



**Mandeni Municipality  
Annual Financial Statements  
for the year ended 30 June 2025**

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	The provision of services (electricity and refuse) to communities in a sustainable manner to promote social and economic development, and to promote a safe and a healthy environment.

### MEMBERS OF EXECUTIVE COUNCIL

Mayor and Chairman of the Executive Committee	Cllr TP Mdlalose
Deputy Mayor	Cllr BL Magwaza
Speaker (Ex-Officio)	Cllr PM Sishi
Members of the Executive Committee	Cllr SZ Mdletshe Cllr ST Magwaza Cllr BA Mchunu Cllr M Shelembe Cllr SC Mdletshe

<b>Section 79 Committee</b>	Cllr SW Shandu
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<b>Chief Whip</b>	Cllr XH Mathonsi
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<b>Other councillors</b>	Cllr NO Dladla Cllr NR Dladla Cllr SF Gina Cllr BA Khumalo Cllr SJ Mathonsi Cllr S Mathonsi Cllr N Mathunjwa Cllr BA Mchunu Cllr L Mdluli Cllr SS Mdunge Cllr CT Mhlongo Cllr MC Mkhaliphi Cllr CL Mthembu Cllr DGP Mthembu Cllr LS Mthembu Cllr N Mpanza Cllr SP Naicker Cllr MT Ncanana Cllr NS Ncube Cllr MB Ngidi Cllr ME Ndwandwe Cllr ZM Nxumalo Cllr ST Thwala Cllr L Xhakaza Cllr LS Zungu
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# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## General Information

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<b>Senior management</b>	SG Khuzwayo - Municipal Manager NZ Guzana - Chief Financial Officer VP Zulu - Director: Corporate Services RS Dlamini - Director: Technical Services B Sithole - Director: Public Safety and Community Services WD Mbongwa - Director: Economic Development
<b>Auditors</b>	Auditor-General South Africa
<b>Bankers</b>	First National Bank ABSA
<b>Attorneys</b>	Phumlani Ngubane Tembe Kheswa Nxumalo Incorporated Mhlanga Incorporated Bhekisisa Goqo & Co Memela and Associates
<b>Registered office</b>	Mandeni Municipal Office 2 Kingfisher Road Mandeni 4490
<b>Business address</b>	2 Kingfisher Road Mandeni 4490
<b>Postal address</b>	P O Box 144 Mandeni 4490
<b>Telephone number</b>	032 - 456 8200
<b>Fax number</b>	032 - 456 2504
<b>Email address</b>	info@mandeni.gov.za
<b>Grading of local authority</b>	3
<b>Area of jurisdiction</b>	Mandeni Boundary (as determined by the Demarcation Board)
<b>Legislation governing the municipality's operations</b>	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)

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

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South ernAfrica
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
LGSETA	Local Government Sector Education and Training Authority
SALGA	South African Local Government Association
SARS	South African Revenue Service
SCM	Supply Chain Management
MIG	Municipal Infrastructure Grant
MEC	Member of Executive Committee
EDPHS	Economic Development, Planning and Human Settlement

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Officer's Responsibilities and Approval

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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 were given unrestricted access to all financial records and related data.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the next twelve months and, in 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.

I, the accounting officer, would like to bring to your attention the following material matters:

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), set out on pages 8 to 103, which have been prepared on a going concern basis, were approved by the accounting officer on 31 August 2025.

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**SG Khuzwayo**  
**Accounting Officer**

**31 August 2025**

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Officer's Report

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### 1. Review of activities

#### Main business and operations

The municipality is engaged in local government activities, which include planning and promotion of integrated development plan and supplying of the services to the community which are water, sanitation, fire and environmental health services.

Net surplus of the municipality was R3,983,688 (2024: surplus R79,076,569).

### 2. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R938,627,952 and that the municipality's total assets exceed its liabilities by R940,857,883.

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. All impairments were measured and judged in line with past performances.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the annual financial statements.

### 4. Accounting Officers' interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

### 5. Accounting policies

The annual financial statements are prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - March 2024) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

### 6. Non-current assets

There were no changes in the policy relating to the use of non-current assets.

### 7. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

**Name**

SG Khuzwayo

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Officer's Report

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### 8. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all the municipality's activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Audit and risk committee

In terms of Section 166 of the Municipal Finance Management Act, the Municipality must appoint members of the Audit Committee. The Municipality was satisfied that the Audit Committee of the municipality then, constituted by the non-executive directors was properly constituted to fulfil its role and advise the council of its responsibilities as provided in Section 166 of the Municipal Finance Management Act.

The appointed members of the audit and risk committee are as follows:

- Ms. Phumelele Nzimakwe (Chairperson of the Risk Management Committee) - Appointed 30 April 2024
- Mr. Bongani Mhlongo (Chairperson of the Audit Committee) - Appointed 29 May 2025
- Mr. Amos Zungu - Appointed 29 May 2025
- Mrs. Zama Soji - Appointed 29 July 2025
- Ms. Sphumelele Dlungwane - Appointed 29 May 2025

#### Internal audit

The municipality has outsourced its internal audit function to HTB Consulting.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Position as at 30 June 2025

Figures in Rand	Notes	2025	2024 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	16,305,125	9,356,268
Short-term investments	4	115,593,832	199,451,615
Receivables from exchange transactions	5.1	20,003,569	22,957,747
Receivables from non-exchange transactions	5.2	3,080,502	2,294,785
Statutory receivables	5.3	58,672,925	52,832,933
Inventories	6	41,638,861	42,734,144
		<b>255,294,814</b>	<b>329,627,492</b>
<b>Non-Current Assets</b>			
Investment property	7	44,152,000	41,913,000
Property, plant and equipment	8	747,620,465	669,291,315
Intangible assets	9	2,123,913	2,371,690
		<b>793,896,378</b>	<b>713,576,005</b>
<b>Total Assets</b>		<b>1,049,191,192</b>	<b>1,043,203,497</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	10	74,092,603	70,316,890
Consumer deposits	11	179,038	185,196
Employee benefit obligation	13	1,122,996	1,125,558
Unspent conditional grants and receipts	12	5,291,853	9,028,438
		<b>80,686,490</b>	<b>80,656,082</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	13	27,646,819	25,769,737
<b>Total Liabilities</b>		<b>108,333,309</b>	<b>106,425,819</b>
<b>Net Assets</b>		<b>940,857,883</b>	<b>936,777,678</b>
<b>Reserves</b>			
Housing Development fund		2,229,931	2,133,415
Accumulated surplus	14	938,627,952	934,644,263
<b>Total Net Assets</b>		<b>940,857,883</b>	<b>936,777,678</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	77,826,134	73,544,048
Construction contracts	17	1,304,348	10,560,568
Rental of facilities and equipment	18	593,198	294,366
Interest income - Service charges	19	1,487,187	919,269
Licences and permits	20	969,092	984,777
Retention forfeits	21	2,491,023	-
Other income	22	2,332,423	2,764,386
Interest received - investment	23	19,863,247	26,748,038
<b>Total revenue from exchange transactions</b>		<b>106,866,652</b>	<b>115,815,452</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	63,942,090	58,320,526
Interest income - Property rates	25	3,569,811	3,459,757
<b>Transfer revenue</b>			
Government grants & subsidies	26	298,970,658	297,059,542
Fines, penalties and forfeits	27	1,078,103	1,583,588
Donated assets income	28	1,707,087	14,200
<b>Total revenue from non-exchange transactions</b>		<b>369,267,749</b>	<b>360,437,613</b>
<b>Total revenue</b>	15	<b>476,134,401</b>	<b>476,253,065</b>
<b>Expenditure</b>			
Employee related costs	29	(156,631,071)	(130,711,296)
Remuneration of councillors	30	(15,150,585)	(14,955,269)
Irrecoverable debt written off	31	(10,695,563)	(4,388,493)
Depreciation and amortisation	32	(37,846,362)	(31,488,912)
Finance costs	39	(3,399,367)	(3,134,616)
Lease rentals on operating lease	38	(2,261,365)	(2,272,751)
Debt impairment	37	(24,402,858)	(6,047,836)
Inventory consumed	33	(6,134,721)	(3,834,651)
Bulk purchases	34	(58,515,367)	(52,474,725)
Contracted services	40	(81,245,570)	(84,659,034)
Transfers and Subsidies	35	(2,450,000)	(1,700,000)
Operational costs	41	(68,839,043)	(60,092,620)
<b>Total expenditure</b>		<b>(467,571,872)</b>	<b>(395,760,203)</b>
<b>Operating surplus</b>		<b>8,562,529</b>	<b>80,492,862</b>
Loss on disposal/scraping of assets	42	(964,738)	(500,517)
Fair value adjustments	43	2,239,000	1,541,000
Remeasurements of the employee benefit obligations	13	2,619,115	(217,970)
Impairment loss	36	(8,472,218)	(2,238,807)
		<b>(4,578,841)</b>	<b>(1,416,294)</b>
<b>Surplus for the period</b>		<b>3,983,688</b>	<b>79,076,568</b>

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## Statement of Changes in Net Assets

Figures in Rand	Other NDR	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1,986,085	859,408,431	861,394,516
Adjustments			
Correction of errors 59	-	(3,840,736)	(3,840,736)
<b>Balance at 01 July 2023 as restated*</b>	<b>1,986,085</b>	<b>855,567,695</b>	<b>857,553,780</b>
Changes in net assets			
Surplus for the year	-	79,076,568	79,076,568
Interest on reserves	147,330	-	147,330
Total changes	147,330	79,076,568	79,223,898
<b>Restated balance at 01 July 2024*</b>	<b>2,133,415</b>	<b>934,644,264</b>	<b>936,777,679</b>
Changes in net assets			
Surplus for the year	-	3,983,688	3,983,688
Interest on reserves	147,414	-	147,414
Repayment of capital	(50,898)	-	(50,898)
Total changes	96,516	3,983,688	4,080,204
<b>Balance at 30 June 2025</b>	<b>2,229,931</b>	<b>938,627,952</b>	<b>940,857,883</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Comparative Figures

Figures in Rand	Note(s)	2025	2024 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		37,574,846	25,546,585
Sale of goods and services		83,604,676	70,196,724
Grants		297,954,000	293,790,675
Interest income		12,865,195	42,000,936
		<u>431,998,717</u>	<u>431,534,920</u>
<b>Payments</b>			
Employee costs		(168,482,842)	(141,802,002)
Suppliers		(214,647,006)	(191,959,081)
Finance costs		(67)	(136,746)
		<u>(383,129,915)</u>	<u>(333,897,829)</u>
<b>Net cash flows from operating activities</b>	45	<b><u>48,868,802</u></b>	<b><u>97,637,091</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(126,701,625)	(142,727,127)
Proceeds from sale of property, plant and equipment	42	827,381	1,192,678
Proceeds from sale of investment property	42	-	157,000
Purchase of intangible assets	9	-	(2,123,913)
		<u>(125,874,244)</u>	<u>(143,501,362)</u>
<b>Cash flows from financing activities</b>			
Repayment of capital on reserves		(50,898)	-
Interest on reserves capitalised		147,414	147,330
		<u>96,516</u>	<u>147,330</u>
<b>Net increase in cash and cash equivalents</b>		<b>(76,908,926)</b>	<b>(45,716,941)</b>
Cash and cash equivalents at the beginning of the year		208,807,883	254,524,824
<b>Cash and cash equivalents at the end of the year</b>	3&4	<b><u>131,898,957</u></b>	<b><u>208,807,883</u></b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2025</b>											
<b>Financial Performance</b>											
Revenue from exchange transactions											
Service charges	86,447,551	-	86,447,551	-	-	86,447,551	77,826,134		(8,621,417)	90 %	90 %
Sale of goods and rendering of services	9,474,305	(6,719,130)	2,755,175	-	-	2,755,175	1,304,348		(1,450,827)	47 %	14 %
Rental of facilities and equipment	373,913	350,000	723,913	-	-	723,913	593,198		(130,715)	82 %	159 %
Interest earned from receivables	962,795	537,000	1,499,795	-	-	1,499,795	1,487,187		(12,608)	99 %	154 %
Licences and permits	956,522	-	956,522	-	-	956,522	969,092		12,570	101 %	101 %
Retention forfeits	-	-	-	-	-	-	2,491,023		2,491,023	DIV/0 %	DIV/0 %
Fair value adjustments	-	-	-	-	-	-	2,239,000		2,239,000	DIV/0 %	DIV/0 %
Remeasurements of the employee benefit obligations	-	-	-	-	-	-	2,619,115		2,619,115	DIV/0 %	DIV/0 %
Other income	1,200,000	550,000	1,750,000	-	-	1,750,000	2,332,423		582,423	133 %	194 %
Interest received - investment	28,000,000	-	28,000,000	-	-	28,000,000	19,863,247		(8,136,753)	71 %	71 %
Revenue from non-exchange transactions											
Property rates	62,236,581	-	62,236,581	-	-	62,236,581	63,942,090		1,705,509	103 %	103 %
Interest income - Property rates	2,975,737	332,000	3,307,737	-	-	3,307,737	3,569,811		262,074	108 %	120 %

## Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

Transfers recognised - operational	253,162,620	-	253,162,620	-	-	253,162,620	251,822,000	(1,340,620)	99 %	99 %	
Fines, penalties and forfeits	1,310,490	-	1,310,490	-	-	1,310,490	1,078,103	(232,387)	82 %	82 %	
Donated assets income	-	-	-	-	-	-	1,707,087	1,707,087	DIV/0 %	DIV/0 %	
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>447,100,514</b>	<b>(4,950,130)</b>	<b>442,150,384</b>	<b>-</b>	<b>-</b>	<b>442,150,384</b>	<b>433,843,858</b>	<b>(8,306,526)</b>	<b>98 %</b>	<b>97 %</b>	
Employee costs	(152,542,634)	-	(152,542,634)	-	-	(152,542,634)	(156,631,071)	(4,088,437)	(4,088,437)	103 %	103 %
Remuneration of councillors	(16,387,620)	-	(16,387,620)	-	-	(16,387,620)	(15,150,585)	-	1,237,035	92 %	92 %
Depreciation and asset impairment	(37,856,010)	-	(37,856,010)	-	-	(37,856,010)	(37,846,362)	-	9,648	100 %	100 %
Finance charges	(3,300,000)	-	(3,300,000)	-	-	(3,300,000)	(3,399,367)	(99,367)	(99,367)	103 %	103 %
Inventory consumed	(4,532,565)	(1,101,657)	(5,634,222)	-	-	(5,634,222)	(6,134,721)	(500,499)	(500,499)	109 %	135 %
Bulk purchases	(57,865,599)	-	(57,865,599)	-	-	(57,865,599)	(58,515,367)	(649,768)	(649,768)	101 %	101 %
Bad debts written off	(6,260,869)	-	(6,260,869)	-	-	(6,260,869)	(10,695,563)	(4,434,694)	(4,434,694)	171 %	171 %
Lease rentals on operating lease	(2,300,000)	-	(2,300,000)	-	-	(2,300,000)	(2,261,365)	-	38,635	98 %	98 %
Debt impairment	(30,260,870)	-	(30,260,870)	-	-	(30,260,870)	(24,402,858)	-	5,858,012	81 %	81 %
Contracted services	(79,269,715)	(4,987,640)	(84,257,355)	-	-	(84,257,355)	(81,245,570)	-	3,011,785	96 %	102 %
Loss on disposal/scraping of assets	-	(600,000)	(600,000)	-	-	(600,000)	(964,738)	(364,738)	(364,738)	161 %	DIV/0 %
Transfers and subsidies	-	-	-	-	-	-	(2,450,000)	(2,450,000)	(2,450,000)	DIV/0 %	DIV/0 %
Impairment loss	-	-	-	-	-	-	(8,472,218)	(8,472,218)	(8,472,218)	DIV/0 %	DIV/0 %
Other expenditure	(52,454,918)	(11,979,917)	(64,434,835)	-	-	(64,434,835)	(68,839,043)	(4,404,208)	(4,404,208)	107 %	131 %
<b>Total expenditure</b>	<b>(443,030,800)</b>	<b>(18,669,214)</b>	<b>(461,700,014)</b>	<b>-</b>	<b>-</b>	<b>(461,700,014)</b>	<b>(477,008,828)</b>	<b>(25,463,929)</b>	<b>(15,308,814)</b>	<b>103 %</b>	<b>108 %</b>
<b>Surplus/(Deficit)</b>	<b>4,069,714</b>	<b>(23,619,344)</b>	<b>(19,549,630)</b>	<b>-</b>	<b>-</b>	<b>(19,549,630)</b>	<b>(43,164,970)</b>	<b>(23,615,340)</b>	<b>221 %</b>	<b>(1,061)%</b>	

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	39,760,380	7,661,059	47,421,439	-		47,421,439	47,148,658		(272,781)	99 %	119 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>43,830,094</b>	<b>(15,958,285)</b>	<b>27,871,809</b>	<b>-</b>		<b>27,871,809</b>	<b>3,983,688</b>		<b>(23,888,121)</b>	<b>14 %</b>	<b>9 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>43,830,094</b>	<b>(15,958,285)</b>	<b>27,871,809</b>	<b>-</b>		<b>27,871,809</b>	<b>3,983,688</b>		<b>(23,888,121)</b>	<b>14 %</b>	<b>9 %</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>											
<b>Sources of capital funds</b>											
Transfers recognised - capital	34,701,961	6,616,932	41,318,893	-		41,318,893	41,105,090		(213,803)	99 %	118 %
Internally generated funds	92,897,854	1,597,646	94,495,500	-		94,495,500	84,967,841		(9,527,659)	90 %	91 %
<b>Total sources of capital funds</b>	<b>127,599,815</b>	<b>8,214,578</b>	<b>135,814,393</b>	<b>-</b>		<b>135,814,393</b>	<b>126,072,931</b>		<b>(9,741,462)</b>	<b>93 %</b>	<b>99 %</b>
<b>Financial position</b>											
Total current assets	240,613,861	29,226,081	269,839,942	-		269,839,942	255,294,814		(14,545,128)	95 %	106 %
Total non-current assets	692,231,995	118,702,393	810,934,388	-		810,934,388	793,896,378		(17,038,010)	98 %	115 %
Total current liabilities	(55,156,535)	(30,865,294)	(86,021,829)	-		(86,021,829)	(80,686,490)		5,335,339	94 %	146 %
Total non-current liabilities	(22,993,070)	(2,776,667)	(25,769,737)	-		(25,769,737)	(27,646,819)		(1,877,082)	107 %	120 %
Net Assets	854,696,251	114,286,513	968,982,764	-		968,982,764	940,857,883		(28,124,881)	97 %	110 %

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	46,040,207	(3,379,370)	42,660,837	-		42,660,837	48,868,802		6,207,965	115 %	106 %
Net cash from (used) investing	(146,739,790)	(9,444,557)	(156,184,347)	-		(156,184,347)	(125,874,244)		30,310,103	81 %	86 %
Net cash from (used) financing	-	-	-	-		-	96,516		96,516	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(100,699,583)</b>	<b>(12,823,927)</b>	<b>(113,523,510)</b>	<b>-</b>		<b>(113,523,510)</b>	<b>(76,908,926)</b>		<b>36,614,584</b>	<b>68 %</b>	<b>76 %</b>
Cash and cash equivalents at the beginning of the year	183,423,751	25,384,132	208,807,883	-		208,807,883	208,807,883		-	100 %	114 %
<b>Cash and cash equivalents at year end</b>	<b>82,724,168</b>	<b>12,560,205</b>	<b>95,284,373</b>	<b>-</b>		<b>95,284,373</b>	<b>131,898,957</b>		<b>36,614,584</b>	<b>138 %</b>	<b>159 %</b>

Material budget differences are disclosed in note 55 - budget variances.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

#### 1.1 Basis of preparation

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

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

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

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

#### 1.2 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables

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

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

##### 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 tangible assets.

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

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 10 - Payables from exchange transactions.

##### Useful lives of property, plant and equipment and other assets

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows under GRAP 13 while the government bond rate was used to discount future cash flows under GRAP 25.

#### Allowance for debt impairment

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

### 1.3 Going concern - assumption

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

### 1.4 Investment property

Investment property is property (land or a building - or part of a building) 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.

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

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

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.4 Investment property (continued)

#### Subsequent measurement - Fair value

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

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

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

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

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

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

### 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, rental to others, or for administrative purposes, and are expected to be used during more than one period. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

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.

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. The cost also includes necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are connected for as property, plant and equipment.

#### Subsequent measurement - cost model (land and buildings)

Subsequent to initial recognition, land and buildings are carried at cost less any subsequent accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses.

Where the municipality replaces part of an asset, it derecognises the part of an asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or the future economic benefits associated with the asset.

#### Depreciation

Depreciation is calculated on a depreciable amount, using the straight-line basis over the estimated useful life of items of property, plant and equipment unless depreciation of certain assets is being determined using a method other than the estimated useful life.

Upon revision of the remaining useful lives of the assets, the depreciation calculation changes to diminishing balance method i.e. the asset's carrying amount is divided by the number of remaining useful life of an asset multiply by the number of days.

Components of assets that are significant in relation to the whole asset and have different useful lives are depreciated separately.

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

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

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

The annual depreciation rates are based on the following estimated average useful lives of items of property, plant and equipment and are assessed as follows:

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Item	Depreciation method	Average useful life in years
Buildings	Straight-line/ Diminishing Balance	30 years
Infrastructure	Straight-line/ Diminishing Balance	30 years
Community	Straight-line/ Diminishing Balance	30 years
Other property, plant and equipment	Straight-line/ Diminishing Balance	5 to 10 years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from the previous estimate, the change is accounted for as a change in the accounting estimate. In determining the depreciation change for the current year, the residual value for all assets has been taken into account.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

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

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, 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.

Intangible assets are initially recognised at cost.

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 of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. 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.

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.6 Intangible assets (continued)

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

<b>Item</b>	<b>Useful life</b>
Computer software	3 years

Intangible assets are derecognised:

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the statement of financial performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and impairment loss is charged to the statement of financial performance.

#### Derecognition

Intangible assets are derecognised when the asset is disposed off or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in the statement of financial performance.

### 1.7 Financial instruments

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

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

<b>Class</b>	<b>Categories</b>
Cash and cash equivalents	Financial asset measured at amortised cost
Call investment deposits	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non- exchange transactions	Financial asset measured at amortised cost
Other receivables	Financial asset measured at fair value

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

<b>Class</b>	<b>Categories</b>
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Initial and subsequent measurement

##### Financial assets

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provision of the instrument.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

##### Financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer debtors are stated at cost less a provision for bad debts. The provision is made in accordance with GRAP 104 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Derecognition of financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### Derecognition of financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

### 1.8 Cash and cash equivalents (including call deposits and short-term investments)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

### 1.9 Statutory receivables

#### Identification

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

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

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

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

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.9 Statutory receivables (continued)

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

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

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

#### Accrued interest

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

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

#### Impairment losses for receivables (including exchange and non-exchange)

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable or a group of receivables is impaired. This assessment is performed both at an individual level for significant accounts and collectively for groups of receivables with similar credit risk characteristics .

If such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. For practical expedience, the Municipality uses a provision matrix approach based on historical collection experience and forward-looking information to estimate lifetime expected credit losses for its portfolio of receivables, a methodology aligned with established practice .

The Municipality considers the following as objective evidence of impairment for an individual receivable:

- Breach of contract, such as a default or delinquency in payments.
- The account holder being granted Indigent status.
- The account being classified as inactive.
- The account being handed over to external attorneys for collection.
- The account holder being under liquidation or having applied for sequestration.
- The account has an unexplained take-on balance.

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

An impairment loss recognised in prior periods for statutory receivables 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.

# Mandeni Municipality

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### 1.9 Statutory receivables (continued)

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 receivables 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.

#### Basis of grouping and key assumptions

Receivables that are not individually impaired are grouped based on customer type and revenue source for collective assessment. The groups are Government, Household, Business, and Industrial .

The calculation of expected credit losses incorporates forward-looking information and uses historical data to determine collection rates applied to different aging categories. Key assumptions include loss rates for specific aging bands and the application of a discount rate based on the South African Repo Rate.

#### Factors considered in assessing impairment

The primary factor considered is the aging of the receivable. This is supplemented by other specific factors, including the economic environment, historical collection trends, and the presence of objective indicators such as indigent status or legal handover.

#### Derecognition

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

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

Any difference between the consideration received and the amounts derecognised is recognised in surplus or deficit.

# Mandeni Municipality

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### 1.10 Leases

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

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

#### Finance leases - lessee

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 municipality's incremental borrowing rate.

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 on the remaining balance of the liability.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Property, plant equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance costs and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing.

Operating leases are those leases that do not fall within the scope within the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

#### Operating leases - lessee

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

### 1.11 Inventories

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

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

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

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

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

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.11 Inventories (continued)

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Redundant and obsolete inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regards to their age, condition and utility.

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

#### Housing inventory

Housing inventory comprises of houses still in process of construction or completed and not yet transferred. These houses are entirely funded by the National Department of Human Settlements, through the Provincial Department of Human Settlements. The municipality is regarded as a principal in terms of the current interpretation of the Standard of GRAP 12 on Inventories, and therefore recognises these costs as inventory up to the point of transfer to the allocated beneficiary, and thereafter the cost is expensed through the Statement of Financial Performance. Housing inventory is measured at the lower of cost and current replacement cost as they will be distributed through a non-exchange transaction.

### 1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

#### Cash-generating units

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

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

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

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

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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

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

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

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

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

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

#### Reversal of impairment loss

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

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 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 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.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.13 Employee benefits

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

#### 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 recognise 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 recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### **Multi-employer plans and/or State plans and/or Composite social security programmes**

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### **Post-employment benefits: Defined contribution plans**

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

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

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an 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, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) on retirement, is entitled to remain a continued member of the medical aid fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

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 recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts 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. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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 and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.13 Employee benefits (continued)

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 uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

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

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

The 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-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### 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) reflects the time value of money. The currency and term of the financial instrument selected reflects the time value of money and is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Long-term service awards

The municipality has an obligation to provide long-term service awards to all of its employees who have been in service of the municipality for a certain period of time. According to the rules of the long-term service allowance scheme, which the municipality has 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 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liability. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

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.

The entity shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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 expenditure.

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

- 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 47 unless the possibility of an outflow or resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefit is probable.

#### **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 are 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 considers 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 accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12.

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 are 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.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

#### Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

### 1.15 Revenue from exchange transactions

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

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

#### 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.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Revenue from the sale of tender documents is recognised at the point of sale.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### 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 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 charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

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

#### Interest

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

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

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

### 1.16 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.

Fines are economic benefits or service potential received or receivable by municipalities, 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.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

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

Transfers are inflows of future economic benefits or services potentially 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.

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 asset in respect of property rates when the taxable event occurs and the asset recognition criteria are met.

Resources arising from property rates satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

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

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The taxable event for property rates 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.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

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

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

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

#### **Retention forfeits**

Retention forfeits are recognised as revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the value of the forfeit can be measured reliably.

Retention forfeits are recognised immediately in surplus or deficit in the period in which the forfeit occurs.

#### **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.

#### **Services in-kind**

Services in-kind are not recognised.

#### **Concessionary loans received**

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market-related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market-related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the comparative figures recognises revenue as and when it satisfies the conditions of the loan agreement.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time-proportionate basis.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.17 Value-added tax

The municipality accounts for value-added tax (VAT) on a payment basis.

The municipality is registered with the South African Revenue Services (SARS) for VAT on a payment basis, in accordance with section 15(2) of the VAT Act (Act no. 89 of 1991).

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

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

### 1.18 Comparative figures

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

### 1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No.56 of 2003) and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- 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.
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraphs (b),(c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or a grant by the municipality in accordance with the Municipal Finance Management Act.

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.

Unauthorised expenditure is an expenditure that has not been budgeted for, an expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or an organ of the state. An expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 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.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is an expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including-

Irregular expenditure is an expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.22 Accumulated surplus

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Number C30 dated 17.10.2012).

These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to CRR is based on the municipality's need to finance future capital progress included in the integrated development plan. The following provisions are set for the creation and utilisation of the CRR:

- the cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- interest earned on the CRR investment is recorded as part of the total interest earned in the statement of financial performance
- the CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for maintenance of these items.
- whenever an asset is purchased out of CRR, an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserve called the Capitalisation Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation Reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- if a gain is made on the sale of assets previously purchased out of the CRR, the gain on these assets sold is reflected in the statement of financial performance.

#### Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

Provisions are set out for the creation and utilisation of the Housing Development Fund. The Housing Development Fund is cash- backed, and invested in accordance with the investment policy of the municipality.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

#### Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.22 Accumulated surplus (continued)

#### Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

#### Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant-funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant-funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

### 1.23 Budget information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2024 to 30 June 2025.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.24 Related parties

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

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

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 venturers).

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

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

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

Close members of the family of a person are 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.

### 1.25 Events after the reporting date

The municipality has carefully considered whether events occurring between the Statement of Financial Position date and the date of approval should be reflected in the annual financial statements. Events after the reporting period (or 'post-Statement of Financial Position events') are either adjusting events or non-adjusting events.

Adjusting events provide further evidence of conditions that existed at the statement of financial position date and the carrying amounts of assets and liabilities at the statement of financial position date are adjusted for such events. Non-adjusting events relate to conditions that arose after the statement of financial position date and should be disclosed.

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

### 1.26 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.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.27 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 to the extent that they have been agreed with the customer.

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

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

### 1.28 Borrowing costs

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

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.29 Accounting by principals and agents

#### Identification

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

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

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

#### Identifying whether an entity is a principal or an agent

When the municipality is a 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.

#### 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.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Accounting Policies

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### 1.30 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 that are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's 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.

### 1.31 Transfers and subsidies

Transfers and subsidies include all unrequited payments made by the municipality. A payment is unrequited provided that the municipality does not receive anything of similar value directly in return for the transfer to the other party.

Transfers and subsidies are recognised in the Statement of Financial Performance as expenses in the period in which the events giving rise to the transfer occurred.

# Mandeni 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

In the current year, there are no new standards and interpretations that are effective for the current financial year and that are relevant to the municipality's operations.

#### 2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 2023 Improvements to the Standards of GRAP 2023	No effective date set	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date set	Unlikely there will be a material impact
• GRAP 103 (amended): Heritage Assets	No effective date set	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not expected to impact results but may result in additional disclosure

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,220	6,220
Bank balances	16,298,905	9,350,048
	<b>16,305,125</b>	<b>9,356,268</b>

#### The municipality has 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 Account - 52940480587	16,298,905	6,556,506	9,951,795	16,298,905	9,350,048	10,320,035

#### Cash and cash equivalents pledged as collateral

The municipality has no cash and cash equivalents pledged as collateral.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>4. Short-term investments</b>		
Short-term investments consist of deposits and conditional grants that are ring-fenced to be cash-backed.		
<b>ABSA - Mandeni branch</b>		
<b>Call investment deposits</b>		
<b>Account number - 2978</b>		
Cash book balance	100,000,000	-
Bank statement balance	100,000,000	-
<b>First National Bank - Mandeni branch -</b>		
<b>Call investment deposits</b>		
<b>Account number - C061294217372</b>		
Cash book balance	459	181,571,023
Bank statement balance	459	181,571,023
<b>First National Bank - Mandeni branch -</b>		
<b>Call investment deposits</b>		
<b>Account number - C062028673219</b>		
Cash book balance	2,154,238	2,132,564
Bank statement balance	2,154,238	2,132,563
<b>First National Bank - Mandeni branch -</b>		
<b>Call investment deposits</b>		
<b>Account number - C062812286400</b>		
Cash book balance	42,805	5,393,616
Bank statement balance	42,805	7,675,512
<b>First National Bank - Mandeni branch -</b>		
<b>Call investment deposits</b>		
<b>Account number - C062113325882</b>		
Cash book balance	543,049	473,216
Bank statement balance	543,049	473,217
<b>First National Bank - Mandeni branch -</b>		
<b>Call investment deposits</b>		
<b>Account number - C062527527462</b>		
Cash book balance	1	1
Bank statement balance	1	-
<b>First National Bank - Mandeni branch -</b>		
<b>Call investment deposits</b>		
<b>Account number - C062538203449</b>		
Cash book balance	5,709,080	5,271,757
Bank statement balance	5,709,080	5,271,757
<b>First National Bank - Mandeni branch</b>		
<b>Call investment deposits -</b>		
<b>Account number - C062812286963</b>		
Cash book balance	2,221,084	4,598,156
Bank statement balance	2,221,084	5,172,336

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>4. Short-term investments (continued)</b>		
<b>First National Bank - Mandeni branch - Call investment deposits</b>		
<b>Account number - C63048438097</b>		
Cash book balance	4,923,118	11,282
Bank statement balance	4,923,118	11,282
<b>Cash book balance</b>	<b>115,593,834</b>	<b>199,451,615</b>
<b>Split between current and non-current portions</b>		
Current assets	115,593,832	199,451,615

The following short-term investments have no restrictions on the use of funds:

- First National Bank - Mandeni branch - Call investment deposits  
Account number - C061294217372
- First National Bank - Mandeni branch - Call investment deposits  
Account number - C062113325882
- First National Bank - Mandeni branch - Call investment deposits  
Account number - C062538203449
- ABSA- Mandeni branch - Call investment deposits  
Account number -2081682978
- ABSA- Mandeni branch - Call investment deposits  
Account number -2081875210
- ABSA- Mandeni branch - Call investment deposits  
Account number -2081683152
- ABSA - Mandeni branch - Call Investment deposit  
Account number -2081683128

The following short-term investments have the following restrictions on the use of funds:

- First National Bank - Mandeni branch - Call investment deposits  
Account number - C062028673219:  
This account may only be used for housing-related expenditure.
- First National Bank - Mandeni branch - Call investment deposits  
Account number - C062812286400:  
This account may only be used for MIG expenditure.
- First National Bank - Mandeni branch - Call investment deposits  
Account number - C062812286963  
This account may only be used for housing title deeds.
- First National Bank - Mandeni branch - Call investment deposits  
Account number - C062527527462  
This account may only be used for electrification programmes.

Included in the amounts above are capital grants. See note 12 for additional information.

### Short-term investments pledged as collateral

The municipality has no short-term investments pledged as collateral.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>5. Receivables (including statutory receivables)</b>		
All the receivables of the municipality are presented in this note and disclosed accordingly as per their respective categories.		
The interest disclosed in this note represents all the interest owed to the municipality by the different categories of receivables.		
5.1 Receivables from exchange transactions		
<b>Gross balances</b>		
Electricity	4,971,443	9,582,904
Waste management	69,856,462	67,045,970
Prepayments	2,373,318	2,524,281
Accrued investment income	9,512,055	-
Deferred VAT on liabilities (input)	2,537,655	4,757,289
Other receivables from exchange transactions (not aged)	1,519,229	1,221,111
	<b>90,770,162</b>	<b>85,131,555</b>
<b>Less: Allowance for impairment</b>		
Electricity	(3,048,712)	(2,167,855)
Waste management	(67,295,453)	(59,583,525)
Other receivables from exchange transactions	(422,428)	(422,428)
	<b>(70,766,593)</b>	<b>(62,173,808)</b>
<b>Net balance</b>		
Electricity	1,922,731	7,415,049
Waste management	2,561,009	7,462,445
Prepayments	2,373,318	2,524,281
Accrued investment income	9,512,055	-
Deferred VAT on liabilities (input)	2,537,655	4,757,289
Other receivables from exchange transactions	1,096,801	798,683
	<b>20,003,569</b>	<b>22,957,747</b>
<b>Gross other receivables comprise of:</b>		
Other receivables	1,273,659	975,541
Postage deposit	10,000	10,000
Rental deposit	235,570	235,570
	<b>1,519,229</b>	<b>1,221,111</b>
<b>Electricity</b>		
Current (0 - 30 days)	1,121,038	6,309,619
31 - 60 days	40,159	(450)
61 - 90 days	167,737	144,490
91 - 120 days	106,109	91,573
121 - 365 days	867,353	600,688
> 365 days	2,669,047	2,436,984
Impairment	(3,048,712)	(2,167,855)
	<b>1,922,731</b>	<b>7,415,049</b>
<b>Other receivables from exchange transactions</b>		
Current (0 - 30 days)	1,096,801	798,683

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>5.1 Receivables from exchange transactions (continued)</b>		
<b>Waste management</b>		
Current (0 - 30 days)	2,167,309	2,126,436
31 - 60 days	(285)	(17,057)
61 - 90 days	928,021	907,511
91 - 120 days	907,783	904,405
121 - 365 days	7,544,706	6,628,265
> 365 days	58,308,928	56,496,410
Impairment	(67,295,453)	(59,583,525)
	<b>2,561,009</b>	<b>7,462,445</b>
<b>Prepayments</b>		
Current (0 -30 days)	2,373,318	2,524,281
<b>Accrued investment income</b>		
Current (0 -30 days)	9,512,055	-
<b>Deferred VAT on liabilities (input)</b>		
Current (0 - 30 days)	2,537,655	4,757,289
<b>5.2. Receivables from non-exchange transactions</b>		
<b>Gross balances</b>		
Interest	38,238,314	35,695,319
<b>Less: Non-exchange transactions impairment</b>		
Interest	(35,157,812)	(33,400,534)
<b>Net balances</b>		
Interest	3,080,502	2,294,785
<b>Interest</b>		
Current (0 -30 days)	830,212	747,772
31 - 60 days	300	-
61 - 90 days	418,872	368,664
91 - 120 days	419,449	362,656
121 - 365 days	3,449,918	3,159,244
> 365 days	33,119,563	31,056,983
Less: Impairment	(35,157,812)	(33,400,534)
	<b>3,080,502</b>	<b>2,294,785</b>
<b>Households</b>		
Current (0 -30 days)	4,009,934	5,112,189
31 - 60 days	36,411	(27,817)
61 - 90 days	2,041,040	2,051,577
91 - 120 days	1,997,001	2,854,768
121 - 365 days	16,135,202	18,921,933
> 365 days	142,270,526	130,296,372
Less: Impairment	(160,456,767)	(142,971,941)
	<b>6,033,347</b>	<b>16,237,081</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>5.2. Receivables from non-exchange transactions (continued)</b>		
<b>Industrial/Commercial</b>		
Current (0 -30 days)	6,077,252	5,943,916
31 - 60 days	(5,731)	(5,386)
61 - 90 days	657,418	691,738
91 - 120 days	585,439	779,247
121 - 365 days	12,407,862	11,532,996
> 365 days	23,246,690	19,358,377
Less: Impairment	(35,600,225)	(29,994,359)
	<b>7,368,705</b>	<b>8,306,529</b>
<b>National/Provincial Government</b>		
Current (0 -30 days)	478,536	10,567,528
31 - 60 days	16,242	(14)
61 - 90 days	261,638	357,429
91 - 120 days	281,795	429,118
121 - 365 days	18,957,159	5,677,237
> 365 days	28,430,423	22,444,239
	<b>48,425,793</b>	<b>39,475,537</b>
<b>Provision for Impairment</b>		
Current (0 -30 days)	(4,844,837)	(4,255,670)
31 - 60 days	(123,864)	(108,801)
61 - 90 days	(1,031,945)	(906,453)
91 - 120 days	(1,068,538)	(938,596)
121 - 365 days	(24,275,627)	(21,323,535)
> 365 days	(169,324,645)	(148,733,543)
	<b>(200,669,456)</b>	<b>(176,266,598)</b>
<b>Reconciliation of allowance for impairment for receivables</b>		
Opening balance	(176,266,598)	(170,218,762)
Contribution for bad debt	(24,402,858)	(6,047,836)
	<b>(200,669,456)</b>	<b>(176,266,598)</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>5.3. Statutory receivables</b>		
<b>Statutory receivables general information</b>		
<b>Gross balances</b>		
Rates	146,332,810	126,415,933
Fines	5,194,346	4,190,036
VAT receivable (payment basis)	1,890,827	2,919,225
	<b>153,417,983</b>	<b>133,525,194</b>
<b>Less: Allowance for impairment</b>		
Rates	(90,555,022)	(77,814,390)
Fines	(4,190,036)	(2,877,871)
	<b>(94,745,058)</b>	<b>(80,692,261)</b>
<b>Net balances</b>		
Rates	55,777,788	48,601,543
Fines	1,004,310	1,312,165
VAT receivable (payment basis)	1,890,827	2,919,225
	<b>58,672,925</b>	<b>52,832,933</b>
<b>Rates</b>		
Current (0 - 30 days)	6,447,163	14,194,452
31 - 60 days	6,747	(15,710)
61 - 90 days	1,445,465	1,680,079
91 - 120 days	1,430,894	2,704,499
121 - 365 days	35,638,247	25,744,002
> 365 days	101,364,294	82,108,611
Less: Impairment	(90,555,022)	(77,814,390)
	<b>55,777,788</b>	<b>48,601,543</b>
<b>Fines</b>		
Not aged	5,194,346	4,190,036
Less: Impairment	(4,190,036)	(2,877,871)
	<b>1,004,310</b>	<b>1,312,165</b>
<b>VAT receivable (payment basis)</b>		
Current (0 -30 days)	1,890,827	2,919,225
<b>Total</b>		
Current (0 -30 days)	13,532,336	21,303,712
31 - 60 days	6,747	(15,710)
61 - 90 days	1,445,465	1,680,079
91 - 120 days	1,430,894	2,704,499
121 - 365 days	35,638,247	25,744,002
> 365 days	101,364,294	82,108,611
Less: Impairment	(94,745,058)	(80,692,260)
	<b>58,672,925</b>	<b>52,832,933</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 5.3 Statutory receivables (continued)

#### Transactions arising from statute

The following prescripts authorise the municipality to charge and collect funds to fund its mandate. The resulting receivables are therefore classified as statutory receivables and are disclosed as such as per GRAP 108 Statutory Receivables:

- Section 229(1) of the Constitution of the Republic of South Africa;
- Municipal Properties Rates Act; and
- Administrative Adjudication of Road Traffic Offences Act.

#### Determination of transaction amount

The municipality initially measures statutory receivables at their transaction amount. The transaction amount for the purposes of GRAP 108 Statutory Receivables means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Interest charged

Interest is accrued on the outstanding balance of statutory receivables. The municipality adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest on property rates is calculated at the rate of 2% per annum.

Interest charged on property rates is recognised in the statement of financial performance as follows:

Interest income - Property rates	3,569,811	3,459,757
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### 6. Inventories

Land	40,456,000	41,744,000
Consumable stores	1,018,625	804,148
Maintenance materials	164,236	185,996
	<b>41,638,861</b>	<b>42,734,144</b>

#### Consumable stores

Opening balance	804,148	572,495
Additions	1,253,362	1,365,417
Issued/(expensed)	(1,038,885)	(1,133,764)
	<b>1,018,625</b>	<b>804,148</b>

#### Maintenance materials

Opening balance	185,996	141,356
Additions	137,536	518,778
Issued/(expensed)	(159,296)	(474,138)
	<b>164,236</b>	<b>185,996</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 7. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	44,152,000	-	44,152,000	41,913,000	-	41,913,000

#### Reconciliation of investment property - 2025

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	41,913,000	-	-	2,239,000	44,152,000

#### Reconciliation of investment property - 2024

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Investment property	40,529,000	-	(157,000)	-	1,541,000	41,913,000

#### Pledged as security

No items of investment property have been pledged as security.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 7. Investment property (continued)

#### Details of valuation

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.

#### Fair value of investment properties

Portion 6 of Farm Lot 5 Ca No. 8440	17,000	16,000
Lot 56 of Padianager	137,000	130,000
Lot 1203 of Mandeni - Aloe Road	65,000	62,000
Portion 4 of Farm Lot 13 Tugela No. 13862	815,000	775,000
The Farm Lot 5 Ca No. 8440	3,700,000	3,430,000
Lot 1340 of Mandeni	65,000	62,000
Lot 1018 of Mandeni	250,000	247,000
Lot 175 of Padianager	271,000	258,000
Lot 48 Tugela Mouth	349,000	332,000
Portion 6 Lot 9901 Newark no. 2621	2,575,000	2,455,000
Various lots Padianagar	8,816,000	8,321,000
Various lots Tugela	428,000	400,000
Various lots Tugela Ext 3	2,245,000	2,134,000
Various lots Mandini Ext 7	358,000	348,000
Various lots Mandini Ext 8	24,061,000	22,943,000
	<b>44,152,000</b>	<b>41,913,000</b>

#### Investment properties transferred and disposed

#### Investment properties disposals

Lot 1409 Mandini Ext 8	-	157,000
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Vacant Land, Lot 1409 Mandini Ext 8 disclosed as investment property was sold and transferred to Mr. LS Magwaza in the 2024 financial year.

#### Expenditure incurred to repair and maintain investment properties

The Investment properties of the Municipality do not include properties that are rented out to generate rental revenue. Investment Properties in the ownership of the municipality are vacant plots of land with undetermined future use, hence there are no direct operating expenses that are incurred.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

2025

2024

### 8. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	51,998,320	-	51,998,320	51,998,320	-	51,998,320
Buildings	85,424,105	(6,752,212)	78,671,893	73,808,345	(5,234,090)	68,574,255
Infrastructure	660,051,029	(234,253,344)	425,797,685	594,273,129	(219,586,906)	374,686,223
Community	134,804,624	(36,256,137)	98,548,487	124,736,885	(32,303,939)	92,432,946
Other property, plant and equipment	130,247,686	(37,643,606)	92,604,080	111,495,666	(29,896,095)	81,599,571
<b>Total</b>	<b>1,062,525,764</b>	<b>(314,905,299)</b>	<b>747,620,465</b>	<b>956,312,345</b>	<b>(287,021,030)</b>	<b>669,291,315</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	WIP Commissioned	Disposals	Depreciation	Impairment loss	Total
Land	51,998,320	-	-	-	-	-	51,998,320
Buildings	68,574,255	46,004,341	(34,011,938)	(176,337)	(1,718,428)	-	78,671,893
Infrastructure	374,686,223	119,637,639	(40,140,007)	-	(21,794,319)	(6,591,851)	425,797,685
Community	92,432,946	19,108,586	(6,483,337)	(268,787)	(4,360,553)	(1,880,368)	98,548,487
Other property, plant and equipment	81,599,571	22,076,790	-	(1,181,660)	(9,890,621)	-	92,604,080
	<b>669,291,315</b>	<b>206,827,356</b>	<b>(80,635,282)</b>	<b>(1,626,784)</b>	<b>(37,763,921)</b>	<b>(8,472,219)</b>	<b>747,620,465</b>

#### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	WIP Transferred	Disposals	Depreciation	Impairment loss	Total
Land	51,998,320	-	-	-	-	-	51,998,320
Buildings	41,279,434	28,220,607	-	-	(925,786)	-	68,574,255
Infrastructure	321,401,341	136,683,452	(61,845,259)	-	(19,314,506)	(2,238,805)	374,686,223
Community	88,802,952	10,811,630	(2,677,971)	(423,928)	(4,079,737)	-	92,432,946
Other property, plant and equipment	58,405,959	31,548,868	-	(1,269,267)	(7,085,989)	-	81,599,571
	<b>561,888,006</b>	<b>207,264,557</b>	<b>(64,523,230)</b>	<b>(1,693,195)</b>	<b>(31,406,018)</b>	<b>(2,238,805)</b>	<b>669,291,315</b>

#### Pledged as security

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

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
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### 8. Property, plant and equipment (continued)

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

##### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Masomonco Link Road Project was abandoned at 92% completion. The Consultant was appointed in the 2022-23 FY to assess and scope remaining work.	2,789,779	6,408,460
Highmast Street Lights Phase 2 Project was practically complete as at 30 June 2025 pending the Eskom Supply points to energise the streetlights	5,505,342	-
	<b>8,295,121</b>	<b>6,408,460</b>

#### Reconciliation of Work-in-Progress - 2025

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	50,324,399	12,624,098	46,607,467	109,555,964
Additions/capital expenditure	73,175,243	13,093,938	15,292,357	101,561,538
WIP impaired/Written-off	(4,049,958)	(1,880,368)	-	(5,930,326)
Transferred to completed items	(40,140,007)	(6,483,337)	(34,011,938)	(80,635,282)
	<b>79,309,677</b>	<b>17,354,331</b>	<b>27,887,886</b>	<b>124,551,894</b>

#### Reconciliation of Work-in-Progress - 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	37,953,139	7,183,610	18,386,860	63,523,609
Additions/capital expenditure	74,216,518	8,118,459	28,220,607	110,555,584
Transferred to completed items	(61,845,258)	(2,677,971)	-	(64,523,229)
	<b>50,324,399</b>	<b>12,624,098</b>	<b>46,607,467</b>	<b>109,555,964</b>

#### 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

Buildings	228,473	180,705
Infrastructure	10,070,686	11,990,021
Community	704,678	1,043,413
Other property, plant and equipment	6,246,904	5,799,449
	<b>17,250,741</b>	<b>19,013,588</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 9. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,123,913	-	2,123,913	3,256,922	(885,232)	2,371,690

#### Reconciliation of intangible assets - 2025

	Opening balance	Disposals	Amortisation	Total
Computer software	2,371,690	(165,336)	(82,441)	2,123,913

#### Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	330,671	2,123,913	(82,894)	2,371,690

Intangible assets includes the Automated Booking System which has a indefinite useful life, hence no amortisation is calculated on it. The other computer software is in respect of Sage Evolution which has since been written-off during the 2024-25 Financial year.

#### Pledged as security

No items of intangible assets were pledged as security.

### 10. Payables from exchange transactions

Trade payables	27,321,074	26,127,525
Retention	9,495,046	11,711,684
Other payables	3,273,785	1,710,137
Unallocated deposits	2,123,245	2,049,978
Leave accrual	17,813,845	14,762,019
Bonus accrual	4,256,630	3,446,446
Deferred VAT on receivables (output)	9,837,339	10,538,438
	74,120,964	70,346,227
Cashier's collections	(28,361)	(29,337)
	<b>74,092,603</b>	<b>70,316,890</b>

### 11. Consumer deposits

Electricity	179,038	185,196
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No guarantees are held in lieu of Electricity Deposits.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Library KZNPA grant	118	118
Economic Development grant	-	150,000
Sport and recreation grant	57,961	57,961
MIG	-	5,377,559
Housing Title Deed grant	722,871	3,442,800
Municipal Disaster Relief grant	4,510,903	-
	<b>5,291,853</b>	<b>9,028,438</b>

#### Movement during the year

Balance at the beginning of the period	9,028,438	25,788,956
Additions during the period	300,888,411	294,415,000
Income recognition during the period	(304,624,999)	(311,175,518)
	<b>5,291,850</b>	<b>9,028,438</b>

See note 26 for reconciliation of grants from and receipts.

The capital grants are invested in a ring-fenced investment until utilised. See note 4 for additional information.

### 13. Employee benefit obligations

#### Post-retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality operated on five accredited medical aid schemes, namely Keyhealth, LA Health, SAMWU, Bonitas and Hosmed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2025 by 1Pangaea Expertise Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 13. Employee benefit obligations (continued)

#### Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements is compiled for each fund and the financial statements set is not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

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

##### Carrying value

Present value of the defined benefit obligation-partly or wholly funded	(28,769,815)	(26,895,295)
Non-current liabilities	(27,646,819)	(25,769,737)
Current liabilities	(1,122,996)	(1,125,558)
	<b>(28,769,815)</b>	<b>(26,895,295)</b>

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

Opening balance	21,803,409	18,389,112
Net expense recognised in the statement of financial performance	1,306,632	3,414,297
	<b>23,110,041</b>	<b>21,803,409</b>

#### Net expense recognised in the statement of financial performance

Current service cost	1,657,531	1,657,531
Interest cost	2,860,840	2,544,533
Benefits paid	(684,552)	(685,518)
Remeasurements	(2,527,187)	(102,249)
	<b>1,306,632</b>	<b>3,414,297</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 13. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Expected retirement age	63	63
Discount rates used	12.23 %	13.35 %
Medical cost trend rates	7.68 %	9.24 %
Consumer price inflation	6.18 %	7.74 %
Net effective discount rate	4.23 %	3.76 %

Percentage of in-service members withdrawing before retirement

	Female	Male
Age 20 - 24	24.0 %	16.0 %
Age 25 - 29	18.0 %	12.0 %
Age 30 - 34	15.0 %	10.0 %
Age 35 - 40	10.0 %	8.0 %
Age 40 - 44	6.0 %	6.0 %
Age 45 - 49	4.0 %	4.0 %
Age 50 - 54	2.0 %	2.0 %
Age 55 - 59	1.0 %	1.0 %
Age 60+	- %	- %

It is difficult to predict future investment returns and healthcare cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate at 30 June 2025 is 12,23% which represents the average yield from the zero-coupon government bond curve over a 15 to 20-year term.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.

General Salary Inflation: This assumption is more stable relative to the growth in consumer Price Index (CPI) than in the absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The implied inflation assumption is 6,18% per annum which represents the market's pricing of inflation by comparing the yields on index-linked government bonds and long-term government bonds with a duration of 15 to 20 years, adjusting for an inflation risk premium of 1% per annum.

It has been assumed that the next salary increase will take place on 1 July 2025.

The next contribution increase was assumed to occur with effect from 1 January 2025.

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at the retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 13. Employee benefit obligations (continued)

#### Sensitivity analysis on the unfunded accrued liability - Post employment medical obligation

Healthcare Cost Inflation Rate	1% decrease	Valuation Basis	1% increase
	R	R	R
Opening accrued liability	19,030,016	21,803,409	25,198,343
Service cost	1,373,969	1,657,531	2,017,891
Net interest expense	2,490,944	2,860,840	3,313,684

Discount Rate	1% decrease	Valuation Basis	1% increase
	R	R	R
Opening accrued liability	25,088,310	21,803,409	19,146,659
Service cost	1,988,170	1,657,531	1,398,006
Net interest expense	3,052,005	2,860,840	2,700,832

#### Long service awards and retirement gifts

The independent valuers, 1Pangaea Expertise Solutions, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9.49 %	11.11 %
General salary inflation (long-term)	5.26 %	6.70 %
Net effective discount rate	4.02 %	4.03 %

Examples of mortality rates used were as follows:

Average retirement age	63	63
Mortality during employment	SA 85-90	

#### Membership summary

Number of members	289	303
Average age of members (years)	41.85	40.79
Average past service (years)	8.35	7.50
Average salary (annual)	330,884	286,79

#### Benefit Structure

Service years	Award (Number of days)	Award (Number of days)
5	5	5
10	10	10
15	20	20
20	30	30
25	30	30
30	30	30
35	30	30
40	30	30
45	30	30

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 13. Employee benefit obligations (continued)

#### Sensitivity analysis on the unfunded accrued liability - long service award

Salary Increase Rate	1% decrease	Valuation Basis	1% increase
	R	R	R
Opening accrued liability	4,762,962	5,091,886	5,454,381
Service cost	514,810	559,520	610,526
Net interest expense	502,390	538,460	578,223
<hr/>			
Discount Rate	1% decrease	Valuation Basis	1% increase
	R	R	R
Opening accrued liability	5,442,987	5,091,886	4,777,821
Service cost	608,922	559,520	516,830
Net interest expense	524,515	538,460	549,844
<hr/>			

Movement in the defined benefit obligation is as follows:

Balance at the beginning of the year	5,091,886	4,198,364
Current service cost	559,920	475,124
Interest cost	538,460	453,337
Expected benefit payments	(438,564)	(355,158)
Remeasurements	(91,928)	320,219
<b>Balance at the end of year</b>	<b>5,659,774</b>	<b>5,091,886</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>13. Employee benefit obligations (continued)</b>		
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	559,920	475,124
Interest cost	538,460	453,337
Benefit payment	(438,564)	(355,158)
Remeasurements	(91,928)	320,219
	<b>567,888</b>	<b>893,522</b>
In conclusion:		
<b>Statement of Financial Position obligation for</b>		
Long service award liability	5,659,774	5,091,886
Retirement benefit liability	23,110,041	21,803,409
	<b>28,769,815</b>	<b>26,895,295</b>
<b>Statement of Financial Performance obligation for</b>		
Long service award expense	567,888	893,522
Retirement benefit expense	1,306,632	3,414,297
	<b>1,874,520</b>	<b>4,307,819</b>

### Key assumptions used

In estimating the liability for long service awards (LSA) a number of assumptions are required. GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA - this is determined by the actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

It is difficult to predict future investment returns and healthcare cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high-quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate is 9.49% which represents the average yield from the zero-coupon government bond curve over nine years which is consistent with the cash flow weighted average of the liabilities of nine years.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 14. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus

	Revaluation reserve	Public contributions reserve	Accumulated surplus	Total
<b>Balance at 01 July 2023</b>	<b>151,731,208</b>	<b>50,941,129</b>	<b>551,107,179</b>	<b>753,779,516</b>
Surplus for the year	-	-	79,076,568	79,076,568
Reserves	-	-	107,660	107,660
<b>Balance at 01 July 2024</b>	<b>151,731,208</b>	<b>50,941,129</b>	<b>630,291,407</b>	<b>832,963,744</b>
Surplus for the year	-	-	3,983,688	3,983,688
<b>Balance at 30 June 2025</b>	<b>151,731,208</b>	<b>50,941,129</b>	<b>634,275,095</b>	<b>836,947,432</b>

### 15. Revenue

Service charges		77,826,134	73,544,048
Construction contracts		1,304,348	10,560,568
Rental of facilities and equipment		593,198	294,366
Interest income - service charges		1,487,187	919,269
Licences and permits		969,092	984,777
Retention forfeits		2,491,023	-
Other income		2,332,423	2,764,386
Interest received - external investments		19,863,247	26,748,038
Property rates		63,942,090	58,320,526
Interest income - Property rates		3,569,811	3,459,757
Government grants and subsidies		298,970,658	297,059,542
Fines		1,078,103	1,583,588
Donated assets income		1,707,087	14,200
		<b>476,134,401</b>	<b>476,253,065</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges		77,826,134	73,544,048
Construction contracts		1,304,348	10,560,568
Rental of facilities and equipment		593,198	294,366
Interest income - service charges		1,487,187	919,269
Licences and permits		969,092	984,777
Retention forfeits		2,491,023	-
Other income		2,332,423	2,764,386
Interest received - external investment		19,863,247	26,748,038
		<b>106,866,652</b>	<b>115,815,452</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

##### Taxation revenue

Property rates		63,942,090	58,320,526
Interest income - Property rates		3,569,811	3,459,757

##### Transfer revenue

Government grants and subsidies		298,970,658	297,059,542
Fines		1,078,103	1,583,588
Donated assets income		1,707,087	14,200

**369,267,749** **360,437,613**

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>16. Service charges</b>		
Sale of electricity	64,753,473	61,164,195
Refuse removal	13,072,661	12,379,853
	<b>77,826,134</b>	<b>73,544,048</b>
<b>17. Construction contracts</b>		
INEP grant	1,304,348	6,420,870
Massification grant	-	4,139,698
	<b>1,304,348</b>	<b>10,560,568</b>
<b>18. Rental of facilities and equipment</b>		
<b>Premises</b>		
Hall hire and sports fields	249,651	157,877
Municipal properties	292,447	92,201
Stalls rental	51,101	44,289
	<b>593,199</b>	<b>294,367</b>
<b>19. Interest income - Service charges</b>		
Interest received on service charges	1,487,187	919,269
<b>20. Licences and permits</b>		
Drivers licences	53,550	41,510
Business licences	145,422	52,047
Learners licences	770,120	891,220
	<b>969,092</b>	<b>984,777</b>
<b>21. Retention forfeits</b>		
Retention forfeits	2,491,023	-
<b>22. Other income</b>		
Building plan fees	58,804	114,797
Sundry income	1,000,916	575,524
Connection fees	113,220	135,525
Swimming pool entrance fees	97,239	47,150
Photocopier charges	109,042	84,265
Rates clearance certificates	29,778	16,526
Town planning fees	88,647	91,897
Sale of land	-	230,000
LG SETA	422,511	1,054,093
Escort fees	412,266	414,609
	<b>2,332,423</b>	<b>2,764,386</b>
<b>23. Investment revenue</b>		
<b>Interest revenue</b>		
Bank and call deposits	19,863,247	26,748,038

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>24. Property rates</b>		
<b>Rates received</b>		
Residential	27,498,112	25,465,440
Commercial	47,543,203	44,580,410
State	28,206,095	22,353,881
Less: Rebates	(39,305,320)	(34,079,205)
	<b>63,942,090</b>	<b>58,320,526</b>
<b>Valuations</b>		
Residential	1,739,379,200	1,754,532,200
Commercial	392,348,200	391,423,200
Industrial	1,076,540,600	1,083,380,600
Mining	11,682,000	11,682,000
Agricultural	1,663,177,600	1,665,027,600
Municipal	219,722,000	184,964,000
Public Services Infrastructure	177,514,200	184,780,200
Public Benefit Organisation	63,265,000	63,265,000
Vacant land	75,210,000	79,031,000
Public Services Purposes	657,795,000	662,895,000
Place of Worship	31,875,000	31,875,000
	<b>6,108,508,800</b>	<b>6,112,855,800</b>

In terms of the Municipal Property Rates Act (MPRA), the municipality implemented a new General Valuation Roll with effect from 1 July 2023. The first Supplementary Valuation Roll (SV1) was implemented on 1 July 2024 and forms part of the property rates revenue for the 2024/2025 financial year. The next General Valuation Roll is scheduled for implementation in the 2028/2029 financial year.

Properties are categorised in accordance with the MPRA and include residential, commercial, industrial, agricultural, mining, municipal, public service infrastructure, public benefit organisation, vacant land, place of worship, and public service purpose. These categories inform the applicable rates tariffs and are used to determine annual property rates income.

The following are the rates randage that were applied to the valuations in respect of the various categories:

Residential	0.0162	0.0155
Commercial	0.0275	0.0262
Industrial	0.0275	0.0262
Industrial Estate Special	0.0275	0.0262
Mining	0.0275	0.0262
Agriculture	0.0041	0.0039
Public Service Infrastructure	0.0041	0.0039
State	0.0257	0.0245
Municipal	0.0257	0.0245
State Trust land	0.0205	0.0195
Vacant land	0.0257	0.0245
Place of worship	0.0257	0.0245
Public benefit organisation	0.0041	0.0039

In terms of the Municipal Property Rates Act and the Council-approved Rates Policy, the first R15,000 of the market value of all rateable residential properties is exempt from property rates. In addition, a further reduction of R185,000 is applied to the market value of residential properties as per Council Resolution, providing substantial relief to qualifying owners.

Rebates are granted to pensioners, medically boarded individuals, and persons with disabilities, subject to application and verification processes. These rebates aim to provide financial relief to vulnerable groups within the community.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>24. Property rates (continued)</b>		
Council has also approved targeted rebates of 40% for industrial properties and 80% for agricultural properties. These categories were identified through local economic analysis as strategic economic enablers expected to contribute meaningfully to the realisation of the Mandeni Local Municipality Vision 2030. The intent is to support investment, job creation, and sustainable economic growth within the region.		
<b>25. Interest income - Property rates</b>		
Interest received on property rates	3,569,811	3,459,757
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	243,588,000	230,823,000
Finance Management Grant	1,800,000	1,850,000
EDTEA Grant	-	840,000
Library grant	4,619,000	4,423,001
EPWP Grant	1,815,000	2,553,000
	<b>251,822,000</b>	<b>240,489,001</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	46,478,561	41,014,441
Municipal Disaster Relief Grant	670,097	15,556,100
	<b>47,148,658</b>	<b>56,570,541</b>
	<b>298,970,658</b>	<b>297,059,542</b>
<b>EPWP Grant</b>		
Current-year receipts	1,815,000	2,553,000
Conditions met - transferred to revenue	(1,815,000)	(2,553,000)
	-	-
Poverty alleviation programme.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	5,377,560	-
Current-year receipts	41,101,000	46,392,000
Conditions met - transferred to revenue	(46,478,560)	(41,014,440)
	-	<b>5,377,560</b>
This grant is used to construct roads infrastructure and related community projects.		
<b>Sports and Recreation Grant</b>		
Balance unspent at the beginning of year	57,961	57,961
Conditions still to be met - remain liabilities (see note 12).		
To pay salaries and facility refurbishment.		

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>26. Government grants and subsidies (continued)</b>		
<b>Finance Management Grant</b>		
Current-year receipts	1,800,000	1,850,000
Conditions met - transferred to revenue	(1,800,000)	(1,850,000)
	-	-
Capacity building for the Budget and Treasury Office.		
<b>Library Grant</b>		
Balance unspent at beginning of year	118	119
Current-year receipts	4,619,000	4,423,000
Conditions met - transferred to revenue	(4,619,000)	(4,423,001)
	<b>118</b>	<b>118</b>
Conditions still to be met - remain liabilities (see note 12).		
To build a modular library.		
<b>EDTEA Grant</b>		
Balance unspent at beginning of year	150,000	-
Current-year receipts	-	990,000
Conditions met - transferred to revenue	-	(840,000)
Repayment of funds not fully spent	(150,000)	-
	-	<b>150,000</b>
Conditions still to be met - remain liabilities (see note 12).		
Municipal Employment Initiative Grant from Economic Development, Tourism and Environmental Affairs. The support is towards cost of supply study framework for all licensed electricity distributors from EDTEA.		
<b>Municipal Disaster Relief Grant</b>		
Balance unspent at beginning of year	-	15,556,100
Current-year receipts	5,181,500	-
Conditions met - transferred to revenue	(670,097)	(15,556,100)
Repayment of grant	(500)	-
	<b>4,510,903</b>	-
The grant is for disaster relief.		
<b>27. Fines, penalties and forfeits</b>		
Library fines	303	388
Traffic fines	1,077,800	1,583,200
	<b>1,078,103</b>	<b>1,583,588</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>28. Donated assets income</b>		
Donated assets	1,707,087	14,200
<p>Donated assets are in respect of computer equipment delivered to Mandeni Libraries by the KwaZulu-Natal Department of Arts and Culture. Furthermore, on the 1st of October 2024, the Mandeni municipality took over the firefighting service from the contracted Rural Metro Emergency Management. One (1) Fire Engine Truck, Two (2) Vehicles and a Trailer were handed over to Mandeni Municipality.</p>		
<b>29. Employee-related costs</b>		
Basic	96,502,874	83,417,464
Bonus	8,019,488	6,600,548
Medical aid - company contributions	8,721,089	6,331,728
UIF	635,944	544,999
WCA	88,878	75,034
Leave pay accrual	3,326,783	3,462,284
Defined contribution plans	15,150,787	13,021,715
Overtime payments	4,129,076	3,360,594
Car allowance	4,855,033	4,738,583
Housing benefits and allowances	339,696	315,472
Standby allowances	2,096,510	908,253
Cellphone allowance	758,208	617,383
Long service awards	559,920	1,447,137
	<b>145,184,286</b>	<b>124,841,194</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	2,154,675	1,055,588
Car Allowance	188,307	188,307
Performance Bonuses	164,204	104,396
Contributions to UIF, Medical and Pension Funds	62,351	48,093
	<b>2,569,537</b>	<b>1,396,384</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	1,290,599	72,231
Car Allowance	144,000	12,000
Contributions to UIF, Medical and Pension Funds	48,530	3,843
	<b>1,483,129</b>	<b>88,074</b>
<b>Remuneration of Director Corporate Services</b>		
Annual Remuneration	1,417,138	1,011,975
Performance Bonuses	91,397	97,885
Contributions to UIF, Medical and Pension Funds	72,118	54,445
	<b>1,580,653</b>	<b>1,164,305</b>
<b>Remuneration of Director Community Services</b>		
Annual Remuneration	1,605,625	815,072
Car Allowance	180,000	180,000
Performance Bonuses	112,350	-
Contributions to UIF, Medical and Pension Funds	44,675	34,848
	<b>1,942,650</b>	<b>1,029,920</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

	2025	2024
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### 29. Employee-related costs (continued)

#### Remuneration of Director Technical Services

Annual Remuneration	1,609,537	825,811
Car Allowance	169,261	169,261
Performance Bonuses	101,115	-
Contributions to UIF, Medical and Pension Funds	287	451
	<b>1,880,200</b>	<b>995,523</b>

#### Remuneration of Director EDPHS

Annual Remuneration	1,669,548	816,856
Car Allowance	178,215	178,215
Performance Bonuses	101,115	79,629
Contributions to UIF, Medical and Pension Funds	41,729	23,308
	<b>1,990,607</b>	<b>1,098,008</b>

#### Remuneration of Former CFO

Performance Bonuses	-	97,885
	<b>156,631,071</b>	<b>130,711,296</b>

### 30. Remuneration of the councillors

Mayor	1,014,890	991,190
Deputy Mayor	820,553	801,593
Mayoral Committee Members	2,855,755	2,806,540
Speaker	820,553	801,593
Chief Whip	449,765	439,849
MPAC Chairperson	437,830	428,205
Councillors	7,357,633	7,219,440
Councillors allowances	1,393,606	1,466,859
	<b>15,150,585</b>	<b>14,955,269</b>

#### In-kind benefits

##### The Mayor

The Mayor has access to the office and secretarial support at the cost of Council and is provided with the following:

2 bodyguards.

1 driver.

2 Municipal vehicles purchased.

Tools of trade as Gazette 51407: Determination of upper limit on Office bearers.

##### The Speaker

The Speaker has access to the office and secretarial support at the cost of Council and is provided with the following:

1 driver.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>30. Remuneration of the councillors (continued)</b>		
1 vehicle purchased.		
Tools of trade as Gazette 51407: Determination of upper limit on Office bearers.		
<b>The Deputy Mayor</b>		
The Deputy Mayor has access to the office at the cost of Council and is provided with the following:		
1 driver and 1 vehicle purchased.		
Tools of trade as Gazette 51407: Determination of Upper Limit of Office Bearers.		
<b>31. Bad debts written off</b>		
Indigent relief write off	10,695,563	4,388,493
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	37,763,921	31,406,018
Intangible assets	82,441	82,894
	<b>37,846,362</b>	<b>31,488,912</b>
<b>33. Inventory consumed</b>		
Consumables and materials	6,134,721	3,834,651
<b>34. Bulk purchases</b>		
Electricity - Eskom	58,515,367	52,474,725
<b>35. Transfer and subsidies</b>		
<b>Other subsidies</b>		
Sponsorship of events to support Tourism and SMME	2,450,000	1,700,000
<b>36. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	8,472,218	2,238,807
Impairment loss is due to Ward 10 Sportsfield that was halted before start of the construction due to land issues. Gravel Roads Upgrades in Ward 8 were also halted due to lack of funding by MIG. Furthermore it is due to Rehabilitation of Gravel Roads in various wards and Internal roads in Sundumbili i.e. isibuko Road which are impaired to zero and consequently de-recognised because of the deconstruction and rehabilitation. Masomonco Link Road disclosed as project taking longer to complete was also impaired for an amount of R3.6 Million.		
<b>37. Debt impairment</b>		
Contributions to debt impairment provision	24,402,858	6,047,836
<b>38. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	2,261,365	2,272,751

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>39. Finance costs</b>		
Trade and other payables	67	136,746
Retirement benefit obligation	3,399,300	2,997,870
	<b>3,399,367</b>	<b>3,134,616</b>
<b>40. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and advisory	10,890,430	6,330,386
Legal cost	1,707,850	2,051,241
Audit committee fees	186,042	197,994
<b>Contractors</b>		
Fire services	1,084,385	4,138,916
Repairs and maintenance	26,033,039	22,290,148
Construction contracts - INEP	1,304,348	6,420,870
Construction contracts - Internally funded	291,492	2,159,173
Prepaid electricity vendors	3,383,986	3,399,272
Construction contracts - Massification grant	-	4,139,698
Graphic designers	360,179	275,299
Pest control	29,200	-
<b>Outsourced Services</b>		
Internal auditors	1,331,082	1,063,388
Transport services	1,707,200	2,035,600
Security services	16,353,341	15,746,749
Catering services	4,482,825	5,133,473
Animal care	462,984	440,938
Refuse removal	4,342,513	3,420,759
Cleaning services	618,304	340,669
Valuers	229,377	178,794
Stage and Sound Crew	1,135,290	1,706,595
Burial services	410,490	400,821
Grass cutting and street cleaning	4,901,213	2,788,251
	<b>81,245,570</b>	<b>84,659,034</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>41. Operational costs</b>		
Advertising	1,747,666	1,607,740
Auditors remuneration	3,524,373	2,848,920
Bank charges	343,967	426,080
Consulting fees	3,028,211	3,764,786
Deed search costs	77,445	26,116
Electricity - internal	3,078,553	2,164,250
Gifts and promotions	168,650	-
Fuel and oil	9,117,423	9,238,297
Hire charges	1,878,890	1,679,734
System development and IT management expenses	6,142,977	2,746,777
Insurance	2,724,114	1,548,401
Skills Development Levy	1,372,155	1,145,112
Licences	7,302,741	5,559,960
Vehicle tracking expenses	165,950	249,549
Postage and courier	92,068	35,491
Printing and stationery	1,168,328	790,205
Free basic electricity	1,549,732	1,483,988
Roadworthy test	1,545,718	1,559,683
Subscriptions and membership fees	122,806	116,331
Subsistence and travelling	5,533,157	4,018,553
SALGA levies	1,579,782	1,416,794
Telephone	4,341,280	5,153,578
Training	2,954,826	2,556,879
Uniforms	3,291,070	2,486,314
Ward committees	2,669,700	2,568,600
Water	987,413	864,278
Workmens compensation	992,013	1,905,430
Youth programs	1,338,035	2,130,774
	<b>68,839,043</b>	<b>60,092,620</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>42. Loss on disposal/scraping of assets</b>		
Assets at cost	(5,511,563)	(5,254,166)
Accumulated depreciation	3,719,444	3,403,972
Carrying amount	(1,792,119)	(1,850,194)
Proceeds from sale of assets	827,381	1,349,677
<b>Loss on disposal/scraping of assets</b>	<b>(964,738)</b>	<b>(500,517)</b>
<b>Proceeds from sale of assets breakdown:</b>		
Property, plant and equipment	827,381	1,192,678
Investment property	-	157,000
	<b>827,381</b>	<b>1,349,678</b>

The loss on disposal or scrapping of assets is in respect of the assets that were either broken beyond repairs, lost, scrapped, obsolete, donated and written-off by an insurer. The following are the circumstances that led to the loss on disposal or scrapping.

**Transport Assets** – Motor vehicles, Toyota Avanza NZ19487, Isuzu KB250 CC21KMZN, Toyota Corolla Quest BK32FLZN, Isuzu Tipper Truck NZ11901, Nissan Crane Truck BW62VPZN and Small Tipper FTR500 BW62VXZN has been repaired for a number of times and it is uneconomical to maintain.

**Machinery and Equipment** – Mobile Asphalt Plant NZ21901 procured in 2021 for burning of cold asphalt materials for the use in pothole patching. The machinery has since not been used because suitable materials cannot be sourced.

**Computer Equipment** – Computers from Ndulinde Library were donated to four local schools within Mandeni i.e Ndulinde Primary, Hlanganani Primary, Enembe Primary and St Cyprian Primary.

**Furniture and office equipment** – Majority of the furniture and office equipment are the surveillance cameras that were replaced by the current security service provider. Some of the furniture and office equipment i.e. air conditioners, kitchen equipment and chairs were stolen during burglary at Isithebe Library in April 2025.

**Community Assets** – Shade House for Nursery at Technical Services has since been demolished and no longer in use. Further to that the Woodchipping area erected in 2021 near the Nursery has also been demolished. Two Wendy houses for Lifeguards at Tugela and Mbizimbelwe Beaches were worn out and dismantled.

**Intangible Assets** – The scrapped computer software is in respect of Sage Evolution which has since been written-off during the 2024-25 Financial year.

### 43. Fair value adjustments

Investment property (Fair value model)	2,239,000	1,541,000
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The property valuations have been carried out in terms of GRAP 16 by an Independent Professional Valuer i.e. Umhlaba Geomatics. Market value has been undertaken in accordance with standards laid down by the International Valuations Standards Council.

### 44. Auditors' remuneration

Fees	3,524,373	2,848,920
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# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>45. Cash generated from operations</b>		
Surplus	3,983,688	79,076,568
<b>Adjustments for:</b>		
Depreciation and amortisation	37,846,362	31,488,912
Loss on disposal/scrapping of assets	964,738	500,517
Fair value adjustments	(2,239,000)	(1,541,000)
Impairment loss	8,472,218	2,238,807
Debt impairment	24,402,858	6,047,836
Bad debts written off	10,695,563	4,388,493
Movements in retirement benefit assets and liabilities	1,874,520	4,307,819
Donated assets income (non-cash)	(1,707,087)	(14,200)
<b>Changes in working capital:</b>		
Inventories	1,095,283	17,707
Receivables from exchange transactions	(5,638,607)	(596,453)
Receivables from non-exchange transactions	(13,238,556)	(2,240,304)
Statutory receivables	(19,892,789)	(28,379,968)
Payables from exchange transactions	5,992,354	19,134,143
Unspent conditional grants and receipts	(3,736,585)	(16,760,518)
Consumer deposits	(6,158)	(31,268)
	<b>48,868,802</b>	<b>97,637,091</b>
<b>46. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	41,858,727	34,205,330
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment - Road infrastructure	-	19,999,833
<b>Total commitments</b>		
Authorised capital expenditure	41,858,727	54,205,163
The commitments disclosed above are inclusive of VAT.		
<b>Finance leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- later than five years	-	-
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	2,773,816	2,333,950
- in second to fifth year inclusive	1,454,216	2,773,816
	<b>4,228,032</b>	<b>5,107,766</b>

Operating Leases is in respect of rental of Photocopier Machines from Konica Minolta and for the Lease of Park home office Units from Maluthuli Consulting.

There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 47. Contingencies

#### Contingent assets

Name of entity	Attorney	Rand value 2025	Rand value 2024	Reference
JD Biyela	Matthew Francis Inc.	30,000	30,000	47.1

49.1 A dismissed employee referred an unfair dismissal dispute to the South African Bargaining Council and lost the dispute with costs to the favour of the municipality. The award ruled that the dispute was frivolous and vexatious and therefore the applicant is held liable for costs. The matter remains pending at year-end.

#### Contingent liabilities

A contingent liability is a possible obligation, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the municipality or a present obligation that is not recognised because, the outflow of economic benefits or service potential is not probable or a real present obligation, that may not be recognised, either because the timing or because the measurement is not known.

The following were identified as contingent liabilities stemming from the interaction with municipal lawyers as they could result in possible claims against the municipality:

Name of entity	Attorney	Rand value 2025	Rand value 2024	Reference
Independent Ethiopian Church of SA	TKN Incorporated	180,000	180,000	47.2
The Rate Payers Association of Tugela Mouth	TKN Incorporated	124,818	124,818	47.3
Mazibuko/Transnet	TKN Incorporated	500,000	500,000	47.4
MA Mthembu	TKN Incorporated	6,148,212	6,148,212	47.5
B Mnyandu	Bhekisisa Goqo & Co	150,000	300,000	47.6
MS Mthembu	TKN Incorporated	500,000	500,000	47.7
S Mhlongo	TKN Incorporated	150,000	-	47.8
Nkonzo Zulu and Nkosinathi Zulu	TKN Incorporated	100,000	-	47.9
Tugela Asphalt	Bhekisisa Goqo & Co	30,000	-	47.10
K Thusi	Mhlanga Inc.	300,000	-	47.11
BN Ntuli	Mhlanga Inc.	450,000	-	47.12
SAMWU/SD Ndlovu	Phumulani Ngubane & Associates Inc.	350,000	-	47.13
FS Zulu & 25 Others	Phumulani Ngubane & Associates Inc.	350,000	-	47.14
		<b>9,333,030</b>	<b>7,753,030</b>	

47.2 Independent Ethiopian Church of SA//Application to eject and demolish church walls in order to build road as part of the Municipality's Township Regeneration Strategy. The matter was opposed on the grounds that a long servitude had not been registered on the part of the Municipality and the Church had Permission to Occupy from the owner of the land being the Ingonyama Trust Board. Matter was heard on 17 October 2024. Judgement was received on 6 November 2024 wherein the judgement stated that the applicant failed to show that Erf 1325 vests in it in terms of Section 4A(4)(a) of the Ongonyama Trust act and therefore is not entitled to an eviction order. The application was dismissed with costs. Leave to appeal was also not granted.

47.3 The Rate payers association demanding that the municipality implements bylaws and control the influx within the Tugela Beach. An interim Court Order was granted in 2019 but the matter is yet to be heard in detail in Court for arguments. The municipality erected some boom gates in line with the Court Order but were damaged and removed by the local community members. The municipality continues to enforce access to the beach but the Ratepayers are continuously complaining and demanding the law enforcement officials to always be present at the beach. The municipality has received a new application lodged by Tugela Mouth Ratepayers Association on the same matter and A notice of intention to defend the matter was served and also answering affidavit was filed and served, and the municipality is awaiting their replying affidavit.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>47. Contingencies (continued)</b>		
47.4	Transnet // Mazibuko & Others//Application to have the Respondents interdicted and restrained from selling, alienating, allocating, granting or donating properties described as Erf 1299 Padianagar, Hlomendlini Mandeni. Further, those persons who occupy this property be vacated. Main Application heard on the 23rd November 2023. Application upheld. Order granted in Municipalities favour to vacate illegal occupiers and demolish. Further, 11th and 12th Respondents are interdicted from selling this land.	
47.5	Plaintiff occupied a Manager position under Special projects and a disciplinary enquiry was convened where a guilty finding and sanctioned was imposed and subsequently dismissed him. Consultations were held. Notice to remove has been filed because the complaint was served and filed. Date of the 20th August 2024 for hearing on the opposed roll. Consultations were again held. Notice to remove cause of complaint served and filed on 06 July 2023. attending to setting matter down on the opposed roll. Notice of exception drafted, served and filed. Date of the 20 August 2024 for hearing on the opposed roll. Matter adjourned for filing of plea. Served and filed plea together with discovery notices.	
47.6	H Mnyandu Case No: KZN/ESH/RC/63/2022 - The matter has once been on the court roll but could not proceed to trial due to unavailability of the presiding officer. The matter has been postponed sine die to allow for the parties to hold a conference to agree on issues to be decided. The Plaintiff's claims against the Municipality arises from a collapsed building. The Pleadings have closed and the matter is Trial ready. The Plaintiff's claim is unlikely to succeed.	
47.7	MS Mthembu//Applicants allege to be unlawfully withdrawn as the PR Councilors at the Municipality on the instruction or directive of the EFF. Served and filed Notice to abide.	
47.8	S Mhlongo//Application that sought the respondent to be interdicted and restrained from conducting and or running the services of a carwash or any other services ancillary thereto, or causing any other person to conduct such services, entering and constructing any structures on or in any way dealing with the immovable property described as Erf 1092 Sundumbili B. Founding papers served to Respondent. Awaiting Answering affidavit.	
47.9	An application for an order for the first and second respondents to be interdicted and restrained from entering, excavating, clearing, marking and constructing any structures on or in any way dealing with the immovable property described as Erf1325 Sundumbili A, Mandeni situated along Intuthuko and Thokoza Roads, Mandeni. A Rule is issued with a return date of the 11th August 2025 for respondents to show cause why an order interdicting, evicting and restraining them from unlawfully occupying the immovable property described as ERF 1325 Sundumbili A, Mandeni.	
47.10	Tugela Asphalt (Pty) Ltd - The Municipality requires an interdict against Tugela Asphalt. The sheriff has attempted service on address given but found that the premises is not occupied by the Tugela Asphalt company. Mandeni Municipality provided with a memo and we await further instructions. The change in financial exposure from the previous year is due to projected Attorneys fees and disbursements which relate to this matter.	
47.11	K.Thusi : SALGBC - The employee referred the matter to the Bargaining Council for unfair labour practice: unilateral change to condition of employment.	
47.12	BN.Ntuli : SALGBC - The employee referred the matter to the Bargaining Council for unfair labour practice: unfair dismissal.	
47.13	SAMWU/SD Ndlovu// The matter was set down at Arbitration for hearing at the beginning of the year. The raised a point in limine, in that the referral was made out of the prescribed time. Arbitrator ruled in favour of the Municipality. Applicant proceeded to launch a condonation application after the ruling. An answering affidavit was prepared and served to the applicant. No reply has been received. The matter has not been set down for hearing as yet. The matter is yet to be set down for hearing on condonation application by the applicant.	

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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Figures in Rand	2025	2024
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### 47. Contingencies (continued)

47.14 FS Zulu & 25 OTHERS //The matter was once again referred to the CCMA by the parties after a ruling against them at the Bargaining Council went against the applicants in favour of the Municipality. At the CCMA the Municipality, raised a point in limine, and the Commissioner ruled against the Municipality. The matter will be possible be allocated another date for hearing on whether the applicants were employees of the Municipality or not. We await notice of set down from the CCMA. The Matter is yet to be set down again for hearing on issue of whether the applicants were employees of the Municipality. The legal position of the Municipality is strong as there is decided cases which have held that EPWP employees are not employees as per the definition of the Act.

### 48. Related parties

Nature of related party relationships

Relationships

Accounting Officer

Councillors

Members of key management

SG Khuzwayo

Refer to General Information Page

SG Khuzwayo - Municipal Manager

NZ Guzana - Chief Financial Officer

VP Zulu - Director: Corporate Services

RS Dlamini - Director: Technical Services

B Sithole - Director: Public Safety and Community Services

WD Mbongwa - Director: Economic Development

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Related parties (continued)

#### Remuneration of management

#### Councillors/Mayoral committee members

#### 2025

Name	Basic salary	Housing allowance	Motor vehicle allowance	Cellphone allowance	Total
Mayor	971,690	-	-	43,200	1,014,890
Deputy Mayor	777,353	-	-	43,200	820,553
Mayoral Committee Members	2,395,838	78,017	169,500	212,400	2,855,755
Speaker	777,353	-	-	43,200	820,553
Chief Whip	404,565	-	2,000	43,200	449,765
MPAC Chairperson	394,630	-	-	43,200	437,830
Councillors	7,357,633	48,468	280,239	1,064,899	8,751,239
	<b>13,079,062</b>	<b>126,485</b>	<b>451,739</b>	<b>1,493,299</b>	<b>15,150,585</b>

#### 2024

Name	Basic salary	Housing allowance	Motor vehicle allowance	Cellphone allowance	Total
Mayor	948,590	-	-	42,600	991,190
Deputy Mayor	758,993	-	-	42,600	801,593
Mayoral Committee Members	2,300,925	109,506	183,108	213,000	2,806,539
Speaker	758,993	-	-	42,600	801,593
Chief Whip	397,249	-	-	42,600	439,849
MPAC Chairperson	385,605	-	-	42,600	428,205
Councillors	7,219,441	57,070	344,789	1,065,000	8,686,300
	<b>12,769,796</b>	<b>166,576</b>	<b>527,897</b>	<b>1,491,000</b>	<b>14,955,269</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Related parties (continued)

#### Executive management

#### 2025

Name	Annual remuneration	Car allowance	Performance bonuses	Contributions to UIF/Medical/Pension	Total
Municipal Manager	2,154,675	188,307	164,206	62,351	2,569,539
Chief Financial Officer	1,290,599	144,000	-	48,530	1,483,129
Director: Corporate Services	1,417,138	-	91,397	72,118	1,580,653
Director: Community Services	1,605,625	180,000	112,350	44,675	1,942,650
Director: Technical Services	1,609,537	169,261	101,115	287	1,880,200
Director: EDPHS	1,669,548	178,215	101,115	41,729	1,990,607
	<b>9,747,122</b>	<b>859,783</b>	<b>570,183</b>	<b>269,690</b>	<b>11,446,778</b>

#### 2024

Name	Annual remuneration	Car allowance	Performance bonuses	Contributions to UIF/Medical/Pension	Total
Municipal Manager	1,055,588	188,307	104,396	48,903	1,397,194
Chief Financial Officer	72,231	12,000	-	3,843	88,074
Director: Corporate Services	1,011,975	-	97,885	54,445	1,164,305
Director: Community Services	815,072	180,000	-	34,848	1,029,920
Director: Technical Services	825,811	169,261	451	-	995,523
Director: EDPHS	816,856	178,215	79,629	23,308	1,098,008
Former CFO	-	-	97,885	-	97,885
	<b>4,597,533</b>	<b>727,783</b>	<b>380,246</b>	<b>165,347</b>	<b>5,870,909</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand

2025

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### 49. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

At 30 June 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	42,184,789	-	-	-
Consumer deposits	179,038	-	-	-
At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions*	41,569,989	-	-	-
Consumer deposits	185,196	-	-	-

\*The amounts have been restated in line with GRAP. Refer to prior period error note.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate owing to changes in market interest rates. The municipality's level of borrowing and consequently the debt servicing costs are closely monitored and controlled by the EXCO having regard to the prevailing and projected interest rates and the municipality's capacity to service such debt from future earnings and allocations however the long-term loan's interest rate is fixed throughout the term of repayment. Balances exposed to the interest rate risk. The municipality's policy is to further manage interest rate risks so that fluctuations in interest rates do not have a material impact on the net surplus/ deficit.

Short-term investments	115,593,832	199,451,615
Cash and cash equivalents	16,305,125	9,356,268
	<b>131,898,957</b>	<b>208,807,883</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 49. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Trade and other receivables from exchange transactions*	15,092,596	15,676,177
Receivables from non-exchange transactions*	3,080,502	2,294,785
	<b>18,173,098</b>	<b>17,970,962</b>

\*The amounts have been restated in line with GRAP. Refer to prior period error note.

### 50. Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

Opening balance	-	660,494
Fruitless and wasteful expenditure current year	67	136,741
Written off by Council - prior year	(67)	(660,494)
Written off by Council - current year	-	(136,741)
<b>Fruitless and wasteful expenditure at year-end</b>	<b>-</b>	<b>-</b>

Fruitless and wasteful expenditure incurred by the municipality relates to interest charged by suppliers on late payments.

The amount that was written-off by Council relates to the interest charged by suppliers on late payments.

### 51. Irregular expenditure

Opening balance as previously reported	4,890,750	1,334,645
Prior period adjustment	-	-
<b>Opening balance as restated</b>	<b>4,890,750</b>	<b>1,334,645</b>
Add: Irregular Expenditure - current	5,798,181	6,259,527
Less: Amount written off - current	(3,470,613)	(2,057,320)
Less: Amount written off - prior period	(4,890,750)	(646,102)
<b>Closing balance</b>	<b>2,327,568</b>	<b>4,890,750</b>

Irregular expenditure incurred relates to funds paid by the municipality to support Tourism Development within Mandeni. Selection Process did not follow guidance as outlined in Section 67 and Circular No 131 of the MFMA: Funds Transferred by Municipalities to Organisations and Bodies Outside the Government.

All investigations were undertaken by the MPAC and disciplinary board prior to write off.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>52. Unauthorised expenditure</b>		
Opening balance as previously reported	8,672,326	6,242,581
Add: Expenditure identified - current	31,310,406	8,672,326
Less: Amount approved by Council	(25,488,819)	(6,242,581)
<b>Closing balance</b>	<b>14,493,913</b>	<b>8,672,326</b>

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

Non-cash	13,271,650	-
Cash	12,192,279	8,672,326
	<b>25,463,929</b>	<b>8,672,326</b>

### Analysed as follows: non-cash

Loss on disposal of property, plant and equipment	364,738	-
Impairment Loss	8,472,218	-
Irrecoverable Debts Written Off	4,434,694	-
	<b>13,271,650</b>	<b>-</b>

### Analysed as follows: cash

Bulk purchases	649,768	610,879
Inventory consumed	500,499	376,621
Operational costs	4,404,208	5,458,880
Employee related costs	4,088,437	-
Finance charges	99,367	-
Contracted services	-	1,474,934
Lease rentals	-	751,012
Transfers and subsidies	2,450,000	-
	<b>12,192,279</b>	<b>8,672,326</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>52. Unauthorised expenditure (continued)</b>		
<b>Unauthorised expenditure: Budget overspending – per vote</b>		
Community and social services	11,278,370	-
Energy sources	2,687,911	-
Finance and administration	15,902,493	8,672,326
Road transport	1,441,632	-
	<b>31,310,406</b>	<b>8,672,326</b>

(i) Employee related costs have exceeded budget by R1,5 million which is due to GRAP 25 Calculation by Actuaries for post-employment medical supply and standby allowance paid to qualifying employees which was understated in the budget.

(ii) Irrecoverable debt has exceeded the budget by R4.4 million. This is due to the fact that in the prior year, a significant number of prospective applicants were deemed non-compliant owing to incomplete or missing supporting documentation. These deficiencies were formally communicated to the respective applicants, who subsequently regularised their submissions post the stipulated closing date. As a result, such applications were not recognised within the prior reporting cycle. During the current reporting period, the resubmitted and now compliant applications were reclassified from pending to eligible, thereby resulting in their formal recognition and approval within the year under review, hence a higher irrecoverable debt written off.

(iii) Depreciation and amortisation have exceeded budget by R4.8 million. This variance is due to an increase in the number of capital projects commissioned during the financial year.

(iv) Loss on disposal/scraping of assets has exceeded budget by R364 thousand, which is due to lesser proceeds realised during the last auction.

(v) Inventory consumed has exceeded budget by R500 thousand. This variance is due to procurement of materials needed to repair and maintain roads.

(vi) Operational cost has exceeded budget by R4.5 million which is due to the following items:

- Fuel and oil have exceeded allocated budget by R1.9 million, this is due to level of demand for fuel which has increased significantly due to additional fleet procured by the municipality to meet service delivery needs of the community. Another contributing factor for this performance is the increased fuel cost as it becomes clear that budget allocated for this item appeared to be understated.

- System Development have exceeded budget by R2,6 million which is due to the implementation of projects that were not part of the initial scope for this financial year. These included the urgent requirement to install network infrastructure and all necessary IT services at the newly established Fire Station and Driving License Testing Centre (DLTC). The municipality had to prioritise these setups to ensure operational readiness and service delivery for these municipal facilities.

(vii) Bulk Electricity has exceeded budget by R649 thousand which is due to level of demand for electricity by Umngeni water. Based on their demand the municipality is unable to make an accurate budget estimation for this item.

(viii) Finance Charges have exceeded budget by R99 thousand which is due to GRAP 25 Calculation from Actuaries on Interest expense for Post-employment medical supply.

Unauthorised expenditure incurred in the 2024 financial year of R8,672,326 relates to bulk purchases of R610,879, contracted services of R1,474,934, lease rentals on operating leases of R751,012, inventory consumed of R376,621 and operational costs of R5,458,880.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>53. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	1,579,782	1,416,794
Amount paid - current year	(1,579,782)	(1,416,794)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>Material losses through electricity distribution</b>		
Current year subscription / fee	430,758	1,043,822
<b>Audit fees</b>		
Opening balance	-	-
Current year subscription / fee	3,524,373	2,848,920
Amount paid - current year	(3,524,373)	(2,848,920)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>PAYE and UIF</b>		
Opening balance	-	-
Current year subscription / fee	26,868,530	21,875,834
Amount paid - current year	(26,868,530)	(21,875,834)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year subscription / fee	23,207,500	19,513,860
Amount paid - current year	(23,207,500)	(19,513,860)
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2025:

30 June 2025	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr NR Dludla	715	10,068	10,783
Cllr LS Zungu	1,660	90,594	92,254
Cllr MB Ngidi	960	47,947	48,907
Cllr BA Khumalo	2,576	27,690	30,266
Cllr BA Mchunu	1,898	25,486	27,384
Cllr LS Mthembu	216	-	216
Cllr SP Naicker	1	-	1
Cllr MT Ncanana	654	3,694	4,348
Cllr S Mdunge	216	-	216
Cllr Z Mdletshe	577	-	577
	<b>9,473</b>	<b>205,479</b>	<b>214,952</b>

30 June 2024	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr NR Dludla	677	13,184	13,861
Cllr NS Ncube	841	12,974	13,815
Cllr LS Zungu	1,424	83,558	84,982
Cllr NO Dladla	206	-	206
Cllr MB Ngidi	855	51,235	52,090
Cllr BA Khumalo	2,378	17,651	20,029
Cllr BA Mchunu	1,803	38,724	40,527
Cllr LS Mthembu	206	-	206
Cllr SP Naicker	2,179	9,596	11,775
Cllr MT Ncanana	628	3,052	3,680
Cllr MS Mdunge	2,710	654	3,364
Cllr S Mdunge	954	-	954
Cllr Z Mdletshe	245	-	245
	<b>15,106</b>	<b>230,628</b>	<b>245,734</b>

### 54. Deviation from supply chain management regulations

Categories of SCM Regulations	SCM Reg reference	Number of cases	% of Total cases	Value (R)	% of Rand Value
In an emergency	36(1)(a)(i)	2	4 %	179,521	5 %
Services are available from a single provider	36(1)(a)(ii)	21	38 %	1,840,616	49 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	32	58 %	1,719,600	46 %
		<b>55</b>	<b>100 %</b>	<b>3,739,737</b>	<b>100 %</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

### 55. Budget differences

#### Material differences between budget and actual amounts

The material differences between the approved budget and actual result are the consequence of activities during the financial period. The changes between the approved and final budget are due to changes in the overall budget parameters.

Variances of more than 10% are considered material. The materiality of these variances are based on the average inflation rate and average changes to the budget over the years. These variances are explained below:

	Final Budget	Actual	Variance	% Variance	References
<b>Revenue from exchange transactions</b>					
Service charges	86,447,551	77,826,134	(8,621,417)	(10)%	
Sale of goods and rendering of services	2,755,175	1,304,348	(1,450,827)	(53)%	55.1
Rental of facilities and equipment	723,913	593,198	(130,715)	(18)%	55.2
Interest earned from receivables	1,499,795	1,487,187	(12,608)	(1)%	
Retention forfeits	-	2,491,023	2,491,023	- %	55.3
Licences and permits	956,522	969,092	12,570	1 %	
Operational revenue	1,750,000	2,332,423	582,423	33 %	55.4
Interest received - investment	28,000,000	19,863,247	(8,136,753)	(29)%	55.5
Fair value adjustments	-	2,239,000	2,239,000	- %	55.6
Remeasurements of employee benefit obligations	-	2,619,115	2,619,115	- %	55.7
<b>Revenue from non-exchange transactions</b>					
Property rates	62,236,581	63,942,090	1,705,509	3 %	
Interest income - Property rates	3,307,737	3,569,811	262,074	8 %	
Transfers recognised - operational	253,162,620	251,822,000	(1,340,620)	(1)%	
Fines, penalties and forfeits	1,310,490	1,078,103	(232,387)	(18)%	55.8
Donated assets income	-	1,707,087	1,707,087	- %	55.9
Transfers recognised - capital	47,421,439	47,148,658	(272,781)	(1)%	
	<b>489,571,823</b>	<b>480,992,516</b>	<b>(8,579,307)</b>		
Employee related costs	(152,542,634)	(156,631,071)	(4,088,437)	3 %	
Remuneration of councillors	(16,387,620)	(15,150,585)	1,237,035	(8)%	
Depreciation and amortisation	(37,856,010)	(37,846,362)	9,648	- %	55.10
Finance charges	(3,300,000)	(3,399,367)	(99,367)	3 %	
Inventory consumed	(5,634,222)	(6,134,721)	(500,499)	9 %	
Bulk purchases	(57,865,599)	(58,515,367)	(649,768)	1 %	
Irrecoverable debt written off	(6,260,869)	(10,695,563)	(4,434,694)	71 %	55.11
Lease rentals on operating lease	(2,300,000)	(2,261,365)	38,635	(2)%	
Debt impairment	(30,260,870)	(24,402,858)	5,858,012	(19)%	55.12
Contracted services	(84,257,355)	(81,245,570)	3,011,785	(4)%	
Loss on disposal/scrapping of assets	(600,000)	(964,738)	(364,738)	61 %	55.13
Impairment losses	-	(8,472,218)	(8,472,218)	- %	55.14
Transfers and subsidies	-	(2,450,000)	(2,450,000)	- %	55.15
Operational costs	(64,434,835)	(68,839,043)	(4,404,208)	7 %	
	<b>27,871,809</b>	<b>3,983,688</b>	<b>(23,888,121)</b>		
<b>Capital spending</b>					
Capital expenditure	(135,814,393)	(126,072,931)	4,404,208	7 %	

55.1 The budgeted sales of goods and services is more than the budgeted amount. The variance is due to level of demand on the following items, Sale of Tender documents, Provision of Escort and Fire Service and Building Plan and Town planning fees.

55.2 The actual rental of facilities income is less than the budgeted amount. The variance is due to the level of demand in the usage of municipal facilities. Budget projection was based on previous year performance.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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### 55. Budget differences (continued)

- 55.3 There were no retention forfeits that were budgeted for in the current year.
- 55.4 The budgeted operational revenue is more than actual amounts. This variance is due to budget that was allocated for sale of property, however the municipality did not have any sale of land in the current financial year.
- 55.5 The budgeted interest income is more than the actual amount. This is due to lower interest rates and lower investment balances in comparison to the previous financial year. More cash was applied to operational costs incurred by the municipality in comparison to the previous financial years.
- 55.6 These are fair value adjustments and were not budgeted for.
- 55.7 These are actuarial valuations movements and budgeted under employee costs.
- 55.8 The actual fines and forfeits were less than budget. This is due to more fines being budgeted for than anticipated.
- 55.9 The actual donated assets income is more than budgeted. This is because these were not budgeted for.
- 55.10 Depreciation and amortisation have exceeded budget by R4.8 million. This variance is due to an increase in the number of capital projects that were commissioned during the financial year, resulting in additional depreciation costs incurred by the municipality.
- 55.11 Irrecoverable debt has exceeded the budget by R4.4 million. This is due to the fact that in the prior year, a significant number of prospective applicants were deemed non-compliant owing to incomplete or missing supporting documentation. These deficiencies were formally communicated to the respective applicants, who subsequently regularised their submissions post the stipulated closing date. As a result, such applications were not recognised within the prior reporting cycle. During the current reporting period, the resubmitted and now compliant applications were reclassified from pending to eligible, thereby resulting in their formal recognition and approval within the year under review, hence a higher irrecoverable debt written off.
- 55.12 The actual debt impairment is less than budgeted. This is due to less debt being impaired in the current year.
- 55.13 Loss on disposal/scraping of assets has exceeded budget by R364 thousand. This variance is due to lesser proceeds realised during the last auction of the municipality's assets.
- 55.14 The actual impairment losses are more than budgeted, as these were not budgeted for..
- 55.15 The actual transfers and subsidies were not budgeted for, hence a negative variance.

### Reasons for changes in approved budget

The reason for change in original budget to adjustment budget is due to assessment of mid-year budget performance as per MFMA Section 72 which recommend for adjustment budget.

The second adjustment budget was due to the municipality receiving allocation for Disaster Grant.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand			2025	2024
<b>56. MFMA disclosure on SCM Regulation 45</b>				
Supplier name	Employee name	Employee capacity	2025	2024
Sodube Sotobe	NT Sibiya	Public Participation and OSS Officer	203,000	81,300
Fana Manufacturing	N Reddy	Prosecutor - Verulam Magistrate Court	1,123,479	776,687
Mecom Trading Enterprise	M Msweli	Accountant - Receipting and Deposit	66,197	565,323
Conlog Pty Ltd	N Moodley	Director - KZN Department of Health	4,185,605	4,033,533
Adapt IT Pty Ltd	D Mbambo	Operation Maintenance Manager- SANRAL	118,416	-
Taurus Hydraulics and Eng Pty Ltd	T Ramlall	PMS Clerk	1,038,282	1,024,338
Tasveer Trading	S Jwalapursad	Registry Clerk	1,722,200	1,817,100
Olungawelwa (Pty) Ltd	IS Shandu	Risk management intern	196,495	67,593
BSK Occupational Health	BS Khoza	Medical Officer Grade 1	26,040	50,540
Ixperience Tours	M Nzuzza	Projects Coordinator	1,176,793	-
Urbanru Pty Ltd	J Sewdular	Director - IPMS	1,364,210	-
Amananda Trading Pty Ltd	SF Mwandla	Emergency Care Officer Grade 2	2,648,000	-
Velela Trading and Projects	SP Shongwe	Gender Based Violence Activist	56,500	-
Mobile Telephone Networks	S Zinn	Board of Director	223,126	-
			<b>14,148,343</b>	<b>8,416,414</b>

In the previous financial year, the MFMA disclosure on SCM Regulation 54 was understated by R1,935,233. Refer to note 59 for prior period error.

### 57. Events after the reporting date

The Accounting Officer is not aware of any significant events after the reporting date.

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand 2025 2024

### 58. Accounting by principals and agents

The municipality is a party to principal-agent arrangements.

#### Details of the arrangements

##### Housing Title Deed grant - Title Deeds

- There is a binding agreement with The Provincial Department of Human Settlements Kwa-Zulu Natal for the title deeds restoration programme;
- Transactions are for the benefit of another entity i.e. benefits are for The Provincial Department of Human Settlements in that the title deed activities undertaken are on behalf of the Department.
- The municipality does not have the power to determine the significant terms and conditions of the transactions.
- The municipality has limited inventory risk and therefore not exposed to the variability in the results of transactions.

##### Ilembe District Municipality - Bulk water and sanitation to service Inyoni Housing Development

- There is a binding agreement between with Provincial Department of Human Settlements and Ilembe District Municipality for the Bulk water and sanitation to service Inyoni Housing Development.
- Transactions are for the benefit of another entity i.e. benefits are for The Provincial Department of Human Settlements and Ilembe District Municipality in the development of residential township, Inyoni Integrated Human Settlement, situated on Remainder of Lot 30 Inyoni.
- The municipality does not have the power to determine the significant terms and conditions of the transactions.
- The municipality has limited inventory risk and therefore not exposed to the variability in the results of transactions.

#### Entity as agent

##### Grants received

The municipality does not recognise any revenue in respect of these arrangements. However, grants are provided to the municipality for the execution of the projects.

##### Housing Title Deed grant

Balance unspent at beginning of year	3,442,801	4,789,797
Conditions met	(2,719,929)	(1,346,996)
<b>Unspent grant at year end</b>	<b>722,872</b>	<b>3,442,801</b>

##### DWS (Ilembe District)

Current-year receipts	1,284,411	-
Conditions met	(1,284,411)	-
<b>Unspent grant at year end</b>	<b>-</b>	<b>-</b>

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

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Figures in Rand	2025	2024
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### 59. Prior period errors

Payables from exchange transactions and remuneration of councillors

During the current financial year, it was identified that the backpay related to councillors' remuneration for the period July 2023 to June 2024, which was approved and paid in November 2024, was not recognised as expenditure in the 2023/24 financial year. In accordance with the accrual basis of accounting and GRAP 3, an adjustment for prior period expenditure has been recognised to reflect the remuneration obligation that existed at year-end 30 June 2024. This adjustment corrects the omission of these amount from the 2023/24 financial statements, ensuring that expenses are recorded in the period to which they occur. The impact of this prior period expenditure on the statement of financial performance and accumulated surplus/deficit has been disclosed separately in the notes to the financial statements.

This disclosure aligns with GRAP 3 requirements to correct prior period errors by retrospective restatement or disclosure and ensures users of financial statements understand the nature and impact of the correction.

Opening accumulated surplus and VAT output

In the previous years when the municipality was implementing MSCOA, the municipality did not bring in the full VAT accrual portion. The municipality has recently identified that the output VAT accrual portion of refuse collection was not recognised as an opening balance. This resulted in the VAT accrual being understated and opening accumulated surplus being overstated with the same amount. The error was corrected retrospectively.

The errors were corrected retrospectively and the impact thereof are as follows:

#### Statement of financial position

Increase in payables from exchange transactions	(391,461)
Decrease in opening accumulated surplus	3,840,736
Increase in VAT output (accrual)	(3,840,736)

#### Statement of financial performance

Increase in remuneration of councillors	(391,461)
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#### Comparative figures

##### Contracted services

In the previous financial year, the municipality has reclassified certain items of contracted services in order to enhance fair presentation of the financial statements.

Remuneration of Councillors

In the previous financial year, the remuneration for councillors was split in detail to disclose MPAC Chairperson and Chief Whip remuneration separately.

Employee related costs

In the previous financial year, the housing benefits and allowances were aggregately disclosed in the financial statements. In the current year, the municipality has separately disclosed these benefits in order to enhance the presentation of employee related costs.

Receivables from exchange transactions and receivables from non-exchange transactions

In the previous financial year, other receivables were disclosed as receivables from non-exchange transactions. In the current financial year, these receivables have been disclosed as part of receivables from exchange transactions. This is to enhance the fair presentation of financial statements.

The reclassifications, which are presented retrospectively, resulted in adjustments as follows:

# Mandeni Municipality

Annual Financial Statements for the year ended 30 June 2025

## Notes to the Annual Financial Statements

Figures in Rand	2025	2024
<b>59. Prior period errors (continued)</b>		
<b>Reclassifications in contracted services</b>		
Decrease in business and advisory		(1,700,000)
Increase in tourism development		1,700,000
Decrease in repairs and maintenance		(2,788,251)
Increase in grass cutting and street cleaning		2,788,251
		<hr/>
<b>Reclassifications in employee related costs</b>		
Decrease in housing benefits and allowances		(908,253)
Increase in standby allowance		908,253
		<hr/>
<b>Reclassifications in remuneration of councillors</b>		
Increase in MPAC Chairperson		428,205
Increase in Chief Whip		439,849
Decrease in councillors		(868,054)
		<hr/>
<b>Reclassifications in receivables from exchange transactions and receivables from non-exchange transactions</b>		
Increase in receivables from exchange transactions		798,683
Decrease in receivables from non-exchange transactions		(798,683)
		<hr/>

### Disclosures

#### MFMA disclosures on SCM Regulation 45

In the 2024 financial year, MFMA disclosures on SCM Regulation 45 were understated by R1,935,233. This was due to an error in determining these amounts. The error was corrected retrospectively.

#### Risk management

In line with GRAP 104, certain items of risk management were disclosed incorrectly in the 2024 financial year. The restatements were as follows:

- The Payables from exchange transactions were correctly disclosed as R41,569,989 instead of R59,386,993.
- The Unspent conditional grants were correctly disclosed as R9,028,438 instead of Rnil.
- Receivables from exchange transactions were correctly disclosed as R15,676,177 instead of R14,877,494.
- Receivables from non-exchange transactions were correctly disclosed as R2,294,785 instead of R3,093,468 due to the reclassification of other receivables.

#### 60. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of R 938,627,952 and that the municipality's total liabilities exceed its assets by R 940,857,883.

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.

# Mandeni Municipality

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### 61. Change in estimate

#### Property, plant and equipment

In the beginning of the financial year, the municipality reviewed remaining useful lives of certain items of Property Plant and Equipment. The remaining useful lives were re-assessed based at the beginning of the financial year based on the expected useful lives of those assets. The useful lives of property plant and equipment were initially estimated between 3 and 15 years. For property plant and equipment the remaining useful lives were estimated to be between 5 and 20 years. This is considered a change in accounting estimates and the effect is treated respectively;

	Old estimate	New estimate	Increase / (Decrease) in Depreciation
Depreciation : Current year	923,601	448,695	(474,906)
Depreciation : Future years	1,691,109	2,166,015	474,906
	<b>2,614,710</b>	<b>2,614,710</b>	-

#### Residual values

In the beginning of the financial year, the municipality reviewed residual values of certain items of Property Plant and Equipment. The residual values were re-assessed based on the expected proceeds to be realised at the disposal date of those assets. The residual values of property plant and equipment were initially estimated at 20%. For Community Assets, Buildings and Computer Equipment the residual values were changed to 0% and 5% . This is considered a change in accounting estimates and the effect is treated prospectively.

	Old estimate	New estimate	Increase / (Decrease) in Amortisation
Depreciation : Current year	1,397,783	2,007,474	609,691
Depreciation : Future years	21,309,728	29,341,431	8,031,703
	<b>22,707,511</b>	<b>31,348,905</b>	<b>8,641,394</b>

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### 62. Segment information

#### General information

#### 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.

#### 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 set out below:

<b>Reportable segment</b>	<b>Goods and/or services</b>
Executive & Council	Provision of overall governance to other segments of the municipality
Finance & Administration	Provision of financial and administrative services to other segments of the municipality
Planning & Development	Provision of economic development activities in the municipality
Roads & Infrastructure	Construction and maintenance of roads and infrastructure owned by the municipality
Community & Social Services	Construction and maintenance of halls and cemeteries owned by the municipality
Energy Sources	Provision of energy and electrical services to the community
Waste management	Provision of waste management services to the community
Public Safety	Provision of pound services and public safety to the community

#### Reporting on segment assets and liabilities

The Municipality has assessed that assets and liabilities associated with each segment are 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 are not required to be disclosed.

#### Information about geographical areas

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.

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

# Mandeni Municipality

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### 62. Segment information (continued)

#### Segment surplus or deficit

2025

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
<b>Revenue</b>									
Service charges	-	-	-	-	-	64,753,473	13,072,661	-	77,826,134
Sale of goods and services	-	326,415	147,451	-	206,280	1,304,348	-	429,036	2,413,530
Rental of facilities and equipment	-	-	-	-	593,198	-	-	-	593,198
Interest income - service charges	-	-	-	-	-	78,257	1,408,930	-	1,487,187
Licences and permits	-	-	145,422	-	-	-	-	823,670	969,092
Other operational revenue	-	682,321	-	427,700	-	113,220	-	-	1,223,241
Interest received	-	19,863,247	-	-	-	-	-	-	19,863,247
<b>Other non-operating gains</b>									
Fair value adjustments	-	4,858,115	-	-	-	-	-	-	4,858,115
<b>Revenue from non-exchange transactions</b>									
Property rates	-	63,942,090	-	-	-	-	-	-	63,942,090
Government grants and subsidies	8,038,000	237,350,000	-	47,148,658	6,434,000	-	-	-	298,970,658
Donations received	-	-	-	-	222,087	-	-	1,485,000	1,707,087
Fines	-	2,491,023	-	-	303	-	-	1,077,800	3,569,126
Interest income - property rates	-	3,569,811	-	-	-	-	-	-	3,569,811
<b>Municipality's revenue</b>	<b>8,038,000</b>	<b>333,083,022</b>	<b>292,873</b>	<b>47,576,358</b>	<b>7,455,868</b>	<b>66,249,298</b>	<b>14,481,591</b>	<b>3,815,506</b>	<b>480,992,516</b>

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	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
<b>62. Segment information (continued)</b>									
<b>Expenditure</b>									
Employee costs	(17,005,728)	(45,048,767)	(20,704,305)	(25,018,083)	(39,224,652)	(4,092,852)	(5,536,682)	-	(156,631,069)
Remuneration of councillors	(15,150,585)	-	-	-	-	-	-	-	(15,150,585)
Depreciation and amortisation	-	(11,691,489)	-	(20,685,443)	(4,360,554)	(1,108,876)	-	-	(37,846,362)
Impairment losses	-	(8,472,218)	-	-	-	-	-	-	(8,472,218)
Finance costs	-	(3,399,367)	-	-	-	-	-	-	(3,399,367)
Lease rentals	-	(2,261,365)	-	-	-	-	-	-	(2,261,365)
Irrecoverable debt written off	-	(8,521,650)	-	-	-	-	(2,173,913)	-	(10,695,563)
Debt impairment	-	(24,402,858)	-	-	-	-	-	-	(24,402,858)
Contracted services	(13,928,935)	(35,035,350)	(2,196,214)	(11,734,911)	(9,156,136)	(4,213,559)	(4,580,573)	(399,890)	(81,245,568)
Inventory consumed	(1,576,515)	(209,361)	(2,001,675)	(969,261)	(1,257,443)	(36,496)	(83,972)	-	(6,134,723)
Operational costs	(19,089,054)	(41,041,160)	(980,736)	(489,717)	(1,446,476)	(4,675,879)	(53,715)	(1,062,308)	(68,839,045)
Bulk purchases	-	-	-	-	-	(58,515,367)	-	-	(58,515,367)
Loss on disposal of assets	-	(964,738)	-	-	-	-	-	-	(964,738)
Transfers and subsidies	-	-	(2,450,000)	-	-	-	-	-	(2,450,000)
<b>Total segment expenditure</b>	<b>(66,750,817)</b>	<b>(181,048,323)</b>	<b>(28,332,930)</b>	<b>(58,897,415)</b>	<b>(55,445,261)</b>	<b>(72,643,029)</b>	<b>(12,428,855)</b>	<b>(1,462,198)</b>	<b>(477,008,828)</b>
<b>Total segmental surplus/(deficit)</b>	<b>(58,712,817)</b>	<b>152,034,699</b>	<b>(28,040,057)</b>	<b>(11,321,057)</b>	<b>(47,989,393)</b>	<b>(6,393,731)</b>	<b>2,052,736</b>	<b>2,353,308</b>	<b>3,983,688</b>
<b>Other information</b>									
Capital expenditure	(12,469,737)	(14,867,229)	(7,736,871)	(75,699,574)	(11,295,948)	(1,626,223)	(1,560,000)	(817,348)	(126,072,930)
Segment assets	-	1,049,941,047	-	-	-	-	-	-	1,049,941,047
Segment liabilities	-	(104,583,347)	-	-	-	-	-	-	(104,583,347)
Cash flows from operating activities	-	46,533,023	-	-	-	-	-	-	46,533,023
Cash flows from investing activities	-	(123,538,465)	-	-	-	-	-	-	(123,538,465)
Cash flows from financing activities	-	95,516	-	-	-	-	-	-	95,516

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### 62. Segment information (continued)

2024

	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
<b>Revenue</b>									
Service charges	-	-	-	-	-	61,164,195	12,379,853	-	73,544,048
Rental of facilities and equipment	-	-	-	44,289	250,077	-	-	-	294,366
Interest income - service charges	-	-	-	-	-	47,865	871,404	-	919,269
Construction contracts	-	-	-	-	-	10,560,568	-	-	10,560,568
Licences and permits	-	-	52,047	-	-	-	-	932,730	984,777
Other income	-	2,192,908	206,603	-	131,415	97,935	-	135,525	2,764,386
Interest received	-	26,748,038	-	-	-	-	-	-	26,748,038
<b>Other non-operating gains</b>									
<b>Revenue from non-exchange transactions</b>									
Property rates	-	58,320,526	-	-	-	-	-	-	58,320,526
Government grants and subsidies	7,806,000	224,867,000	840,000	56,570,540	6,976,001	-	-	-	297,059,541
Donations received	-	-	-	-	14,200	-	-	-	14,200
Fines	-	-	-	-	388	-	-	1,583,200	1,583,588
Interest income - property rates	-	3,459,757	-	-	-	-	-	-	3,459,757
<b>Municipality's revenue</b>	<b>7,806,000</b>	<b>315,588,229</b>	<b>1,098,650</b>	<b>56,614,829</b>	<b>7,372,081</b>	<b>71,870,563</b>	<b>13,251,257</b>	<b>2,651,455</b>	<b>476,253,064</b>

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	Executive & Council	Finance & Administration	Planning & Development	Roads & Infrastructure	Community & Social Services	Energy Sources	Waste Management	Public Safety	Total
<b>62. Segment information (continued)</b>									
<b>Expenditure</b>									
Employee costs	(15,424,184)	(30,978,151)	(11,849,970)	(19,957,416)	(33,538,732)	(3,833,536)	(8,899,293)	(6,230,014)	(130,711,296)
Remuneration of councillors	(14,955,269)	-	-	-	-	-	-	-	(14,955,269)
Depreciation and amortisation	-	(31,488,912)	-	-	-	-	-	-	(31,488,912)
Impairment losses	-	(2,238,807)	-	-	-	-	-	-	(2,238,807)
Finance costs	-	(3,134,616)	-	-	-	-	-	-	(3,134,616)
Lease rentals	-	(2,272,751)	-	-	-	-	-	-	(2,272,751)
Bad debt written off	-	(4,388,493)	-	-	-	-	-	-	(4,388,493)
Debt impairment	-	(6,047,836)	-	-	-	-	-	-	(6,047,836)
Contracted services	(14,158,602)	(8,540,138)	(2,168,648)	(19,230,082)	(23,607,347)	(12,643,301)	(1,872,000)	(4,138,916)	(86,359,034)
Inventory consumed	(2,055,927)	(9,000)	(947,970)	(36,217)	(609,786)	-	(175,750)	-	(3,834,650)
Operational costs	(13,154,603)	(31,226,696)	(817,338)	(9,476,722)	(1,321,469)	(3,650,044)	(113,742)	(332,006)	(60,092,620)
Bulk purchases	-	-	-	-	-	(52,474,725)	-	-	(52,474,725)
Loss on disposal of assets	-	(500,517)	-	-	-	-	-	-	(500,517)
Actuarial gains/losses	-	(217,970)	-	-	-	-	-	-	(217,970)
Fair value adjustments	-	1,541,000	-	-	-	-	-	-	1,541,000
<b>Total segment expenditure</b>	<b>(59,748,585)</b>	<b>(119,502,887)</b>	<b>(15,783,926)</b>	<b>(48,700,437)</b>	<b>(59,077,334)</b>	<b>(72,601,606)</b>	<b>(11,060,785)</b>	<b>(10,700,936)</b>	<b>(397,176,496)</b>
<b>Total segmental surplus/(deficit)</b>	<b>(51,942,585)</b>	<b>196,085,342</b>	<b>(14,685,276)</b>	<b>7,914,392</b>	<b>(51,705,253)</b>	<b>(731,043)</b>	<b>2,190,472</b>	<b>(8,049,481)</b>	<b>79,076,568</b>
<b>Other information</b>									
Capital expenditure	(1,931,724)	(15,490,462)	(16,846,812)	(91,594,481)	(11,132,167)	(2,121,462)	(5,733,933)	-	(144,851,041)