



A view of the Port Elizabeth CBD and Northern areas, as seen from the Donkin.

BALANCE SHEET AS AT 30 JUNE 2005

	Note	2005 R	2004 R
CAPITAL EMPLOYED			
STATUTORY FUNDS	1	363,223,645	309,546,783
NON-DISTRIBUTABLE RESERVES	2	3,244,291,556	2,977,258,166
DISTRIBUTABLE RESERVES	3	5,405,504	6,172,339
RETAINED INCOME	15	72,298,053	89,973,337
		<u>3,685,218,758</u>	<u>3,382,950,625</u>
TRUST FUNDS	4	6,406,682	5,946,850
LONG-TERM LIABILITIES	5	702,624,515	669,758,460
CONSUMER DEPOSITS: SERVICES	6	69,224,419	63,196,418
		4,463,474,374	4,121,852,353
EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT AND EQUIPMENT	7	2,839,186,939	2,560,137,650
DEFERRED CHARGES		5,000	0
INVESTMENTS	8	1,406,824,173	1,214,043,417
LONG-TERM DEBTORS	9	49,723,537	119,873,283
NET CURRENT ASSETS		167,739,726	227,798,003
CURRENT ASSETS		707,104,966	742,418,055
Inventory	10	75,277,015	73,526,161
Consumer debtors	11	453,222,237	456,866,954
Other Debtors	12	47,461,191	0
Short-term portion of long-term debtors	9	4,015,323	7,338,197

Cash resources		127,129,199	204,686,743
CURRENT LIABILITIES		539,365,240	514,620,052
Provisions	13	84,911,158	127,802,368
Creditors	14	436,696,817	371,259,607
Short-term portion of long-term liabilities	5	17,757,265	15,558,077
		4,463,474,374	4,121,852,353

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 ACTING MUNICIPAL MANAGER

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INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

2004 Income	2004 Expenditure	2004 Surplus / (Deficit)		2005 Income	2005 Expenditure	2005 Surplus / (Deficit)	2005 Budget
1,280,004,949	1,495,516,641	(215,511,692)	RATES AND GENERAL SERVICES	1,333,724,385	1,518,616,014	(184,891,629)	(133,916,330)
81,473,576	396,361,565	(314,887,989)	Community Services	79,555,889	446,901,348	(367,345,459)	(283,174,550)
1,198,531,373	1,099,155,076	99,376,297	Subsidised Services	1,254,168,496	1,071,714,666	182,453,830	149,258,220
267,878,521	301,783,347	(33,904,826)	Economic Services	280,679,410	297,070,913	(16,391,503)	(2,605,000)
1,215,331,206	1,098,694,967	116,636,239	Trading Services	1,305,151,289	1,171,747,865	133,403,424	136,521,330
<u>2,763,214,676</u>	<u>2,895,994,955</u>	<u>(132,780,279)</u>		<u>2,919,555,084</u>	<u>2,987,434,792</u>	<u>(67,879,708)</u>	<u>-</u>
		108 170 246	Retained Income at beginning of the year			89 973 337	
		(24 610 033)				22 093 629	
		169 179 968	Transfer from non-distributable reserves			158 449 416	
		144 569 935				180 543 045	
		(4,224,974)	Seperately disclosable items			37,423,005	
		(50,371,624)	Appropriations for the year			(145,667,997)	
		<u>89,973,337</u>	Retained Income at end of year			<u>72,298,053</u>	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from rate payers, government and other		3 491 042 207	3 309 532 086
Cash paid to suppliers and employees		(3 011 830 568)	(2 876 171 624)
Cash generated from operations	20	479 211 639	433 360 462
Interest received		123 752 860	129 626 660
Interest paid		(39 821 094)	(30 853 346)
NET CASH FROM OPERATING ACTIVITIES		563 143 405	532 133 776
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(455 460 883)	(363 365 600)
Disposal of fixed assets		15 390 600	19 054 749
NET CASH FROM INVESTING ACTIVITIES		(440 070 283)	(344 310 851)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans repaid	22	(16 397 960)	(18 031 731)
Increase in consumer deposits		6 028 001	7 259 697
Other capital receipts		2 520 048	38 994 720
NET CASH FROM FINANCING ACTIVITIES		(7 849 911)	28 222 686
NET INCREASE IN CASH AND CASH EQUIVALENTS	21	115 223 211	216 045 611

NOTES TO THE FINANCIAL STATEMENTS

		2005 R	2004 R
1.	STATUTORY FUNDS		
	Housing Infrastructure Development Fund	3,977,740	3,716,430
	Housing Revolving Fund	70,946,203	70,436,790
	Asset Financing Fund	228,489,429	180,154,889
	Insurance Fund	59,810,273	55,238,674
	Total statutory funds	363,223,645	309,546,783
	Movements in funds is reconciled as follows:		
	Housing Infrastructure Development Fund		
	Balance at the beginning of the year	3,716,430	1,764,622
	Contributions received	145,262	1,824,032
	Interest received	116,048	127,776
	Balance at the end of the year	3,977,740	3,716,430
	The purpose of the Housing Infrastructure Development Fund is to provide funding for housing infrastructural developments. Contributions consist of cash received from the Provincial Housing Board.		
	Housing Revolving Fund		
	Balance at the beginning of the year	70,436,790	55,537,675
	Contributions received	11,889,355	12,022,560
	Interest received	5,495,989	5,817,234
	Cash utilised to finance property, plant and equipment	(16,875,931)	(2,940,679)
	Balance at the end of the year	70,946,203	70,436,790
	The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.		
	Asset Financing Fund		
	Balance at the beginning of the year	180,154,889	251,405,422
	Cash Utilised to finance property, plant and equipment	(194,729,420)	(213,539,051)
	Contributions received	203,043,231	117,621,570
	Interest	40,020,729	39,718,633
	Transfer to property, plant and equipment	0	(15,051,685)
	Balance at the end of the year	228,489,429	180,154,889
	The purpose of the Asset Financing Fund is to set aside cash to finance fixed asset additions from internal sources. When cash is used to finance property, plant and equipment, a corresponding amount is transferred to a non-distributable reserve (see Note 2). Unutilised cash is invested as set out in Note 8.		

	2005 R	2004 R
Insurance Fund		
Balance at the beginning of the year	55,238,674	51,143,831
Contribution for the year	10,695,766	10,332,134
Interest received	3,866,653	4,288,283
Claims funded during the year	(9,990,820)	(10,525,574)
Balance at the end of the year	59,810,273	55,238,674
<p>The fund covers the first R10 million in respect of fire insurance, R10 million in respect of public liability insurance and R3 million in respect of fidelity guarantee insurance, of any one claim. The maximum aggregate exposure during any year in respect of public liability and fidelity guarantee insurance amounts to R10 million and R17 million respectively, with no maximum for fire insurance. Claims in excess of the maximum aggregate exposures are covered by re-insurance.</p>		
2. NON-DISTRIBUTABLE RESERVES		
Capital Receipts	1,921,801,063	1,795,723,843
- Used to finance property, plant and equipment	1,837,356,549	1,699,077,008
- Unutilised	84,444,514	96,646,835
Transfers from Asset Financing Fund used to finance property, plant and equipment	1,010,778,381	868,555,007
Operating non-distributable reserves	311,712,112	312,979,316
Total non-distributable reserves	3,244,291,556	2,977,258,166
<p>Movements can be reconciled as follows:</p>		
Unutilised Capital Receipts		
Balance at beginning of year	96,646,835	106,569,494
Current year receipts	2,520,048	38,994,720
Used to finance current year additions	(14,722,369)	(48,917,379)
Balance at end of year	84,444,514	96,646,835
<p>These capital receipts represent government grants, subsidies and contributions from the public and can only be used for the purpose of acquiring specified property, plant and equipment. These amounts are invested until utilised for the purpose intended (see Note 8).</p>		
Capital Receipts (used to finance property, plant and equipment)		
Balance at beginning of year	1,699,077,008	1,626,934,100
Used to finance current year additions	245,814,220	188,163,167
Transfer to income statement to offset depreciation charge	(107,534,679)	(116 020 259)
Balance at end of year	1,837,356,549	1,699,077,008

	2005 R	2004 R
<p>These amounts represent property, plant and equipment financed by government grants, subsidies and contributions from the public. The intention of the benefactor of these amounts is to subsidise the cost of acquiring property, plant and equipment. Accordingly, these amounts are released to the income statement over the estimated useful lives of the property, plant and equipment so financed to offset the relevant depreciation charge. The balance of the reserve is transferred to the income statement when the fixed asset so financed is disposed.</p> <p>Transfers from Asset Financing Fund</p> <p>Balance at beginning of year</p> <p>Used to finance current year additions</p> <p>Transfer to income statement to offset depreciation charge</p> <p>Balance at end of year</p>	<p>868,555,007</p> <p>194,729,420</p> <p>(52,506,046)</p> <p>1,010,778,381</p>	<p>708,175,665</p> <p>213,539,051</p> <p>(53 159 709)</p> <p>868,555,007</p>
<p>These amounts represent property, plant and equipment financed by the AFF. These amounts are released to the income statement over the estimated useful lives of the property, plant and equipment financed from this source to offset the depreciation charge and prevent duplication in expenses.</p> <p>Operating non-distributable reserves</p> <p>Balance at beginning of year</p> <p>Current year receipts</p> <p>Used to finance current year additions</p> <p>Balance at end of year</p>	<p>312,979,316</p> <p>181,220,268</p> <p>(182 487 472)</p> <p>311,712,112</p>	<p>151,080,215</p> <p>166,115,344</p> <p>(4 216 242)</p> <p>312,979,316</p>
<p>These capital receipts represent government grants, subsidies and contributions from the public and can only be used for financing items of an operating nature. These amounts are released into the income statement when utilised for the purpose intended.</p>		
3. HOUSING RESERVES		
Community facilities	0	20,270
Replacement and renewals	890,925	781,736
Capital discount scheme	4,514,579	5,370,333
Community Facilities		
Balance at the beginning of the year	20,270	10,311
Contribution for the year	1,877	8,630
Interest	1,637	1,329
Transfer to Asset Financing Fund	(23,784)	0
Balance at the end of the year	0	20,270

		2005	2004
		R	R
Replacement and renewals			
Balance at the beginning of the year		781,736	301,952
Contribution for the year		61,098	441,013
Interest		48,091	38,771
Balance at the end of the year		890,925	781,736
Capital Discount Scheme			
Balance at the beginning of the year		5,370,333	4,912,290
Interest		416,000	458,043
Expenditure funded during the year		(1,271,754)	0
Balance at the end of the year		4,514,579	5,370,333
These reserves are required in terms of National Housing Fund regulations. These reserves can only be utilised to maintain housing stock.			
4.	TRUST FUNDS		
Brookes Bequest		6,406,682	5,946,850
The Brookes Bequest is utilised for the development of Humewood.			
5.	LONG-TERM LIABILITIES		
Local Registered Stock Loans		26,000,000	26,000,000
State Housing Loans to Public Organisations		13,908,901	13,916,349
Development Bank of Southern Africa		244,609,688	256,440,573
Standard Corporate and Merchant Bank		0	736,554
Amalgamated Banks of South Africa		7,140,202	10,963,275
Amalgamated Banks of South Africa - Long-term Lease		30,000,000	30,000,000
Cape Joint Pension Fund		70,000	70,000
External Loans		321,728,791	338,126,751
Amalgamated Banks of South Africa - Leaseback Rental		123,289,031	97,265,587
Post-Retirement Benefits		275,363,958	249,924,199
		720,381,780	685,316,537
Less : Short-term portion transferred to current liabilities		17,757,265	15,558,077
Development Bank of Southern Africa		13,272,365	11,830,884
Amalgamated Banks of South Africa		4,484,900	3,727,193
		702,624,515	669,758,460
Refer to Appendix "A" for more detail on long-term liabilities.			

		2005 R	2004 R
LOCAL REGISTERED STOCK			
Bear interest at rates between 16.40% and 17.55% per annum and are redeemable within three to six years			
ABSA and STANDARD CORPORATE MERCHANT BANK			
These are structured finance loans repayable over ten years and were taken up during 1996/97. The ABSA loan is coupled to a sale and lease-back agreement of a gas turbine at Munelek.			
A loan of R5 million from ABSA bears interest at a rate of 15,25% and will be fully redeemed on 30 June 2010.			
The initial loans were taken up during 1993/1994, 1996/97, 1997/98 and 1999/2000 and are repayable over 30 years at interest rates of 10%, 12% and 15% respectively.			
CAPE JOINT PENSION FUND			
The loan was taken up during 1996/97 and bears interest at the rate of 11.5% per annum and is repayable on 31 December 2006.			
POST-RETIREMENT BENEFITS			
The total liability in respect of post-retirement benefits relates to ill-health retirements and medical aid contributions and has been actuarially assessed at R878,7 million. The unfunded liability amounted to R603,4 million at year-end.			
6.	CONSUMER DEPOSITS		
	Municipal Services		69,224,419
	Guarantees held in lieu of electricity and water deposits amounted to R2 025 300.		63,196,418
7.	PROPERTY, PLANT AND EQUIPMENT		
	30 June 2005	Cost	Accumulated Depreciation
	OWNED PROPERTY, PLANT AND EQUIPMENT		Net Book Value
	Infrastructure	3,748,402,455	1,268,272,810
	Community	480,511,513	121,646,170
	Other	64,309	60,597
	Totals	4,228,978,277	1,389,979,577
			2,838,998,700

		2005 R	2004 R
30 June 2005	Cost	Accumulated Depreciation	Net Book Value
LEASED PROPERTY, PLANT AND EQUIPMENT			
Infrastructure	1,882,392	1,694,153	188,239
	1,882,392	1,694,153	188,239
30 June 2004	Cost	Accumulated Depreciation	Net Book Value
OWNED PROPERTY, PLANT AND EQUIPMENT			
Infrastructure	3,540,501,086	1,180,763,137	2,359,737,949
Community	247,292,288	49,830,328	197,461,960
Heritage	2,932,703	0	2,932,703
Other	64,309	59,271	5,038
Totals	3,790,790,386	1,230,652,736	2,560,137,650
Refer Appendix "B" for more detail on property, plant and equipment.			
8. INVESTMENTS			
Listed		5,000	5,000
RSA Government Stock		5,000	5,000
Unlisted		1,406,819,173	1,214,038,417
Fixed Deposits		1,252,280,546	1,085,643,537
ABSA Leaseback Agreement		153,289,031	127,265,587
Sanlam Shares		480,389	360,087
UAL Long-term Investment		769,206	769,206
Total		1,406,824,173	1,214,043,417
Average rate of return on investments		7.48%	8.95%
The Municipal Structures Act, Act 117 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.			
No investments were written off during the year.			

	2005 R	2004 R
The Municipality is the holder of 40 919 shares in Sanlam Ltd at no value, of which the market value at 30 June 2005 was R480 389. The shares were awarded to the Municipality as the beneficiary of an insurance endowment policy, which matured during October 1998.		
The UAL Investment had a Market Value of R 2 574 657 as at 30 June 2005.		
Allocation of external investments		
In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:		
Housing Statutory Funds	74,923,943	74,153,220
Housing Reserves	5,405,504	6,172,339
Trust Funds	6,406,682	5,946,850
Asset Financing Fund	228,489,429	180,154,889
Repayment of Fixed Period External Loans	17,757,265	15,558,077
Unutilised Capital Receipts	84,444,514	96,646,835
Insurance Fund	59,810,273	55,238,674
Operating NDRs	311,712,112	312,979,316
Consumer Deposits	69,224,419	63,196,418
Retained Income - Unspent RSC Levies	72,298,053	89,973,337
Operating Accounts	476,351,979	314,023,462
Total	1,406,824,173	1,214,043,417
9. LONG-TERM DEBTORS		
State Housing Loans to Public Organisations	13,908,901	13,916,349
Sporting and Other Bodies	904,111	1,081,936
Other Organisations	3,411	11,313
Car Loans	17,581,053	29,585,364
	<hr/> 32,397,476	<hr/> 44,594,962
Add: Consumer and Other Debtors	21,341,384	82,616,518
Rates and General	12,871,103	61,859,449
Electricity	1,484,380	5,157,565
Water	3,555,814	7,961,514
Refuse	1,282,090	2,911,515
Sewerage	2,147,997	4,726,475

		2005	2004
		R	R
	Less: Short-term portion transferred to Current Assets	4,015,323	7,338,197
	Sporting and Other Bodies	197,899	177,470
	Other Organisations	4,410	8,005
	Car Loans	3,173,183	6,337,177
	State Housing Loans to Public Organisations	5,905	5,846
	Consumer and Other Debtors	633,926	809,699
		49,723,537	119,873,283
10.	INVENTORY		
		79,606,674	73,526,161
	Raw Materials	184,929	260,345
	Finished Goods	69,914,532	62,003,250
	Consumable Goods	9,507,213	11,262,566
	Less: Provision for Obsolete Inventory	(4,329,659)	0
		75,277,015	73,526,161
11.	CONSUMER DEBTORS		
	Current Debtors (Consumers and others)	963,571,283	883,869,074
	Rates and General	410,417,939	406,994,322
	Electricity	225,315,130	213,713,998
	Gas	137,463	97,604
	Market	850,156	801,516
	Water	200,555,018	159,464,333
	Refuse	38,963,974	30,878,923
	Sewerage	85,210,848	69,531,981
	Insurance	2,120,756	2,386,397
	Less : Provision for doubtful debts	510,349,046	427,002,120
	Total	453,222,237	456,866,954
	Doubtful Debts Provision		
	The doubtful debts provision is based on the ageing of debtors. Council's policy is to provide for all debtors' balances which have been outstanding for more than 90 days.		

	2005 R	2004 R
ANALYSIS OF DEBTORS AS AT 30 JUNE 2005		
Current		
Rates and General	133,270,694	
Electricity	152,791,258	
Gas	137,463	
Market	850,156	
Water	91,289,912	
Refuse	22,060,417	
Sewerage	17,657,126	
Insurance	2,120,756	
	420,177,782	
30+ Days		
Rates and General	9,247,243	
Electricity	5,915,505	
Water	6,162,414	
Refuse	2,073,887	
Sewerage	3,316,037	
	26,715,086	
60+ Days		
Rates and General	3,954,990	
Electricity	1,344,896	
Water	3,178,465	
Refuse	1,106,011	
Sewerage	2,022,190	
	11,606,552	
90+ Days		
Rates and General	263,945,012	
Electricity	65,263,471	
Water	99,924,227	
Refuse	13,723,658	
Sewerage	62,215,495	
	505,071,863	

		2005	2004
		R	R
12.	OTHER DEBTORS		
	Provincial Government	10,096,029	0
	Other	37,365,163	0
		47,461,191	0
13.	PROVISIONS		
	Gratuity Provision	20,000,000	26,116,775
	Staff leave pay	64,911,158	66,755,798
	Retrenchment Costs	0	34,929,795
		84,911,158	127,802,368
14.	CREDITORS		
	Trade creditors	432,893,273	366,892,119
	Other creditors	3,803,544	4,367,488
	Total	436,696,817	371,259,607
15.	APPROPRIATIONS		
	Retained Income at the beginning of the year	89,973,337	108,170,246
	Transfer from non-distributable reserves	158,449,416	169,179,968
	Surplus for the year	(30,456,703)	(99,171,886)
	Operating surplus for the year	(67,879,708)	(94,946,912)
	Separately disclosable items	37,423,005	(4,224,974)
		217,966,050	178,178,328
	Appropriations for the year	(145,667,997)	(88,204,991)
	Transfer to Asset Financing Fund	(93,505,456)	0
	Transfer of Interest to Reserves and Funds	(33,147,916)	(37,833,367)
	Transferred to Provision for Obsolete Inventory	(4,329,659)	0
	Transferred to Gratuity Provision	(3,718,962)	0
	Transferred to Provision for Retrenchment Costs	0	(34,929,795)
	Transferred to Leave Pay Provision	(10,966,004)	(15,441,829)
	Retained Income at the end of the year	72,298,053	89,973,337

		2005 R	2004 R
16.	NET SURPLUS/(DEFICIT) FOR THE YEAR		
	The following has been taken into account in determining the net surplus/(deficit) for the year:-		
	Bad debts written off	15,937,029	9,608,786
	Depreciation		
	Owned property, plant and equipment		
	Infrastructure	150,180,228	166,578,849
	Community	11,186,287	5,965,807
	Other	1,326	1,326
	Total Depreciation	161,367,841	172,545,982
	Leased property, plant and equipment		
	Infrastructure	94,120	94,120
		94,120	94,120
	Interest paid		
	External Loans	39,821,094	30,853,346
	Total Interest Paid	39,821,094	30,853,346
	Remuneration of the Municipal Manager		
	Annual Remuneration	738,304	695,508
	Performance Bonuses	0	0
	Total	738,304	695,508
	Remuneration of the Chief Financial Officer		
	Annual Remuneration	681,756	636,720
	Performance Bonuses	47,600	42,979
	Total	729,356	679,699
	Remuneration of the Business Unit Managers		
	Annual Remuneration	5,880,280	5,730,480
	Performance Bonuses	261,800	386,811
	Total	6,142,080	6,117,291

	2005 R	2004 R
Councillors' Remuneration		
Mayor		
Remuneration	339,449	320,235
Office-bearer's Allowance	49,451	46,652
Pension - 15%	50,917	48,035
Medical Aid	12,168	12,168
Travel Allowance	109,280	103,095
Housing Allowance	48,225	45,496
Telephone Allowance	24,000	0
	633,490	575,681
Deputy Mayor		
Remuneration	305,504	288,212
Office-bearer's Allowance	44,505	41,986
Pension - 15%	45,826	43,232
Medical Aid	12,168	12,168
Travel Allowance - 25%	76,376	72,053
Housing Allowance	36,167	34,120
Telephone Allowance	12,000	0
Personal Facilities	2,952	2,796
	535,498	494,567
Chief Whip		
Remuneration	271,559	256,188
Office-bearer's Allowance	39,560	37,321
Pension - 15%	40,734	38,428
Medical Aid	12,168	12,168
Travel Allowance - 25%	67,890	64,047
Housing Allowance	36,167	34,120
Telephone Allowance	12,000	0
Personal Facilities	2,952	2,796
	483,030	445,068

	2005 R	2004 R
Speaker		
Remuneration	305,504	288,212
Office-bearer's Allowance	44,505	41,986
Pension - 15%	45,826	43,232
Medical Aid	12,168	12,168
Travel Allowance - 25%	76,376	72,053
Housing Allowance	36,167	34,120
Telephone Allowance	12,000	0
Personal Facilities	2,952	2,796
	535,498	494,567
Councillors (Full Time)		
Remuneration	2,444,031	2,305,692
Office-bearer's Allowance	356,040	335,889
Pension - 15%	366,605	345,851
Medical Aid	109,512	109,512
Travel Allowance - 25%	611,008	576,425
Housing Allowance	325,503	307,080
Telephone Allowance	108,000	0
Personal Facilities	26,568	25,164
	4,347,267	4,005,613
Councillors (Part Time)		
Remuneration	12,899,005	12,168,930
Office-bearer's Allowance	0	0
Pension - 15%	1,934,851	1,825,340
Medical Aid	1,155,960	1,155,960
Travel Allowance - 25%	3,224,751	3,042,233
Telephone Allowance	712,500	0
Personal Facilities	280,440	265,620
	20,207,507	18,458,083
Councillors' Arrears	125,551	109,960

		2005 R	2004 R
Investment Income			
Interest - investments		123,752,860	129,626,660
Contribution to Provisions			
Retrenchment Costs		0	34,929,795
Staff leave		10,966,004	24,377,819
Gratuity Provision		3,718,962	0
		14,684,966	59,307,614
Auditors' Remuneration			
Fees for audit		2,591,704	2,427,213
Separately Disclosable Items			
VAT recoveries (SARS)		42,001,794	0
Other		(4,578,789)	4,224,974
Total separately disclosable items		37,423,005	4,224,974
Provincial, National Government and other Grants and Subsidies			
PHB Subsidies		120,024,402	163,928,357
Health Subsidies		60,035,520	56,919,260
Equitable Share Allocation		136,932,331	128,050,509
Transportation Subsidies		5,481,700	4,783,138
Finance Management Grant		872,648	2,586,150
Library Services - Carnegie Corporation Grant		134,546	1,374,014
Other		5,537,247	6,869,241
		329,018,394	364,510,669
17. ASSESSMENT RATES			
Port Elizabeth	Valuations July 2004 R000's	Income for the year R	
Residential	3,324,365	193,197,239	
Commercial	2,330,224	201,418,398	
State	458,155	16,442,318	
Municipal			
Total	6,112,744	411,057,955	
According to current legislation, a general valuation should be conducted every ten years. The last general valuation was performed in 1983.			

		2005 R		2004 R	
Uitenhage		Valuations July 2004 R000's	Income for the year R		
Residential		246,452	19,899,494		
Commercial		161,439	14,620,037		
State		71,439	5,279,458		
Municipal		13,023	812,224		
Total		492,353	40,611,213		
The last general valuation was performed in 1977. A valuation was performed in 1997, but was not implemented.					
Despatch		Valuations - Land July 2004 R000's	Valuations - Buildings July 2004 R000's	Income for the year R	
Residential		50,050	428,747	10,283,689	
Commercial		8,446	32,659	1,150,384	
State		1,029	14,405	298,750	
Municipal		6,051	20,666		
Total		65,576	496,477	11,732,823	
The last general valuation was performed in 1999.					
General Rate applied to Property Valuations					
Rates are levied annually on 1 July (payable at the end of September) with ratepayers being allowed a monthly payment option. Penalty interest at the standard rate (prime plus 1%) is applied to arrear rates accounts.					
Category		PE Unit	Despatch Unit		Uitenhage Unit
		Cents/R Valuation of land and buildings	Cents/R Valuation		Cents/R Valuation of land and buildings
			Land	Buildings	
Residential		5.428	6.7605	1.5773	8.40
Industrial			5.7627	2.3059	
Business			7.4366	1.5773	
Commercial/Industrial and other		8.616			10.05
Agricultural and Undetermined			6.7605	1.5773	

		2005	2004
		R	R
18.	TRANSFERS TO ASSET FINANCING FUND		
	Contribution	203,043,231	117,621,570
	Total	203,043,231	117,621,570
	The contribution is based Council's capital financing requirements. It is Council's policy to transfer 50% of the investment income earned on unutilised cash to the Asset Financing Fund.		
19.	TRANSFERS FROM NON-DISTRIBUTABLE RESERVES		
	Transfers from capital receipts utilised to finance fixed asset additions (see Note 2).	245,814,220	188,163,167
	Transfers from Asset Financing Fund utilised to finance fixed asset additions (see Note 2).	194,729,420	213,539,051
	Net transfer	440,543,640	401,702,218
20.	CASH GENERATED BY OPERATIONS		
	Net surplus for the year	(67,879,708)	(99,171,886)
	Retained Income at beginning of year	89,973,337	108,170,246
	Appropriations for the year	145,667,997	88,204,991
	Depreciation	161,461,961	172,545,982
	Investment Income	(123,752,860)	(129,626,660)
	Interest Paid	39,821,094	30,853,346
	Operating surplus before working capital changes:	245,291,821	170,976,019
	Increase in inventories	(1,750,854)	(9,145,786)
	Increase in debtors	(602,212)	(110,210,847)
	Decrease in long-term debtors	26,935,484	66,898,704
	Decrease in short-term portion of long-term debtors	3,322,874	684,020
	Increase/(Decrease) in provisions	(42,891,210)	50,346,629
	Increase in creditors	65,437,210	53,254,315
	Increase/(Decrease) in short-term portion of long-term liabilities	2,199,188	(5,664,662)
	Movement in funds and reserves	181,269,338	216,222,070
	Cash generated by operations	479,211,639	433,360,462

		2005 R	2004 R
21.	CASH AND CASH EQUIVALENTS		
	Balance at the end of the year	1,533,953,372	1,418,730,161
	Balance at the beginning of the year	1,418,730,161	1,202,684,550
	Net increase in cash and cash equivalents	115,223,211	216,045,611
22.	(DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
	Loans raised	0	3,906,141
	Loans repaid	(16,397,960)	(21,937,872)
		(16,397,960)	(18,031,731)
23.	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure:		
	- Approved and contracted for	301,646,084	59,631,474
	- Approved but not yet contracted for		
	This expenditure will be financed from:		
	- Internal sources	138,887,608	7,159,983
	- External sources	162,758,476	52,471,491
		301,646,084	59,631,474
24.	RETIREMENT BENEFIT INFORMATION		
	Council contributes to three defined contribution funds and two defined benefit funds. The latter funds are fully funded as at the last actuarial valuation. Current contributions are sufficient to support the benefits of the funds.		
25.	CONTINGENT LIABILITIES		
	Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to	572,088	630,000
(a)	L E Cutting	0	922,026
(b)	Linton Projects	385,808	385,808
(c)	CM van der Heever	0	421,295
(d)	Janabra von Sitters	300,000	300,000
(e)	Amakhaya Construction	4,000,000	4,000,000

		2005 R	2004 R
(f)	Post-Retirement Benefits	603,400,000	628,000,000
(g)	Department of Transport	107,000,000	107,000,000
(h)	Swartkops Seesout	6,540,360	6,540,360
(i)	Peltz Products	0	357,988
(j)	Elsig Electrical Engineering	761,516	761,516
(k)	S Botha	0	431,000
(l)	M Ngede	0	760,000
(m)	M Myburgh	0	378,770
(n)	B Jacobs	202,355	202,355
(o)	S L Hartzenberg	252,355	252,355
(p)	XC Zimemo	1,616,000	0
(q)	Mains Sheard	750,000	0
(r)	Ngonyama Okpanum Architects	1,500,000	0
(s)	T Lamont	4,000,000	0
		731,280,482	751,343,473
(a)	The claim arises out of injuries sustained in an alleged fall into an open manhole.		
(b)	The claim arises out of a dispute surrounding the sale of Council owned land.		
(c)	The claim arises out of the Municipality's alleged delay in responding to a fire on the claimant's property.		
(d)	The claim arises out of injuries sustained in earthworks allegedly left open by the Municipality.		
(e)	The claim arises from a counterclaim in respect of a claim the Municipality lodged against the claimant for non-performance on a contract in relation to the construction of houses		
(f)	The liability in respect of post-retirement benefits relating to ill-health retirements and medical aid contributions has been assessed by an actuary, with the unfunded liability amounting to R603 400 000 as at 30 June 2005. Furthermore, Council adopted a strategy that future retirement liabilities be funded over a fifteen-year period.		
(g)	On 11 February 2004, the Eastern Cape Provincial Department of Transport initiated proceedings in the High Court to contest Council's application of set-off whereby vehicle licence fees collected on behalf of the Department is utilised in settlement of the outstanding arrears owed to Council by the Provincial Government.		

		2005 R	2004 R
(h)	The claim arises out of an alleged sewer spillage into the salt pans.		
(i)	The claim arises out of damage to equipment allegedly caused by an electrical power surge.		
(j)	The claim arises out of a dispute between an electrical contractor and the Municipality over the alleged amendments to a contract.		
(k)	The claim arises out of a house that burnt down due to the Municipality allegedly not performing fire-fighting functions adequately.		
(l)	The claim arises out of the Claimant allegedly sustaining back injuries due to an electrical shock.		
(m)	The claim arises as a result of the Claimant allegedly sustaining bodily injuries as he fell on the pavement.		
(n)	Both (n) and (o) refer to the same incident. The claim arises as a result of both the father and the mother		
(o)	suing the Municipality in their separate capacities as their minor child allegedly drowned in water on a Municipal building site.		
(p)	The claim arises as a result of a mother suing the Municipality as her minor child was allegedly shocked by exposed electrical wiring.		
(q)	The claim arises out of alleged damages suffered as a result of the flushing out of the dams on the Van Stadens River which caused damage to his pumps.		
(r)	The claim arises out of a dispute between architects and the Municipality over alleged overpayment on a project.		
(s)	The claim arises as a result of a sub-contractor allegedly sustaining bodily injuries whilst working on overhead lines.		

APPENDIX “A” : EXTERNAL LOANS

Local Registered Stock							
LOAN NO.	INTEREST RATE	YEAR	DATE REPAYABLE	BALANCE AT 30 June 2004	RECEIVED DURING THE YEAR	REPAID DURING THE YEAR	BALANCE AT 30 June 2005
	%			R	R	R	R
1	17.40	1988	6/30/08	2,000,000	0	0	2,000,000
1	16.90	2000	6/30/11	8,000,000	0	0	8,000,000
279	16.40	2000	9/26/09	8,000,000	0	0	8,000,000
278	17.55	2000	3/23/09	8,000,000	0	0	8,000,000
				26,000,000	0	0	26,000,000
Development Bank of Southern Africa				256,440,573	0	11,830,885	244,609,688
Standard Corporate Merchant Bank				736,554	0	736,554	0
Amalgamated Banks of South Africa				10,963,275	0	3,823,073	7,140,202
Amalgamated Banks of South Africa - Long-term Lease				30,000,000	0	0	30,000,000
State Housing Loans to Public Organisations				13,916,349	0	7,448	13,908,901
Cape Joint Pension Fund				70,000	0	0	70,000
				338,126,751	0	16,397,960	321,728,791

APPENDIX “B” - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost 2005				Accumulated Depreciation 2005			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
RATES AND GENERAL SERVICES	2,891,112,693	346,506,605	15,390,600	3,222,228,698	1,017,109,948	127,670,376	440,967	1,144,339,357
Community Services	2,121,158,623	238,786,046	417,935	2,359,526,734	828,957,709	99,912,897	-	928,870,606
					-			-
Constituency Co-ordinator	1,933,122	477,637		2,410,759	-		-	-
Human Resources and Corporate Administration	171,256,935	10,854,912		182,111,847	59,086,249	9,636,001	-	68,722,250
Economic Development, Tourism and Agriculture	12,912,722	296,557		13,209,279	5,474,969	483,294	-	5,958,263
Office of the Speaker								
Infrastructure and Engineering	1,928,789,691	226,801,224	417,935	2,155,172,980	763,033,700	89,384,873		852,418,573
Municipal Manager	6,266,153			6,266,153	1,362,791	408,729	-	1,771,520
Office of the Speaker	-	355,716		355,716	-	-	-	-
Subsidised Services	769,954,070	107,720,559	14,972,665	862,701,964	188,152,239	27,757,479	440,967	215,468,751
Budget and Treasury	48,037,265	13,387,281		61,424,546	11,084,633	4,284,298	-	15,368,931
Environment and Health	154,329,419	27,945,776		182,275,195	20,954,790	5,802,268	115,610	26,641,448
Housing and Land	269,331,092	17,922,204	14,509,337	272,743,959	58,070,050	6,383,151	-	64,453,201
Recreational and Cultural Services	224,528,180	29,045,816		253,573,996	68,812,015	7,226,474	38,444	76,000,045
Safety and Security	73,728,114	19,419,482	463,328	92,684,268	29,230,751	4,061,288	286,913	33,005,126
Trading Services	899,677,693	108,954,278	-	1,008,631,971	213,542,788	33,791,585	-	247,334,373
					-			-
Electricity and Energy	899,677,693	108,954,278		1,008,631,971	213,542,788	33,791,585	-	247,334,373
	3,790,790,386	455,460,883	15,390,600	4,230,860,669	1,230,652,736	161,461,961	440,967	1,391,673,730

APPENDIX “C” : ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual		2005 Actual	2005 Budget
R		R	R
	INCOME		
364,510,669	Government and Provincial Grants and Subsidies	329,018,394	650,371,100
419,188,200	Rates and Related Income	466,714,723	468,725,910
934,172,611	Sale of Electricity	1,026,193,597	981,487,870
220,435,950	Sale of Water	231,398,146	233,165,360
67,667,110	Refuse	74,665,779	73,117,250
153,564,392	Sewerage	154,350,287	154,571,450
194,006,732	Regional Services Council Levies	226,263,537	202,445,000
403,520,026	Other Income	374,740,792	369,204,710
6,148,986	Contributions: Other	36,209,829	478,260
2,763,214,676	Total Income	2,919,555,084	3,133,566,910
	EXPENDITURE		
773,807,939	Basic Remuneration	817,512,342	879,985,440
1,211,329,282	General Expenses	1,215,967,884	1,406,258,790
534,968,849	Purchase of Power	563,862,023	562,265,360
198,904,413	Repairs and Maintenance	218,204,041	223,044,600
30,853,346	Capital Charges	39,821,094	42,112,770
602,121	Contributions to Capital Outlay	218,271	938,530
652,065,210	Contributions	640,671,918	614,164,150
3,402,531,160	Gross Expenditure	3,496,257,573	3,728,769,640
506,536,205	Less: Amounts Charged Out	508,822,781	595,202,730
	Less: Depreciation Appropriation		
2,895,994,955	Net Expenditure	2,987,434,792	3,133,566,910

APPENDIX “D”: SEGMENTAL INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

2004 Income	2004 Expenditure	2004 Surplus/(Deficit)		2005 Income	2005 Expenditure	2005 Surplus/(Deficit)	2005 Budget
1,280,004,949	1,495,516,641	(215,511,692)	RATES AND GENERAL SERVICES	1,333,724,385	1,518,616,014	(184,891,629)	(133,916,330)
81,473,576	396,361,565	(314,887,989)	Community Services	79,555,889	446,901,348	(367,345,459)	(283,174,550)
2,196	3,025,675	(3,023,479)	Constituency Co-ordinator	0	6,492,738	(6,492,738)	(4,703,870)
6,464,924	41,588,315	(35,123,391)	Corporate Administration	10,332,730	47,122,360	(36,789,630)	(33,907,230)
11,174,536	41,137,818	(29,963,282)	Economic Development, Tourism and Agriculture	4,673,825	74,135,752	(69,461,927)	(35,976,740)
50,321,138	61,630,835	(11,309,697)	Health	49,870,233	69,920,997	(20,050,764)	(20,796,900)
1,098,333	6,831,627	(5,733,294)	Human Resources	295,624	5,871,653	(5,576,029)	(8,377,860)
10,055,520	165,537,971	(155,482,451)	Infrastructure and Engineering	13,545,236	156,274,872	(142,729,636)	(88,246,050)
2,356,929	54,314,320	(51,957,391)	Municipal Manager	838,241	54,580,771	(53,742,530)	(59,305,240)
-	19,587,264	(19,587,264)	Office of the Executive Mayor	0	27,071,087	(27,071,087)	(25,014,660)
-	1,214,864	(1,214,864)	Office of the Deputy Executive Mayor	0	2,633,301	(2,633,301)	(3,947,250)
-	1,492,876	(1,492,876)	Office of the Speaker	0	2,797,817	(2,797,817)	(2,898,750)
1,198,531,373	1,099,155,076	99,376,297	Subsidised Services	1,254,168,496	1,071,714,666	182,453,830	149,258,220
951,795,057	500,375,158	451,419,899	Budget and Treasury	1,041,168,425	439,632,827	601,535,598	550,916,120
15,054,160	82,129,676	(67,075,516)	Environmental Services	17,575,462	132,336,534	(114,761,072)	(119,929,320)
180,089,472	265,742,759	(85,653,287)	Housing and Land	142,637,405	222,803,627	(80,166,222)	(76,711,490)
10,909,708	100,451,300	(89,541,592)	Recreational and Cultural Services	5,540,583	107,186,728	(101,646,145)	(96,585,290)
40,682,976	150,456,183	(109,773,207)	Safety and Security	47,246,621	169,754,950	(122,508,329)	(108,431,800)
267,878,521	301,783,347	(33,904,826)	Economic Services	280,679,410	297,070,913	(16,391,503)	(2,605,000)
180,452,362	169,185,677	11,266,685	Sanitation	190,146,115	203,346,525	(13,200,410)	(1,000,000)
87,426,159	132,597,670	(45,171,511)	Waste Management	90,533,295	93,724,388	(3,191,093)	(1,605,000)
1,215,331,206	1,098,694,967	116,636,239	Trading Services	1,305,151,289	1,171,747,865	133,403,424	136,521,330
974,559,604	858,130,712	116,428,892	Electricity and Energy	1,052,537,244	917,228,444	135,308,800	132,195,460
-	-	-	Gas	-	-	0	-
-	-	-	Market	8,941,537	10,732,714	(1,791,177)	-
240,771,602	240,564,255	207,347	Water	243,672,508	243,786,707	(114,199)	4,325,870
2,763,214,676	2,895,994,955	(132,780,279)	Total	2,919,555,084	2,987,434,792	(67,879,708)	0

APPENDIX “E”: STATISTICAL INFORMATION

General Statistics:		2004/05	2003/04
Population (Metropolitan Area):		1,300,000	1,300,000
	Number of Residential Properties	188,509	195,183
	Number of Business Properties	38,202	39,392
		226,711	234,575
Number of Employees		6,368	6,778
Electricity Statistics:			
	Units bought	3,359,713,000	3,256,000,000
	Units sold	3,140,580,000	3,070,000,000
	Units lost in distribution	219,133,000	186,000,000
	Percentage Loss in Distribution	6.52%	5.71%
	Cost per unit sold	15.97	15.71
Water Statistics:			
	Units bought/purified	81,945,000	80,457,000
	Units sold	56,139,000	57,069,000
	Units lost in distribution	19,740,000	17,322,000
	Percentage lost in distribution	24.1%	22.3%
	Cost per unit sold	3.88	3.56

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2005

	Note	2005 R	2004 R
CAPITAL EMPLOYED			
STATUTORY FUNDS	1	363,223,645	309,546,783
NON DISTRIBUTABLE RESERVES	2	3,251,354,517	2,977,972,940
DISTRIBUTABLE RESERVES	3	5,405,504	6,172,339
RETAINED INCOME	15	83,778,900	101,492,328
		<u>3,703,762,566</u>	<u>3,395,184,390</u>
TRUST FUNDS	4	6,406,682	5,946,850
LONG-TERM LIABILITIES	5	702,624,515	669,758,460
CONSUMER DEPOSITS: SERVICES	6	69,224,419	63,196,418
		4,482,018,182	4,134,086,118
EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT AND EQUIPMENT	7	2,850,708,100	2,570,952,652
INVESTMENTS	8	1,474,856,568	1,315,507,007
LONG TERM DEBTORS	9	49,723,537	119,873,283
		106,729,977	127,753,176
NET CURRENT ASSETS		106,729,977	127,753,176
CURRENT ASSETS		649,362,016	642,674,202
Inventory	10	75,348,216	73,597,362
Consumer debtors	11	453,325,758	456,974,035
Other Debtors	12	47,467,691	6,500
Short-term portion of long-term debtors	9	4,015,323	7,338,197
Cash resources		69,205,028	104,758,108

CURRENT LIABILITIES			
		542,632,039	514,921,026
Provisions	13	85,077,614	127,838,254
Creditors	14	439,797,160	371,524,695
Short-term portion of long-term liabilities	5	17,757,265	15,558,077
		4,482,018,182	4,134,086,118

V ZITUMANE B JURIS, BA HONS DEVELOPMENT STUDIES, MBA
 ACTING MUNICIPAL MANAGER

PJ VAN ROOY B COM, AIMFO
 CHIEF FINANCIAL OFFICER



AUDITOR - GENERAL

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

2004 Income	2004 Expenditure	2004 Surplus / (Deficit)		2005 Income	2005 Expenditure	2005 Surplus / (Deficit)	2005 Budget
1,280,004,949	1,495,683,274	(177,678,325)	RATES AND GENERAL SERVICES	1,333,724,385	1,510,559,881	(176,835,496)	(133,916,330)
81,473,576	396,361,565	(314,887,989)	Community Services	79,555,889	438,845,215	(359,289,326)	(283,174,550)
1,198,531,373	1,061,321,709	137,209,664	Subsidised Services	1,254,168,496	1,071,714,666	182,453,830	149,258,220
267,878,521	301,783,347	(33,904,826)	Economic Services	280,679,410	297,070,913	(16,391,503)	(2,605,000)
1,215,331,206	1,098,694,967	116,636,239	Trading Services	1,305,151,289	1,171,747,865	133,403,424	136,521,330
4,412,926	4,837,851	(424,925)	Municipal Entities	5,018,274	12,612,003	(7,593,729)	(907,190)
<u>2,767,627,602</u>	<u>2,862,999,439</u>	<u>(95,371,837)</u>		<u>2,924,573,358</u>	<u>2,991,990,662</u>	<u>(67,417,304)</u>	<u>-</u>
		<u>120 114 162</u>	Retained Income at beginning of the year			<u>101 492 328</u>	
		24 742 325				34 075 024	
		169 179 968	Transfer from non-distributable reserves			158 449 416	
		<u>193 922 293</u>				<u>192 524 440</u>	
		(4,224,974)	Seperately disclosable items			37,423,005	
		(88,204,991)	Appropriations for the year	15		(146,168,545)	
		<u>101,492,328</u>	Retained Income at end of year			<u>83,778,900</u>	

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		3500 713 568	3270 829 065
Cash paid to suppliers and employees		(3012 197 789)	(2836 496 132)
Cash generated from operations	20	488 515 779	434 332 933
Interest received		123 906 622	129 750 761
Interest paid		(39 839 775)	(30 853 346)
NET CASH FROM OPERATING ACTIVITIES		572 582 626	533 230 348
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(456 326 834)	(363 567 771)
Disposal of fixed assets		15 390 600	19 054 749
NET CASH FROM INVESTING ACTIVITIES		(440 936 234)	(344 513 022)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans repaid	22	(16 397 960)	(18 031 731)
Increase in consumer deposits		6 028 001	7 259 697
Other capital receipts		2 520 048	38 994 720
NET CASH FROM FINANCING ACTIVITIES		(7 849 911)	28 222 686
NET INCREASE IN CASH AND CASH EQUIVALENTS	21	123 796 481	216 940 012

NOTES TO THE FINANCIAL STATEMENTS

		2005 R	2004 R
1.	STATUTORY FUNDS		
	Housing Infrastructure Development Fund	3,977,740	3,716,430
	Housing Revolving Fund	70,946,203	70,436,790
	Asset Financing Fund	228,489,429	180,154,889
	Insurance Fund	59,810,273	55,238,674
	Total statutory funds	363,223,645	309,546,783
	Movements in funds is reconciled as follows:		
	Housing Infrastructure Development Fund		
	Balance at the beginning of the year	3,716,430	1,764,622
	Contributions received	145,262	1,824,032
	Interest received	116,048	127,776
	Balance at the end of the year	3,977,740	3,716,430
	The purpose of the Housing Infrastructure Development Fund is to provide funding for housing infrastructural developments. Contributions consist of cash received from the Provincial Housing Board.		
	Housing Revolving Fund		
	Balance at the beginning of the year	70,436,790	55,537,675
	Contributions received	11,889,355	12,022,560
	Interest received	5,495,989	5,817,234
	Cash utilised to finance property, plant and equipment	(16,875,931)	(2,940,679)
	Balance at the end of the year	70,946,203	70,436,790
	The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.		
	Asset Financing Fund		
	Balance at the beginning of the year	180,154,889	251,405,422
	Cash utilised to finance property plant and equipment	(194,729,420)	(213,539,051)
	Contributions received	203,043,231	117,621,570
	Interest	40,020,729	39,718,633
	Transfer to property, plant and equipment	0	(15,051,685)
	Balance at the end of the year	228,489,429	180,154,889
	The purpose of the Asset Financing Fund is to set aside cash to finance fixed asset additions from internal sources. When cash is used to finance property, plant and equipment, a corresponding amount is transferred to a non-distributable reserve (see Note 2). Unutilised cash is invested as set out in Note 8.		

	2005 R	2004 R
Insurance Fund		
Balance at the beginning of the year	55,238,674	51,143,831
Contribution for the year	10,695,766	10,332,134
Interest received	3,866,653	4,288,283
Claims funded during the year	(9,990,820)	(10,525,574)
Balance at the end of the year	59,810,273	55,238,674
<p>The fund covers the first R10 million in respect of fire insurance, R10 million in respect of public liability insurance and R3 million in respect of fidelity guarantee insurance, of any one claim. The maximum aggregate exposure during any year in respect of public liability and fidelity guarantee insurance amount to R10 million and R17 million respectively, with no maximum for fire insurance. Claims in excess of the maximum aggregate exposures are covered by re-insurance.</p>		
2. Non-distributable reserves		
Capital Receipts	1,921,801,063	1,795,723,843
- Used to finance property, plant and equipment	1,837,356,549	1,699,077,008
- Unutilised	84,444,514	96,646,835
Transfers from Asset Financing Fund used to finance property, plant and equipment	1,010,778,381	868,555,007
Operating non-distributable reserves	318,775,073	312,979,316
Total non-distributable reserves	3,251,354,517	2,977,258,166
<p>Movements can be reconciled as follows:</p>		
Unutilised Capital Receipts		
Balance at beginning of year	96,646,835	106,569,494
Current year receipts	2,520,048	38,994,720
Used to finance current year additions	(14,722,369)	(48,917,379)
Balance at end of year	84,444,514	96,646,835
<p>These capital receipts represent government grants, subsidies and contributions from the public and can only be used for the purpose of acquiring specified property, plant and equipment. These amounts are invested until utilised for the purpose intended (see Note 8).</p>		
Capital Receipts (used to finance property, plant and equipment)		
Balance at beginning of year	1,699,077,008	1,626,934,100
Used to finance current year additions	245,814,220	188,163,167
Transfer to income statement to offset depreciation charge	(107,534,679)	(116 020 259)
Balance at end of year	1,837,356,549	1,699,077,008

	2005 R	2004 R
<p>These amounts represent property, plant and equipment financed by government grants, subsidies and contributions from the public. The intention of the benefactor of these amounts is to subsidise the cost of acquiring property, plant and equipment. Accordingly, these amounts are released to the income statement over the estimated useful lives of the property, plant and equipment so financed to offset the relevant depreciation charge. The balance of the reserve is transferred to the income statement when the fixed asset so financed is disposed.</p> <p>Transfers from Asset Financing Fund</p> <p>Balance at beginning of year</p> <p>Used to finance current year additions</p> <p>Transfer to income statement to offset depreciation charge</p> <p>Balance at end of year</p>	<p style="text-align: right;">868,555,007</p> <p style="text-align: right;">194,729,420</p> <p style="text-align: right;">(52,506,046)</p> <p style="text-align: right;">1,010,778,381</p>	<p style="text-align: right;">708,175,665</p> <p style="text-align: right;">213,539,051</p> <p style="text-align: right;">(53 159 709)</p> <p style="text-align: right;">868,555,007</p>
<p>These amounts represent property, plant and equipment financed by the AFF. These amounts are released to the income statement over the estimated useful lives of the property, plant and equipment financed from this source to offset the depreciation charge and prevent duplication in expenses.</p> <p>Operating Non-distributable reserves</p> <p>Balance at beginning of year</p> <p>Current Year Receipts</p> <p>Used to finance current year additions</p> <p>Balance at end of year</p>	<p style="text-align: right;">312,979,316</p> <p style="text-align: right;">181,220,268</p> <p style="text-align: right;">(182 487 472)</p> <p style="text-align: right;">311,712,112</p>	<p style="text-align: right;">151,080,215</p> <p style="text-align: right;">166,115,344</p> <p style="text-align: right;">(4 216 242)</p> <p style="text-align: right;">312,979,316</p>
<p>These capital receipts represent government grants, subsidies and contributions from the public and can only be used for financing items of an operating nature. These amounts are released into the income statement when utilised for the purpose intended.</p> <p>3. HOUSING RESERVES</p> <p>Community facilities</p> <p>Replacement and renewals</p> <p>Capital Discount Scheme</p>	<p style="text-align: right;">0</p> <p style="text-align: right;">890,925</p> <p style="text-align: right;">4,514,579</p> <p style="text-align: right;">5,405,504</p>	<p style="text-align: right;">20,270</p> <p style="text-align: right;">781,736</p> <p style="text-align: right;">5,370,333</p> <p style="text-align: right;">6,172,339</p>
<p>Community facilities</p> <p>Balance at the beginning of the year</p> <p>Contribution for the year</p> <p>Interest</p> <p>Transfer to Asset Financing Fund</p> <p>Balance at the end of the year</p>	<p style="text-align: right;">20,270</p> <p style="text-align: right;">1,877</p> <p style="text-align: right;">1,637</p> <p style="text-align: right;">(23,784)</p> <p style="text-align: right;">0</p>	<p style="text-align: right;">10,311</p> <p style="text-align: right;">8,630</p> <p style="text-align: right;">1,329</p> <p style="text-align: right;">0</p> <p style="text-align: right;">20,270</p>

		2005	2004
		R	R
Replacement and renewals			
Balance at the beginning of the year		781,736	301,952
Contribution for the year		61,098	441,013
Interest		48,091	38,771
Balance at the end of the year		890,925	781,736
Capital Discount Scheme			
Balance at the beginning of the year		5,370,333	4,912,290
Interest		416,000	458,043
Expenditure funded during the year		(1,271,754)	0
Balance at the end of the year		4,514,579	5,370,333
These reserves are required in terms of National Housing Fund regulations. These reserves can only be utilised to maintain housing stock.			
4.	TRUST FUNDS		
Brookes Bequest		6,406,682	5,946,850
The Brookes Bequest is utilised for the development of Humewood.			
5.	LONG-TERM LIABILITIES		
Local Registered Stock Loans		26,000,000	26,000,000
State Housing Loans to Public Organisations		13,908,901	13,916,349
Development Bank of Southern Africa		244,609,688	256,440,573
Standard Corporate and Merchant Bank		0	736,554
Amalgamated Banks of South Africa		7,140,202	10,963,275
Amalgamated Banks of South Africa - Long-term Lease		30,000,000	30,000,000
Cape Joint Pension Fund		70,000	70,000
External Loans		321,728,791	338,126,751
Amalgamated Banks of South Africa - Leaseback Rental		123,289,031	97,265,587
Post-Retirement Benefits		275,363,958	249,924,199
		720,381,780	685,316,537
Less : Short-term portion transferred to current liabilities		17,757,265	15,558,077
Development Bank of Southern Africa		13,272,365	11,830,884
Amalgamated Banks of South Africa		4,484,900	3,727,193
		702,624,515	669,758,460
Refer to Appendix "A" for more detail on long-term liabilities.			

		2005 R	2004 R
LOCAL REGISTERED STOCK			
Bear interest at rates between 16.40% and 17.55% per annum and are redeemable within three to six years			
ABSA and STANDARD CORPORATE MERCHANT BANK			
These are structured finance loans repayable over ten years and were taken up during 1996/97. The ABSA loan is coupled to a sale and lease-back agreement of a gas turbine at Munelek.			
A loan of R5 million from ABSA bears interest at a rate of 15,25% and will be fully redeemed on 30 June 2010.			
The initial loans were taken up during 1993/1994, 1996/97, 1997/98 and 1999/2000 and are repayable over 30 years at interest rates of 10%, 12% and 15% respectively.			
CAPE JOINT PENSION FUND			
The loan was taken up during 1996/97 and bears interest at the rate of 11.5% per annum and is repayable on 31 December 2006.			
POST-RETIREMENT BENEFITS			
The total liability in respect of post-retirement benefits relates to ill-health retirements and medical aid contributions and has been actuarially assessed at R878,7 million. The unfunded liability amounted to R603,4 million at year-end.			
6.	CONSUMER DEPOSITS		
	Municipal Services		69,224,419
	Guarantees held in lieu of electricity and water deposits amounted to R2 025 300.		63,196,418
7.	PROPERTY, PLANT AND EQUIPMENT		
	30 June 2005	Cost	Accumulated Depreciation
	OWNED PROPERTY, PLANT AND EQUIPMENT		Net Book Value
	Infrastructure	3,748,402,455	1,268,272,810
	Community	480,511,513	121,646,170
	Other	2,081,691	1,037,787
	Totals	4,230,995,659	1,390,956,767
			2,840,038,892

		2005 R	2004 R
30 June 2005	Cost	Accumulated Depreciation	Net Book Value
LEASED PROPERTY, PLANT AND EQUIPMENT			
Infrastructure	1,882,392	1,694,153	188,239
Other	18,716,018	8,235,049	10,480,969
	20,598,410	9,929,202	10,669,208
30 June 2004	Cost	Accumulated Depreciation	Net Book Value
OWNED PROPERTY, PLANT AND EQUIPMENT			
Infrastructure	3,538,618,694	1,179,163,104	2,359,455,590
Community	247,292,288	49,830,328	197,461,960
Heritage	2,932,703	0	2,932,703
Other	1,182,312	843,241	339,071
Totals	3,790,025,997	1,229,836,673	2,560,189,324
Refer Appendix "B" for more detail on property, plant and equipment.			
30 June 2004	Cost	Accumulated Depreciation	Net Book Value
LEASED PROPERTY, PLANT AND EQUIPMENT			
Infrastructure	1,882,392	1,600,034	282,359
Other	18,716,018	8,235,049	10,480,969
Totals	20,598,410	9,835,083	10,763,328
Refer Appendix "B" for more detail on property, plant and equipment.			

		2005 R	2004 R
8.	INVESTMENTS		
	Listed	5,000	5,000
	RSA Government Stock	5,000	5,000
	Unlisted	1,474,851,568	1,315,502,007
	Fixed Deposits	1,252,280,546	1,085,643,537
	Call Deposits	68,032,395	101,463,590
	ABSA Leaseback Agreement	153,289,031	127,265,587
	Sanlam Shares	480,389	360,087
	UAL Long-term Investment	769,206	769,206
	Total	1,474,856,568	1,315,507,007
	Average rate of return on investments	7.48%	8.95%
	The Municipal Structures Act, Act 117 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.		
	No investments were written off during the year.		
	The Municipality is the holder of 40 919 shares in Sanlam Ltd at no value, of which the market value at 30 June 2005 was R480 389. The shares were awarded to the Municipality as the beneficiary of an insurance endowment policy, which matured during October 1998.		
	The UAL Investment had a Market Value of R 2 574 657 as at 30 June 2005.		
	Allocation of external investments		
	In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:		
	Housing Statutory Funds	74,923,943	74,153,220
	Housing Reserves	5,405,504	6,172,339
	Trust Funds	6,406,682	5,946,850
	Asset Financing Fund	228,489,429	180,154,889
	Repayment of Fixed Period External Loans	17,757,265	15,558,077
	Unutilised Capital Receipts	84,444,514	96,646,835
	Insurance Fund	59,810,273	55,238,674
	Operating NDRs	311,712,112	312,979,316
	Consumer Deposits	69,224,419	63,196,418

		2005	2004
		R	R
	Retained Income - Unspent RSC Levies	72,298,053	89,973,337
	Operating Accounts	544,384,374	415,487,052
	Total	1,474,856,568	1,315,507,007
9.	LONG-TERM DEBTORS		
	State Housing Loans to Public Organisations	13,908,901	13,916,349
	Sporting and Other Bodies	904,111	1,081,936
	Other Organisations	3,411	11,313
	Car Loans	17,581,053	29,585,364
		<u>32,397,476</u>	<u>44,594,962</u>
	Add: Consumer and Other Debtors	21,341,384	82,616,518
	Rates and General	12,871,103	61,859,449
	Electricity	1,484,380	5,157,565
	Water	3,555,814	7,961,514
	Refuse	1,282,090	2,911,515
	Sewerage	2,147,997	4,726,475
	Less: Short-term Portion transferred to Current Assets	4,015,323	7,338,197
	Sporting and Other Bodies	197,899	177,470
	Other Organisations	4,410	8,005
	Car Loans	3,173,183	6,337,177
	State Housing Loans to Public Organisations	5,905	5,846
	Consumer and Other Debtors	633,926	809,699
		<u>49,723,537</u>	<u>119,873,283</u>
10.	INVENTORY		
		79,677,875	73,597,362
	Raw Materials	184,929	260,345
	Finished Goods	69,914,532	62,003,250
	Consumable Goods	9,578,414	11,333,767
	Less: Provision for Obsolete Inventory	(4,329,659)	0
		<u>75,348,216</u>	<u>73,597,362</u>

		2005 R	2004 R
11.	CONSUMER DEBTORS		
	Current Debtors (Consumers and others)	963,677,804	883,979,155
	Rates and General	410,524,460	407,104,403
	Electricity	225,315,130	213,713,998
	Gas	137,463	97,604
	Market	850,156	801,516
	Water	200,555,018	159,464,333
	Refuse	38,963,973	30,878,923
	Sewerage	85,210,848	69,531,981
	Insurance	2,120,756	2,386,397
	Less : Provision for doubtful debts	510,352,046	427,005,120
	Total	453,325,758	456,874,035
12.	OTHER DEBTORS		
	Provincial Government	10,096,029	0
	Other	37,371,662	6,500
		47,467,691	6,500
13.	PROVISIONS		
	Gratuity Provision	20,000,000	26,116,775
	Staff leave pay	64,962,918	66,791,684
	Retrenchment Costs	0	34,929,795
	Staff Bonuses	13,083	0
	Performance Bonuses	101,613	0
		85,077,614	127,838,254
14.	CREDITORS		
	Trade creditors	435,993,616	367,157,207
	Other creditors	3,803,544	4,367,488
	Total	436,797,160	371,524,695

		2005	2004
		R	R
15.	APPROPRIATIONS		
	Retained Income at the beginning of the year	101,492,328	120,114,162
	Transfer from Non-distributable reserves	158,449,416	169,179,968
	Surplus for the year	(29,994,299)	(99,596,811)
	Operating surplus for the year	(67,417,304)	(95,371,837)
	Separately disclosable items	37,423,005	(4,224,974)
		229,947,445	189,697,319
	Appropriations for the year	(146,168,545)	(88,204,991)
	Transfer to Asset Financing Fund	(94,006,004)	0
	Transfer of Interest to Reserves and Funds	(33,147,916)	(37,833,367)
	Transferred to Provision for Obsolete Inventory	(4,329,659)	0
	Transferred to Gratuity Provision	(3,718,962)	0
	Transferred to Provision for Retrenchment Costs	0	(34,929,795)
	Transferred to Leave Pay Provision	(10,966,004)	(15,441,829)
	Retained Income at the end of the year	83,778,900	101,492,328
16.	NET SURPLUS/(DEFICIT) FOR THE YEAR		
	The following has been taken into account in determining the net surplus/(deficit) for the year:-		
	Bad debts written off	15,937,029	9,608,786
	Depreciation		
	Owned property, plant and equipment		
	Infrastructure	150,180,228	166,578,849
	Community	11,186,287	5,965,807
	Other	194,546	99,327
	Total Depreciation	161,561,061	172,643,983
	Leased property, plant and equipment		
	Infrastructure	94,120	94,120
		94,120	94,120

	2005 R	2004 R
Interest paid		
External Loans	39,839,775	30,853,346
Total Interest Paid	39,839,775	30,853,346
Remuneration of the Municipal Manager		
Annual Remuneration	738,304	695,508
Performance Bonuses	0	0
Total	738,304	695,508
Remuneration of the Chief Financial Officer		
Annual Remuneration	681,756	636,720
Performance Bonuses	47,600	42,979
Total	729,356	679,699
Remuneration of the Business Unit Managers		
Annual Remuneration	5,880,280	5,730,480
Performance Bonuses	261,800	386,811
Total	6,142,080	6,117,291
Councillors' Remuneration		
Mayor's Remuneration / Allowance	339,449	320,235
Deputy Mayor's Remuneration / Allowance	305,504	288,212
Speaker	305,504	288,212
Councillors' Remuneration / Allowances	15,570,483	14,651,806
Pension Fund Contributions	1,927,709	1,753,850
Telephone Allowances	770,575	688,287
Transport Allowances	4,154,813	3,909,765
Housing Allowances	482,229	454,935
Councillor's Medical Aid	532,160	511,393
Office-Bearers' Allowance	534,061	502,724
Personal Facilities Allowances	137,488	136,243
	25,059,975	23,505,662

		2005 R	2004 R
Investment Income			
Interest - investments		123,906,662	129,750,761
Contribution to Provisions			
Retrenchment Costs		0	34,929,795
Staff leave		10,966,004	24,377,819
Gratuity Provision		3,718,962	0
		14,684,966	59,307,614
Auditors' Remuneration			
Fees for audit		2,669,606	2,459,767
Separately disclosable items			
VAT recoveries (SARS)		42,001,794	0
Other		(4,578,789)	4,224,974
Total separately disclosable items		37,423,005	4,224,974
Provincial, National Government and other Grants and Subsidies			
PHB Subsidies		120,024,402	163,928,357
Health Subsidies		60,035,520	56,919,260
Equitable Share Allocation		136,932,331	128,050,509
Transportation Subsidies		5,481,700	4,783,138
Finance Management Grant		872,648	2,586,150
Library Services - Carnegie Corporation Grant		134,546	1,374,014
Other		6,252,021	6,954,467
		329,733,168	364,595,895
17. ASSESSMENT RATES			
	Valuations		
Port Elizabeth	July 2004	Income for the year	
	R000's	R	
Residential	3,324,365	193,197,239	
Commercial	2,330,224	201,418,398	
State	458,155	16,442,318	
Municipal			
Total	6,112,744	411,057,955	
According to current legislation, a general valuation should be conducted every ten years. The last general valuation was performed in 1983.			

		2005 R		2004 R
Uitenhage		Valuations July 2004 R000's	Income for the year R	
Residential		246,452	19,899,494	
Commercial		161,439	14,620,037	
State		71,439	5,279,458	
Municipal		13,023	812,224	
Total		492,353	40,611,213	
The last general valuation was performed in 1977. A valuation was performed in 1997, but was not implemented.				
Despatch		Valuations - Land July 2004 R000's	Valuations - Buildings July 2004 R000's	Income for the year R
Residential		50,050	428,747	10,283,689
Commercial		8,446	32,659	1,150,384
State		1,029	14,405	298,750
Municipal		6,051	20,666	
Total		65,576	496,477	11,732,823
The last general valuation was performed in 1999.				
General Rate applied to Property Valuations				
Rates are levied annually on 1 July (payable at the end of September) with ratepayers being allowed a monthly payment option. Penalty interest at the standard rate (prime plus 1%) is applied to arrear rates accounts.				
Category		PE Unit Cents/R Valuation of land and buildings	Despatch Unit Cents/R Valuation	
			Land	Buildings
Residential		5.428	6.7605	1.5773
Industrial			5.7627	2.3059
Business			7.4366	1.5773
Commercial/Industrial and other		8.616		
Agricultural and Undetermined			6.7605	1.5773
				Uitenhage Unit Cents/R Valuation of land and buildings
				8.40
				10.05

		2005 R	2004 R
18.	TRANSFERS TO ASSET FINANCING FUND		
	Contribution	203,043,231	117,621,570
	Total	203,043,231	117,621,570
	The contribution is based Council's capital financing requirements. It is Council's policy to transfer 50% of the investment income earned on unutilised cash to the Asset Financing Fund.		
19.	TRANSFERS FROM Non-distributable reserves		
	Transfers from capital receipts utilised to finance fixed asset additions (see Note 2).	245,814,220	188,163,167
	Transfers from Asset Financing Fund utilised to finance fixed asset additions (see Note 2).	194,729,420	213,539,051
	Net transfer	440,543,640	401,702,218
20.	CASH GENERATED BY OPERATIONS		
	Net surplus for the year	(67,417,304)	(99,171,886)
	Retained Income at beginning of year	101,492,328	108,170,246
	Appropriations for the year	146,168,545	88,204,991
	Depreciation	161,655,181	172,738,103
	Investment Income	(123,906,622)	(129,626,660)
	Interest Paid	39,839,775	30,853,346
	Operating surplus before working capital changes:	<u>257,831,903</u>	<u>171,168,140</u>
	Increase in inventories	(1,750,854)	(9,145,786)
	Increase in debtors	(43,812,914)	(110,210,847)
	Decrease in long-term debtors	70,149,746	66,898,704
	Decrease in short-term portion of long-term debtors	3,322,874	684,020
	Increase/(Decrease) in provisions	(42,760,640)	50,346,629
	Increase in creditors	68,272,465	53,254,315
	Increase/(Decrease) in short-term portion of long-term liabilities	2,199,188	(5,664,662)
	Movement in funds and reserves	175,064,011	217,002,420
	Cash generated by operations	488,515,779	434,332,933

		2005 R	2004 R
21.	CASH AND CASH EQUIVALENTS		
	Balance at the end of the year	1,544,059,496	1,420,263,015
	Balance at the beginning of the year	1,420,263,015	1,203,323,003
	Net increase in cash and cash equivalents	123,796,481	216,940,012
22.	(DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
	Loans raised	0	3,906,141
	Loans repaid	(16,397,960)	(21,937,872)
		(16,397,960)	(18,031,731)
23.	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure:		
	- Approved and contracted for	301,646,084	59,631,474
	This expenditure will be financed from:		
	- Internal sources	138,887,608	7,159,983
	- External sources	162,758,476	52,471,491
		301,646,084	59,631,474
24.	RETIREMENT BENEFIT INFORMATION		
	Council contributes to three defined contribution funds and two defined benefit funds. The latter funds are fully funded as at the last actuarial valuation. Current contributions are sufficient to support the benefits of the funds.		
25.	CONTINGENT LIABILITIES		
	Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to	572,088	630,000
(a)	L E Cutting	922,026	922,026
(b)	Linton Projects	385,808	385,808
(c)	CM van der Heever	421,295	421,295
(d)	Janabra von Sitters	300,000	300,000
(e)	Amakhaya Construction	4,000,000	4,000,000
(f)	Post-Retirement Benefits	603,400,000	628,000,000

		2005 R	2004 R
(g)	Department of Transport	107,000,000	107,000,000
(h)	Swartkops Seesout	6,540,360	6,540,360
(i)	Peltz Products	0	357,988
(j)	Elsig Electrical Engineering	761,516	761,516
(k)	S Botha	0	431,000
(l)	M Ngede	0	760,000
(m)	M Myburgh	0	378,770
(n)	B Jacobs	0	202,355
(o)	S L Hartzenberg	0	252,355
		724,303,093	751,343,473
(a)	The claim arises out of injuries sustained in an alleged fall into an open manhole.		
(b)	The claim arises out of a dispute surrounding the sale of Council owned land.		
(c)	The claim arises out of the Municipality's alleged delay in responding to a fire on the claimant's property.		
(d)	The claim arises out of injuries sustained in earthworks allegedly left open by the Municipality.		
(e)	The claim arises from a counterclaim in respect of a claim the Municipality lodged against the claimant for non-performance on a contract in relation to the construction of houses		
(f)	The liability in respect of post-retirement benefits relating to ill-health retirements and medical aid contributions has been assessed by an actuary, with the unfunded liability amounting to R603 400 000 as at 30 June 2005. Furthermore, Council adopted a strategy that future retirement liabilities be funded over a fifteen-year period.		
(g)	On 11 February 2004, the Eastern Cape Provincial Department of Transport initiated proceedings in the High Court to contest Council's application of set-off whereby vehicle licence fees collected on behalf of the Department is utilised in settlement of the outstanding arrears owed to Council by the Provincial Government.		
(h)	The claim arises out of an alleged sewer spillage into the salt pans.		
(i)	The claim arises out of damage to equipment allegedly caused by an electrical power surge.		
(j)	The claim arises out of a dispute between an electrical contractor and the Municipality over the alleged amendments to a contract.		
(k)	The claim arises out of a house that burnt down due to the Municipality allegedly not performing fire-fighting functions adequately.		

		2005 R	2004 R
(l)	The claim arises out of the Claimant allegedly sustaining back injuries due to an electrical shock.		
(m)	The claim arises as a result of the Claimant allegedly sustaining bodily injuries as he fell on the pavement.		
(n)	Both (n) and (o) refer to the same incident. The claim arises as a result of both the father and the mother suing the Municipality in their separate capacities as their minor child allegedly drowned in water on a Municipal building site.		
(o)			
(p)	The claim arises as a result of a mother suing the Municipality as her minor child was allegedly shocked by exposed electrical wiring.		
(q)	The claim arises out of alleged damages suffered as a result of the flushing out of the dams on the Van Stadens River which caused damage to his pumps.		
(r)	The claim arises out of a dispute between architects and the Municipality over alleged overpayment on a project.		
(s)	The claim arises as a result of a subcontractor allegedly sustaining bodily injuries whilst working on overhead lines.		
26.	Municipal Entities		
	<p>Council advertised its intention during the financial year to create municipal entities in respect of Uitenhage Despatch Development Initiative (UDDI) and Nelson Mandela Bay Tourism (NMBT). The process was, however, not finalised as at year-end and accordingly the financial statements of UDDI and NMBT were not incorporated into the Metro's set of financial statements.</p> <p>As UDDI and NMBT are not controlled by the Metro and do not meet the requirements as outlined in the municipal entities.</p> <p>In order to comply with the provisions of the Municipal Finance Management Act (MFMA) and the amendments to the MSA the boards of directors of UDDI and NMBT have resolved to convert to municipal entities.</p> <p>Furthermore, Nelson Mandela Arts Museum has been identified as a possible entity subsequent to advertising Council's initial intention regarding the creation of municipal entities. The required legal process must still be finalised in this regard to deal with the constitution of this particular entity.</p>		

APPENDIX “A” : EXTERNAL LOANS

Local Registered Stock							
LOAN NO.	INTEREST RATE	YEAR	DATE REPAYABLE	BALANCE AT 30 June 2004	RECEIVED DURING THE YEAR	REPAID DURING THE YEAR	BALANCE AT 30 June 2005
	%			R	R	R	R
1	17.40	1988	6/30/08	2,000,000	0	0	2,000,000
1	16.90	2000	6/30/11	8,000,000	0	0	8,000,000
279	16.40	2000	9/26/09	8,000,000	0	0	8,000,000
278	17.55	2000	3/23/09	8,000,000	0	0	8,000,000
				26,000,000	0	0	26,000,000
Development Bank of Southern Africa				256,440,573	0	11,830,885	244,609,688
Standard Corporate Merchant Bank				736,554	0	736,554	0
Amalgamated Banks of South Africa				10,963,275	0	3,823,073	7,140,202
Amalgamated Banks of South Africa - Long-term Lease				30,000,000	0	0	30,000,000
State Housing Loans to Public Organisations				13,916,349	0	7,448	13,908,901
Cape Joint Pension Fund				70,000	0	0	70,000
				338,126,751	0	16,397,960	321,728,791

Appendix “B” - ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Cost 2005				Accumulated Depreciation 2005			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
RATES AND GENERAL SERVICES	2,891,112,693	346,506,605	15,390,600	3,222,228,698	1,017,109,948	127,670,376	440,967	1,144,339,357
Community Services	2,121,158,623	238,786,046	417,935	2,359,526,734	828,957,709	99,912,897	-	928,870,606
					-			-
Constituency Co-ordinator	1,933,122	477,637		2,410,759	-		-	-
Human Resources and Corporate Administration	171,256,935	10,854,912		182,111,847	59,086,249	9,636,001	-	68,722,250
Economic Development, Tourism and Agriculture	12,912,722	296,557		13,209,279	5,474,969	483,294	-	5,958,263
Office of the Speaker								
Infrastructure and Engineering	1,928,789,691	226,801,224	417,935	2,155,172,980	763,033,700	89,384,873		852,418,573
Municipal Manager	6,266,153			6,266,153	1,362,791	408,729	-	1,771,520
Office of the Speaker	-	355,716		355,716	-	-	-	-
Subsidised Services	769,954,070	107,720,559	14,972,665	862,701,964	188,152,239	27,757,479	440,967	215,468,751
Budget and Treasury	48,037,265	13,387,281		61,424,546	11,084,633	4,284,298	-	15,368,931
Environment and Health	154,329,419	27,945,776		182,275,195	20,954,790	5,802,268	115,610	26,641,448
Housing and Land	269,331,092	17,922,204	14,509,337	272,743,959	58,070,050	6,383,151	-	64,453,201
Recreational and Cultural Services	224,528,180	29,045,816		253,573,996	68,812,015	7,226,474	38,444	76,000,045
Safety and Security	73,728,114	19,419,482	463,328	92,684,268	29,230,751	4,061,288	286,913	33,005,126
Trading Services	899,677,693	108,954,278	-	1,008,631,971	213,542,788	33,791,585	-	247,334,373
					-			-
Electricity and Energy	899,677,693	108,954,278		1,008,631,971	213,542,788	33,791,585	-	247,334,373
Municipal Entities	19,853,642	865,951	-	20,719,593	8,784,906	413,526	-	9,198,432
	3,810,644,028	456,326,834	15,390,600	4,251,580,262	1,239,437,642	161,875,487	440,967	1,400,872,162

APPENDIX “C” : ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual		2005 Actual	2005 Budget
R		R	R
	INCOME		
364,595,895	Government and Provincial Grants and Subsidies	329,733,168	650,371,100
419,188,200	Rates and Related Income	466,714,723	468,725,910
934,172,611	Sale of Electricity	1,026,193,597	981,487,870
220,435,950	Sale of Water	231,398,146	233,165,360
67,667,110	Refuse	74,665,779	73,117,250
153,564,392	Sewerage	154,350,287	154,571,450
194,006,732	Regional Services Council Levies	226,263,537	202,445,000
407,809,358	Other Income	379,044,292	372,313,616
6,148,986	Contributions: Other	36,209,829	478,260
2,767,589,234	Total Income	2,924,573,358	3,136,675,816
	EXPENDITURE		
775,279,595	Basic Remuneration	820,904,633	881,628,460
1,214,320,269	General Expenses	1,224,937,712	1,408,368,516
534,968,849	Purchase of Power	563,862,023	562,265,360
199,203,570	Repairs and Maintenance	218,453,925	223,307,950
30,853,346	Capital Charges	39,821,094	42,112,770
602,121	Contributions to Capital Outlay	218,271	938,530
650,940,331	Contributions	632,615,785	613,256,960
3,406,168,081	Gross Expenditure	3,500,813,443	3,731,878,546
506,536,205	Less: Amounts Charged Out	508,822,781	595,202,730
	Less: Depreciation Appropriation		
2,899,631,876	Net Expenditure	2,991,990,662	3,136,675,816

APPENDIX “D”: SEGMENTAL INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

2004 Income	2004 Expenditure	2004 Surplus/(Deficit)		2005 Income	2005 Expenditure	2005 Surplus/(Deficit)	2005 Budget
1,280,004,949	1,495,516,641	(215,511,692)	RATES AND GENERAL SERVICES	1,333,724,385	1,510,559,881	(179,835,496)	(133,009,140)
81,473,576	396,361,565	(314,887,989)	Community Services	79,555,889	438,845,215	(359,289,326)	(282,267,360)
2,196	3,025,675	(3,023,479)	Constituency Co-ordinator	0	6,492,738	(6,492,738)	(4,703,870)
6,464,924	41,588,315	(35,123,391)	Corporate Administration	10,332,730	46,073,992	(35,741,262)	(33,000,040)
11,174,536	41,137,818	(29,963,282)	Economic Development, Tourism and Agriculture	4,673,825	67,127,987	(62,454,162)	(35,976,740)
50,321,138	61,630,835	(11,309,697)	Health	49,870,233	69,920,997	(20,050,764)	(20,796,900)
1,098,333	6,831,627	(5,733,294)	Human Resources	295,624	5,871,653	(5,576,029)	(8,377,860)
10,055,520	165,537,971	(155,482,451)	Infrastructure and Engineering	13,545,236	156,274,872	(142,729,636)	(88,246,050)
2,356,929	54,314,320	(51,957,391)	Municipal Manager	838,241	54,580,771	(53,742,530)	(59,305,240)
-	19,587,264	(19,587,264)	Office of the Executive Mayor	0	27,071,087	(27,071,087)	(25,014,660)
-	1,214,864	(1,214,864)	Office of the Deputy Executive Mayor	0	2,633,301	(2,633,301)	(3,947,250)
-	1,492,876	(1,492,876)	Office of the Speaker	0	2,797,817	(2,797,817)	(2,898,750)
1,198,531,373	1,099,155,076	99,376,297	Subsidised Services	1,254,168,496	1,071,714,666	182,453,830	149,258,220
951,795,057	500,375,158	451,419,899	Budget and Treasury	1,041,168,425	439,632,827	601,535,598	550,916,120
15,054,160	82,129,676	(67,075,516)	Environmental Services	17,575,462	132,336,534	(114,761,072)	(119,929,320)
180,089,472	265,742,759	(85,653,287)	Housing and Land	142,637,405	222,803,627	(80,166,222)	(76,711,490)
10,909,708	100,451,300	(89,541,592)	Recreational and Cultural Services	5,540,583	107,186,728	(101,646,145)	(96,585,290)
40,682,976	150,456,183	(109,773,207)	Safety and Security	47,246,621	169,754,950	(122,508,329)	(108,431,800)
267,878,521	301,783,347	(33,904,826)	Economic Services	280,679,410	297,070,913	(16,391,503)	(2,605,000)
180,452,362	169,185,677	11,266,685	Sanitation	190,146,115	203,346,525	(13,200,410)	(1,000,000)
87,426,159	132,597,670	(45,171,511)	Waste Management	90,533,295	93,724,388	(3,191,093)	(1,605,000)
1,215,331,206	1,098,694,967	116,636,239	Trading Services	1,305,151,289	1,171,747,865	133,403,424	136,521,330
974,559,604	858,130,712	116,428,892	Electricity and Energy	1,052,537,244	917,228,444	135,308,800	132,195,460
-	-	-	Gas	-	-	0	-
-	-	-	Market	8,941,537	10,732,714	(1,791,177)	-
240,771,602	240,564,255	207,347	Water	243,672,508	243,786,707	(114,199)	4,325,870
4,374,558	4,761,800	(387,242)	Municipal Entities	5,018,274	12,612,003	(7,593,729)	(907,190)
2,767,589,234	2,900,756,755	(133,167,521)	Total	2,924,573,358	2,991,990,662	(67,417,304)	0

APPENDIX “E”: STATISTICAL INFORMATION

General Statistics:		2004/05	2003/04
Population (Metropolitan Area):		1,023,647	1,300,000
	Number of Residential Properties	188,509	195,183
	Number of Business Properties	38,202	39,392
		226,711	234,575
Number of Employees		6,368	6,778
Electricity Statistics:			
	Units bought	3,359,713,000	3,256,000,000
	Units sold	3,140,580,000	3,070,000,000
	Units lost in distribution	219,133,000	186,000,000
	Percentage Loss in Distribution	6.52%	5.71%
	Cost per unit sold	15.97	15.71
Water Statistics:			
	Units bought/purified	81,945,000	80,457,000
	Units sold	56,139,000	57,069,000
	Units lost in distribution	19,740,000	17,322,000
	Percentage lost in distribution	24.1%	22.3%
	Cost per unit sold	3.88	3.56