



2024/2025 ANNUAL FINANCIAL STATEMENTS



2024/2025

ANNUAL FINANCIAL STATEMENTS

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Index

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

	Page
Accounting Officer's Responsibilities and Approval	6 - 8
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
Statement of Comparison of Budget and Actual Amounts	13 - 16
Accounting Policies	17 - 48
Notes to the Annual Financial Statements	49 - 120

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Index

Abbreviations used:

GRAP	Generally Recognised Accounting Practice
DORA	Division of Revenue Act
SALGA	South African Local Government Association
INEP	Integrated Electrification Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
EPWP	Expanded Public Works Programme
UIF	Unemployment Insurance Fund
PAYE	Pay as you earn
SARS	South African Revenue Services
MPRA	Municipal Property Rates Act
LGSETA	Local Government Sector Education and Training Authority
ASB	Accounting Standards Board
VAT	Value Added Tax
SDL	Skills Development Levy
DSRAC	Department of Sport, Recreation, Arts and Culture
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
mSCOA	Municipal Standard Chart of Accounts
COGTA	Department of Cooperative Governance and Traditional Affairs
MPAC	Municipal Public Accounts Committee
FMG	Finance Management Grant
OTP	Office of the Premier
SALGBC	South African Local Government Bargaining Council
MDRG	Municipal Disaster Response Grant

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Legal form of entity

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act No. 117 of 1998.

Nature of business and principal activities

Mnquma Local Municipality performs the functions as set out in the Constitution of the Republic of South Africa (No. 108 of 1996).

The following is included in the scope of operation

The following principal activities of the municipality are:

- Provide democratic activities and accountable government
- Ensure sustainable service delivery to communities
- Provide social and economic development
- Provide basic services to the community

Mayoral committee

Executive Mayor

T Manxila-Nkamisa

Speaker

M Qaba

Chief Whip

S Ncetezo

Exco Councillors

N Plaatjie

Z Sobekwa

L Mgandela

S Matutu

N Layiti

T Bikitsha

Councillors

N Ntlosi

M Mkhilili

WM Ntongana

Z Bomela (Resigned 18 July 2024)

Z Mnqokoyi (MPAC Chairperson)

N Sheleni (Section 79 Committee)

NR Tshona (Section 79 Committee)

V Nkehle

N Baleka

NN Magwentshu

N Paliso

L Ngindana

N Sigwadi

VJ Gazi

B Zondani

MH Tangana

P Ndabambi

N Mena

GT Ntshonga

K Gobeni

PM Mbovane

N Mbuku

T Jizana

JJT Mduli

M Ntsali

ZE Kwaza

S Maputeni

M Magobiane

LL Tetana

Z Mawisa

N Mtintsilana

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

	M Kabane M Xabela PN Ntamo NJ Mzongwana C Ncukana M Masekwana NLG Mgqalelo V Manxodidi N Nogaga Mpumpula N Nohesi A Soyeza TB Gidigidi (Deceased 05 May 2025) Z Tyandela CN Filtane LL Maputuma MHN Dali PB Goniwe M Kalimashe N Xoki XI Pupuma T Ntyinkala X L Mjamba M W Ntenjwa (Elected on the 18 July 2024) N V Mahanjana (Elected on the 20 August 2024) N Cakatha (Elected on the 10 June 2025)
Traditional leaders to participate in Mnquma Municipal Council	
	N Mtoto T Vuso
Grading of local authority	Grade 3
Members of the Audit Committee	
Chairperson	AS Nombembe (Appointed 1 December 2024) B Mponco (Appointed 1 December 2024) BNZ Ntshongwana (Appointed 1 December 2024) B Khohliso (Appointed 1 December 2024)
Chairperson	Vuyelwa Hlehliso (Term ended 30 November 2024) Amanda Magwentshu (Term ended 30 November 2024) Tobeka Maqwath (Term ended 30 November 2024) Wisdom Mushohwe (Term ended 30 November 2024)
Executive management	

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

General Information

Accounting Officer	S Mahlasela
Chief Financial Officer (CFO)	M Matomane
Executive Director: Corporate Services	NV Mviko
Executive Director: Local Economic Development and Planning	M Dilika
Executive Director: Community Services	M Kibi
Executive Director: Strategic Management	S Benya
Executive Director: Infrastructure Development	B Nohesi
Registered office	Corner King and Umtata Street Butterworth 4960
Postal address	P.O. Box 36 Butterworth 4960
Bankers	First National Bank
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	S Mtshengu Attorneys Incorporated Gray Burmeister Inc T/A GB Incorporated (Appointed on the 15 February 2025) T.L. Luzipho Attorneys Incorporated Siyathemba Sokutu Attorneys Incorporated (Contract ended on the 14 February 2025) Wesley Pretorius & Associates Incorporated
Preparer	The annual financial statements were independently compiled by: M Matomane
Telephone	(047) 050 1167
Email address	mmatomane@mnquma.gov.za/ sekhom23@gmail.com
Jurisdiction	Mnquma Local Municipality is located in the south-eastern part of the Eastern Cape province. This Category B Municipality falls under the jurisdiction of the Amathole District Municipality and comprises three towns Butterworth, Ngqamakhwe and Centane . Mnquma Local Municipality shares borders with 3 other local municipalities: Mbhashe, IntsikaYethu and Great Kei. It also includes a number of previously administered rural areas.

Mnquma 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 the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

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

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

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the set 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.

The Accounting Officer has reviewed the municipality's cash flow forecast for the 01 July 2025 to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Key financial indicators

The following are some of the key financial indicators, comparing the 2025 financial year's performance of the Municipality to the 2024 comparative figures:

Revenue Management	2025	2024
Level of reliance on Government grants	72.7%	74.9%

The municipality's reliance on government grants and subsidies decreased slightly from 74.9% in 2024 to 72.7% in 2025. This indicates that while grant funding remains the predominant source of revenue, there has been a modest improvement in the municipality's ability to generate own revenue.

Government grants and subsidies increased from R435.5 million in 2024 to R443.5 million in 2025, representing a year-on-year growth of 1.8%. Over the same period, total revenue increased at a higher rate from R581.2 million to R610.4 million (5.0%). The relatively stronger growth in total revenue compared to grants resulted in a marginal decline in the reliance ratio.

Despite this improvement, the municipality remains highly dependent on grant funding to sustain its operations, with more than two-thirds of revenue derived from external transfers. This reliance exposes the municipality to risks relating to the timely allocation and transfer of grants, as well as potential changes in national fiscal policy.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

Management Response/Recommendations

Management acknowledges the high level of dependence on grant funding and is committed to implementing strategies that will enhance financial sustainability and reduce vulnerability to external funding sources. Key interventions include:

Strengthening revenue collection processes to improve billing efficiency and reduce outstanding debtors.

Expanding the revenue base by identifying new revenue-generating opportunities within the municipality's mandate. In this regard, the municipality has appointed a new service provider to manage traffic fines and has implemented speed cameras to enhance law enforcement and ensure improved collection of traffic-related revenues.

Expenditure Management

Remuneration (Employee Related Costs and Councillors Remuneration) as % of Total Operating Expenditure)

The norm range between 25% and 40%	2025	2024
Employee related costs to total expenditure	36.7%	32.0%

Employee related costs to total expenditure 36.7% 32.0%

The ratio of remuneration (employee related costs and councillors' remuneration) to total operating expenditure increased from 32.0% in 2024 to 36.7% in 2025. While the ratio remains within the acceptable norm of 25%–40%, the upward movement indicates a higher proportion of operating expenditure being allocated towards employee costs.

This increase is primarily attributable to a rise in employee-related costs from R218.5 million in 2024 to R232.1 million in 2025, while total operating expenditure decreased from R766.3 million to R707.6 million over the same period. The combination of higher personnel costs and a decline in overall operating expenditure has resulted in the upward pressure on the ratio.

Although still within the benchmark range, continued upward movement towards the upper limit could signal risks of overstaffing, inefficiencies, or reduced flexibility in directing resources towards service delivery and other operational priorities.

Irregular, Fruitless and Wasteful and Unauthorised Expenditure/ Total Operating Expenditure.

The norm is 0%	2025	2024
Irregular, Fruitless and Wasteful and Unauthorised Expenditure	0.0%	0.1%

The ratio of irregular, fruitless and wasteful, and unauthorised expenditure to total operating expenditure improved from 0.1% in 2024 to 0.0% in 2025. This reflects that no such expenditure was incurred during the 2024/2025 financial year, indicating strengthened compliance with applicable legislation and financial management practices.

Creditors payment period

The norm is 30 days	2025	2024
Creditors Payment Period (days)	1.78	8.62

The average number of days taken to settle trade creditors improved significantly from 8.62 days in 2024 to 1.78 days in 2025, which is well below the norm of 30 days. This indicates that the municipality is paying its suppliers promptly and well within the prescribed timeframe.

Trade creditors decreased from R10.6 million in 2024 to R2.5 million in 2025, while total purchases (operating and capital) increased from R447.0 million to R502.6 million. The reduction in outstanding creditors, despite an increase in expenditure, confirms a strong improvement in creditor management and cash flow discipline.

While this reflects positively on the municipality's financial management and compliance with MFMA requirements to settle creditors within 30 days, consistently paying creditors almost immediately (1.78 days) may also reduce the municipality's ability to optimise working capital. Management may need to balance prompt payment with cash flow optimisation to ensure resources are available for other operational priorities.

Debtors Collection Period (Days)

The norm is 30 days	2025	2024
---------------------	-------------	-------------

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Officer's Responsibilities and Approval

Collection period (Days)	97.59	150.05
--------------------------	-------	--------

The debtors collection period has improved from 150.05 days in 2024 to 97.59 days in 2025, indicating that, on average, the municipality is now collecting outstanding debtors more quickly. While this is a positive development, the collection period is still significantly higher than the norm of 30 days, which means that revenue remains tied up in debtors for an extended period.

Liquidity

Current Ratio

The norm range between 1.5 to 2 :1	2025	2024
Current Ratio	4.17 : 1	4.23 : 1

The Municipality's Current Ratio for 2025 is 4.17:1, compared to 4.23:1 in 2024. Both ratios are significantly above the acceptable norm of 1.5:1 to 2:1, indicating that the Municipality has more than sufficient Current Assets to cover its Current Liabilities.

Although there was a slight decrease in the ratio from the prior year, this is primarily due to a decline in Current Assets (from R236.16 million in 2024 to R194.77 million in 2025), while Current Liabilities also decreased (from R55.77 million to R46.71 million).

The ratio reflects a strong liquidity position, suggesting that the Municipality is in a good position to meet its short-term obligations.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, Internal auditors and other oversight governance structures of Council.

The external auditors are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements.

The Annual Financial Statements set out on page s 9 to 120, which have been prepared on the going concern basis, were approved by the 31 August 2025 and were signed on its behalf by:



S Mahlasela
Municipal Manager

Mnquma 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	1 843 434	1 642 723
Receivables from non-exchange transactions	4&54	43 550 124	33 002 956
VAT receivable	5	4 769 688	7 849 478
Receivables from exchange transactions	6	11 363 287	6 552 582
Cash and cash equivalents	7	133 247 230	187 116 519
		194 773 763	236 164 258
Non-Current Assets			
Investment property	8	46 295 324	49 642 603
Property, plant and equipment	9	1 598 060 241	1 679 223 315
Intangible assets	10	3 468 073	4 957 472
Heritage assets	11	116 752	116 752
		1 647 940 390	1 733 940 142
Total Assets		1 842 714 153	1 970 104 400
Liabilities			
Current Liabilities			
Finance lease obligation	12	411 784	986 409
Payables from exchange transactions	13	16 917 378	21 544 752
Employee benefit obligation	14&54	25 521 233	25 895 192
Unspent conditional grants	15&54	3 160 109	2 202 677
VAT payables	16&54	701 835	5 132 070
Consumer deposits	17	5 582	12 232
		46 717 921	55 773 332
Non-Current Liabilities			
Finance lease obligation	12	-	411 390
Employee benefit obligation	14&54	13 967 000	12 778 000
		13 967 000	13 189 390
Total Liabilities		60 684 921	68 962 722
Net Assets		1 782 029 232	1 901 141 678
Reserves			
Revaluation reserve	18	852 788 323	1 097 078 941
Accumulated surplus	54	929 240 909	804 062 737
Total Net Assets		1 782 029 232	1 901 141 678

* See Note 54

Mnquma 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	19	17 256 804	8 632 390
Construction contracts	20&54	1 001 739	11 375 226
Rental of facilities	21	5 544 959	5 479 584
Interest on outstanding debtors	22	4 707 487	3 739 981
Income from agency fees	23&54	2 521 292	2 697 631
Licences and permits	24	2 015 284	2 106 444
Insurance refund	25&54	1 607 863	924 833
Other income	26&54	884 709	877 973
Interest received - investment	27	18 641 622	21 212 522
Total revenue from exchange transactions		54 181 759	57 046 584
Revenue from non-exchange transactions			
Property rates	28	81 340 350	67 923 022
Bad debt recovered	29	46 122	-
Fines and penalties	30	563 528	26 522
Interest on outstanding debtors	22	12 462 298	12 947 147
Government grants & subsidies	31&54	443 489 893	435 461 370
Traffic fines	32	16 972 700	6 715 200
Staff recoveries	33	294 845	206 092
Forfeits	34	1 036 213	913 181
Total revenue from non-exchange transactions		556 205 949	524 192 534
Total revenue		610 387 708	581 239 118
Expenditure			
Employee related costs	35&54	(232 145 568)	(218 482 198)
Remuneration of councillors	36	(27 638 620)	(27 126 355)
Depreciation and amortisation	37	(235 807 915)	(297 087 095)
Impairment loss	38	(6 335 184)	(5 936 469)
Finance costs	39	(1 933 410)	(1 893 572)
Construction contract expenses	40	(590 704)	(10 956 752)
Debt impairment	41&54	(45 714 074)	(35 528 256)
Bulk purchases	42	(4 092 091)	(3 738 135)
Repairs and maintenance	43	(6 185 599)	(13 478 556)
Loss on disposal of assets	44&54	(51 968 137)	(58 084 840)
Obsolete inventory written-off	45	(196 841)	(224 213)
General expenses	46&54	(95 017 145)	(93 801 083)
Total expenditure		(707 625 288)	(766 337 524)
Surplus (deficit) from operations		(97 237 580)	(185 098 406)
Actuarial gains / (losses)	14&54	1 514 555	176 887
Surplus (deficit) for the period		(95 723 025)	(184 921 519)

* See Note 54

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 444 926 992	682 713 392	2 127 640 384
Correction of errors note 54	-	(3 302 609)	(3 302 609)
Balance at 01 July 2023 as restated*	1 444 926 992	679 410 783	2 124 337 775
Changes in net assets			
Derecognition of revaluation reserve on immovable assets write-off	(53 574 806)	53 574 806	-
Realisation of revaluation reserve on transfer of property, plant and equipment to investment property	(4 721 040)	4 721 040	-
Recognition of revaluation gain on transfer of investment property to property, plant and equipment	8 304 761	-	8 304 761
Realisation of revaluation reserve to accumulated surplus on depreciation of property, plant and equipment	(251 277 632)	251 277 632	-
Realisation of revaluation reserve on impairment of property, plant and equipment	(46 579 334)	-	(46 579 334)
Net income (losses) recognised directly in net assets	(347 848 051)	309 573 478	(38 274 573)
Surplus (deficit) for the year	-	(184 921 519)	(184 921 519)
Total recognised income and expenses for the year	(347 848 051)	124 651 959	(223 196 092)
Total changes	(347 848 051)	124 651 959	(223 196 092)
Restated* Balance at 01 July 2024	1 097 078 941	804 062 737	1 901 141 678
Changes in net assets			
Correction of prior period error	-	70 000	70 000
Reversal of impairment previously against revaluation reserves	338 804	-	338 804
Realisation of revaluation reserve on impairment of property, plant and equipment	(23 798 217)	-	(23 798 217)
Realisation of revaluation reserve to accumulated surplus on depreciation of property, plant and equipment	(180 070 273)	180 070 273	-
Derecognition of revaluation reserve on immovable assets write-off	(40 760 932)	40 760 932	-
Net income (losses) recognised directly in net assets	(244 290 618)	220 901 205	(23 389 413)
Surplus (deficit) for the period	-	(95 723 025)	(95 723 025)
Total recognised income and expenses for the year	(244 290 618)	125 178 180	(119 112 438)
Total changes	(244 290 618)	125 178 180	(119 112 438)
Balance at 30 June 2025	852 788 323	929 240 917	1 782 029 240
Note(s)	18		

* See Note 54

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		4 629 287	10 570 594
Grants		446 623 861	435 407 859
Interest income		27 468 120	27 581 607
Other receipts		59 910 701	53 346 758
		<u>538 631 969</u>	<u>526 906 818</u>
Payments			
Employee costs		(259 278 592)	(244 385 342)
Suppliers		(104 147 364)	(122 039 504)
Interest paid		(109 410)	(203 572)
		<u>(363 535 366)</u>	<u>(366 628 418)</u>
Net cash flows from operating activities	51	<u>175 096 603</u>	<u>160 278 400</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(227 707 712)	(169 391 394)
Proceeds from sale of property, plant and equipment	9	2 737 303	5 773 521
Proceeds from sale of investment property	8	-	1 851 327
Purchase of intangible assets	10	(3 009 468)	(4 920 554)
Net cash flows from investing activities		<u>(227 979 877)</u>	<u>(166 687 100)</u>
Cash flows from financing activities			
Finance lease payments		(986 015)	(714 208)
Net increase/(decrease) in cash and cash equivalents		<u>(53 869 289)</u>	<u>(7 122 908)</u>
Cash and cash equivalents at the beginning of the year		187 116 519	194 239 427
Cash and cash equivalents at the end of the year	7	<u>133 247 230</u>	<u>187 116 519</u>

The accounting policies on pages 17 to 48 and the notes on pages 49 to 120 form an integral part of the annual financial statements.

Mnquma 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	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	9 000 000	8 522 000	17 522 000	17 256 804	(265 196)	AA
Construction contracts	1 152 000	(150 261)	1 001 739	1 001 739	-	AA
Rental of facilities	6 264 000	(200 000)	6 064 000	5 544 959	(519 041)	AA
Interest on outstanding debtors	3 702 750	-	3 702 750	4 707 487	1 004 737	A
Income from agency fees	3 000 000	160 000	3 160 000	2 521 292	(638 708)	B
Licences and permits	2 060 000	-	2 060 000	2 015 284	(44 716)	
Insurance Refund	-	-	-	1 607 863	1 607 863	C
Other income	1 062 000	(160 000)	902 000	884 709	(17 291)	AA
Interest received - investment	15 000 000	5 000 000	20 000 000	18 641 622	(1 358 378)	AA
Total revenue from exchange transactions	41 240 750	13 171 739	54 412 489	54 181 759	(230 730)	

Revenue from non-exchange transactions

Property rates	85 583 680	9 754 320	95 338 000	81 340 350	(13 997 650)	D
Fines and Penalties	-	600 000	600 000	563 528	(36 472)	AA
Bad Debt recovered	-	-	-	46 122	46 122	E
Interest on outstanding debtors	11 108 250	-	11 108 250	12 462 298	1 354 048	A
Government grants & subsidies	444 084 000	9 227 000	453 311 000	443 489 893	(9 821 107)	AA
Traffic Fines	6 600 000	(600 000)	6 000 000	16 972 700	10 972 700	F
Forfeits	-	-	-	1 036 213	1 036 213	G
Staff recoveries	-	-	-	294 845	294 845	H
Total revenue from non-exchange transactions	547 375 930	18 981 320	566 357 250	556 205 949	(10 151 301)	
Total revenue	588 616 680	32 153 059	620 769 739	610 387 708	(10 382 031)	

Expenditure

Employee related costs	(241 902 324)	292 324	(241 610 000)	(232 145 568)	9 464 432	AA
Remuneration of councillors	(26 706 186)	(1 000 000)	(27 706 186)	(27 638 620)	67 566	AA
Depreciation and amortisation	(283 615 000)	29 211 700	(254 403 300)	(235 807 915)	18 595 385	AA
Impairment loss/ Reversal of impairments	-	(6 384 000)	(6 384 000)	(6 335 184)	48 816	AA
Finance costs	(2 478 300)	508 300	(1 970 000)	(1 933 410)	36 590	AA
Construction contract expenses	(1 152 000)	561 296	(590 704)	(590 704)	-	AA
Debt Impairment	(40 000 000)	(6 000 000)	(46 000 000)	(45 714 074)	285 926	AA
Bulk purchases	(6 000 000)	1 700 000	(4 300 000)	(4 092 091)	207 909	AA
Repairs and maintenance	(4 205 000)	(2 273 247)	(6 478 247)	(6 185 599)	292 648	AA
Obsolete inventory written-off	-	(210 000)	(210 000)	(196 841)	13 159	AA
Loss on disposal of assets	-	(53 384 000)	(53 384 000)	(51 968 137)	1 415 863	AA
General Expenses	(112 824 190)	(33 908 373)	(146 732 563)	(95 017 145)	51 715 418	I
Operating expense	(718 883 000)	(70 886 000)	(789 769 000)	(707 625 288)	82 143 712	
Operating deficit	(130 266 320)	(38 732 941)	(168 999 261)	(97 237 580)	71 761 681	

Mnquma 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	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	1 500 000	150 000	1 650 000	1 514 555	(135 445)	AA
Surplus (deficit) for the year	(128 766 320)	(38 582 941)	(167 349 261)	(95 723 025)	71 626 236	

Mnquma 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	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	2 572 714	(723 000)	1 849 714	1 843 434	(6 280)	AA
Receivables from non-exchange transactions	29 428 637	3 948 363	33 377 000	43 550 124	10 173 124	J
VAT receivable	6 800 026	(1 565 494)	5 234 532	4 769 688	(464 844)	AA
Receivables from exchange transactions	3 999 945	8 234 151	12 234 096	11 363 287	(870 809)	AA
Cash and cash equivalents	137 000 000	(1 500 000)	135 500 000	133 247 230	(2 252 770)	AA
	179 801 322	8 394 020	188 195 342	194 773 763	6 578 421	

Non-Current Assets

Investment property	148 256 255	(98 221 255)	50 035 000	46 295 324	(3 739 676)	AA
Property, plant and equipment	1 835 796 826	(82 928 826)	1 752 868 000	1 598 060 241	(154 807 759)	AA
Intangible assets	7 533 839	(3 812 839)	3 721 000	3 468 073	(252 927)	AA
Heritage assets	195 711	(78 711)	117 000	116 752	(248)	AA
	1 991 782 631	(185 041 631)	1 806 741 000	1 647 940 390	(158 800 610)	

Total Assets

2 171 583 953 (176 647 611) 1 994 936 342 1 842 714 153 (152 222 189)

Liabilities

Current Liabilities

Finance lease obligation	816 979	(366 979)	450 000	411 784	(38 216)	AA
Payables from exchange transactions	38 928 183	(21 659 098)	17 269 085	16 917 378	(351 707)	AA
Employee benefit obligation	3 144 402	22 755 598	25 900 000	25 521 233	(378 767)	AA
Unspent conditional grants	-	-	-	3 160 109	3 160 109	K
VAT payables	2 400 000	(1 625 766)	774 234	701 835	(72 399)	AA
Consumer deposits	22 959	(16 909)	6 050	5 582	(468)	AA
	45 312 523	(913 154)	44 399 369	46 717 921	2 318 552	

Non-Current Liabilities

Finance lease obligation	1 399 790	(1 399 790)	-	-	-	AA
Employee benefit obligation	11 518 000	2 982 000	14 500 000	13 967 000	(533 000)	AA
	12 917 790	1 582 210	14 500 000	13 967 000	(533 000)	

Total Liabilities

58 230 313 669 056 58 899 369 60 684 921 1 785 552

Net Assets

2 113 353 640 (177 316 667) 1 936 036 973 1 782 029 232 (154 007 741)

Net Assets

Reserves

Revaluation reserve	898 662 731	21 793 269	920 456 000	852 788 323	(67 667 677)	AA
Accumulated surplus	(706 006 946)	1 693 441 946	987 435 000	929 240 909	(58 194 091)	AA

Total Net Assets

192 655 785 1 715 235 215 1 907 891 000 1 782 029 232 (125 861 768)

Mnquma 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	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

Budget variance explanation

AA - Variances less than 10% are considered immaterial.

A - The variance is attributed to unforeseen fluctuations in debtor payment patterns, changes in economic conditions.

B - The variance is due to the E-Natis system which was not operational during December 2024.

C - Insurance refunds were not budgeted for as they relate to unforeseen claims and recoveries that could not be anticipated at the time of preparing the budget.

D - Variance is a result of the implementation of the supplementary valuation roll.

E - Variance is a result of indigent debtors which paid subsequent to debt written-off.

F - Variance is a result of increase in roadblocks by the Traffic Department and implementation of speed cameras.

G - Variance is a result of staff recoveries due to the lost or damage to municipal assets due to negligence of employees. Amount is not budgeted for as these events cannot be anticipated.

H - Variance is a result of forfeits due to lapsed defects period for the appointed Constructor and write-off of unallocated receipts which have not been claimed for a period of more than 3 years. These are ad-hoc revenues thus they cannot be budgeted for as it is not possible to determine when the events that cause the forfeit will occur.

I - Variance is due to implementation of cost containment measures.

J - Variance is a result of increase in property rates tariffs, implementation of speed cameras and unforeseen fluctuations in debtor payment patterns, changes in economic conditions. It should be noted that the municipality has been on a continuous debt collection campaign to improve collections.

K - Variance is due to DSRAC, LGSETA and Small Town Revitalization grants which were not spent in full.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

Figures in Rand	Note(s)	2025	2024
-----------------	---------	------	------

1. Presentation of Annual Financial Statements

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

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..

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

These accounting policies are consistent with the previous period.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

Standards Issued and Effective

- GRAP 1 - Presentation of Financial Statements
- GRAP 2 - Cash Flow Statements
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 9 - Revenue from Exchange Transactions
- GRAP 11 - Construction Contracts
- GRAP 12 - Inventories
- GRAP 13 - Leases
- GRAP 14 - Events After the Reporting Date
- GRAP 16 - Investment Property
- GRAP 17 - Property Plant and Equipment
- GRAP 18 - Segment Reporting
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
- GRAP 20 - Related Party Disclosures
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 – Employee Benefits
- GRAP 26 - Impairment of cash-generating assets
- GRAP 31 - Intangible Assets
- GRAP 34 - Separate Financial Statements
- GRAP 103 -Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 108 - Statutory Receivables
- GRAP 109 - Accounting by Principals and Agents

Interpretations - Approved and effective

- IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 7 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non-cash Assets to Owners
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 16 - Intangible Assets - Website Costs
- IGRAP 18 - Recognition and Derecognition of Land
- IGRAP 19 - Liabilities to Pay Levies
- IGRAP 20 - Accounting for Adjustments to Revenue.

The significant accounting policies applied in the preparation of these Annual Financial Statements are set out below.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest rand.

1.2 Going concern assumption

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

1.3 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade 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 of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables are assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios will be similar to the historical payment ratios.

In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the debtor's impairment. On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

Cash and cash equivalent is measured at Fair value.

Impairment testing

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

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 - Provisions.

Useful lives of property, plant and equipment and other assets

The management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on industry norm and the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

The policy is also applicable to intangible assets and investment property.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.4 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

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

Subsequently, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated, using the straight-line method, over the estimated useful lives of the assets. The residual value, depreciation method and useful life, are reassessed annually. If there is any indication of changes, The effect of such changes in estimate is accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

Item	Depreciation Method	Useful life
Property - land		indefinite
Investment property other than land	Straight line	3 - 50 years

Land with undetermined use is recognised as Investment Property.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.4 Investment property (continued)

- All properties held to earn market related rentals or for capital appreciation, or for both and are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.
- Land held without determined future use.

When a Land is use for dual purposes, the most use or likely used for operational purposes the land is classified as property plant and equipment. When land is utilized for dual purposes, with the most common or primary use being for operational activities, it is typically classified as property, plant, and equipment.

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial performance.

The transfer of Investment Property to/from the Property Plant and Equipment is done on the commencement of owner-occupation or ceases to be owner occupied or commencement of development with the view of sale for inventory.

1.5 Property, plant and equipment

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

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

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

Initial measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

Subsequent expenditure relating to PPE is capitalised if it is probable that future economic benefits or potential service delivery of the asset is enhanced in excess of the originally assessed standard of performance or the expenditure resulted into the asset's useful being extended from the original estimate. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance.

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

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

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Subsequent measurement

After initial recognition, infrastructure, community assets, Operational Land and operational buildings are measured using the revaluation method. Revaluations is performed every 4 years to ensure that the carrying amount does not differ materially from that which would be determined using fair value. When an asset is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses an impairment of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

Subsequent to initial recognition, computers equipment, machiner equipment, furniture&. office equipment , motor vehicle & security equipment are measured using cost model .

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Buildings	Straight-line	3-50 Years
Furniture and office equipment	Straight-line	5-20 Years
Infrastructure	Straight-line	3-80 Years
Recreational facilities	Straight-line	3-70 Years
Other operational buildings	Straight-line	3-70 Years
Other community assets	Straight-line	3-70 Years
Transport Assets	Straight-line	3-20 Years
Other property, plant and equipment	Straight-line	5-20 Years
Computer equipment	Straight-line	2- 20 Years
Plant and Machinery	Straight-line	3-20 Years
Assets under construction	Straight-line	Indefinite
Land	Straight-line	Indefinite
Leased asset	Straight-line	3 - 5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life however lease assets are depreciated over its lease term.

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

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Derecognition

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

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

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

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.7 Intangible assets (continued)

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

Initial measurement

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

Subsequent measurement

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

Amortisation

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	1-30 Years

Derecognition:

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.8 Heritage assets (continued)

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.9 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.9 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

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

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.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.9 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Type of financial asset

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

Classification in terms of GRAP 104

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Fair value

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

Class

Payables from exchange transactions
Finance lease obligation
Consumer deposits

Category

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

Financial instruments at fair value.
Financial instruments at amortised cost.
Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.9 Financial instruments (continued)

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in municipality or deficit.

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

Impairment and uncollectibility of financial assets

Financial assets measured at amortised cost:

The carrying amount of the asset is reduced through the use of an allowance account and the previously recognised impairment loss is reversed by adjusting the allowance account.

Presentation

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

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in municipality or deficit.

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

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.

Identification

The municipality has the following major categories under the ambit of statutory receivables included in the statement of financial position:

- VAT receivables
- Property rates receivables
- Fines receivables

The municipality has the following major categories under the ambit of statutory receivables included in the statement of financial performance:

- Property rates
- Interest on outstanding debtors
- Traffic fines
- Fines and penalties
- Government grants & subsidies
- Construction contracts

Recognition

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.10 Statutory receivables (continued)

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.10 Statutory receivables (continued)

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

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

1.11 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.

Municipality as lessee - Finance leases

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease or incremental rate where the interest rate is not implicit.

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

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost or current replacement cost.

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

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

The cost of inventories is assigned using the weighted average cost formula..

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 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 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.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.13 Impairment of cash-generating assets

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach, the selection depends on the availability of data and nature of the impairment.

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

Vested employee benefits are employee benefits that are not conditional on future employment.

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.15 Employee benefits (continued)

Defined benefit plans

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

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations on an annual basis such that the amounts recognised in the annual financial statements fairly present at the reporting date by an independent actuaries.

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

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.15 Employee benefits (continued)

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 [OR is not] presented as the net of the amount recognised for a reimbursement.

Staff leave

Liability for annual leave are recognised as they accrue to employees. The Liability is based on the total amount of leave days due to employees at year end and is calculated based on the basic salary of the employee.

Accumulated leave is carried forward and can be used in future periods if the current periods entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employees employment term.

Staff bonuses

Liability for staff bonus are recognised as they accrue to employee. The liability is based on the total amount of leave days due to employees at year end and is calculated based on the total basic salary of employee.

Accumulated leave is vesting.

Performance Bonuses

A provision, in respect of the liability relating to anticipated costs of performance bonuses payable to section 57 employees, is recognised as it accrues to section 57 employee. the performance bonus provision is based on the employment contract stipulations as well as previous performance bonus payment trend.

Employee overtime/ standby allowance accrual.

The cost of short term employee benefits is recognised in the period in which the service is rendered. Liability are the recognised as they accrue to employees.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Long-service employee benefits

The municipality has an obligation to provide Long-service Employee Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the entity instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

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

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.
- Payments made by the municipality are set-off against the liability

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Interest income from investments debtors is recognised when received by or accrued to the municipality.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

Taxes

The municipality recognises an revenue in respect of taxes when the taxable event occurs and the revenue recognition criteria are met.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when issued and meet the recognition criteria for revenue.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be a revenue of the collecting municipality..

Where settlement discount or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discount or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

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

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated income and it is recognised as interest earned in the Statement of Financial Performance.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.20 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Expenses will be recognized when these are incurred and measured at cost excluding VAT.

1.21 Borrowing costs

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

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

1.22 Accounting by principals and agents

Identification

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 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.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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.

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality'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 that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.27 Segment information

A segment is an activity of an entity:

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

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

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

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

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

1.28 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 the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

The budget for the economic municipality includes all the entities approved budgets under its control.

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.

1.29 Related parties

In terms of GRAP 20 for related party disclosure, a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.29 Related parties (continued)

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

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

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

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

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

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

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

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the municipality.

1.30 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however the municipality is registered with South African Revenue Service (SARS) for Value Added Tax on the payments basis, in accordance with section 15(2) of the Value-Added Tax No 89 of 1991.

The Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.31 Materiality

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

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.32 Cash and cash equivalents

Cash and cash equivalents include call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions and are subject to an insignificant risk of change in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprises of bank balances deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.33 Separate financial statements

Consolidated financial statements are the financial statements of the economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the entity as a controlling entity, and its controlled entities, are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, that has the purpose of investing funds solely for returns from capital appreciation, investment revenue, and which measures and evaluates the performance of substantially all of its investments on a fair value basis.

Separate financial statements are those presented by the entity, in which the entity could elect to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the GRAP Standard on Financial Instruments or using the equity method as described in the accounting policies on Investments in Associates and Joint Ventures.

In the entity's separate financial statements, investments in controlled entities, associates and joint ventures are carried at cost;

In the entity's separate financial statements, investments in controlled entities are carried at cost;

In the entity's separate financial statements, investments in associates are carried at cost;

In the entity's separate financial statements, investments in joint ventures are carried at cost.

Separate financial statements are prepared in accordance with all applicable accounting policies, except:

- Similar investments in controlled entities are accounted for at cost;
- Joint ventures are accounted for at cost;
- Associates are accounted for at cost.

The entity as a controlling entity, which is not itself an investment entity, measures its investment in a controlled investment entity in accordance with the above, in its separate financial statements.

When the entity as controlling entity ceases to be an investment entity, or becomes an investment entity, it accounts for the change from the date when the change in status occurred, as follows:

- When the entity ceases to be an investment entity, the entity accounts for an investment in a controlled entity in accordance with the above. The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration when accounting for the investment as above.
- When the entity becomes an investment entity, it accounts for an investment in a controlled entity at fair value. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status is recognised as a gain or loss in surplus or deficit. The cumulative amount of any gain or loss previously recognised directly in net assets in respect of those controlled entities is treated as if the investment entity had disposed of those controlled entities at the date of change in status.

When the entity elects to measure its investments in associates or joint ventures at fair value, it also accounts for those investments in the same way in its separate financial statements.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

1.33 Separate financial statements (continued)

Where the entity as controlling entity is required to measure its investment in a controlled entity at fair value, it also accounts for that investment in the same way in its separate financial statements.

Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements of the entity when the entity's right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognised in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.

When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:

- The new controlling entity obtains control of the original controlling entity either (a) by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or (b) by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;
- The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and
- The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;

and the new controlling entity accounts for its investment in the original controlling entity at cost in its separate financial statements, the new controlling entity measures cost at the carrying amount of its share of the net asset items shown in the separate financial statements of the original controlling entity at the date of the reorganisation

1.34 Construction contracts and receivables

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 .

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.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

No new standards and interpretations were adopted during the current financial year.

2.2 Standards and Interpretations early adopted

No new standards were early adopted in the current financial year.

2.3 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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 (amendments) – Presentation of Financial Statements (Going Concern) • GRAP 103 (amendments) – Heritage Assets	Effective date not yet determined by Minister of Finance Effective date not yet determined by Minister of Finance	Unlikely there will be a material impact Unlikely there will be a material impact

3. Inventories

Consumable stores	1 843 434	1 642 723
-------------------	-----------	-----------

Consumable stores

In the current year an amount of R5 949 777 (2024: R4 754 238) was expensed with respect to consumable stores consumed. Refer to note 46.

Obsolete inventory written-off

In the current year an amount of R196 841 (2024: R224 213) was expensed with respect to Obsolete inventory written off. Refer to note 45.

Inventories are measured at the lower of cost or current replacement cost.

No inventory was pledged as security.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
4. Receivables from non-exchange transactions		
Traffic fines	47 897 110	35 961 410
Property rates	175 973 365	153 652 091
Othe receivables	224 923	1 454 191
	224 095 398	191 067 692
Less: Allowance for impairment		
Traffic fines	(37 439 493)	(30 323 711)
Property rates	(143 105 781)	(127 741 025)
Othe receivables	-	-
	(180 545 274)	(158 064 736)
Net balance		
Traffic fines	10 457 617	5 637 699
Property rates	32 867 584	25 911 066
Othe receivables	224 923	1 454 191
	43 550 124	33 002 956
Reconciliation of allowance for impairment		
Balance at the beginning of the year	158 064 736	138 122 725
Bad debts written-off provide for	(3 048 381)	(3 240 023)
Contributions to allowance	25 528 919	23 182 034
	180 545 274	158 064 736

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

4. Receivables from non-exchange transactions (continued)

Property rates

Current 0 - 30 days	8 935 567	3 523 139
31 - 60 days	4 315 222	2 866 371
61 - 90 days	3 522 765	2 762 981
91 - 120 days	3 206 115	2 717 343
121 - 150 days	3 372 207	2 717 371
> 150 days	152 621 489	139 064 886
	175 973 365	153 652 091

Property rates by customer group - 2025

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	3 085 891	2 026 050	3 823 626	8 935 567
31 - 60 days	1 272 887	697 770	2 344 565	4 315 222
61 - 90 days	794 807	470 841	2 257 118	3 522 766
91 - 120 days	770 606	145 164	2 290 344	3 206 114
121 - 150 days	1 026 169	151 861	2 194 177	3 372 207
> 150 days	23 493 980	16 306 457	112 821 052	152 621 489
	30 444 340	19 798 143	125 730 882	175 973 365

Property rates by customer group - 2024

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	913 943	580 091	2 029 105	3 523 139
31 - 60 days	458 035	476 880	1 931 456	2 866 371
61 - 90 days	419 978	475 671	1 867 332	2 762 981
91 - 120 days	435 596	471 697	1 810 050	2 717 343
121 - 150 days	419 505	469 757	1 828 109	2 717 371
> 150 days	22 182 445	18 776 837	98 105 604	139 064 886
	24 829 502	21 250 933	107 571 656	153 652 091

Traffic fines

Current 0 - 30 days	4 179 800	453 800
31 - 60 days	2 929 000	474 800
61 - 90 days	625 100	553 900
91 - 120 days	419 800	500 500
121 - 150 days	505 900	270 100
> 150 days	39 237 510	33 708 310
	47 897 110	35 961 410

Other receivables

Current 0 - 30 days	890	1 175 296
> 150 days	224 033	278 895
	224 923	1 454 191

Other receivables include amounts recoverable from staff, categorized as staff recovery receivables, as well as outstanding balances due from the Office of the Premier to the municipality.

Property Rates- Municipal Property Rates Act (MPR Act) section 2 states that a local municipality may levy a rate on property in its area.

Traffic Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

4. Receivables from non-exchange transactions (continued)

Determination of transaction amount

Rates - Rates are amounts determined in terms of section 11 of the Municipal Property Rates Act and the approved policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

Interest or other charges levied/charged

Rates - interest is raised on past due balance at the prime interest rate.

Fines - No interest or other charges are raised on outstanding fines.

Other receivables - No interest or other charges are levied on outstanding staff recovery debts

Receivables impaired but not past due

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired.

Fines - Provision for impairment of traffic fine debtors is calculated based on the payment history of traffic fines in aggregate as the municipality does not have sufficient information to calculate the payment history per debtor as with property rates and services.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired is assessed by reference to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

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

Property rates

Current 0 - 30 days (not due)	3 860 875	1 214 870
31 - 60 days (past due)	1 570 520	657 283
61 - 90 days (past due)	854 476	602 869
91 - 120 days (past due)	804 124	611 305
121 - 150 days (past due)	1 054 818	591 704
> 150 days (past due)	24 722 771	22 233 035
	32 867 584	25 911 066

Traffic fines

Current 0 - 30 days (not due)	912 597	71 143
31 - 60 days (past due)	639 503	74 435
61 - 90 days (past due)	136 481	86 835
91 - 120 days (past due)	91 657	78 464
121 - 150 days (past due)	110 456	42 344
> 150 days (past due)	8 566 923	5 284 479
	10 457 617	5 637 700

Other receivables

Current 0 - 30 days	889	1 175 296
> 150 days	224 034	278 895
	224 923	1 454 191

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

4. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

The ageing of these receivables is as follows:

Property rates

Current 0 - 30 days (not due)	5 074 692	2 308 269
31 - 60 days (past due)	2 744 702	2 209 089
61 - 90 days (past due)	2 668 289	2 160 112
91 - 120 days (past due)	2 401 989	2 106 038
121 - 150 days (past due)	2 317 389	2 125 667
> 150 days (past due)	127 898 720	116 831 850
	143 105 781	127 741 025

Traffic fines

Current 0 - 30 days (not due)	3 267 203	382 657
31 - 60 days (past due)	2 289 497	400 365
61 - 90 days (past due)	488 619	467 065
91 - 120 days (past due)	328 143	422 036
121 - 150 days (past due)	395 444	227 756
> 150 days (past due)	30 670 587	28 423 831
	37 439 493	30 323 710

5. VAT receivable

VAT control	2 908 143	5 257 310
VAT input accrual	1 849 707	2 592 168
VAT input	11 838	-
	4 769 688	7 849 478

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

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

VAT returns are submitted and payments are made on a monthly basis.

VAT control is classified as statutory receivable in context of GRAP 108. Statutory receivable arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Refer to Note 55 statutory receivables.

VAT receivables past due but not impaired

By the reporting date there were no statutory VAT that are past due.

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

VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts and SARS has been refunding the municipality in the previous periods.

VAT receivables impaired

No impairment on VAT receivables, balance expected to be fully recoverable.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
6. Receivables from exchange transactions		
Gross balances		
Refuse	59 952 431	42 436 494
Rentals	14 916 901	9 995 310
Other receivables	5 168 926	3 294 920
	80 038 258	55 726 724
 Other receivables are made-up of account for over/ under banking as a results of timing difference, prepaid expenses and traffic fines collected by TMT Services & Supplies (Pty) Ltd on behalf of the municipality not transferred at the end of accounting period. In 2023/2024 financial year it also included proceeds owed from disposal of property, plant and equipment that was not transferred to the municipality.		
Less: Allowance for impairment		
Refuse	(53 999 355)	(39 295 101)
Rentals	(14 675 616)	(9 879 041)
Other receivables	-	-
	(68 674 971)	(49 174 142)
 Net balance		
Refuse	5 953 076	3 141 393
Rentals	241 285	116 269
Other receivables	5 168 926	3 294 920
	11 363 287	6 552 582
 Reconciliation of allowance for impairment		
Balance at the beginning of the year	49 174 142	38 177 022
Bad debts written-off provided for	(1 433 223)	(1 246 088)
Contributions to allowance	20 934 052	12 243 208
	68 674 971	49 174 142
 Refuse		
Current (0 -30 days)	2 355 278	1 393 479
31 - 60 days	1 847 537	1 018 210
61 - 90 days	1 811 926	1 069 621
91 - 120 days	1 821 473	959 639
121 - 150 days	1 759 167	950 099
> 150 days	50 357 050	37 045 446
	59 952 431	42 436 494
 Rentals		
Current (0 -30 days)	548 731	425 850
31 - 60 days	497 403	440 388
61 - 90 days	627 733	463 851
91 - 120 days	391 408	429 616
121 - 150 days	384 843	1 050 758
> 150 days	12 466 783	7 184 847
	14 916 901	9 995 310

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

6. Receivables from exchange transactions (continued)

Other receivables

Current (0 -30 days)	1 203 233	452 026
31 - 60 days	510 316	12 042
61 - 90 days	1 310 854	-
91 - 120 days	1 655 633	-
> 150 days	488 890	2 830 852
	5 168 926	3 294 920

Rental Aging per customer group - 2025

	Commercial customers	Households	Total
Current 0 - 30 days	93 282	455 450	548 732
31 - 60 days	72 201	425 202	497 403
61 - 90 days	4 441	623 292	627 733
91 - 120 days	3 984	387 423	391 407
121 - 150 days	3 984	380 859	384 843
> 150 days	584 946	11 881 837	12 466 783
	762 838	14 154 063	14 916 901

Refuse Aging per customer group - 2025

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	362 862	151 271	1 841 145	2 355 278
31 - 60 days	268 828	79 207	1 499 502	1 847 537
61 - 90 days	265 895	71 987	1 474 044	1 811 926
91 - 120 days	263 235	71 165	1 487 073	1 821 473
121 - 150 days	259 425	70 126	1 429 616	1 759 167
> 150 days	4 261 694	2 485 220	43 610 136	50 357 050
	5 681 939	2 928 976	51 341 516	59 952 431

Rental Aging per customer group - 2024

	Commercial customers	Households	Total
Current 0 - 30 days	5 068	420 782	425 850
31 - 60 days	5 060	435 328	440 388
61 - 90 days	5 142	458 709	463 851
91 - 120 days	4 874	424 741	429 615
121 - 150 days	4 355	1 046 404	1 050 759
> 150 days	534 490	6 650 357	7 184 847
	558 989	9 436 321	9 995 310

Refuse Aging per customer group - 2024

	Organs of state	Commercial customers	Households	Total
Current 0 - 30 days	561 635	92 449	739 395	1 393 479
31 - 60 days	214 055	82 083	722 072	1 018 210
61 - 90 days	228 655	104 413	736 553	1 069 621
91 - 120 days	178 373	74 875	706 390	959 638
121 - 150 days	174 874	73 353	701 872	950 099
> 150 days	1 597 991	2 142 399	33 305 056	37 045 446
	2 955 583	2 569 572	36 911 338	42 436 493

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

6. Receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

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

Refuse

Current 0 - 30 days (not due)	443 647	601 355
31 - 60 days (past due)	299 328	230 138
61 - 90 days (past due)	286 138	239 764
91 - 120 days (past due)	278 557	187 328
121 - 150 days (past due)	271 638	182 996
> 150 days (past due)	4 373 768	1 699 811
	5 953 076	3 141 392

Rentals

Current 0 - 30 days (not due)	63 125	11 054
31 - 60 days (past due)	41 892	7 012
61 - 90 days (past due)	7 706	6 448
91 - 120 days (past due)	5 607	5 671
121 - 150 days (past due)	5 398	5 395
> 150 days (past due)	117 557	80 688
	241 285	116 268

Consumer debtors impaired

The ageing of these debtors is as follows:

Refuse

Current 0 - 30 days (not due)	1 911 631	792 124
31 - 60 days (past due)	1 548 209	788 072
61 - 90 days (past due)	1 525 788	829 857
91 - 120 days (past due)	1 542 916	772 310
121 - 150 days (past due)	1 487 529	767 103
> 150 days (past due)	45 983 282	35 345 636
	53 999 355	39 295 102

Rentals

Current 0 - 30 days (not due)	485 607	414 796
31 - 60 days (past due)	455 511	433 376
61 - 90 days (past due)	620 027	457 403
91 - 120 days (past due)	385 801	423 943
121 - 150 days (past due)	379 445	1 045 363
> 150 days (past due)	12 349 225	7 104 160
	14 675 616	9 879 041

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	5 387 065	12 691 130
Short-term deposits	127 860 165	174 425 389
	133 247 230	187 116 519

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
FNB - Cheque Primary Bank Account: 62237497872	5 387 059	12 691 142	3 257 389	5 387 065	12 691 130	3 322 662
FNB - Call Account - MIG Call Acc: 62240253542	49 962	17 305	3 808 600	49 962	17 305	3 808 600
FNB - Call Account - FMG: 62240252768	1 917	6 800	6 896	1 917	6 800	6 896
FNB - Call Account - Call Account: 62240252198	72 746	51 650	5 875 523	72 746	51 650	5 875 523
FNB - Call Account - INEP: 62326177559	1 000	1 000	1 000	1 000	1 000	1 000
FNB - Call Account - EPWP: 62345680195	1 000	1 000	1 017	1 000	1 000	1 017
FNB - Call Account - LG SETA: 62380069437	384 842	170 731	671 481	384 842	170 731	671 481
FNB - Notice Account - Salaries Account: 74737909900	1 373 350	1 168 211	2 736 158	1 373 350	1 168 213	2 736 159
FNB - Call Account - eNatis: 62772809904	1 590	113 570	369 937	1 590	113 570	369 937
FNB - Call Account - DSRAC: 62823144233	1 764 594	2 058 752	1 921 278	1 764 594	2 058 752	1 921 278
FNB - Call Account - Short-term Investment: 62823142774	124 207 988	170 793 269	173 015 759	124 207 989	170 793 269	173 015 759
FNB - DEDEAT: 62910424944	-	30 330	2 509 115	-	30 330	2 509 115
FNB - Call account - Disaster Grant : 63092717182	1 175	12 769	-	1 175	12 769	-
Total	133 247 223	187 116 529	194 174 153	133 247 230	187 116 519	194 239 427

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for periods not exceeding three months, depending on the immediate cash requirements and earn interest at the respective short-term deposit rate.

Cash and cash equivalent is measured at fair value.

An amount of R2 193 995 is pledged as security for contingent liability (guarantee number ECD112301) in respect of case no. PR90/24: SAMWU o.b.o Mnini v Mnquma Local Municipality for detail refer to note 49.

No additional restrictions were placed on the use of cash and cash equivalents beyond the one mentioned above.

Mnquma Local Municipality

Annual Financial Statements for the period yearended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property

	2025		2024	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	107 160 542	(69 674 618)	37 485 924	(69 502 421)
Buildings	79 807 340	(70 997 940)	8 809 400	(67 910 521)
Total	186 967 882	(140 672 558)	46 295 324	(137 412 942)
				49 642 603

Reconciliation of investment property - 2025

	Opening balance	Disposals	Impairments	Depreciation	Total
Land	37 658 121	-	(172 197)	-	37 485 924
Buildings	11 984 482	(41 784)	(1 639 745)	(1 493 553)	8 809 400
	49 642 603	(41 784)	(1 811 942)	(1 493 553)	46 295 324

The amounts recognised in surplus or deficit

Rental revenue from investment property

5 482 107	5 434 065
-----------	-----------

Expenditure incurred to repairs and maintain investment property

Contracted services

27 528	2 182
--------	-------

Mnquma Local Municipality

Annual Financial Statements for the period yearended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

8. Investment property (continued)

Reconciliation of investment property - 2024

	Opening balance	Disposals	Transfers to /from investment property	Impairments	Depreciation	Total
Land	40 001 428	(2 057 121)	(286 186)	-	-	37 658 121
Buildings	9 522 909	(7 482)	8 991 675	(4 786 173)	(1 736 447)	11 984 482
	49 524 337	(2 064 603)	8 705 489	(4 786 173)	(1 736 447)	49 642 603

All of the municipality's investment property is held under freehold interests and no investment property had been pledged as security for any liabilities of the municipality.

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

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

The municipality has land and buildings, including vacant land that is classified as investment property.

The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Land that is sitting as investment properties is not depreciated, only the buildings component of the investment properties is depreciated.

There are pieces of land where the municipality is the legal owner according to deeds office records. The municipality has assessed that it does not have a control over the land due to loss of substantive rights in terms of IGRAP 18 paragraph 6. these properties were therefore derecognised.

There are no capital commitments.

Mnquma Local Municipality

Annual Financial Statements for the period yearended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	91 806 087	-	91 806 087	91 806 087	-	91 806 087
Buildings	45 543 618	(18 343 001)	27 200 617	53 731 297	(24 133 791)	29 597 506
Plant and machinery	58 584 947	(15 440 873)	43 144 074	53 601 210	(15 742 240)	37 858 970
Furniture and office equipment	9 609 424	(4 661 769)	4 947 655	8 864 450	(4 542 572)	4 321 878
Transport assets	22 408 303	(8 032 848)	14 375 455	19 480 981	(6 024 802)	13 456 179
Computer equipment	11 513 644	(7 204 574)	4 309 070	11 917 471	(5 943 304)	5 974 167
Infrastructure	3 147 315 209	(1 950 578 102)	1 196 737 107	3 221 387 451	(1 864 273 288)	1 357 114 163
Community assets	133 382 364	(53 632 639)	79 749 725	127 571 690	(48 358 718)	79 212 972
Other property, plant and equipment	228 924	(126 504)	102 420	162 410	(154 853)	7 557
Work in progress	136 219 493	(531 462)	135 688 031	63 188 630	(3 314 794)	59 873 836
Total	3 656 612 013	(2 058 551 772)	1 598 060 241	3 651 711 677	(1 972 488 362)	1 679 223 315

Mnquma Local Municipality

Annual Financial Statements for the period year-ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	91 806 087	-	-	-	-	-	-	91 806 087
Buildings	29 597 506	215 228	(963 996)	981 041	(2 582 383)	(46 779)	-	27 200 617
Plant and machinery	37 858 970	11 375 129	(2 019 569)	-	(4 045 414)	(25 042)	-	43 144 074
Furniture and office equipment	4 321 878	1 274 226	(33 343)	-	(581 963)	(33 143)	-	4 947 655
Transport assets	13 456 179	3 378 977	(83 681)	-	(2 376 020)	-	-	14 375 455
Computer equipment	5 974 167	852 829	(196 109)	-	(2 261 816)	(60 001)	-	4 309 070
Infrastructure	1 357 114 163	-	(51 175 461)	124 821 981	(209 213 413)	(25 148 967)	338 804	1 196 737 107
Community assets	79 212 972	-	(191 117)	11 949 662	(8 745 729)	(2 476 063)	-	79 749 725
Other property, plant and equipment	7 557	104 000	(380)	-	(8 757)	-	-	102 420
Work in progress	59 873 836	214 098 339	-	(137 752 684)	-	(531 460)	-	135 688 031
	1 679 223 315	231 298 728	(54 663 656)	-	(229 815 495)	(28 321 455)	338 804	1 598 060 241

Mnquma Local Municipality

Annual Financial Statements for the period year-ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Transfers to and from investment property	Disposals	Transfer movable assets	Transfers	Revaluation	Lease contract adjustment	Transfers (expenses/Donation)	Depreciation	Impairment loss	Total
Land	85 148 009	-	286 185	-	-	-	6 371 893	-	-	-	-	91 806 087
Buildings	30 707 175	247 770	455 271	(7 011 654)	-	6 480 291	1 932 869	-	-	(3 211 894)	(2 322)	29 597 506
Plant and machinery	31 823 668	15 811 324	-	(5 903 813)	-	-	-	-	-	(3 837 154)	(35 055)	37 858 970
Furniture and office equipment	4 284 943	653 785	-	(136 914)	188 000	-	-	-	-	(524 019)	(143 917)	4 321 878
Transport assets	14 356 384	2 506 254	-	(1 317 447)	-	-	-	-	-	(2 089 012)	-	13 456 179
Computer equipment	6 295 162	1 767 274	-	(68 964)	-	-	-	(12 670)	-	(1 978 354)	(28 281)	5 974 167
Infrastructure	1 604 943 216	64 500	-	(48 368 770)	-	113 971 334	-	-	-	(268 947 778)	(44 548 339)	1 357 114 163
Community assets	103 531 015	354 950	(9 446 944)	(1 436 770)	-	1 262 118	-	-	-	(12 084 386)	(2 967 011)	79 212 972
Other property, plant and equipment	16 360	-	-	-	-	-	-	-	-	(4 096)	(4 707)	7 557
Work in progress	24 522 891	158 458 976	-	-	(188 000)	(121 713 743)	-	-	(1 206 288)	-	-	59 873 836
	1 905 628 823	179 864 833	(8 705 488)	(64 244 332)	-	-	8 304 762	(12 670)	(1 206 288)	(292 676 693)	(47 729 632)	1 679 223 315

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

9. Property, plant and equipment (continued)

Other information

No portion of property, plant and equipment has been pledged as security for liabilities.

There are no restrictions on the realisability of Property, Plant and Equipment or the remittance of revenue and proceeds of derecognition.

Two projects that were still at the planning and design stage were halted during the year, the municipality change its priorities and redirected resources to disaster recovery. As such an impairment loss was recognised amounting to R531 460 (2024: R0.00), as follows;

1. Design & planning horse racing field	R410 368
2. Refurbishment of Vulley-valley park - Professional Service	R121 094

Refer to Note 48 for the amount of contractual commitment for the acquisition of PPE. The amount of R169 872 412 (2024: R188 629 410) for contracted commitments is approved and contracted.

Photocopiers & speedpoints under lease were capitalised under computer equipment with a carrying amount of R 593 222 (2024: R 1 186 107), and the corresponding finance lease liability raised in accordance with GRAP13 on note 12. The leases are payable in monthly instalments.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

9. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Friday, 30 June 2023 and 2024. Mr Franco Maartens (Worth Authority). Professional body Registrations: South African Council for the Property Valuers Profession: SACPVP, South African Institute of Valuers: SAIV and Gerhard Zandberg Professional body Registrations: South Africa Institute for Professional Engineer, Project Management Professional (PMP).

Infrastructure, community assets, land and operational buildings are re-valued independently every 4 years.

A supplementary revaluation was performed by Mr Franco Maartens (Worth Authority). Professional body Registrations: South African Council for the Property Valuers Profession: SACPVP on 01 October 2023 due to a change in asset classification from investment property which is on the cost model to property, plant and equipment, namely land and operational buildings which were previously rented properties which are being used as a municipal offices.

The valuation was performed using the following methods:

a) Comparable Sales Approach:

This approach analysis the recent comparable sales of physically and legally similar properties in the general vicinity of the subject property. This method typically applies to single family homes and land.

b) Depreciated Replacement Cost Approach:

The Cost approach values a property based on what it would cost to build the property today, taking into consideration the depreciation by various factors. The current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

These assumptions were based on current market conditions.

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

Assets under construction

Reconciliation of property, plant and equipment being constructed or developed in 2025

	Opening Balance	Additions /Capital Expenditure	Impairment Loss Current Year	Completed Projects (Transfers)	Total WIP Balance as at 30 June 2025
Community assets	6 186 364	30 518 001	(531 464)	(11 949 662)	24 223 239
Infrastructure	16 132 263	108 955 607	-	(124 821 981)	265 889
Operational buildings	37 555 209	74 624 732	-	(981 042)	111 198 899
	59 873 836	214 098 340	(531 464)	(137 752 685)	135 688 027

There are no property, plant and equipment under construction that is taking a significantly longer period of time to complete than expected.

There are two property, plant and equipment under construction that has been halted during the current reporting period.

Assets under construction

Reconciliation of Property, Plant and Equipment being constructed or developed in 2024

	Opening Balance	Additions /Capital Expenditure	Completed Projects (Donated Assets)	Completed Projects (Transfers)	Total WIP Balance as at 30 June 2024
Community assets	1 009 064	7 645 706	(1 206 288)	(1 262 118)	6 186 364
Infrastructure	18 577 420	111 526 176	-	(113 971 333)	16 132 263
Operational buildings	4 936 407	39 287 094	-	(6 668 292)	37 555 209
	24 522 891	158 458 976	(1 206 288)	(121 901 743)	59 873 836

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

9. Property, plant and equipment (continued)

The amount of compensation received from third parties

Computer equipment	15 680	66 338
Machinery and equipment	-	140 638
Motor vehicles	-	707 096
Community Assets	1 509 341	-
	1 525 021	914 072

The municipality received compensation from the insurers for the lost or written off of assets resulting from damages, this insurance income is included in the surplus or deficit.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	6 158 071	13 476 374
---------------------	-----------	------------

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.

Mnquma Local Municipality
Annual Financial Statements for the period yearended 30 June 2025
Notes to the Annual Financial Statements

Figures in Rand

10. Intangible assets

	2025		2024	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software	4 774 609	(1 306 537)	3 468 073	6 379 781
			(1 422 309)	4 957 472

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software	4 957 472	3 009 468	(4 498 867)	3 468 073

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	2 710 872	4 920 554	(2 673 954)	4 957 472



Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

10. Intangible assets (continued)

Other information

No portion of intangible assets has been pledged as security for liabilities.

A register containing information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

There are no intangible assets whose title is restricted.

There are no intangible asset that are under construction.

Refer to Note 48 for the amount of contractual commitment for the acquisition of intangible assets. The amount of R4 837 345 (2024: R7 363 286) for contracted commitments is approved and contracted.

The amortisation expense is included in the line item "Depreciation and amortisation" Note 37 in the statement of financial performance.

Mnquma Local Municipality

Annual Financial Statements for the period yearended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

11. Heritage assets

	2025		2024	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated Carrying value impairment losses
Historical monuments	78 959	-	78 959	-
Municipal jewellery	37 793	-	37 793	-
Total	116 752	-	116 752	-

Reconciliation of heritage assets 2025

Historical monuments
Municipal jewellery

Opening balance	Total
78 959	78 959
37 793	37 793
116 752	116 752

Reconciliation of heritage assets 2024

Historical monuments
Municipal jewellery

Opening balance	Total
78 959	78 959
37 793	37 793
116 752	116 752

Restrictions on heritage assets

There are no heritage assets whose title is restricted.

There are no heritage asset that are under construction.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
11. Heritage assets (continued)		
Pledged as security		
No portion of heritage assets has been pledged as security for liabilities.		
12. Finance lease obligation		
Minimum lease payments due		
- within one year	426 105	1 095 807
- in second to fifth year inclusive	-	425 723
	426 105	1 521 530
less: future finance charges	(14 321)	(123 731)
Present value of minimum lease payments	411 784	1 397 799
Non-current liabilities	-	411 390
Current liabilities	411 784	986 409
	411 784	1 397 799

Photocopiers & speedpoints under lease were capitalised for a period of 3 and 5 years respectively, and the corresponding finance lease liability raised in accordance with GRAP 13. The leases are payable on fixed monthly instalments.

No arrangements have been entered into for contingent rental payments.

There are no terms for renewal or purchases options and escalation clauses.

No restrictions imposed by lease arrangements.

13. Payables from exchange transactions

Trade payables	2 450 236	10 552 644
Advance payment- consumer debtors	1 554 349	582 302
Unallocated deposit	26 564	59 894
Other payables	-	29 337
Retention payable	12 886 229	10 320 575
	16 917 378	21 544 752

The average credit period on purchases is 30 days from the receipts of the invoice as determined by MFMA, no interest is charged for the first 30 days from the date of receipt of the invoice thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has the financial risk policies in place to ensure that all payables are paid within the credit time frame.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
14. Employee benefit obligations		
Employee benefit obligation consists of the following:		
Current Liabilities		
Long service awards	2 028 000	2 359 000
Provision for performance bonus	1 782 900	1 771 145
13th cheque accrual	5 513 479	5 002 117
Provision for leave	15 960 630	16 258 967
Payroll control	236 224	503 963
	25 521 233	25 895 192
Non-Current Liabilities		
Long service awards	13 967 000	12 778 000
Total	39 488 232	38 673 192

Long service awards

The Municipality has a defined benefit obligation in terms of the Long Service Awards. The defined benefit obligation is valued every year by independent qualified actuaries. The most recent valuations have been carried out by ZAQ Consultants and Actuaries:

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five-year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. The actuaries therefore did not value any assets as part of the valuation.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

14. Employee benefit obligations (continued)

Movement in the present value of the defined benefit obligation

Carrying value		
Opening balance	15 137 000	13 173 000
Current service costs - Employee related costs	1 545 000	1 387 000
Actuarial interest - Finance costs	1 824 000	1 690 000
Benefit paid	(996 445)	(936 113)
Actuarial (Gains)/ Losses	(1 514 555)	(176 887)
	15 995 000	15 137 000

Non-current liabilities	13 967 000	12 778 000
Current liabilities	2 028 000	2 359 000
	15 995 000	15 137 000

The amount recognised in the statement of financial performance

Current service cost	1 545 000	1 387 000
Interest cost	1 824 000	1 690 000
Actuarial (gains) losses	(1 514 555)	(176 887)
	1 854 445	2 900 113

Key assumptions used

In estimating the unfunded liability for long service awards a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased and mutually compatible.

Assumptions used at the reporting date:

Discount rates used	11,68 %	12,28 %
Expected increase in salaries	7,53 %	8,15 %
Consumer Price Index	6,53 %	7,15 %
Net Discount rate	3,86 %	3,82 %

Demographic and mortality assumption:

Average Retirement Age	63 years	63 years
Normal Retirement Age	65 years	65 years
Mortality Rates	SA85-90	SA85-90

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

14. Employee benefit obligations (continued)

Sensitivity Analysis

Withdrawal rates

Age band	Withdrawal Rates Male	Withdrawal Rates Female
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %

Below is an illustration of the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation assumption	+20% Withdrawal rate
Total accrued liability	16 719 000	15 995 000	15 326 000
Current service costs	1 725 000	1 627 000	1 539 000
Interest costs	1 920 000	1 829 000	1 746 000

Normal salary inflation

Below is the testing of the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total accrued liability	15 087 000	15 995 000	16 988 000
Current service costs	1 528 000	1 627 000	1 737 000
Interest costs	1 717 000	1 829 000	1 952 000
	18 332 000	19 451 000	20 677 000

Mortality rate

Below is the testing of the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	16 123 000	15 995 000	15 870 000
Current Service Cost	1 640 000	1 627 000	1 615 000
Interest Cost	1 845 000	1 829 000	1 814 000
	19 608 000	19 451 000	19 299 000

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

14. Employee benefit obligations (continued)

Discount rate

Below is the testing of the effect of a 1% p.a. change in the discount rate assumption. The effect is as follows:

Category	-1% Discount rate	Valuation Assumption	+1% Discount rate
Total Accrued Liability	16 959 000	15 995 000	15 127 000
Current Service Cost	1 734 000	1 627 000	1 532 000
Interest Cost	1 781 000	1 829 000	1 870 000
	20 474 000	19 451 000	18 529 000

Maturity Analysis

The table below provides a maturity analysis based on the expected future benefit payments. It should be noted that these are discounted figures and may change if actual future experience deviates from current assumptions used in the valuation.

Category	1 Year Projection	2 – 5 Year Projection	5+ Year Projection	Total
Present Value of Future Benefit Payments	1 880 042	8 288 914	16 966 675	27 135 631

Average retirement age

Below is the testing of the effect of a 1-year increase/decrease in average retirement age. The effect is as follows:

Category	-1 Year (62)	Valuation Assumption	+1 Year (64)
Total Accrued Liability	15 357 000	15 995 000	16 647 000
Current Service Cost	1 574 000	1 627 000	1 674 000
Interest Cost	1 752 000	1 829 000	1 908 000
	18 683 000	19 451 000	20 229 000

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

14. Employee benefit obligations (continued)

Provision for performance bonus

Provision has been made for performance bonuses in accordance with the performance agreements of the Municipal Manager, Chief Financial Officer, Director of Corporate Services, Director of Infrastructure, Director of Community Services, Director of Local Economic Development & Planning, Director of Strategic Management, Senior Accountant and Legal Advisor using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management Regulations has reviewed the performance agreements of the Executive Management team and recommendation to the Council for final approval. The performance bonuses have been provided for as follows:

The movement consist of the following:

Opening balance	1 771 145	1 417 056
Performance bonus paid	(1 624 784)	(1 287 562)
Additions	1 636 539	1 641 651
	1 782 900	1 771 145

13th Cheque accrual

Annual bonuses accrue to all eligible municipal employees on an annual basis excluding Section 57 Managers, Senior Accountant and Legal Advisor. The balance as at year-end represents the portion of the bonus which has already vested as at year-end.

Opening balance	5 002 117	4 831 271
13th Cheque paid	(4 976 621)	(4 776 675)
13th Cheque accrual	5 487 983	4 947 521
	5 513 479	5 002 117

Provision for annual leave

Provision for annual leave is recognised as it accrues to employees. The provision for annual leave is based on the total annual paid leave days due to an employee multiplied by the basic salary as at year-end.

The movement consist of the following:

Opening balance	16 258 967	16 396 958
Provision for leave paid	(1 110 215)	(1 281 096)
Addition	811 878	1 143 105
	15 960 630	16 258 967

Payroll control

Payroll accruals consists of back pay, subsistence allowance, reimbursive travel allowance, night work allowance, shift allowance, and standby allowance.

Payroll control	236 224	503 963
-----------------	---------	---------

15. Unspent conditional grants

Department of Sports, Recreation and Culture (DSRAC)	1 755 523	2 031 945
Local Government Sector Education & Training Authority (LGSETA)	384 842	170 732
Small Town Revitalisation	1 019 744	-
	3 160 109	2 202 677

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

15. Unspent conditional grants (continued)

Movement during the year

Balance at the beginning of the year	1 027 879	12 456 616
Additions during the year	105 881 121	113 040 513
Revenue recognition during the year	(103 748 891)	(124 469 250)
	3 160 109	1 027 879

The reconciliation above includes an amount of R1 174 798 that was paid by the municipality but was not refunded by the Office of the Premier. As a result, a debtor was raised. Consequently, the prior year's receipts are lower than the expenditure incurred by the amount owed by the Office of the Premier.

The above note represents the nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 31 for reconciliation of grants from National/Provincial Government.

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

16. VAT payables

VAT Output accrual	701 835	5 132 070
--------------------	---------	-----------

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

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

VAT is submitted and paid on a monthly basis.

17. Consumer deposits

Hall Deposits	5 582	12 232
---------------	-------	--------

No guarantees are held in lieu of hall deposits. No interest accrues on hall deposits.

18. Revaluation reserve

The revaluation reserve is not distributable, given that this is a municipality.

Opening balance	1 097 078 941	1 444 926 992
Change during the year	(244 290 618)	(347 848 051)
	852 788 323	1 097 078 941

19. Service charges

Refuse removal	17 256 804	8 632 390
----------------	------------	-----------

The service charges revenue are in respect of refuse billed in terms of Council's approved tariffs.

An increase is due to the implementation of a cost-reflective tariff structure aimed at ensuring full recovery of service delivery costs and long-term financial sustainability.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

20. Construction contracts

Movements during the year for Rehabilitation of Public Works Bridge

Opening balance	-	-
Current-year receipts	-	2 070 878
Conditions met - transferred to revenue	-	(2 070 878)
	-	-

Movements during the year for Rural Electrification

Opening balance	-	-
Current-year receipts	1 001 739	9 304 348
Conditions met - transferred to revenue	(1 001 739)	(9 304 348)
	-	-

At 30 June 2025, retention of contracts in progress are R 0 (2024: R 472 692).

Method used to determine the contract revenue recognised in the period

The revenue recognised is based on the amount of expenditure incurred by the municipality for Rural Electrification projects and construction of Public Works Bridge (2024), which is in terms of the stage of completion determined by the progress payments claimed.

Construction contracts revenue recognised

Rural electrification projects in terms of INEP	1 001 739	9 304 348
Rehabilitation of Public Works bridge	-	2 070 878
	1 001 739	11 375 226

Method used to determine the stage of completion of contracts in progress

The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Construction contract costs

Rural electrification projects in terms of INEP	590 704	9 155 989
Rehabilitation of Public Works bridge	-	1 800 763
	590 704	10 956 752

The Integrated National Electrification Programme Grant is given to the municipality to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

The Municipal Disaster Recovery Grant is allocated to rehabilitate and reconstruct municipal infrastructure damaged by a disaster. Based on the approval of the National Disaster Management Centre in 2023/2024 financial year.

21. Rental of facilities

Rentals on investment property	5 482 107	5 434 065
Hall hire	62 852	45 519
	5 544 959	5 479 584

Included in the above Rental of facilities revenue is the rent billed for renting out of Municipal flats, Municipal Houses and revenue from Halls hire.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
22. Interest on outstanding debtors		
Interest on debtors from non-exchange transactions	12 462 298	12 947 147
Interest on debtors from exchange transactions	4 707 487	3 739 981
	17 169 785	16 687 128

Interest is charged on debtors outstanding for more than 30 days in terms of Credit Control and Debt Management by-law. Interest on debtors from non-exchange transactions related to property rates debtors and interest on debtors from exchange transactions relates to refuse collection and rental of flats debtors. Interest is charged at a prime lending rate.

23. Accounting by principals and agents

The municipality is party to a principal /agent agreement.

Municipality as agent

The municipality is an agent on behalf of the Eastern Cape Provincial Department of Transport in collecting motor vehicle licences at an agency fee of 19%, VAT inclusive

The municipality is an agent on behalf of AVBOB Mutual Assurance, Bayport Financial Services, Metropolitan, Old Mutual Group and Sanlam in collection money due to them at a commission amount that is VAT inclusive.

There were no significant changes in the agreement which occurred during the reporting period.

No material risks were identified on the agreement for the municipality.

The municipality does not incur any expenses on behalf of the principal.

There is no liability at the end of accounting period.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

23. Accounting by principals and agents (continued)

Commission received

Income from agency fees - Department of Transport	2 329 536	2 517 142
Commission received - Third Parties	191 756	180 489
	2 521 292	2 697 631

Payables to the Department of Transport

Opening balance	-	-
Revenue that principal is entitled to	14 966 263	15 895 549
Amounts transferred to the principal	(12 287 298)	(13 000 837)
Commission	(2 678 965)	(2 894 712)
	-	-

Payables (Avbob Mutual Assurance, Bayport Financial Services (Pty) Ltd, Old Mutual Group Scheme, and Sanlam)

Opening balance	-	-
Revenue that principal is entitled to	8 412 648	7 947 357
Amounts transferred to the principal	(8 192 129)	(7 739 717)
Commission	(220 519)	(207 640)
	-	-

Municipality as principal

Mnquma Local Municipality has appointed TMT Services and Supplies Pty Ltd for commissioning of Traffic Management System which including collection of speedcam traffic fine tickets on web based portal. Funds are transferred monthly basis in the municipality's primary bank account.

No assets or liabilities of Mnquma Local Municipality are under the custodianship of TMT Services and Supplies (Pty) Ltd.

Receivables owing to the municipality

Traffic fine payments received by TMT Services and Supplies (Pty) Ltd	52 900	-
---	--------	---

Fees payable as compensation to the Agent

The commission is calculated based on a transaction fee of R29.85 per ticket paid.

Commission payable	5 046	-
--------------------	-------	---

24. Licences and permits

Licences and permits	2 015 284	2 106 444
----------------------	-----------	-----------

The Municipality derives revenue from applications for driver's and learner's licences, issuing of public driver permits, driver's and learner's licences, issue of roadworthy certificates, business and hawkers licenses.

25. Insurance refund

Insurance	1 607 863	924 833
-----------	-----------	---------

Insurance refund revenue arises from payments received from the municipality's insurance service provider, typically as compensation for claims related to losses or damages.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
26. Other income		
Building plan fees	325 333	453 529
Cemetery fees	43 487	35 883
Clearance certificate fees	107 685	107 647
Cash surpluses	1 870	-
Valuation service fees	18 444	15 478
Advertising	237 769	189 670
Appilcation for land usage	40 115	31 583
Departure	19 626	-
Event and escorting	-	2 847
Municipal tractor	52 798	11 087
Enchroachment fees	31 304	28 696
Removal of restriction	4 182	1 553
Loading zone	2 096	-
	884 709	877 973

27. Interest received - investment

Short-term investments and call accounts	18 641 622	21 212 522
--	------------	------------

The municipality earned interest income during the year from Short-term deposits are made for periods not exceeding three months and Call accounts.

Interest is earned on a daily compound basis and paid monthly into the municipality bank accounts.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

28. Property rates

Rates

Property rates	81 340 350	67 923 022
----------------	------------	------------

The valuation roll was compiled in terms of the MPRA, Act 6 of 2004 which is used as a basis to levy property rates.

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2024. Interim valuations are conducted at least once annually to take into account changes in property values due to alterations and subdivisions. Valuations were performed by independent professional valuer, Mr Potela Peter Mabelane, registered with South African Council for the Property Valuers Profession (Registration number 5063). Tariffs are applied as follows:

Residential

A general rate of R0.01236 - (2024 - R0.01178) is applied to residential property valuations to determine assessment rates. Rebates are granted to all residential property owners.

Business and Commercial

A general rate of R0.01593 - (2024 - R0.01519) is applied to business and commercial property valuations to determine assessment rates.

Vacant

A general rate of R0.03092 - (2024 - R0.02917) is applied to vacant property valuations to determine assessment rates.

Public Service Purposes

A general rate of R0.02589 - (2024 - R0.02466) is applied to state owned property valuations to determine assessment rates.

Agricultural

A general rate of R0.00308 - (2024 - R0.00294) is applied to small holdings and farm property valuations to determine assessment rates.

Industrial

A general rate of R0.01580 - (2024 - R0.01490) is applied to industrial property valuations to determine assessment rates.

Public Service Infrastructure

A general rate of R0.00309 - (2024 - R0.00294) is applied to public service infrastructure valuations to determine assessment rates.

Mining & Quarries

A general rate of R0.04174 - (2024 - 0.03938) is applied to mining & quarry valuations to determine assessment rates.

Properties owned by public benefit organisations

A general rate of R0.00309 - (2023 - R0.00294) is applied to public benefit organisations to determine assessment rates.

Rebates

Rebates are granted to property owners in accordance with a variety of social and economic factors as described in the Municipality's Property Rates Policy.

Rates are levied on a monthly basis and interest is levied after due date.

Valuations

Residential	2 179 740 074	1 837 122 500
Business and Commercial	1 083 652 500	869 283 209
Public Service Purposes	1 213 480 451	1 306 374 633
Public Service Infrastructure	68 070 000	61 609 400
Public Benefit Organization	43 781 000	30 731 000
Public Open Space	-	35 196 000
Agricultural	162 440 000	197 180 000
Industrial	249 750 000	224 900 000
Municipal	-	77 780 000
Vacant	494 464 746	187 396 000
	5 495 378 771	4 827 572 742

29. Bad Debt Recoverd

Bad Debt Recoverd	46 122	-
-------------------	--------	---

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
30. Fines and penalties		
Illegal trading stock	455 260	14 000
Business licenses fines	103 648	12 000
Public nuisance	4 620	522
	563 528	26 522

Illegal Trading Stock Fines – Revenue collected from shop owners found selling expired food items.

Business Permit Fines – Revenue collected from businesses operating without valid licenses.

Public Nuisance Fines – Revenue collected from individuals or community members found engaging in actions classified as public nuisances

These fines are levied as per the approved by-law and tariff structure.

31. Government grants and subsidies

Operating grants

Equitable share	340 893 000	323 763 000
Municipal Infrastructure Grant (MIG)	3 672 850	3 856 203
Finance Management Grant (FMG)	1 900 000	1 900 000
Expanded Public Works Programme (EPWP)	1 610 000	1 512 000
Department of Sports, Recreation and Culture (DSRAC)	1 140 423	356 438
Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)	-	2 489 697
Local Government Sector Education & Training Authority (LGSETA)	220 761	1 281 115
	349 437 034	335 158 453

Capital grants

Municipal Infrastructure Grant (MIG)	76 784 150	77 019 650
Small Town Revitalisation	10 796 709	12 729 145
Municipal Disaster Recovery Grant (MDRG)	6 472 000	10 554 122
	94 052 859	100 302 917
	443 489 893	435 461 370

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as the operations of the municipality. Rebates of R20,000 are granted to residential property owners

All registered indigents receive the following subsidies:

1. For all electricity beneficiaries, 50 KW per month
2. 100% for Rates and Refuse

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	3 751 854
Current-year receipts	80 457 000	77 124 000
Conditions met - transferred to revenue	(80 457 000)	(80 875 854)
	-	-

MIG is given to the municipality to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

The conditions of the grants have been met. No funds were delayed during the financial year.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

31. Government grants and subsidies (continued)

Local Government Sector Education & Training Authority (LGSETA)

Balance unspent at beginning of year	170 732	302 912
Current-year receipts	434 872	1 148 935
Conditions met - transferred to revenue	(220 761)	(1 281 115)
	384 843	170 732

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

The grant is given to the municipality that provide an environment to facilitate the training and up skilling of various employees and people involved in local government structures.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). The conditions of the grants have been met. No funds were delayed during the financial year.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

31. Government grants and subsidies (continued)

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current-year receipts	1 610 000	1 512 000
Conditions met - transferred to revenue	(1 610 000)	(1 512 000)
	-	-

The Expanded Public Works Programme Grant is incentive funding given to the municipality to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

The conditions of the grants have been met. No funds were delayed during the financial year.

Department of Sports, Recreation and Culture (DSRAC)

Balance unspent at beginning of year	2 031 945	1 888 383
Current-year receipts	864 000	500 000
Conditions met - transferred to revenue	(1 140 422)	(356 438)
	1 755 523	2 031 945

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

This grant is given to the municipality to transform urban and rural public library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives. Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

Municipal Disaster Recovery Grant (MDRG)

Balance unspent at beginning of year	-	4 000 000
Current-year receipts	6 472 000	8 625 000
Conditions met - transferred to revenue	(6 472 000)	(10 554 122)
Conditions met - transferred to revenue construction contract	-	(2 070 878)
	-	-

The Municipal Disaster Recovery Grant is allocated to rehabilitate and reconstruct municipal infrastructure damaged by a disaster. Based on the approval of the National Disaster Management Centre, it should be noted that 2023/2024 financial year the grant is also funded the rehabilitation of Mqambeli to Ndotshanga Main Road which belongs to the Department of Public Works and has been recognised as a construction contract.

The conditions of the grants have been met. No funds were delayed during the financial year.

Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)

Balance unspent at beginning of year	-	2 489 697
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(2 489 697)
	-	-

The grant is given to the municipality in assistance for the removal of the alien trees within the municipal demarcation. The conditions of the grant was met and revenue recognised.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

31. Government grants and subsidies (continued)

Small Towns Revitalisation

Balance unspent at beginning of year	(1 174 797)	23 771
Current-year receipts	12 991 249	11 530 577
Conditions met - transferred to revenue	(10 796 708)	(12 729 145)
	1 019 744	(1 174 797)

Conditions still to be met - remain liabilities (see note 15 and 4).

The Small Town Revitalisation Grant is given to the municipality by the provincial government to promote the capital finance for development of small town infrastructure backlog. The conditions of the grant for the financial year were met and revenue recognised.

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

32. Traffic Fines

Fines	16 972 700	6 715 200
-------	------------	-----------

Traffic fines revenue refers to traffic fines issued to motorists for traffic violations, in accordance with the regulations set out by the National Road Traffic Act No. 93 of 1996.

The significant difference between the previous and current year is primarily due to the implementation of traffic speed cameras earlier this year.

33. Staff recoveries

Staff recoveries	294 845	206 092
------------------	---------	---------

Staff recoveries represent amounts receivable from employees due to debts arising from the negligent loss or damage of municipal assets. These recoveries are recognized in accordance with the municipality's policies.

34. Forfeits

Forfeited retentions realised	1 015 608	827 376
Other forfeits	20 605	85 805
	1 036 213	913 181

Other forfeits includes monies that were not claimed by third parties for the period of 3 years.

Forfeited retentions realised relates to the retention amounts that are no longer payable as the service provider failed to meet the agreed-upon contractual requirements.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
35. Employee related costs		
Basic salary & wages	161 908 479	154 584 525
Performance bonus	1 636 540	1 641 651
Medical aid	12 056 714	10 251 992
Unemployment Insurance Fund	975 303	970 600
Skills Development Levy	1 863 512	1 763 167
SALGA Levy	60 837	56 866
Leave pay provision charge	1 044 401	1 356 389
Pension fund contributions	27 622 967	25 639 013
Travelling allowances	1 852 095	1 824 313
Overtime	1 099 721	1 045 608
Long-service awards	1 545 000	1 387 000
13th Cheques	12 518 976	11 682 776
Acting allowances	1 011 870	787 437
Housing benefits and allowances	429 044	310 325
Standby allowances	1 300 953	1 149 324
Cell phone, data and SMS allowances	2 983 804	2 834 981
Shift Allowance	906 493	867 902
Night Allowance	305 814	328 329
Termination benefits	591 045	-
Non Pensionable Allowance	432 000	-
	232 145 568	218 482 198
Remuneration of Municipal Manager - S Mahlasela		
Basic salary	976 351	967 342
Backpay	-	108 806
Performance bonus	213 751	213 750
Cell phone allowance	110 662	130 227
Contributions to pension fund	273 919	260 935
Travel allowance	266 320	253 734
UIF	2 125	2 125
SDL	17 877	18 840
	1 861 005	1 955 759
Remuneration of Chief Finance Officer - M Matomane		
Basic salary	854 045	790 723
Backpay	-	88 940
Performance bonus	161 284	161 283
Cell phone allowance	58 616	43 811
Contributions to pension fund	207 472	213 293
Contributions to medical aid	65 997	51 049
Travel allowance	237 278	218 996
UIF	2 125	2 125
SDL	15 372	15 243
	1 602 189	1 585 463
Remuneration of Director of Corporate Services - NV Mviko		
Basic salary	1 236 778	1 120 191
Backpay	-	40 359
Performance bonus	188 164	43 681
Travel allowance	186 631	197 681
UIF	2 125	2 125
SDL	13 914	11 943
	1 627 612	1 415 980

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

35. Employee related costs (continued)

Remuneration of Director of Community Services - M Kibi

Basic salary	854 045	790 723
Backpay	-	88 940
Performance bonus	188 164	161 284
Cell phone allowance	70 714	74 642
Contributions to pension fund	225 920	203 304
Travel allowance	272 729	249 203
UIF	2 125	2 125
SDL	13 862	13 601
	1 627 559	1 583 822

Remuneration of Director of Local Economic Development and Planning - M Dilika

Basic salary	996 790	790 723
Backpay	-	88 940
Performance bonus	174 724	161 284
Cell phone allowance	59 574	95 284
Contributions to medical aid	43 574	59 990
Contributions to pension fund	147 804	213 291
Travel allowance	175 666	158 584
UIF	2 125	2 125
SDL	13 001	13 825
	1 613 258	1 584 046

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

35. Employee related costs (continued)

Remuneration of Director of Strategic Management - S Benya

Basic salary	868 346	790 723
Backpay	-	88 940
Performance bonus	174 724	161 284
Cell phone allowance	49 759	32 806
Contributions to pension fund	221 460	213 291
Contributions to medical aid	108 213	102 249
Travel allowance	175 631	178 803
UIF	2 125	2 125
SDL	13 481	13 188
	1 613 739	1 583 409

Remuneration of Director of Infrastructure - B Nohesi

Basic salary	854 045	790 723
Backpay	-	88 940
Performance bonus	174 724	147 843
Travel allowance	252 628	229 493
Cell phone allowance	80 422	84 161
Contributions to pension fund	236 313	213 495
UIF	2 125	2 125
SDL	13 170	12 953
	1 613 427	1 569 733

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
36. Remuneration of councillors		
Executive Mayor	1 054 995	1 015 645
Chief Whip	803 059	775 114
Speaker	853 444	822 510
Mayoral Committee Members	4 804 421	4 590 628
Other Councillors	20 122 701	19 922 458
	27 638 620	27 126 355
Executive Mayor		
Basic Salary	710 015	683 967
Backpay	52 615	49 873
M/Vehicle Allowance	236 672	227 988
Cellphone allowance	43 200	42 600
Data Card Allowance	3 804	2 853
Skills development levy	8 689	8 364
	1 054 995	1 015 645
Chief Whip		
Basic Salary	532 513	512 976
Backpay	39 462	39 344
M/Vehicle Allowance	177 504	170 992
Cellphone Allowance	43 200	42 600
Data Card Allowance	3 804	2 853
Skills development levy	6 576	6 349
	803 059	775 114
Speaker		
Basic Salary	568 012	547 174
Backpay	42 092	40 747
M/Vehicle Allowance	189 337	182 391
Cellphone allowance	43 200	42 600
Data Card Allowance	3 804	2 853
Skills development levy	6 999	6 745
	853 444	822 510
Full time Mayoral Executive Members		
Basic Salary	3 195 077	3 073 031
Backpay	220 604	180 745
M/Vehicle Allowance	1 065 026	1 024 344
Cellphone allowance	259 200	255 600
Data Card Allowance	22 824	17 117
Skills development levy	41 690	39 791
	4 804 421	4 590 628
Ordinary Councillors		
Basic Salary	12 532 216	12 228 110
Backpay	944 348	1 194 072
M/Vehicle Allowance	3 977 683	3 883 635
Cellphone allowance	2 299 320	2 296 800
Data Card Allowance	202 468	153 745
Skills development levy	166 666	166 096
	20 122 701	19 922 458

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
37. Depreciation and amortisation		
Property, plant and equipment	229 815 495	292 676 694
Investment property	1 493 553	1 736 447
Intangible assets	4 498 867	2 673 954
	235 807 915	297 087 095
38. Impairment loss		
Property, plant and equipment	4 523 242	1 150 297
Investment property	1 811 942	4 786 172
	6 335 184	5 936 469
39. Finance costs		
Finance leases	109 410	203 572
Actuarial interest	1 824 000	1 690 000
	1 933 410	1 893 572
40. Construction contract expenses		
Rural Electrification projects in terms of INEP	590 704	9 155 989
Rehabilitation of Public Works Bridge	-	1 800 763
	590 704	10 956 752
41. Debt impairment		
Receivables from non-exchange transactions	25 528 919	23 182 035
Receivables from exchange transactions	19 170 048	11 555 135
	44 698 967	34 737 170
Bad debts written off not provided for	1 015 107	791 086
Reconciliation of bad debts written-off		
Bad debts approved by council for write off	5 403 765	5 254 697
Receivables from exchange transactions - Bad debts written-off against bad debt provision	(1 299 347)	(1 134 693)
Receivables from non-exchange transactions - Bad debts written-off against bad debt provision	(3 048 380)	(3 240 024)
Reversal of bad debts written off	(40 931)	(88 894)
	1 015 107	791 086
Total	45 714 074	35 528 256
42. Bulk purchases		
Electricity - Eskom	4 092 091	3 738 135

Bulk purchases refer to the purchases of electricity distributed to indigent beneficiaries.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
43. Repairs and maintenance		
Property plant and equipment	6 158 071	13 476 374
Investment property	27 528	2 182
	6 185 599	13 478 556
44. Loss on disposal of assets		
Property, plant and equipment	51 926 353	57 870 802
Investment Property	41 784	214 038
	51 968 137	58 084 840
45. Obsolete inventory written-off		
Write-downs	196 841	224 213
46. General expenses		
Advertising	2 750 839	2 399 953
Auditors remuneration	5 826 458	5 957 926
Bank charges	800 991	822 119
Computer expenses	5 335 775	5 739 107
Professional fees	7 585 209	7 329 324
Consumables	5 949 777	4 754 238
Legal fees	6 179 233	9 540 360
Discount allowed	6 168 124	3 509 809
Civic functions	2 393 066	1 549 040
Car licences and registrations	306 586	296 645
Workmen's compensation	1 325 052	1 171 970
Hire charges	2 006 561	2 009 168
Insurance	3 948 525	3 497 069
Audit committee	389 668	357 689
Risk committee	166 128	156 882
Outsourced Services - cleaning services	7 567 795	8 383 069
Driver's licence cards	327 254	268 442
Fuel and oil	8 264 024	7 380 505
Printing and stationery	678 789	383 355
Uniform and protective clothing	866 289	311 390
Security	268 634	233 051
Post and telecommunications	1 012 095	2 137 392
Assets expensed	69 940	23 538
Municipal services	6 379 571	6 533 085
Professional body and registration fees	3 138 335	5 000 359
Subsistence, travelling and accommodation	3 335 730	2 985 318
Operating lease	134 971	-
Transfers to private enterprises	5 346 482	4 228 615
Signage	180 114	589 689
Ward committees	5 764 608	5 760 631
Allowance for traditional leaders	155 136	150 203
Swimming supervision	318 000	283 000
Other expenses	77 386	58 142
	95 017 145	93 801 083
47. Financial instruments disclosure		
Categories of financial instruments		
2025		

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

47. Financial instruments disclosure (continued)

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	224 923	224 923
Receivables from exchange transactions	-	11 270 693	11 270 693
Cash and cash equivalents	133 247 230	-	133 247 230
	133 247 230	11 495 616	144 742 846

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	16 890 814	16 890 814
Finance lease obligation	411 784	411 784
Consumer deposits	5 582	5 582
	17 308 180	17 308 180

2024

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	279 395	279 395
Receivables from exchange transactions	-	6 540 540	6 540 540
Cash and cash equivalents	187 116 519	-	187 116 519
	187 116 519	6 819 935	193 936 454

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	21 455 521	21 455 521
Finance lease obligation	1 397 799	1 397 799
Consumer deposits	12 232	12 232
	22 865 552	22 865 552

The management of the municipality is of the opinion that carrying value of creditors is measured at amortised cost.

Risk management

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

Liquidity risk

The average credit period on purchases is 30 days from the receipts of the invoice as determined by MFMA, no interest is charged for the first 30 days from the date of receipt of the invoice thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has the policies in place to ensure that all payables are paid within the credit time frame.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

47. Financial instruments disclosure (continued)

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand 2025 2024

47. Financial instruments disclosure (continued)

As at 30 June 2025	Due Less than 1 year	Due Between 1 and 2 years	Due Between 2 and 5 years	Due Over 5 years	Total
Payables from exchange transactions	16 890 814	-	-	-	16 890 814
Consumer deposits	5 582	-	-	-	5 582
Finance lease obligations	411 784	-	-	-	411 784
	17 308 180	-	-	-	17 308 180

As at June 2024	Due Less than 1 year	Due Between 1 and 2 years	Due Between 2 and 5 years	Due Over 5 years	Total
Payables from exchange transactions	21 455 521	-	-	-	21 455 521
Consumer deposits	12 232	-	-	-	12 232
Finance lease obligations	986 408	411 391	-	-	1 397 799
	22 454 161	411 391	-	-	22 865 552

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

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

An amount of R2,193,995 has been pledged as security for a contingent liability arising from a guarantee (Guarantee No. ECD112301) issued in connection with Case No. PR90/24: SAMWU o.b.o Mnini v Mnquma Local Municipality.

This arrangement exposes the entity to credit risk in the event that the guarantee is called upon, which may result in a cash outflow or forfeiture of the pledged funds.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt's collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

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

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

Financial instrument		
Receivables from non-exchange transactions	224 923	279 395
Receivables from exchange transactions	11 270 693	6 540 540
Cash and cash equivalents	133 247 230	187 116 519
	144 742 846	193 936 454

Receivables from non-exchange - Other receivables

Current 0 - 30 days	890	500
> 150 days	224 033	278 895
	224 923	279 395

Receivables from exchange transactions - Refuse

Current (0 - 30 days)	2 355 278	1 393 479
31 - 60 days	1 847 537	1 018 210
61 - 90 days	1 811 926	1 069 621

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
47. Financial instruments disclosure (continued)		
91 - 120 days	1 821 473	959 639
121 - 150 days	1 759 167	950 099
> 150 days	50 357 050	37 045 446
	59 952 431	42 436 494
Receivables from exchange transactions - Rentals		
Current (0 -30 days)	548 731	425 850
31 - 60 days	497 403	440 388
61 - 90 days	627 733	463 851
91 - 120 days	391 408	429 616
121 - 150 days	384 843	1 050 758
> 150 days	12 466 783	7 184 847
	14 916 901	9 995 310
Receivables from exchange transactions - Other receivables		
Current (0 -30 days)	1 110 639	452 026
31 - 60 days	510 316	-
61 - 90 days	1 310 854	-
91 - 120 days	1 655 633	-
> 150 days	488 890	2 830 852
	5 076 332	3 282 878
Consumer debtors past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
Refuse		
Current 0 - 30 days (not due)	443 647	601 355
31 - 60 days (past due)	299 328	230 138
61 - 90 days (past due)	286 138	239 764
91 - 120 days (past due)	278 557	187 328
121 - 150 days (past due)	271 638	182 996
>150 days (past due)	4 373 768	1 699 811
	5 953 076	3 141 392
Rentals		
Current 0 - 30 days (not due)	63 125	11 054
31 - 60 days (past due)	41 892	7 012
61 - 90 days (past due)	7 706	6 448
91 - 120 days (past due)	5 607	5 671
121 - 150 days (past due)	5 398	5 395
> 150 days (past due)	117 557	80 688
	241 285	116 268
Consumer debtors debtors impaired		
The ageing of these debtors is as follows:		
Refuse		
Current 0 - 30 days (not due)	1 911 631	792 124
31 - 60 days (past due)	1 548 209	788 072
61 - 90 days (past due)	1 525 788	829 857
91 - 120 days (past due)	1 542 916	772 310
121 - 150 days (past due)	1 487 529	767 103
> 150 days (past due)	45 983 282	35 345 636

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
47. Financial instruments disclosure (continued)	53 999 355	39 295 102
Rentals		
Current 0 - 30 days (not due)	485 607	414 796
31 - 60 days (past due)	455 511	433 376
61 - 90 days (past due)	620 027	457 403
91 - 120 days (past due)	385 801	423 943
121 - 150 days (past due)	379 445	1 045 363
> 150 days (past due)	12 349 225	7 104 160
	14 675 616	9 879 041
Reconciliation of allowance for impairment		
Balance at the beginning of the year	49 174 142	38 177 022
Bad debts written-off provided for	(1 433 223)	(1 246 088)
Contributions to allowance	20 934 052	12 243 208
	68 674 971	49 174 142
48. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	169 872 412	188 629 410
• Intangible assets	4 837 345	7 363 286
	174 709 757	195 992 696
Total capital commitments		
Already contracted for but not provided for	174 709 757	195 992 696

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
49. Contingencies		
Cases against the Municipality		
Case No. 55/2020 VJ Transport vs Mnquma Local Municipality	195 062	195 062
Case No. 297/2019 Lungi Dyantyi vs Mnquma Local Municipality	-	121 112
Case No. 453/2020 Lesley Ronald Martin and Others vs Mnquma Local Municipality and Lukhanyo Tukani	27 560 000	27 560 000
Case No. 237/19 Nontando Mvume vs Mnquma Local Municipality	-	33 556
Case No. 2559/16 Ndikho Makutsu/ Musa Nho and Others vs Mnquma Local Municipality	-	517 964
Case No. 89/2018 Vuyani Excellent Dyalo vs Mnquma Local Municipality and MM	150 000	-
Case No. 4806/2017 Masixole Innocent Magwashu vs Mnquma Local Municipality	-	300 000
Case No.1069/2014 Siva Pillay Construction CC Brainwave Project Joint Venture vs Mnquma Local Municipality	13 377 329	13 377 329
Case No. 250/2019 Mpinda Hlaba vs Mnquma Local Municipality	-	150 000
Case No. 114/2020 - Thandinkosi Magani vs Mnquma Local Municipality	200 000	200 000
Case No. PR78/23 Camagu vs Mnquma Local Municipality	1 025 790	1 025 790
Case No.PR82/23 V Gonya vs Mnquma Local Municipality	1 751 020	1 751 020
Case No.PR103/23 T C Hlazo vs Mnquma Local Municipality	2 010 714	2 010 714
Case No.44/2022 Weziwe Bhobho vs Mnquma Local Municipality	44 874	44 874
Case No. 444/17 Minister of Water and Sanitation vs Mnquma Local Municipality	-	6 037 591
Case No. PR90/24 SAMWU obo Mnini/ Mnquma Local Municipality	2 193 995	2 193 995
Case No. ECD032403 Mnquma Local Municipality / M Maphazi SALGBC	-	500 000
	48 508 784	56 019 007

For all the legal matters above, there are uncertainties regarding the timing and the estimated future monetary outflows. The Matters with estimated amounts are still ongoing.

The following are brief descriptions of the ongoing cases.

Case No. 55/2020 VJ Transport vs Mnquma Local Municipality

The Plaintiff is suing the Municipality on the damage arising on the unidentified collapsed bridge. The pre-trial conference was held on the 24th of March 2025 and the matter was certified trial ready. The municipality are now waiting for allocation of a date for hearing.

Case No 453/2020 Lesley Ronald Martin and Others vs Mnquma Local Municipality and Lukhanyo Tukani

The Plaintiffs are suing the municipality and Mr Tukani for damages as a result of Mr Tukani's (employee) actions who accidentally fired a shot through the neighbour's home which struck their son in the head. The plaintiffs have delivered several experts' reports. Plaintiff's attorney indicated they intend to file a further expert report of a psychiatrist. The municipality is still awaiting a new date for the hearing of the matter.

Case No. 89/2018 Vuyani Excellent Dyalo vs Mnquma Local Municipality and MM

The Plaintiff is suing the Municipality for damages on his motor vehicle that was impounded by the Municipality. The matter is trial ready and we are waiting for allocation of a date for hearing.

Case No.1069/2014 Siva Pillay Construction CC Brainwave Project Joint Venture vs Mnquma Local Municipality

The Plaintiff is claiming monies in terms of a contract for services rendered. The municipality has made a counterclaim. Pre-trial meeting was held on the 27 March 2025. The matter is not yet trial ready.

Case No. 114/2020 - Thandinkosi Magani vs Mnquma Local Municipality

The Plaintiff is suing the Municipality for damages on his motor vehicle that was impounded by the Municipality. The matter is trial ready and the municipality is waiting allocation of a court date.

Case No. PR78/23 Camagu vs Mnquma Local Municipality

The Plaintiff referred an unfair dismissal dispute to the SALGBC. SALGBC issued an award in terms of which the municipality was ordered to reinstate him retrospectively. The municipality is taking the award on review. All the necessary pleadings in the review application have been filed. The municipality is awaiting a date for the hearing of the matter from the Registrar of the Labour Court.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

49. Contingencies (continued)

Case No.PR82/23 V Gonya vs Mnquma Local Municipality

The Plaintiff referred an unfair dismissal dispute to the SALGBC. SALGBC issued an award in terms of which the municipality was ordered to reinstate her retrospectively. The municipality took the award on review. The matter was heard on the 22 May 2025 in the Labour Court and judgement is reserved.

Case No.PR103/23 T C Hlazo vs Mnquma Local Municipality

The Plaintiff referred an unfair dismissal dispute to the SALGBC. SALGBC issued an award in terms of which the municipality was ordered to reinstate her retrospectively. The municipality has brought an application in the Labour Court for an order that the award be reviewed and set aside. The review application is set down for hearing on 7 August 2025.

Case No.44/2022 Weziwe Bhubho Vs Mnquma Local Municipality

The Plaintiff is suing the Municipality for damages on the motor vehicle as a result of a pothole. A letter will be planned to the municipality to propose settlement offer and enter into settlement negotiations with the plaintiff.

Case No. PR90/24 SAMWU o.b.o Mnini / Mnquma Local Municipality

The Plaintiff referred an unfair dismissal dispute to the SALGBC. SALGBC issued an award in terms of which the municipality was ordered to reinstate her retrospectively. Review Application has been launched. SAMWU's attorneys have filed a notice of opposition but has not filed an answering affidavit. The municipality have requested the Registrar to enrol the matter for hearing on the unopposed roll and is awaiting a date for the hearing of the matter.

The following cases have removed from the case register due to the following reasons.

Case No. 297/2019 Lungi Dyantyi vs Mnquma Local Municipality

The Plaintiff was suing the municipality for damages on his motor vehicle that was impounded by the Municipality. However, the Plaintiff is deceased and there seems to be no prospects of the matter proceeding.

Case No. 2559/16 Ndikho Makutsu/ Musa Nho & Others vs Mnquma Local Municipality

The Plaintiff sued the municipality for unlawful arrest, detention and other damages allegedly caused by some of the employees traffic officers during the arrest. The Plaintiff, namely Musa Nho is deceased and there seems to be no prospects of the matter proceeding.

Case No. 250/2019 Mpinda Hlaba vs Mnquma Local Municipality

The Plaintiff is suing the Municipality for unlawful arrest by traffic officers near Caltex Garage. On 24 July 2024 the magistrate presiding over this matter handed down his order wherein the plaintiffs claim against the municipality was dismissed.

Case No. ECD032403 Mnquma Local Municipality/M Maphazi SALGBC

M Maphazi was dismissed for misconduct and subsequently, he referred an unfair dismissal dispute to SALGBC under case no. ECD032403. The matter was settled outside of the court.

Case No. 4806/2017 Masixole Innocent Magwashu vs Mnquma Local Municipality

The plaintiff is suing the Municipality for unlawful arrest, detention and assault by the members of the Municipality. The Plaintiff's attorney are not pursuing the matter. The matter is withdrawn.

Case No. 237/19 Nontando Mvume vs Mnquma Local Municipality

The Plaintiff is suing the municipality for damages of the motor vehicle by the pothole. The matter was heard in court on the 20 March 2024 for further argument. The matter has been settled out of court and settlement agreement was signed by both parties and payment has been made. This matter has been finalised.

Case No. 444/17 Minister of Water and Sanitation vs Mnquma Local Municipality

The Plaintiff was suing the municipality for failure to pay water usage charges under the National Water Act 36 of 1998. The Plaintiff's attorney is not pursuing the matter. The matter is withdrawn.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

50. Deviation from Supply Chain Management Regulations

In terms of section 36 of the municipal SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the Accounting Officer and noted by Council.

Sole Provider	576 136	59 042
Emergency	24 265	35 000
Impractical to follow SCM process	5 456 541	5 527 954
	6 056 942	5 621 996

51. Cash generated from operations

Deficit	(95 723 025)	(184 921 519)
Adjustments for:		
Depreciation and amortisation	235 807 915	297 087 095
Loss on disposal of assets	51 968 137	58 084 840
Impairment loss/ reversal of impairments	6 335 184	5 936 469
Finance costs	1 824 000	1 690 000
Debt impairment	44 698 967	34 737 170
Discount allowed	6 168 124	3 509 809
Obsolete inventory written-off	196 841	224 213
Donations made	-	1 206 288
Actuarial gains / (losses)	(1 514 555)	(176 887)
Bad debts written off	1 015 107	791 086
Other Non-cash item	70 000	269 778
Forfeits	(1 036 213)	(913 181)
Movement in employee benefit obligations	505 596	1 223 211
Changes in working capital:		
Inventories	(397 552)	(781 323)
Receivables from exchange transactions	(24 431 556)	(14 498 895)
Consumer deposits	(6 660)	(8 042)
Receivables from non-exchange transactions	(43 983 312)	(29 110 823)
Payables from exchange transactions	(7 182 179)	(3 103 314)
VAT receivables	3 079 790	(1 166 216)
VAT payables	(4 580 496)	231 726
Unspent conditional grants	2 282 490	(10 033 085)
	175 096 603	160 278 400

52. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	-
Current year subscription / fee	6 700 426	6 851 614
Amount paid - current year	(6 700 426)	(6 851 614)
	-	-

PAYE, SDL and UIF

Opening balance	-	-
Current year subscription / fee	43 265 639	39 682 200
Amount paid - current year	(43 265 639)	(39 682 200)
	-	-

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

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

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	62 546 939	56 333 885
Amount paid - current year	(62 546 939)	(56 333 885)
	-	-

Councillors' arrear consumer accounts

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

30 June 2025	Outstanding more than 90 days	Total
Nosisi Paliso	- 19 162	19 162
Nomfundiso Tshona	- 2 934	2 934
Mandisa Dali	- 2 494	2 494
	- 24 590	24 590

The above councillors have arranged for these debts to be paid directly through payroll deductions.

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Nosisi Paliso	893	27 431	28 324
Thobile Benjamin Gidigidi	4 659	99 899	104 558
Nomfundiso Tshona	975	14 776	15 751
Mandisa Dali	445	1 314	1 759
Luxolo Mgandela	884	-	884
Bukiwe Zondani	528	2 509	3 037
Mputumi Andrew Ntsali	488	1 320	1 808
	8 872	147 249	156 121

SALGA Levy

Opening balance	-	-
Current year subscription/fee	121 675	113 732
Amount paid - current year	(121 675)	(113 732)
	-	-

VAT

VAT receivable	2 908 143	5 257 310
----------------	-----------	-----------

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

53. Segment information

General information

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

53. Segment information (continued)

Identification of segments

The segments were organised based on the type and nature of service 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

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as follow:

Reportable segment	Goods and/or services
Community Services	Traffic and Law enforcement, Public Ammenities ,Solid waste and Public Amenities,Office of the Directorcommunity, Security Services and Solid Waste & Environmental Management
Infrastructural Planning & Development	Civil Services, Building and Housing ,Office of the Director-Infrastructure and Public Works Roads
Local economic development	Office of the Director-LED ,Investment promotions ,Land Use Management ,Research and Policy Development ,Tourism Development, Small Enterprise Development and SMME & Cooperate services

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.

Geographic Segment Reporting

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 area.

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.

Information about the surplus/(deficit) and capital expenditure of the respective segments are disclosed bellow.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Segment surplus or deficit

2025

	Community Services	Infrastructural Development	Local Economic Development	Total
Revenue				
Service charges	17 256 804	-	-	17 256 804
Construction contract revenue	-	1 001 739	-	1 001 739
Rental of facilities	62 852	-	-	62 852
Interest on outstanding debtors - Exchange	3 663 339	-	-	3 663 339
Income from agency fees	2 329 535	-	-	2 329 535
Licences and permits	1 772 919	-	242 365	2 015 284
Other income	44 582	325 333	44 298	414 213
Fines and penalties	563 528	-	-	563 528
Government grants & subsidies	1 140 422	99 335 710	-	100 476 132
Traffic Fines	16 972 700	-	-	16 972 700
Total reportable segment revenue	43 806 681	100 662 782	286 663	144 756 126
Rental of facilities				5 482 107
Interest on outstanding debtors - Exchange				1 044 148
Income from agency fees				191 757
Other income				470 496
Interest received - investment				18 641 622
Property rates				81 340 350
Interest on outstanding debtors - Non Exchange				12 462 298
Insurance Refund				1 607 863
Government grants & subsidies				343 013 761
Staff recoveries				294 845
Forfeits				1 036 213
Bad Debt recovered				46 122
Total revenue non-reporting segment	-	-	-	465 631 582
Total revenue	43 806 681	100 662 781	286 662	610 387 708
Expenditure				
Employee related costs	(71 549 843)	(33 877 590)	(13 799 641)	(119 227 074)
Construction contract expenses	-	(590 704)	-	(590 704)
Repairs and maintenance	(831 660)	(4 689 725)	(93 722)	(5 615 107)
General expenses	(9 884 676)	(2 276 899)	(4 372 019)	(16 533 594)
Total reportable segment expenditure	(82 266 179)	(41 434 918)	(18 265 382)	(141 966 480)

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

	Community Services	Infrastructural Development	Local Economic Development	Total
53. Segment information (continued)				
Employee related costs				(112 918 494)
Remuneration of councillors				(27 638 620)
Depreciation & amortisation				(235 807 915)
Impairment loss/ Reversal of impairments				(6 335 184)
Finance costs				(1 933 410)
Debt impairment				(45 714 074)
Bulk purchases				(4 092 091)
Repairs and maintenance				(570 492)
Loss on disposal of PPE				(51 968 137)
Obsolete inventory written-off				(196 841)
General expenses				(78 483 551)
Actuarial Gains/Losses				1 514 555
Total Non-reportable segment expenditure	-	-	-	(564 144 254)
Total reportable segment surplus (deficit) for the period	(38 459 498)	59 227 863	(17 978 720)	2 789 646
Total non-reportable segment Surplus (deficit) for the period	-	-	-	(98 512 671)
Total Surplus (deficit) for the period	-	-	-	(95 723 025)

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

2024

	Community Services	Infrastructural Development	Local Economic Development	Total
Revenue				
Service charges	8 632 390	-	-	8 632 390
Construction contract revenue	-	9 304 348	-	9 304 348
Rental of facilities	-	-	45 519	45 519
Interest on outstanding debtors - Exchange	2 981 249	-	-	2 981 249
Income from agency fees	2 517 141	-	-	2 517 141
Licences and permits	1 397 883	-	-	1 397 883
Other income	36 471	453 527	33 136	523 134
Government grants & subsidies	1 868 438	97 355 885	2 489 697	101 714 020
Traffic Fines	6 715 200	-	-	6 715 200
Total reportable segment revenue	24 148 772	107 113 760	2 568 352	133 830 884
Construction contract revenue				2 070 878
Rental of facilities				5 434 065
Interest on outstanding debtors - Exchange				758 732
Income from agency				180 490
License and permits				708 561
Other income				354 839
Interest received - investment				21 212 522
Property rates				67 923 022
Fines and penalties				26 522
Interest on outstanding debtors - Non Exchange				12 947 147
Government grants & subsidies				333 747 350
Staff recoveries				206 092
Forfeits				913 181
Licences and permits				924 833
Total revenue non-reporting segment				447 408 234
Total revenue	24 148 772	107 113 760	2 568 352	581 239 118

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

Expenditure

Employee related costs	(64 273 751)	(31 998 459)	(15 354 974)	(111 627 184)
Construction contract expenses	-	(10 956 752)	-	(10 956 752)
Repairs and maintenance	(22 890)	(5 480 620)	-	(5 503 510)
General expenses	(9 537 215)	(1 522 480)	(3 026 682)	(14 086 377)

Total segment expenditure	(73 833 856)	(49 958 311)	(18 381 656)	(142 173 823)
----------------------------------	---------------------	---------------------	---------------------	----------------------

Employee related costs				(106 855 014)
Remuneration of councillors				(27 126 355)
Depreciation & amortisation				(297 087 095)
Impairment loss/ Reversal of impairments				(5 936 469)
Finance costs				(1 893 572)
Debt impairment				(35 528 256)
Repairs and maintenance				(7 975 046)
Bulk purchases				(3 738 135)
Loss on disposal of PPE				(58 084 840)
Obsolete inventory written-off				(224 213)
General expenses				(79 714 706)
Actuarial Gains/Losses				176 887

Total Non-reportable segment expenditure	-	-	-	(623 986 813)
---	----------	----------	----------	----------------------

Total reportable segment surplus (deficit) for the period	(49 685 084)	57 155 449	(15 813 304)	(8 342 940)
--	---------------------	-------------------	---------------------	--------------------

Total non-reportable segment Surplus (deficit) for the period	-	-	-	(176 578 579)
--	----------	----------	----------	----------------------

Total Surplus (deficit) for the period	-	-	-	(184 921 519)
---	----------	----------	----------	----------------------

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

54. Prior period errors

It should be noted that due to the correction of prior period errors, the comparative segment reporting note has been adjusted in line with the changes detailed below.

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

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
54. Prior period errors (continued)		
Insurance refund		
As previously stated	-	-
Increase in insurance refund is due to insurance proceeds that were incorrectly recorded under loss on disposal of assets	-	924 833
	-	924 833
Loss on disposal of assets		
As previously stated	-	57 160 007
Increase in loss on disposal of assets is due to insurance refund that was incorrectly recorded under loss on disposal of assets	-	924 833
	-	58 084 840
General expenses		
As previously stated	-	93 258 703
Increase in general expenditure is due to Fines reduction payment incentive incorrectly recorded under impairment instead of cash discount.	-	542 380
	-	93 801 083
Construction Contract Revenue		
As previously stated	-	12 770 878
Decrease in construction contract revenue is due to Output VAT not recognised on receipt of INEP revenue in 23/24 Financial Year	-	(1 395 652)
	-	11 375 226
VAT Payables		
As previously stated	-	433 809
Increase in VAT payable is due to Output VAT not recognised on receipt on INEP revenue in 23/24 financial year	-	1 395 652
Increase in VAT payable due to Output VAT not recognised on receipt on INEP revenue in 22/23 financial year	-	954 783
Increase in VAT payable due to Output VAT not recognised on receipt on INEP revenue in 21/22 financial year	-	1 138 696
Increase in VAT payable due to Output VAT not recognised on receipt on INEP revenue in 20/21 financial year	-	1 209 130
	-	5 132 070
Income from agency fees		
As previously stated	-	2 517 141
Increase in income from agency fee is as the results of Reclassification of commission income received from third parties, previously recorded under "Other Income"	-	180 490
	-	2 697 631
Debt impairment		
As previously stated	-	36 070 636
Decrease in Debt impairment is due to Fines reduction payment incentive incorrectly recorded under impairment instead of cash discount.	-	(542 380)
	-	35 528 256
Employee related costs		
As previously stated	-	218 504 101
A decrease in employee related cost is as the results of accrual that was incorrectly raised in the prior year	-	(21 903)

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
54. Prior period errors (continued)		
	-	218 482 198
Other income		
As previously stated	-	1 058 462
Decrease in other income is as the results of Reclassification of commission income received from third parties, previously recorded under "Other Income"	-	(180 489)
	-	877 973
Actuarial gains / (losses)		
As previously stated	-	2 387 887
A decrease in Actuarial gain/(loss) is due to Understatement of long service award employee benefit obligation for 2023/2024.	-	(2 211 000)
	-	176 887
Employee benefit obligation (Non-Current Liabilities)		
As previously stated	-	10 681 000
An Increase in employee benefits obligation (non current liability) is due to Understatement of long service award employee benefit obligation for 2023/2024.	-	2 097 000
	-	12 778 000
Employee benefit obligation (Current Liabilities)		
As previously stated	-	25 803 096
An Increase in employee benefits obligation (current liability) is due to Understatement of long service award employee benefit obligation for 2023/2024.	-	114 000
A decrease in employee benefits is as the results of accrual that was incorrectly raised in the prior year	-	(21 904)
	-	25 895 192
Unspent conditional grants		
As previously stated	-	2 226 448
Decrease in Unspent conditional grants is due to expenditure for office of the premier conditional grant not recognised as revenue at the time of payment	-	(23 771)
	-	2 202 677
Accumulated Surplus		
As previously stated	-	809 751 528
Decrease in Accumulated Surplus is due to Output VAT not recognised on receipt of INEP revenue in 23/24 Financial Year	-	(1 395 652)
Decrease in Accumulated Surplus is due to Output VAT not recognised on receipt of INEP revenue in 22/23 Financial Year	-	(954 783)
Decrease in Accumulated Surplus is due to Output VAT not recognised on receipt of INEP revenue in 21/22 Financial Year	-	(1 138 696)
Decrease in Accumulated Surplus is due to Output VAT not recognised on receipt of INEP revenue in 20/21 Financial Year	-	(1 209 130)
Increase in accumulated surplus is due to expenditure for office of the premier conditional grant not recognised as revenue at the time of payment	-	23 771
Increase in Accumulated surplus is due to Amount receivable from the premier for the 2023/24 financial year that was not recognised as receivables	-	1 174 797
Decrease in Accumulated surplus is due to Fines reduction payment incentive incorrectly recorded under impairment instead of cash discount.	-	(542 379)
An increase in accumulated surplus is as a results of Overstatement for impairment for traffic fines 2023/2024.	-	542 380
Increase in accumulated surplus is due to the results of Reclassification of commission income received from third parties, previously recorded under "Other Income" instead of Income from agency	-	180 489

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
54. Prior period errors (continued)		
Decrease in accumulated surplus is due to the results of Reclassification of commission income received from third parties, previously recorded under "Other Income" instead of Income from agency	-	(180 489)
A decrease in Accumulated surplus is due to Understatement of long service award employee benefit obligation for 2023/2024.	-	(2 211 000)
An increase in accumulated surplus is as the results of accrual that was incorrectly raised in the prior year	-	21 901
	-	804 062 737
Receivables from non-exchange transactions		
As previously stated	-	31 828 160
Increase in receivables from non exchange transactions is due to Amount receivable from the premier for the 2023/24 financial year that was not recognised as receivables	-	1 174 796
	-	33 002 956
Government grants & subsidies		
As previously stated	-	434 262 802
Increase in government grants and subsidies is due to expenditure for office of the premier conditional grant not recognised as revenue at the time of payment	-	23 771
Increase in receivables from non exchange transactions is due to Amount receivable from the premier for the 2023/24 financial year that was not recognised as receivables	-	1 174 797
	-	435 461 370

55. Statutory Receivables

Statutory receivables are receivables that arise from a legislation ,supportive regulations, or similar means are require settlement by another entity in cash or another financial assets.

In accordance with principles of GRAP 108, Statutory receivables of the municipality is classified as follows:

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

55. Statutory Receivables (continued)

Statutory receivables included in the statement of financial position under VAT Receivables

VAT receivable	2 908 143	5 257 310
----------------	-----------	-----------

Statutory receivables included in the statement of financial position under receivable from non-exchange transactions

Traffic fines	10 457 617	5 637 700
Property rates	32 867 584	25 911 066
	43 325 201	31 548 766

Statutory receivables transactions

Statutory revenue included in the statement of financial performance

Property rates	81 340 350	67 923 022
Interest on outstanding debtors	12 462 298	12 947 147
Traffic fines	16 972 700	6 715 200
Fines and penalties	563 528	26 522
Government grants & subsidies	443 489 893	435 461 370
Construction contracts	1 001 739	11 375 226
Licences and permits	2 015 284	2 106 444
	557 845 792	536 554 931

Statutory expense in the statement of financial performance.

Reconciliation of provision of impairment for statutory receivables

Reconciliation of allowance for impairment

Balance at the beginning of the year	158 064 736	138 122 725
Bad debts written-off	(3 048 381)	(3 240 023)
Contributions to allowance	25 528 919	23 182 034
	180 545 274	158 064 736

Bad debt written off provided for.

During the financial year, property rates were written off for indigent debtors in accordance with the indigent policy. Furthermore, traffic fines were reduced in line with the traffic fines methodology.

Statutory receivables

Property rates	3 048 381	3 240 023
----------------	-----------	-----------

Statutory receivables past due but not impaired

Statutory receivables

Property rates	32 867 584	25 911 066
Traffic fines	10 457 617	5 637 700
	43 325 201	31 548 766

Statutory receivables past due impaired

Statutory receivables

Property rates	143 105 781	127 741 025
Traffic fines	37 439 493	30 323 710
	180 545 274	158 064 735

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

55. Statutory Receivables (continued)

Transactions arising from statute

Property rates-related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, as well as the Property Rates Policy of the municipality approved by the Council as part of the budget process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000 and Criminal Procedures Act 51 of 1977.

Government grants-related transactions arise in terms of the applicable Division of Revenue Act Bill as well as the relevant provincial gazette.

Fines and penalties arise in terms of Council approved and gazetted by-laws.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, deductions, and adjustment provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Property rates amounts are determined in line with the annual tariff list of the municipality approved by the council as part of the budget process in terms of the Municipal Finance Management Act 56 of 2003.

Fines and penalties amounts are determined in line with the annual tariff list approved by council as part of the budget process in terms of the Municipal Finance Management Act 56 of 2003.

Traffic fines transaction amount are determined in line with the Traffic Offence Code Book as approved by the Senior Magistrate.

Government grants related transactions amounts allocated to the municipality are stipulated in the applicable annual of Division of Revenue Act Bill as well as the relevant Provincial Gazette.

VAT transaction amounts are determined in line with the Value Added Tax Act 89 of 1991. The VAT is levied at 15%.

Interest charged

Interest is charged on debtors outstanding for more than 30 days in terms of Council approved and gazetted Credit Control and Debt Management by-law. The interest is calculated at the prime interest rate.

Basis used to test whether the statutory receivable is impaired

The basis used to assess for property rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

Provision for impairment of traffic fine debtors is calculated based on the payment history of traffic fines in aggregate in the terms of the Write-off Policy as the municipality does not have sufficient information to calculate the payment history per debtor as with property rates and services.

Each individual grant is assessed for collectability in line with the legislative prescripts or contract arrangements that relates to the specific grant.

No impairment on VAT receivables, Balance is expected to be fully recoverable.

56. Unauthorised expenditure

Opening balance	-	-
Add: Unauthorised expenditure - current	-	-
Less: Amount recovered - current	-	-
Closing balance	-	-

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
57. Fruitless and wasteful expenditure		
Opening balance	-	-
Add: Fruitless and wasteful expenditure identified - current	-	-
Less: Amount recovered - current	-	-
Less: Amount written off by Council	-	-
Closing balance	-	-

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
58. Irregular expenditure		
Opening balance	648 877	-
Add: Irregular expenditure incurred in current year	-	535 093
Add: Irregular expenditure - prior period	-	113 784
Add: Irregular expenditure identified in prior year	-	-
Less: Amount recovered	(648 877)	-
Closing balance	-	648 877

An irregular expenditure totalling R648,887 was identified in 2023-2024, relating to the 2023/2024 and 2022/2023 financial years. This expenditure arose due to non-compliance with the Upper Limits of Total Remuneration Packages Payable to Senior Managers, as prescribed for a Grade 3 Municipality in the relevant gazette issued by the Department of Cooperative Governance.

Background

There was an anomaly where managers reporting directly to Directors were remunerated at levels exceeding those of the Directors and, in some cases, even that of the Municipal Manager. This anomaly created an unsustainable organisational hierarchy, undermining senior management's authority and operational stability.

In response, on the appointment of senior managers the Council resolved to obtain the MEC's concurrence for the appointment of Directors, and the MEC confirmed that mutually agreed contractual terms between the Municipality and the affected Senior Managers would be acceptable relating to senior managers salaries.

Acting on this concurrence, the Municipality implemented the revised remuneration. However, it was later determined that Ministerial approval, rather than MEC concurrence, was legally required for such deviations. Consequently, all payments made outside the gazetted upper limits were classified as irregular expenditure.

Corrective Steps Taken by the Council

1. Tabling of Irregular Expenditure

- o The irregular expenditure was tabled to Council on 10 December 2024.
- o Council resolved that the matter be referred to MPAC for investigation and a report back.
- o Council further resolved to submit a formal application for a waiver to the Minister, supported by the MEC.

2. Temporary Remuneration Adjustment

- o In the interim, Council resolved that all Senior Managers be remunerated strictly in accordance with the gazetted upper limits, pending the Minister's response.

3. Formal Application Process

- o An application was submitted to the minister through the office of the MEC on 12 December 2024.
- o The MEC supported the application on the 6 January 2025.
- o The Minister approved the waiver on 11 February 2025, with the following conditions:
- o Retrospective implementation of the waiver from the date of appointment of the affected Senior Managers.
- o Recovery of the irregular expenditure from the affected officials from the date of appointment.

4. Ministerial Report and Council Resolution

- o The Minister's report was tabled before Council on 21 February 2025, and the waiver was accepted with its recommendations.
- o The Council noted that the backpay due to the Senior Managers, as a result of the retrospective waiver, amounted to R1 469 350.48 which exceeded the irregular expenditure of R648,887.

5. Final Council Resolution

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

58. Irregular expenditure (continued)

- o Council resolved that:
- o The irregular expenditure of R648,887 be recovered against the approved backpay amount of R1 469 350.48, due to the Senior Managers. The council resolved to limit the backpay to the irregular expenditure incurred
- o The council resolved to limit the backpay to the irregular expenditure incurred.

6. Alignment with MPAC Recommendations

- o All decisions taken were consistent with the recommendations of MPAC, which had been duly tabled and adopted by Council for recovery of the irregular expenditure from the backpay.

59. 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. In assessment whether the going concern assumption is appropriate under the current economic climate, management considered a wide range of factors including the current and expected performance of the municipality, the likelihood of continued government funding and, if necessary, potential sources of replacement funding.

further to that the municipality has put in place cost containment measures to curb unnecessary spending. All stakeholders are referred to the municipal budget as well as long term financial plan which is used to assess whether the going concern assumptions is appropriate.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

60. Related parties

Relationships

Municipal Manager
Chief Financial Officer
Director of Strategic Management
Director of Corporate Services
Director of Infrastructural Planning & Development
Director of Community Services
Director of Local Economic Development
Executive Mayor
Speaker
Chief Whip
Exco Councillors

S Mahlasela
M Matomane
S Benya
NV Mviko
B Nohesi
M Kibi
M Dilika
T Manxila-Nkamisa
M Qaba
S Ncetezo
N Plaatjie
Z Sobekwa
L Mgandela
S Matutu
N Layiti
T Bikitsha
N Ntolosi
M Mkhilili
WM Ntongana
Z Bomela - Resigned 18 July 2024
Z Mnqokoyi
N Sheleni
NR Tshona
V Nkehle
N Baleka
NN Magwentshu
N Paliso
L Ngindana
N Sigwadi
VJ Gazi
B Zondani
MH Tangana
P Ndabambi
N Mena
GT Ntshonga
K Gobeni
PM Mbovane
N Mbuku
T Jizana
JJT Mduli
M Ntsali
ZE Kwaza
S Maputeni
M Magobiane
LL Tetana
Z Mawisa
N Mtintsilana
M Kabane
M Xabela
PN Ntamo
NJ Mzongwana
C Ncukana
M Masekwana
NLG Mgqalelo
V Manxodidi
N Nogaga Mpumpula
N Nohesi
A Soyeza
TB Gidigidi - Deceased 05/05/2025

Ordinary Councillors

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

60. Related parties (continued)

Z Tyandela
CN Filtane
LL Maputuma
MHN Dali
PB Goniwe
M Kalimashe
N Xoki
XI Pupuma
N Cakatha - Elected on the 10 June 2025
T Tyinkala
X L Mjamba
M W Ntenjwa - Elected on the 18 July 2024
N V Mahanjana - Elected on the 20 August 2024

Disclosure of Related Party Transactions

Revenue

Consumer services rendered to Key Management Personnel	175 117	129 956
Consumer services rendered to Councillors	92 345	50 306
	267 462	180 262

Outstanding Balances

Key Management Personnel	1 269	595
Councillors	29 422	156 122
	30 691	156 717

Key Management and Councillors receive and pay for services from the municipality on the same terms and conditions as other ratepayers / residents. Services rendered to key management personnel occurred within normal supplier and customer relationships on terms and conditions no more or less favourable than those which the municipality is reasonable to expect to have adopted if dealing with the individual persons in the same circumstances. These terms and conditions are within the normal operating parameters established by the municipality's legal mandate.

The amounts outstanding are unsecured and will be settled in cash.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Awards to close family members of persons in service of the state - SCM Regulation 45

The detail listed below is disclosed in terms of section 51 of Supply Chain Management Policy that determines that the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

Purchases from (sales to) related parties

Inzalo Enterprise Management Systems (Pty) Ltd (Pty) Ltd - S.T. Mazibuko who is one of the Directors of the company is the spouse of Mr N.T Mazibuko who is in the employment of the Dept of Arts and Culture KZN.	3 037 619	3 611 431
Ian Dickie & Co PTY LTD - Mauricha Samuels financial director Spouse-SAPS-Supply Chain	-	28 675
SMS ICT Choice (Pty) Ltd - Mrs NJ Maqula is working for the department of Human Settlement	1 195 900	1 774 555
Adapt IT - Nombali Mbombo a Director of Adapt It (Pty) Ltd is married to Mr D Mbombo, he is on operation and maintenance manager at SANRAL	-	518 291
MNT Geomatics - S.Ntambo who is the wife of the director of the company is in the employ of Buffalo City Municipality	-	609 027
Vikisync (Pty) Ltd - Mr Nkululeko Dlova who is the director of the company is the son of Ms Nompumelelo Dlova who is an employee of Mnquma Local Municipality and a Spouse to Somila Kala who is intern at Revenue Office	7 958 128	3 331 838

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
60. Related parties (continued)		
Omsinga Investments - Mr. S .Mngonyama who is the brother of the Director of the company is under the employment of Mnquma Local Municipality as an Accountant	34 430	464 916
Liya and Mila Training and Development - Mrs Zukiswa Ndikinda the director of the Company is the spouse of Mr.Z.J Lolo who is an employee of Mnquma Local Municipality as a Traffic Officer	33 150	24 760
Hansen Land Surveyors Inc - Mr Charles Hansen the Director of the Company is the spouse of Mrs Katie Hansen who is employed at the Pharmacy of the state owned Fronteir Hospital	-	32 500
Cigicell (PTY) LTD - Mr Modise Nyawane who is the director of the company is a spouse of Tsholofelo Iris Edit Nyawane who work as a Deputy Principal at JJ Masipa Technical Occupation School -Gauteng Education	174 700	-
ISAVUMA MULTI TRADERS - Mr Lubabalo Dlungwana the director of the Company is the spouse of Mrs A. Maju- Dlungwana who is an employee of Mnquma Local Municipality under HR Division as Benefit Officer	2 737 632	-

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

Remuneration of management

Remuneration of Municipal Manager - S Mahlasela

Basic salary	976 351	967 342
Backpay	-	108 806
Performance bonus	213 751	213 750
Cell phone allowance	110 662	130 227
Contributions to pension fund	273 919	260 935
Travel allowance	266 320	253 734
UIF	2 125	2 125
SDL	17 877	18 840
	1 861 005	1 955 759

Remuneration of Chief Finance Officer - M Matomane

Basic salary	854 045	790 723
Backpay	-	88 940
Performance bonus	161 284	161 283
Cell phone allowance	58 616	43 811
Contributions to pension fund	207 472	213 293
Contributions to medical aid	65 997	51 049
Travel allowance	237 278	218 996
UIF	2 125	2 125
SDL	15 372	15 243
	1 602 189	1 585 463

Remuneration of Director of Corporate Services - NV Mviko

Basic salary	1 236 778	1 120 191
Backpay	-	40 359
Performance bonus	188 164	43 681
Travel allowance	186 631	197 681
UIF	2 125	2 125
SDL	13 914	11 943
	1 627 612	1 415 980

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

60. Related parties (continued)

Remuneration of Director of Community Services - M Kibi

Basic salary	854 045	790 723
Backpay	-	88 940
Performance bonus	188 164	161 284
Cell phone allowance	70 714	74 642
Contributions to pension fund	225 919	203 304
Travel allowance	272 729	249 203
UIF	2 125	2 125
SDL	13 862	13 601
	1 627 558	1 583 822

Remuneration of Director of Local Economic Development and Planning - M Dilika

Basic salary	996 790	790 723
Backpay	-	88 940
Performance bonus	174 724	161 284
Cell phone allowance	59 574	95 284
Contributions to medical aid	43 574	59 990
Contributions to pension fund	147 804	213 291
Travel allowance	175 666	158 584
UIF	2 125	2 125
SDL	13 001	13 825
	1 613 258	1 584 046

Remuneration of Director of Strategic Management - S Benya

Basic salary	868 346	790 723
Backpay	-	88 940
Performance bonus	174 724	161 284
Cell phone allowance	49 759	32 806
Contributions to pension fund	221 460	213 291
Contributions to medical aid	108 213	102 249
Travel allowance	175 631	178 803
UIF	2 125	2 125
SDL	13 481	13 188
	1 613 739	1 583 409

Remuneration of Director of Infrastructure - B Nohesi

Basic salary	854 045	790 723
Backpay	-	88 940
Performance bonus	174 724	147 843
Travel allowance	252 628	229 493
Cell phone allowance	80 422	84 161
Contributions to pension fund	236 313	213 495
UIF	2 125	2 125
SDL	13 170	12 953
	1 613 427	1 569 733

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

Notes to the Annual Financial Statements

Figures in Rand

2025 2024

60. Related parties (continued)

Remuneration of Councilors

2025

Name	Basic salary	Backpay	Motor vehicle allowance	Cellphone allowance	Data card allowance	Skill development levy	Total
T Manxila-Nkamisa (Executive Mayor)	710 015	52 615	236 672	43 200	3 804	8 690	1 054 996
Sithembiso Ncetezo (Chief Whip)	532 523	39 462	177 504	43 200	3 804	6 576	803 069
Monica Qaba (Speaker)	568 012	42 092	189 337	43 200	3 804	6 999	853 444
Zodidi Sobekwa	532 513	39 462	177 504	43 200	3 804	6 576	803 059
Nokuzola Layiti	532 513	31 378	177 504	43 200	3 804	6 495	794 894
Luxolo Mgandela	532 513	39 462	177 504	43 200	3 804	7 375	803 858
Nomabhele Plaatjie	532 513	39 462	177 504	43 200	3 804	7 374	803 857
Tobeka Bikitsha	532 513	31 378	177 504	43 200	3 804	7 293	795 692
Sisa Matutu	532 513	39 462	177 504	43 200	3 804	6 576	803 059
Nomawabo Ntlosi	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Thandeka Ntyinkala	224 688	24 721	74 896	43 200	3 804	3 328	374 637
Mbulelo Mkhili	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Xolisa Innocent Pupuma	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Webster Mbasa Ntongana	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Zikhethele Mngokoyi	521 813	38 669	173 938	43 200	3 804	7 238	788 662
Nokwanda Sheleni	288 356	21 369	96 123	43 200	3 804	3 669	456 521
Vuyelwa Nkehle	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Nomfundiso Ria Tshona	288 356	21 369	96 119	43 200	3 804	3 668	456 516
Nomtandazo Baleka	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Nokubonga Noeline Magwentshu	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Nosisi Paliso	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Luyolo Ngindana	224 688	16 637	74 896	43 200	3 804	3 247	366 472
Xabiso Leon Mjamba	224 688	24 728	74 896	43 200	3 804	2 991	374 307
Nomzekelo Sigwadi	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Vuyani Jackie Gazi	299 584	16 637	-	43 200	3 804	2 948	366 173
Bukiwe Zondani	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Mlungiseleli Highway Tangana	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Pumla Ndabambi	224 688	16 637	74 896	43 200	3 804	2 910	366 135

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

60. Related parties (continued)

Mentorship Partners (Sponsorship)	Ntomboxolo Mena	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Goodman Tandikaya Ntshonga	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Kwandsiswa Gobeni	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Phumzile Michael Mbovane	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Noloyiso Xoki	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Phillis Bulelwa Goniwe	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Mandisa Hillary Nulusapo Dali	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Nangamso Mbuku	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Tembisa Jizana	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Johnson Jonathan Tamsanqa Mduli	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Mputhumi Nisali	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Zakhele Edward Kwaza	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Sithethi Maputeni	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Mboneleli Magobiane	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Laurence Lindile Tetana	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Zithobile Mawisa	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Ntombizivelle Mtintsilana	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Mzimasi Kabane	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Mawande Xabela	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Patience Nomazizi Ntamo	299 584	16 637	-	43 200	3 804	2 947	366 172
	Ntombizanele Joyce Mzongwana	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Chulile Ncukana	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Malibongwe Masekwana	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Nolumanyano Lady Grace Mgqalelo	224 688	16 637	74 896	43 200	3 804	2 910	366 135
	Vuyani Manxodidi	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Nontyatyambo Nogaga Mpumpula	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Ntombokuqala Nohesi	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Asandile Soyeza	224 688	16 637	74 896	43 200	3 804	3 247	366 472
	Thobile Benjamin Gidigidi	186 251	16 637	62 083	36 000	3 170	2 442	306 583
	Zolani Tyandela	224 688	16 637	74 896	43 200	3 804	2 910	366 135
Cynthia Nomsa Filtane	224 688	16 637	74 896	43 200	3 804	2 910	366 135	
Lea Lourine Maputuma	224 688	16 637	74 896	43 200	3 804	2 910	366 135	
Masibulele Kalimashe	129 075	11 637	43 025	25 200	2 219	1 895	213 051	
Nondumiso Victoria Mahanjana	188 290	16 647	62 760	36 000	3 170	2 464	309 331	
Ndumiso Cakatha	13 452	-	4 484	2 520	221	163	20 840	
Mbulelo Wiseman Nterjwa	206 484	19 905	68 832	39 600	3 487	2 731	341 039	

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025					2024	
-----------------	------	--	--	--	--	------	--

60. Related parties (continued)

	17 537 833	1 299 120	5 646 221	2 688 120	236 703	230 623	27 638 620
	Basic salary	Backpay	Motor vehicle allowance	Cellphone allowance	Data card allowance	SDL	Total
2024							
Name							
T Manxila-Nkamisa (Executive Mayor)	683 967	49 873	227 989	42 600	2 853	8 364	1 015 646
Sithembiso Ncetezo (Chief Whip)	512 976	39 344	170 992	42 600	2 853	6 349	775 114
Monica Qaba (Speaker)	547 174	40 747	182 391	42 600	2 853	6 745	822 510
Nomawabo Ntlosi	216 450	21 084	72 150	42 600	2 853	2 855	357 992
Mbulelo Mkhilili	216 450	21 084	72 150	42 600	2 853	2 855	357 992
Webster Mbasa Ntongana	216 450	21 084	72 150	42 600	2 853	2 855	357 992
Zama Bomela	216 450	21 084	72 150	42 600	2 853	3 180	358 317
Zikhethele Mngqokoyi	502 670	38 720	167 557	42 600	2 853	6 981	761 381
Nokwanda Sheleni	277 778	24 860	92 592	42 600	2 853	3 577	444 260
Nomfundiso Rita Tshona	277 781	24 860	92 592	42 600	2 853	3 577	444 263
Vuyelwa Nkehle	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Nomtandazo Baleka	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Nokubonga Noeline Magwentshu	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Nosisi Paliso	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Luyolo Ngindana	198 250	21 083	66 088	39 000	2 536	2 632	329 589
Lunga Dyantyi	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Nomzekelo Sigwadi	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Vuyani Jackie Gazi	288 600	21 083	-	42 600	2 853	2 891	358 027
Bukiwe Zondani	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Mlungiseleli Hichway Tangana	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Pumita Ntabambi	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Ntomboxolo Mena	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Goodman Tandikaya Ntshonga	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Kwandiwa Gobeni	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Nangamso Mbuku	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Phumzile Michael Mbovane	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Tembisa Jizana	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Johnson Jonathan Tamsanqa Mduli	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Mphuthumi Ntsali	216 450	21 083	72 150	42 600	2 853	2 855	357 991

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand

60. Related parties (continued)

						2025	2024
Zakhele Edward Kwaza	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Sithethi Maputeni	216 450	21 083	72 150	42 600	2 853	2 860	357 996
Mboneleli Magobiane	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Laurence Lindile Tetana	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Zithobile Mawisa	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Ntombizivelle Mtititsilana	216 450	21 083	72 150	42 600	2 853	2 934	358 070
Mzimasi Kabane	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Mawande Xabela	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Patience Nomazizi Ntamo	288 600	21 083	-	42 600	2 853	2 891	358 027
Ntombizanele Joyce Mzongwana	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Chulile Ncukana	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Malibongwe Masekwana	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Nolumanyano Lady Grace Mgqalelo	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Vuyani Manxodidi	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Nontyatyambo Nogaga Mpumpula	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Ntombokuqala Nohesi	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Asandile Soyeza	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Thobile Benjamin Gidigidi	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Zolani Tyandela	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Cynthia Nomsa Filtane	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Lea Lourine Maputuma	216 450	21 083	72 150	42 600	2 853	2 855	357 991
Mandisa Hillary Nolasapo Dali	216 450	21 083	72 150	42 600	2 853	3 070	358 206
Phillis Buleiwa Goniwe	216 450	21 083	72 150	42 600	2 853	3 179	358 315
Masibulele Kalimashu	216 450	21 083	72 150	42 600	2 853	2 765	348 345
Noloyiso Xoki	216 450	11 527	72 150	42 600	2 853	2 988	371 436
Xolisa Innocent Pupuma	216 450	34 395	72 150	42 600	2 853	4 075	502 311
Nokuzola Layiti	313 791	34 395	104 597	42 600	2 853	4 545	502 781
Tobeka Bikitsha	313 791	34 395	104 597	42 600	2 853	4 545	502 781
Thandeka Ntyinkala	415 642	26 031	138 544	42 600	2 853	5 752	631 422
Xabiso Leon Mjamba	415 634	26 031	138 544	42 600	2 853	5 128	630 790
Nomabhele Plaatjie	512 976	16 736	170 992	42 600	2 853	6 898	753 055
Zodidi Sobekwa	512 976	33 279	170 992	42 600	2 853	6 288	768 988
Luxolo Mgandela	512 976	39 343	170 992	42 600	2 853	7 118	775 882
Sisa Matutu	512 976	39 343	170 992	42 600	2 853	6 348	775 112
	17 045 258	1 504 784	5 489 351	2 680 200	179 422	227 340	27 126 355

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2025

Notes to the Annual Financial Statements

Figures in Rand	2025	2024
-----------------	------	------

61. Change in estimate

Change in useful life

GRAP 17: Property, Plant and Equipment requires that the Mnquma Local Municipality shall at each reporting date assess whether there has been an indication that the Municipality's expectation about the remaining useful lives of assets have changed. Such review has been completed and the following results were achieved.

The indicator, "The asset is approaching the end of its previously expected useful life", was identified in respect of 35 Investment Property and, 3 322 Property, Plant and Equipment. Management determined that these assets will still be in use for at least the next two financial periods and the remaining useful lives of these assets were extended accordingly.

The impact of the adjustment is that depreciation charges on Investment Property and, Property, Plant and Equipment for the 2025 and future financial period has decreased by R37 411.19 and R39 014 479.51 respectively.





VISION

"A developmental Municipality that is self-sustainable to empower its citizens socially, economically and legislatively to ensure sustainable livelihood".

MISSION

In pursuit of the vision, the municipality will:

- Create a democratic, responsive, effective and efficient municipality that will be able to deliver affordable quality services.
- Invest in infrastructural development
- Create a financially viable institution by investing in local economic development.
- Promote good governance principles and community participation
- Create a safe and a healthy environment

Corner King and Mthatha Street, Butterworth 4960
Postal address: PO Box 36, Butterworth 4960

Tel: +27 47 050 1337

Fax: +27 47 491 0195

visit: www.mnquma.gov.za