 649 084
Decrease/(Increase) in provision for landfill site	-	-	-	-	(173 852)	-	-	(173 852)
Fair value adjustment	(1 512 688)	-	-	-	-	-	-	(1 512 688)
Actuarial gains/(losses)	(692 432)	-	-	-	-	-	-	(692 432)
Asset write off: Property, plant & equipment	936 180	-	-	132 481	-	-	49 104	1 117 765
Impairment loss: Property, plant & equipment	378 292	1 819 219	-	5 253 583	-	-	-	7 451 094
Inventory write down	27 027	-	-	-	-	-	-	27 027
Total segment expenditure	178 605 056	26 418 005	4 418 873	20 871 266	6 534 516	4 131 993	12 000 673	252 980 382
Total segmental surplus/(deficit)	23 953 962	(22 828 005)	(4 345 955)	63 813 820	(5 395 794)	(2 630 013)	(805 157)	51 762 858

Ntabankulu Local Municipality

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	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
62. Segment information (continued)								
Assets								
Current Assets	-	-	-	-	-	-	-	-
Inventories	2 442 515	-	-	-	-	-	-	2 442 515
VAT input accrual	295 499	-	-	-	-	-	-	295 499
Receivables from exchange transactions	1 385 559	-	-	-	-	-	-	1 385 559
Statutory receivables	4 933 385	-	-	-	247 994	-	-	5 181 379
Deposits	-	-	-	6 000 000	-	-	-	6 000 000
Receivables from non-exchange transactions	21 807 693	-	-	860 144	-	-	-	22 667 837
Cash & cash equivalents	(4 128 437)	-	-	5 216 694	1 000	1 000	1 835 052	2 925 309
Non-Current Assets	-	-	-	-	-	-	-	-
Investment property	52 005 291	-	-	-	-	-	-	52 005 291
Property, plant & equipment	203 923 796	101 611 653	232 669	145 548 216	534 116	21 476	5 648 705	457 520 631
Total segment assets	282 665 301	101 611 653	232 669	157 625 054	783 110	22 476	7 483 757	550 424 020
Total assets as per Statement of financial Position								550 424 020
Liabilities								
Current Liabilities	-	-	-	-	-	-	-	-
Consumer deposits	1 992 030	-	-	-	-	-	-	1 992 030
Other financial liabilities	-	-	-	3 976 616	451 193	-	-	4 427 809
Payables from exchange transactions	33 117 542	-	-	-	-	-	-	33 117 542
VAT Output Accrual	132 243	-	-	-	-	-	-	132 243
Unspent Grant	-	-	-	5 561 349	-	-	-	5 561 349
Payables from non-exchange transactions	4 426 994	-	-	-	-	-	-	4 426 994
Long service awards	298 094	-	-	-	-	-	-	298 094
VAT Payable	11 545 605	-	-	-	-	-	-	11 545 605
Non-Current Liabilities	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	704 924	-	-	-	704 924
Provisions	-	-	-	-	-	1 052 094	-	1 052 094
Long service awards	4 043 327	-	-	-	-	-	-	4 043 327
Total segment liabilities	55 555 835	-	-	10 242 889	451 193	1 052 094	-	67 302 011

Ntabankulu Local Municipality

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	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
62. Segment information (continued)								
Total liabilities as per Statement of financial Position								67 302 011

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

2024

	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
Revenue								
Revenue from non-exchange transactions	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	-	660 063	-	660 063
Rental of facilities and equipment	894 847	-	-	-	-	-	-	894 847
Interest from exchange transactions	4 829 954	-	-	-	-	-	-	4 829 954
Licences and permits	-	-	39 996	-	757 917	-	-	797 913
Sundry income	1 377 723	-	-	-	-	-	-	1 377 723
Construction revenue	-	-	-	-	-	-	5 222 604	5 222 604
Revenue from non-exchange transactions	-	-	-	-	-	-	-	-
Property rates	17 042 981	-	-	-	-	-	-	17 042 981
Government grants and subsidies	161 023 994	1 567 806	-	86 326 969	-	1 236 362	1 537 784	251 692 915
Fines	-	-	-	-	1 203 400	-	-	1 203 400
Interest received from non-exchange transactions	3 060 488	-	-	-	-	-	-	3 060 488
Total segment revenue	188 229 987	1 567 806	39 996	86 326 969	1 961 317	1 896 425	6 760 388	286 782 888
Entity's revenue								286 782 888

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62. Segment information (continued)

Expenditure

Employee related costs	64 174 329	7 707 975	1 661 706	1 877 903	9 270 221	5 822 677	1 134 367	91 649 178
Remuneration of councillors	13 233 109	-	-	-	-	-	-	13 233 109
Depreciation and amortisation	3 714 846	5 449 130	46 964	12 817 708	301 595	554 548	208 061	23 092 852
Interest Paid	2 406 623	-	-	-	-	-	-	2 406 623
Bad debts written off	47 379	-	-	-	-	-	-	47 379
Inventory consumed	1 847 415	-	-	-	-	-	-	1 847 415
Contribution allowance for impairment	2 328 157	-	-	-	-	-	-	2 328 157
Contracted services	20 707 760	9 864 199	1 367 212	3 120 693	-	-	-	35 059 864
Construction contract costs	-	-	-	-	-	-	5 222 605	5 222 605
Operational costs	40 163 016	4 162 878	1 761 616	571 319	-	-	-	46 658 829
Decrease/(Increase) in provision for landfill site	-	-	-	-	-	(94 548)	-	(94 548)
Fair value adjustments	(2 825 568)	-	-	-	-	-	-	(2 825 568)
Actuarial gains/(losses)	378 321	-	-	-	-	-	-	378 321
Asset write off: Property, plant & equipment	1 077 099	-	-	-	-	-	-	1 077 099
Impairment loss: Property, plant & equipment	1 304 078	-	-	-	-	-	-	1 304 078
SAMWU liability write-off	(3 220 777)	-	-	-	-	-	-	(3 220 777)
Total segment expenditure	145 335 787	27 184 182	4 837 498	18 387 623	9 571 816	6 282 677	6 565 033	218 164 616
Total segmental surplus/(deficit)	42 894 200	(25 616 376)	(4 797 502)	67 939 346	(7 610 499)	(4 386 252)	195 355	68 618 272

Assets

Current Assets	-	-	-	-	-	-	-	-
Inventories	2 358 559	-	-	-	-	-	-	2 358 559
VAT input accrual	1 709 134	-	-	-	-	-	-	1 709 134
Receivables from exchange transactions	1 321 697	-	-	-	-	-	-	1 321 697
Statutory receivables	5 706 999	-	-	-	-	-	-	5 706 999
Receivables from non-exchange transaction	16 450 638	-	-	-	-	-	-	16 450 638
Cash & Cash equivalents	332 783	-	-	24 608 278	-	-	-	24 941 061
Investment Property	47 426 125	-	-	-	-	-	-	47 426 125
Property, plant & equipment	51 499 565	97 538 089	142 325	251 486 235	864 401	7 092 049	7 183 944	415 806 608
Total segment assets	126 805 500	97 538 089	142 325	276 094 513	864 401	7 092 049	7 183 944	515 720 821
Total assets as per Statement of financial Position								515 720 821

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	Unallocated	Community services	Planning and development	Roads	Public safety	Refuse	Electricity	Total
62. Segment information (continued)								
Liabilities								
Current Liabilities	-	-	-	-	-	-	-	-
Consumer Deposit	1 423 464	-	-	-	-	-	-	1 423 464
Other financial liabilities	8 689 631	-	-	-	-	-	-	8 689 631
Payables from exchange transactions	37 705 147	-	-	-	-	-	-	37 705 147
VAT Output accrual	634 062	-	-	-	-	-	-	634 062
Unspent conditional grants and receipts	-	-	-	11 140 455	-	-	-	11 140 455
Payables from non-exchange transactions	1 506 065	-	-	-	-	-	-	1 506 065
Long service awards	961 892	-	-	-	-	-	-	961 892
VAT payables	12 050 891	-	-	-	-	-	-	12 050 891
Non-Current Liabilities	-	-	-	-	-	-	-	-
Other financial liabilities	5 132 732	-	-	-	-	-	-	5 132 732
Provisions	-	-	-	-	-	1 095 181	-	1 095 181
Long service awards	4 022 157	-	-	-	-	-	-	4 022 157
Total segment liabilities	72 126 041	-	-	11 140 455	-	1 095 181	-	84 361 677
Total liabilities as per Statement of financial Position								84 361 677

Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment is not used by management for decision making purposes, and neither is it being reported on. Assets and liabilities are utilised by management to assess key financial indicators for the Municipality as a whole. Accordingly, the assets and liabilities per segment is not required to be disclosed.

Measurement of specific segment information

The accounting policies of the respective segments are the same as those prescribed in the summary of significant accounting policies.

The Municipality had no changes in the structure of its internal organisation in a manner that caused the composition of its reportable segments to change from the prior year.

Information about geographical areas

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62. Segment information (continued)

The Municipality's operations are in the Eastern Cape Province

Although the Municipality operates in a number of geographical areas (i.e. wards), the geographical information is not considered relevant to management for decision-making. The goods and services provided to the community throughout the entire municipal area are based on similar tariffs and service standards. Therefore, the Municipality has assessed that it operates in a single geographical areas.

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63. Municipality acting as the agent		
Description of the arrangement and transactions undertaken		
The Municipality signed two agreements with the Eastern Cape Department of Human Settlements (ECDHS) on the 9th and 12th of March 2021.		
The purpose for the agreement signed on 09 March 2021 is for the Municipality to provide support as an implementing agent for the procurement of professional service providers (PSP) to undertake the planning, design and monitoring of the projects under discussion and procurement of suitable qualified service providers to undertake the construction of the Ntabankulu Multipurpose Community Centre (known as Lwandlobomvu).		
Significant terms and conditions of the arrangement		
The ECDHS shall make payment of the project funds to the Implementing Agent (Municipality) in accordance with the provisions of the agreement.		
The Municipality shall set up and administer an independent interest-bearing bank account with a reputable financial institution in the Republic of South Africa in which to receive the projects funds from the ECDHS.		
The Municipality shall furnish to ECDHS progress reports and report on jobs created on a monthly basis to the department on the last day of each month with supporting documentation if requested by Local Authority.		
The ECDHS may not request the Municipality to perform any services or functions not falling within the scope of services set out in the agreement.		
Expenses incurred on behalf of the principal	1 591 291	1 050 632

64. Prior-year adjustments

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

Statement of financial position

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash & cash equivalents	9	24 912 458	28 603	-	24 941 061
Property, plant & equipment	11	414 202 105	1 938 881	-	416 140 986
Property, plant & equipment - Buildings	11	133 093 460	-	(101 721 987)	31 371 473
Property, plant & equipment - Community assets	11	-	-	101 721 987	101 721 987
Investment property	10	49 195 141	2 892 200	-	52 087 341
Receivables from non-exchange transactions	8	16 714 063	(263 425)	(94)	16 450 544
Inventories	3	336 233	2 022 326	-	2 358 559
Payables from exchange transaction	14	(36 238 185)	(1 466 962)	-	(37 705 147)
VAT Payable	19	(11 594 852)	(456 039)	-	(12 050 891)
Consumer deposits	12	-	-	(1 423 465)	(1 423 465)
Payables from non-exchange transactions	17	(2 929 529)	-	1 423 559	(1 505 970)
		587 690 894	4 695 584	-	592 386 478

Statement of financial performance

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Notes to the Annual Financial Statements

Figures in Rand	2025	2024			
64. Prior-year adjustments (continued)					
2024					
	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from Exchange Transactions					
Construction contracts revenue	22	5 222 604	3 037 148	-	8 259 752
Agency fees		429 745	(429 745)	-	-
Interest exchange transactions	26	6 213 139	2 144	(1 385 330)	4 829 953
Revenue from Non-Exchange Transactions					
Interest from non-exchange transactions	28	1 675 159	-	1 385 330	3 060 489
Expenditure					
Employee related cost	32	(92 496 965)	79 480	768 307	(91 649 178)
Remuneration of councillors	33	(13 344 147)	-	111 038	(13 233 109)
Depreciation and amortisation	34	(23 330 220)	237 368	-	(23 092 852)
Inventory consumed	39	-	-	(1 847 415)	(1 847 415)
Contracted services	40	-	-	(35 059 864)	(35 059 864)
Construction contract costs	41	-	(3 326 400)	(5 222 605)	(8 549 005)
Operational cost	42	(77 899 958)	(127 342)	31 368 471	(46 658 829)
Repairs and maintenance		(4 452 178)	-	4 452 178	-
Audit fees		(5 429 890)	-	5 429 890	-
Surplus for the year		(203 412 711)	(527 347)	-	(203 940 058)

Errors

The following prior period errors adjustments occurred:

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64. Prior-year adjustments (continued)

Error

1) Cash & cash equivalents

During the current financial year, it was identified that the Nedbank bank account was omitted from the cash and cash equivalents balance in the prior year. This resulted in an understatement of cash and cash equivalents by R 28 603 as at 30 June 2024.

2) Property, plant & equipment

i) An error was identified relating to the understatement of work in progress in the prior year. This was due to the omission of amounts withheld as sureties from certain contractors, which were held as additional security to retention monies and also retention withheld on one project which was not accounted for. The omission resulted in an understatement of work in progress by R 1 419 097 as at 30 June 2024.

ii) In the prior year, certain assets that met the criteria for classification as Investment Property were not properly transferred from Property, Plant and Equipment. The cost, accumulated depreciation, and impairment losses relating to these assets were not derecognised from Property, Plant and Equipment before the transfer. As a result, Investment Property was understated and Property, Plant and Equipment was overstated in the prior year by R 253 310.

iii) Computer Equipment: In the prior year, errors were identified relating to the recognition and classification of computer equipment. These included assets not recorded in the asset register following physical verification, misclassification between computer equipment and furniture and fittings, depreciation calculated without considering estimated residual values, and inadequate derecognition of cost, accumulated depreciation, and impairment during asset write-offs. These errors resulted in an understatement of the carrying amount of computer equipment by R 126 554 as at 30 June 2024.

iv) Furniture & equipment: In the prior year, errors were identified in the classification and derecognition of assets relating to furniture and equipment. These included incorrect classification between computer equipment and furniture and equipment, as well as inadequate derecognition of cost, accumulated depreciation, and impairment during the write-off of certain assets. These errors resulted in an understatement of the carrying amount of furniture and equipment by R 150 396 as at 30 June 2024.

v) Plant & Machinery: In the prior year, certain machinery assets identified during the current year were not recorded in the asset register. This omission resulted in an understatement of the carrying amount of machinery by R 18 766 as at 30 June 2024.

vi) In the prior year, the carrying amount of transport assets was misstated due to depreciation being calculated without taking into account the estimated residual values, as well as the inadequate derecognition of accumulated depreciation upon the write-off of certain assets. These errors resulted in an understatement of the carrying amount of transport assets by R 143 000,23 as at June 2024.

3. Investment Property

i) In the prior year, certain assets that met the criteria for classification as Investment Property were not properly transferred from Property, Plant and Equipment. The cost, accumulated depreciation, and impairment losses relating to these assets were not derecognised from Property, Plant and Equipment before the transfer. As a result, Investment Property was understated and Property, Plant and Equipment was overstated in the prior year by R 253 310

ii) In the prior year, investment property was overstated due to the inclusion of properties that had been identified for sale by the Council and subsequently advertised by the municipality. These properties no longer met the criteria for recognition as investment property at year-end. This resulted in an overstatement of investment property by R 2 022 326 as at 30 June 2024.

iii) It was noted that there were properties owned by the municipality which had not previously been recorded in the financial statements. These properties have since been recognised in the asset register and accounted for in accordance with GRAP requirements in the prior year, amounting to R 4 661 216.

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64. Prior-year adjustments (continued)

4. Receivables from non-exchange transaction

In the prior year, receivables from exchange transactions were overstated due to incorrect billing of agency fees to the funder, the Eastern Cape Department of Human Settlements. In terms of the agreement, agency fees should have been charged at 5% of the project cost. However, the municipality incorrectly based the fee on the salaries of staff appointed to the electrification project. This resulted in an overstatement of receivables from non-exchange transactions by R 263 425, Revenue from agency fees by R 285 119 and VAT Output by R 21 694.

4. Inventories

In the prior year, inventory was understated as properties identified for sale by the Council and advertised by the municipality were not reclassified from investment property to inventory. These properties, intended for sale in the ordinary course of operations, should have been accounted for as inventory at year-end, resulting in an understatement of R 2 022 326 as at 30 June 2024. An assessment of net realisable value was subsequently performed at year-end, which resulted in a write-down of R 542 326, reducing the carrying value of the inventory (land only) to R1 480 000 and recognising an equivalent inventory write-down expense.

5. Payables from exchanges transactions

In the prior year, errors were identified relating to employee related costs and payables from exchange transactions. The leave provision was overstated by R 79 480 due to three employees being duplicated in the workings, which also resulted in an overstatement of payables from exchange transactions by the same amount. In addition, payables from exchange transactions were understated by R 1 419 097 as retention and surety amounts relating to one project were not withheld as required, and further understated by R 127 342 due to accruals from the prior year not being recorded. The combined effect of these misstatements was a net understatement of payables from exchange transactions of R 1 466 959 as at 30 June 2024.

6. VAT Payable

VAT Payables were amended due to prior year misstatements amounting to R456 039. These arose from the overstatement of receivables and VAT output as explained in the receivables note, as well as the understatement of VAT payable relating to construction contracts. In addition, following the reassessment of the contract with the Department of Human Settlements, which has been reclassified from a principal-agent arrangement to a construction contract, the related VAT output was recognised. This resulted in an additional adjustment to VAT payable amounting to R 455 572. The overall net impact on VAT payable is therefore R .

7. Agency fees

The municipality had previously accounted for the contract with the Department of Human Settlements as a principal-agent arrangement, treating itself as an agent. Upon reassessment, it was determined that the municipality carries the majority of the construction risks and therefore does not meet the definition of an agent in terms of GRAP 109. Instead, the contract meets the definition of a construction contract. Accordingly, receipts have been recognised as construction revenue and related payments as construction costs, rather than agency fees. Amounts previously recorded as agency fees have also been reclassified to construction revenue. Furthermore, as the contract is a construction contract, the related VAT output has been raised. These corrections have been applied retrospectively to the prior year when the contract commenced.

8. Interest received from exchange-transactions

During the current financial year, it was identified that a Nedbank bank account had been omitted from the cash and cash equivalents balance in the prior year. This omission resulted in the understatement of interest from exchange transactions by R 2 144 in the prior year.

9. Depreciation and amortisation

In the prior year, depreciation on plant and machinery was understated due to certain assets not being recorded in the asset register. Conversely, depreciation on transport assets and computer equipment was overstated as the calculations did not take into account the estimated residual values. The combined effect of these errors resulted in a net overstatement of depreciation of R 237 368 in the prior year.

10. Operational costs

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64. Prior-year adjustments (continued)

Accruals relating to the prior year amounting to R 127 342 were identified during the current year but had not been recorded previously. This omission resulted in an understatement of operational costs in the prior year.

11. Employee related cost

Employee related costs were overstated by R 79 480 in the prior year due to three employees being duplicated in the workings for the leave provision. This also resulted in an overstatement of payables from exchange transactions by the same amount

12. Contingencies

Bomikazi Mankahla-Mhlongo vs EC Department of Transport and Ntabankulu Local Municipality: In the prior year, the municipality was cited as the second defendant in this matter. During the current year, a notice of withdrawal dated 10 April 2024 was issued against the municipality. Consequently, the comparative information has been restated, and a prior period adjustment of R 227 583 has been made, with no contingent liability recognised in respect of this case.

13. Construction contracts revenue

The municipality had previously accounted for the contract with the Department of Human Settlements as a principal-agent arrangement, treating itself as an agent. Upon reassessment, it was determined that the municipality carries the majority of the construction risks and therefore does not meet the definition of an agent in terms of GRAP 109. Instead, the contract meets the definition of a construction contract, and receipts have been recognised as construction revenue while related payments are recognised as construction costs. Amounts previously recorded as agency fees were reclassified to construction revenue, resulting in an adjustment of R 3 037 148 to construction revenue and the recognition of related VAT output of R 455 572. These corrections have been applied retrospectively to the prior year when the contract commenced.

14. Inventories losses/write-downs

As at 30 June 2024, an assessment of the net realisable value of inventory was performed, and where the net realisable value was lower than cost, a write-down of R542 326 was recognised, reducing the carrying value of inventory accordingly.

15. Construction contract costs

The municipality previously accounted for the contract with the Department of Human Settlements as a principal-agent arrangement in terms of GRAP 109; however, upon reassessment, it was determined that the municipality bears the majority of construction risks and therefore meets the definition of a contractor under a construction contract. Accordingly, receipts have been recognised as construction revenue and related payments as construction costs, resulting in an adjustment of R 3 326 400 to construction contract costs.

16. Capital Commitment

The capital commitments were previously overstated due to the inclusion of expenditure already incurred but not yet paid, such as payables, accruals, retentions, and surety. In line with the municipality's accounting policy and the GRAP definition of commitments as future expenditure, these amounts should not have been included. Capital commitments previously reported at R 127 275 184 have been adjusted to R117 991 014.

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64. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification

1) Reclassification of Buildings to Community Assets

In the prior year, the municipality reported all immovable infrastructure under a single asset class: buildings. During the current year, management reassessed the categorisation of assets and introduced a separate class for community assets to more accurately reflect the purpose for which certain assets are held. The newly created category includes assets that are used primarily for public or community use — such as community halls, libraries, sports facilities, and parks — rather than for administrative or operational purposes. As a result, an amount of R 101 721 987 was reclassified from buildings to community assets. The prior period figures have been restated to reflect this change.

2) Reclassification of Payables from non-exchange transactions to Consumer Deposits

In the prior year, certain debtor accounts with credit balances were incorrectly classified under payables from non-exchange transactions. During the current year, these balances were reclassified to consumer deposits to better reflect their nature and to align the disclosure with mSCOA requirements. The reclassification provides a more appropriate presentation of the credit balances, which represent refundable amounts rather than liabilities arising from non-exchange transactions. The reclassification amounted to R 1 423 464 and the prior period figures have been restated accordingly.

3) Reclassification from Interest Non-Exchange Transactions to Exchange Transactions

In the prior year, interest received from property rates debtors was classified under interest received from exchange transactions. Interest is classified as either exchange or non-exchange based on the nature of the underlying transaction. As property rates are recognised and measured as revenue from non-exchange transactions, any interest levied on related receivables is also non-exchange in nature. Therefore, the amount previously included under exchange interest has been reduced by R 1 385 330 and reclassified to interest from non-exchange transactions in the comparative figures.

4) Reclassification from Employee Related Cost to Operational Costs.

In the prior year, the Skills Development Levy (SDL) amounting to R 768,307 was classified under employee-related costs. As the SDL represents a statutory contribution by the municipality to a national fund and does not constitute a direct benefit to employees, it has been reclassified to operational costs to better reflect its nature. The prior period figures have been restated to reflect this reclassification.

5) Reclassification from Remuneration of Councillors to Operational Costs

In the prior year, an amount of R 111 038 relating to the Skills Development Levy (SDL) was classified under remuneration of councillors. As the SDL represents a statutory contribution to a national fund and is not remuneration, it is more appropriately presented under operational costs. The prior period figures have been restated to reflect this reclassification.

6) Reclassification from Operational Costs to Inventory Consumed

An amount of R 1 847 415 previously presented under operational costs has been reclassified to inventory consumed on the face of the statement of financial performance. This reclassification was made to align the presentation with the National Treasury annual financial statements specimen to ensure consistency of reporting.

7) Reclassification from Repairs and Maintenance and Operational Costs to Contract Services.

Amounts of R 4 452 178 from repairs and maintenance and R 30 607 686 from operational costs have been reclassified to contracted services. This reclassification aligns the presentation with the National Treasury annual financial statements specimen to ensure consistency of reporting.

It is noted that the repairs and maintenance note is separately disclosed within the Property, Plant and Equipment note by asset class. The movement of these amounts to contracted services is for presentation purposes only and does not affect the total expenditure.

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64. Prior-year adjustments (continued)

8) Reclassification from Operational Costs to Constructions Contract Costs

An amount of R 5 222 605 previously included under operational costs has been reclassified to construction contract costs on the face of the statement of financial performance. This reclassification was made due to the significance of the costs and to align with the presentation of construction contract revenue, which is also disclosed on the face of the statement of financial performance.

9) Reclassification from Audit Fees to Operational Costs

An amount of R 5 429 890 previously classified under audit fees has been reclassified to operational costs. This reclassification was made to align the presentation with the National Treasury annual financial statements specimen and ensure consistency in reporting.

10) Reclassification from Payables (Non-exchange Transactions) to Receivables (Non-exchange Transactions)

An amount of R94 relating to Human Settlements was previously disclosed as a liability under Payables (Non-exchange Transactions) in the prior year. This has been reclassified and set off against Receivables (Non-exchange Transactions) in the current year. The comparative information has been restated accordingly

65. Events after the reporting date

The municipality is not aware of any events occurring after the reporting date that would require adjustment to, or disclosure in, the annual financial statements.

66. Change in estimate

Property, plant & equipment

The useful lives of all asset classes were adjusted during 2024/2025 to more accurately reflect the period of economic benefits or service potential derived from these assets.. The effect of changing the remaining useful life of assets for the Municipality during 2024/2025 has decreased the depreciation charge for the current year by R 1 502 158.56 and future periods.

The table below presents the depreciation charge for the current year before and after the change in estimate, illustrating the impact of the revised useful lives on the Municipality's depreciation expense.

Class	Depreciation before re-assessment	Depreciation after re-assessment	Change in estimate
Building	1 036 276	645 313	390 963
Computer Equipment	415 380	286 951	128 428
Furniture and office equipment	32 967	20 412	12 555
Machinery and equipment	3 168	2 195	972
Roads infrastructure assets	2 121 259	1 522 745	598 515
Transport assets	861 695	490 970	370 725
	4 470 745	2 968 586	1 502 158