

NELSON MANDELA BAY METROPOLITAN
MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 80, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with the Act.

ADVOCATE J G RICHARDS – BA LLB

Municipal Manager

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

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**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007**

	Note	2007 R	Restated 2006 R
NET ASSETS AND LIABILITIES			
Net Assets		4 311 326 272	3 763 306 481
Housing Development Fund	1	76 530 350	83 038 007
Capital Replacement Reserve		320 719 350	236 317 538
Capitalisation Reserve		1 162 577 586	1 276 374 971
Government Grant Reserve		1 206 890 781	685 371 949
Donations and Public Contributions Reserves		214 531 463	119 533 930
Self-Insurance Reserve		85 121 593	75 563 229
Accumulated Surplus		1 244 955 149	1 287 106 857
Non-current liabilities		925 329 609	731 111 591
Long-term Liabilities	2	213 833 597	413 256 746
Non-current Provisions	3	711 496 012	317 854 845
Current Liabilities		1 451 265 277	1 124 995 103
Consumer deposits	4	86 590 950	80 634 634
Creditors	5	882 940 343	544 571 149
Unspent Conditional Grants and Receipts	6	462 970 099	473 419 238
Current Portion of Long-term Liabilities	2	18 763 885	26 370 082
Total Net Assets and Liabilities		<u>6 687 921 158</u>	<u>5 619 413 175</u>
ASSETS			
Non-current assets		5 625 068 462	4 766 715 055
Property, Plant and Equipment	7	3 962 641 729	3 165 617 250
Intangible Assets	8	147 365 308	87 589 576
Investments	10	1 444 792 962	1 467 861 595
Long-term Receivables	11	70 268 463	45 646 634
Current Assets		1 062 852 695	852 698 120
Inventory	12	78 981 295	66 033 978
Consumer debtors	13	592 034 762	582 128 177
Other Debtors	14	107 008 783	89 463 592
VAT	15	11 945 743	3 822 843
Current portion of long-term receivables	11	1 894 300	3 048 979
Call investment deposits	16	55 555 956	55 174 189
Bank balances and cash	17	215 431 857	53 026 362
Total Assets		<u>6 687 921 158</u>	<u>5 619 413 175</u>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007**

Budget					Actual	
2006 R	2007 R			2007 R	2006 R	
REVENUE						
506 790 170	541 872 790	Property rates	18	533 190 365	498 866 544	
1 558 150 810	1 636 668 000	Service Charges	19	1 653 138 228	1 573 735 823	
60 444 110	0	Regional Services Levies - turnover	20	0	68 692 001	
177 238 490	0	Regional Services Levies - remuneration	20	0	211 586 760	
152 855 790	134 951 780	Interest earned - external investments		141 025 426	124 734 548	
44 660 000	55 710 000	Interest earned - outstanding debtors		76 809 365	78 360 901	
16 366 120	21 666 190	Fines		17 368 619	13 227 218	
80 902 340	6 371 520	Licences and Permits		6 409 122	57 508 895	
281 124 860	567 391 660	Government Grants and Subsidies	21	1 251 855 724	365 457 494	
83 708 240	183 111 040	Other Income	22	218 536 032	139 682 627	
207 150	21 300	Gains on the disposal of property, plant and equipment		593 785	912 465	
0	6 246 030	Contributions: Other		877 738 544	3 509 576	
2 962 448 080	3 154 010 310	Total Revenue		4 776 665 208	3 136 274 851	
EXPENDITURE						
952 948 140	1 025 708 420	Employee related costs	23	1 036 653 107	932 818 668	
32 543 350	37 128 850	Remuneration of Councillors	24	35 335 941	29 324 731	
603 520	2 134 700	Bad debts		19 604 984	7 926 420	
2 073 360	2 177 030	Collection costs		2 061 166	1 949 931	
196 370 600	212 002 090	Depreciation		265 533 716	192 016 619	
247 004 290	278 089 900	Repairs and Maintenance		307 142 106	257 732 667	
35 604 460	28 430 730	Interest paid	25	24 183 338	27 252 118	
616 471 490	676 654 920	Bulk purchases	26	666 322 864	601 176 927	
6 096 180	13 507 790	Grants and subsidies paid	27	42 605 130	41 108 313	
374 002 150	351 614 840	General Expenses		629 994 135	551 599 188	
498 730 540	526 561 040	Contributions To/(From) Provisions		1 139 039 691	381 173 705	
2 962 448 080	3 154 010 310	Total Expenditure		4 168 476 176	3 024 079 287	
Deficit for the year				608 189 032	112 195 565	
Refer to Appendix E(1) for explanation of variations						

NELSON MANDELA BAY MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

	<u>Housing Development Fund</u>	<u>Capital Replacement Reserve</u>	<u>Capitilisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Donations and Public Contributions Reserve</u>	<u>Self-Insurance Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R	R	R	R
2006								
Balance at 1 July 2005	80 329 448	228 489 429	2 824 232 119	378 977 220	27 414 302	59 810 273	72 298 053	3 671 550 844
Change in accounting policy							16 722 031	16 722 031
Restated Balance	80 329 448	228 489 429	2 824 232 119	378 977 220	27 414 302	59 810 273	89 020 084	3 688 272 875
Surplus/(deficit) for the year							112 195 565	112 195 565
Transfer to CRR		240 640 218					(67 822 564)	172 817 654
Property, plant and equipment purchased		(232 996 135)	(14 825 303)	(410 164 159)	(1 404 885)		884 823 898	225 433 417
Contribution to Reserve			595 027 625	503 944 487			(1 039 229 672)	59 742 441
Capital Grants used to purchase PPE								0
Donated/contributed PPE					5 668 442		(5 668 442)	0
Contribution to Insurance Reserve						27 154 220	(27 154 220)	0
Insurance claims processed						(11 401 264)		(11 401 264)
Transfer to Housing Development Fund	9 991 995							9 991 995
Offsetting of depreciation			(187 223 227)				187 228 437	5 209
Transfer from Obsolete Inventory Provision							2 529 849	2 529 849
Transfer from Gratuities Provision							5 279 952	5 279 952
Transfer to Gratuities Provision							(4 239 668)	(4 239 668)
Contribution to Obsolete Inventory Provision							(2 448 562)	(2 448 562)
Contribution to Leave Pay							(10 945 376)	(10 945 376)
Contribution from Post retirement Benefits							33 728 485	33 728 485
Contribution to Doubtful Debts Provision							(72 291 967)	(72 291 967)
Transfer from Leave Pay							7 186 393	7 186 393
Balance at 30 June 2006	90 321 443	236 133 512	3 217 211 214	472 757 548	31 677 859	75 563 229	92 192 192	4 215 856 998
2007								
Correction of error (Note 38)	(7 283 436)	184 025	(1 940 836 243)	212 614 400	87 856 071		1 194 914 666	(452 550 517)
Restated Opening Balance	83 038 007	236 317 538	1 276 374 971	685 371 948	119 533 930	75 563 229	1 287 106 857	3 763 306 481
Surplus/(deficit) for the year							608 189 032	608 189 032
Surplus transferred to Statement of Financial Performance							(53 259 889)	(53 259 889)
Transfer to CRR	-	407 632 342					(407 632 342)	0
Property, plant and equipment purchased		(323 230 530)					323 230 530	0
Capital Grants used to purchase PPE				561 283 754			(561 283 754)	0
Donated/contributed PPE					95 412 774		(95 412 774)	0
Contribution to Insurance Reserve						19 935 872	(19 935 872)	0
Insurance claims processed						(10 377 509)	10 377 509	0
Transfer from Housing Development Fund	(6 507 657)						6 507 657	0
Offsetting of depreciation			(102 544 542)	(41 847 107)	(1 118 814)		145 510 463	0
Asset Disposals		-	(20 441 134)	2 082 185	703 573		506 519	(17 148 856)
Additional Depreciation Reversal			9 188 291				1 051 214	10 239 505
Balance at 30 June 2007	76 530 350	320 719 350	1 162 577 586	1 206 890 781	214 531 463	85 121 593	1 244 955 149	4 311 326 272

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		3 880 149 585	3 527 708 807
Cash paid to suppliers and employees		<u>(3 002 267 318)</u>	<u>(2 956 945 780)</u>
Cash generated from operations	28	877 882 267	570 763 027
Interest received		141 025 426	124 734 548
Interest paid	25	<u>(24 183 338)</u>	<u>(27 252 118)</u>
NET CASH FROM OPERATING ACTIVITIES		<u><u>994 724 354</u></u>	<u><u>668 245 457</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(656 998 452)	(541 186 046)
Disposal of property, plant and equipment		17 148 856	26 603 284
Purchase of intangible assets		(87 372 758)	
(Increase)/Decrease in Investment Properties		90 305 290	(90 305 290)
(Increase)/Decrease in non-current receivables		(24 621 829)	4 076 903
(Increase)/Decrease in non-current investments		23 068 633	(61 037 421)
NET CASH FROM INVESTING ACTIVITIES		<u><u>(638 470 260)</u></u>	<u><u>(661 848 570)</u></u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) in Loans repaid	30	(199 423 149)	(36 735 750)
Increase in consumer deposits		5 956 316	11 410 215
NET CASH FROM FINANCING ACTIVITIES		<u><u>(193 466 832)</u></u>	<u><u>(25 325 535)</u></u>
NET INCREASE (DECREASE) IN CASH AND CASH E		<u><u>162 787 262</u></u>	<u><u>(18 928 648)</u></u>
Cash and cash equivalents at the beginning of the year		108 200 551	127 129 199
Cash and cash equivalents at the end of the year	29	<u>270 987 813</u>	<u>108 200 551</u>

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 7	Financial Instruments: Disclosures
IAS 7	Cash Flow Statements
IAS 17	Leases
IAS 19	Employee benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 32	Financial Instruments: Presentation
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
SIC 32	Financial Instruments: Recognition and Measurement

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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Exemption from complying with the following standards was obtained from the Minister of Finance until 2007/08 financial year in accordance with Gazette no. 30013 dated 29 June 2007.

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
GRAP 03	Accounting policies, changes in accounting estimates and errors	▪ Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31)
		▪ Changes in accounting policies (GRAP 3.14, 19)
GAMAP 09	Revenue	▪ Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)
GAMAP 12	Inventories	▪ The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.
		▪ The entire standard as far as it relates to water stock that was not purchased by the municipality.
GAMAP 17	Property, plant and equipment	▪ Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77)
		▪ Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77)
		▪ Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))
		▪ Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))
IAS 11 (AC 109)	Construction contracts	▪ Entire standard
IAS 14 (AC 115)	Segment reporting	▪ Entire standard
IAS 17 (AC 105)	Leases	▪ Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee benefits	▪ Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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		information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 20 (AC 134)	Accounting for government grants and disclosure	<ul style="list-style-type: none"> ▪ Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.
IAS 36 (AC 128)	Impairment of assets	<ul style="list-style-type: none"> ▪ Entire standard
IAS 38 (AC 129)	Intangible assets	<ul style="list-style-type: none"> ▪ The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed
IAS 39 (AC 133)	Financial instruments: recognition and measurement	<ul style="list-style-type: none"> ▪ Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)
IAS 40 (AC 135)	Investment property	<ul style="list-style-type: none"> ▪ The entire standard to the extent that the property is accounted for in terms of GAMAP 17
		<ul style="list-style-type: none"> ▪ Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))
IFRS 3 (AC 140)	Business combinations	<ul style="list-style-type: none"> ▪ Entire standard
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	<ul style="list-style-type: none"> ▪ Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)
IFRS 7 (AC 144)	Financial instruments: disclosures	<ul style="list-style-type: none"> ▪ Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998
IFRS 8	Operating Segments	<ul style="list-style-type: none"> ▪ Entity Standard

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. 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. 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.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. The CRR can only be utilised to finance items of property, plant and equipment and investment property.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 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 (budget circular) 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)

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).

5.4 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 (budget circular) 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).

5.5 Self - Insurance Reserve

A Self-Insurance Fund exists to provide cover for selected risks including fire, storm, workmen's compensation, public liability and motor vehicles. The fund is re-insured externally to cover major losses. Premiums are charged to the respective Business Units at market related rates, taking into account past experience of claims and replacement value of the insured assets.

The fund covers the first R10 000 000 in respect of fire insurance, R5 000 000 in respect of public liability insurance and R3 000 000 in respect of fidelity guarantee insurance, of any one claim.

The maximum aggregate exposure during any one year in respect of public liability insurance amounts to R10 000 000 and in respect of fidelity guarantee insurance amounts to R17 000 000. There is no maximum aggregate exposure in respect of fire insurance.

Claims in excess of the above maximum aggregate exposures are covered by re-insurance.

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Property, plant and equipment, is stated at cost, less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable

costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are: site preparation, delivery and handling costs and professional fees.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R10 000.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. In determining depreciation, the residual values of assets (specifically vehicles, office equipment and furniture and fittings) are not taken into account as the municipality uses these assets in its operations beyond its estimated useful life. The annual depreciation rates are based on the following estimated asset lives:-

	<u>Years</u>	<i>Other</i>	<u>Years</u>
<i>Infrastructure</i>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<i>Community</i>		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill Sites	45-50
Security	5		

6.2 Review of useful lives

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the useful lives of assets have not been reviewed. The current year's accounting policy agrees with that applied in the previous financial year.

6.3 Review of Depreciation Method

In accordance with the exemptions contained in Gazette no.30013 of 29 June 2007, the depreciation method was not reviewed.

The current year's accounting policy agrees with that applied in the previous financial year.

6.4 Impairment of cash and non-cash generating assets exemptions.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007 the assets in question were not assessed for possible impairment. This is in line with the account policy applied in the previous financial year.

7. INTANGIBLE ASSETS

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods and services, for rentals to others, or for administrative purposes. Intangible assets have been treated in accordance with the provisions of IAS38, "Intangible Assets". Intangible assets are initially recorded at their cost price and subsequently amortized over their expected useful lives. The intangible assets under the control of the municipality are amortized according to the straight-line method.

The aforementioned policy is applied in line with the exemptions contained in Gazette no. 30013 of 29 June 2007.

8. REVALUATION OF LAND AND BUILDINGS

Land and buildings were not revalued during the year. It will be revalued as part of the general property valuation process being conducted over the next financial year. Council is required to undertake a general valuation of properties in terms of the Property Rates Act (Act no. 6 of 2004).

9. INVESTMENTS

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

9.1 Investments in Financial Instruments

- *Held to maturity (HTM) investments* are financial assets with fixed or determinable payments and fixed maturity where the City has the positive intent and ability to hold the investment to maturity.
- *Loans and receivables originated by the enterprise* are financial assets that are created by providing money, goods or services directly to a debtor.
- *Financial assets at fair value through profit or loss* are financial assets that meet either of the following conditions:
 - they are classified as held for trading, or
 - Upon initial recognition they are designated as at fair value through the statement of financial performance.
- *Available for sale investments* are financial assets that are designated as available for sale or are not classified as,

- loans and receivables,
- held to maturity investments, or
- Financial assets at fair value through the statement of financial performance.

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Trade debtors will be reflected at Gross Debtors less provision for doubtful debts.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The accounting policy applied is in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

9.2 Investments in Securities

Investments in securities are recognised on a trade basis and are initially measured at cost.

10. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost or net realisable value. In general, the basis of determining cost is the first-in, first-out (FIFO) method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

The cost of water purchased and not yet sold in the statement of financial position comprises the purchase price, import duties and other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy agrees with that applied in the previous financial year.

11. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy agrees with that applied in the previous financial year.

12. TRADE CREDITORS

Trade creditors are stated at their nominal value, inclusive of outstanding cheques.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy agrees with that applied in the previous financial year.

13. REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

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

In accordance with GAMAP 9, revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Service charges relating to electricity and water are based on consumption. Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high tension electricity supplies are read and billed monthly. All electricity and water meters within and outside the municipal boundary are read and billed monthly.

Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sales of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

13.2 Revenue from Non-Exchange Transactions

Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is recognised when collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

The current year's accounting policy agrees with that applied in the previous financial year.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, revenue has been initially recognised at cost.

14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14.1 Unutilised Conditional Grants

Unutilized conditional grants are reflected on the Statement of Financial Position as a creditor. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilization of this creditor:

The cash, which backs up the creditor, is invested until it is utilized. Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the City's interest it is recognized as interest earned in the Statement of Financial Position.

Whenever an asset is purchased out of an unutilised conditional grant, an amount equal to the cost price of the asset is transferred from Unutilised Capital Receipts to the Statement of Financial Performance as revenue. Thereafter an equal amount is transferred on the Statement of Changes in Net Assets to the Donations and Public Contributions Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of Unutilised Capital Receipts. The reserve is used to offset depreciation charged on assets purchased out of Unutilised Capital Receipts.

The policy applied in the current financial year is in accordance with the exemptions contained in Gazette no.30013 of June 2007. The current year's policy agrees with that applied in the previous financial year.

15. PROVISIONS

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying

economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made of the amount of the obligation. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

15.1 Provision for Post Retirement Benefits

A provision is maintained in respect of the liability to employees relating to post retirement benefits such as medical aid contributions. Council has adopted a strategy that future retirement liabilities be funded over a fifteen-year period.

The Municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

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

The current year's policy is in accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007. The current year's policy agrees with that applied in the previous year.

15.2 Provision for Rehabilitation of Refuse Landfill Sites

The applicable GAMAP standard states that a provision should be recognised where there is a present obligation to rehabilitate sites. It is considered that an obligation only exists in respect of refuse landfill sites no longer in use.

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation in accordance with municipality's accounting policy on Non-Current Provisions.

16. PROVISION FOR DOUBTFUL DEBTS

The provision is equivalent to 100% of amounts owing to Council older than 90 days. The provision currently amounts to R 601 502 396. In accordance with GRAP the Provision for Doubtful Debts has been deducted from the amount outstanding by debtors at 30 June 2007.

17. PROVISION FOR OBSOLETE INVENTORY

A provision is maintained in lieu of obsolete inventory. The level of the provision for obsolete inventory is maintained at 5% of the total value of inventory holdings.

18. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

19. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and 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.

20. IRREGULAR EXPENDITURE

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

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current and previous financial years.

22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

23. INVESTMENT PROPERTY

The accounting policy applied is in accordance with the exemptions in Gazette no. 30013 of 29 June 2007. The current year accounting policy agrees with that applied in the previous financial year.

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost and may be included in PPE in line with the exemption granted as per Gazette 30013 dated 29 June 2007.

24. LEASES

24.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

24.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the lease. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental Income from operating leases is recognised as they become due.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, operating lease payments/receipts have been recognised on the basis of the cashflows in the lease agreements.

The current year's policy agrees with that applied in the previous financial year.

25. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	Restated
	R	2006
		R
1. Housing Development Fund		
Housing Infrastructure Development Fund	4 574 230	4 240 035
Housing Revolving Fund	70 612 024	80 992 004
Housing Reserves	1 344 097	5 089 404
Total Housing Development Fund	76 530 350	90 321 443
Correction of Error (see note 37.3)		(182 635)
Correction of Error (see note 37.3)		(1 390)
Correction of Error (see note 37.3)		(7 099 411)
Restated Total Housing Development Fund		83 038 007

The Housing development fund is represented by investments.

Movements in funds is reconciled as follows:

Housing Infrastructure Development Fund

Balance at the beginning of the year	4 240 035	3 977 740
Contributions received	222 817	146 395
Interest received	111 378	115 900
Balance at the end of the year	4 574 230	4 240 035

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	73 891 203	70 946 203
Contributions received	1 649 369	3 955 216
Interest received	8 060 375	6 090 585
Cash utilised to finance property, plant and equipment	(12 988 924)	-
Balance at the end of the year	70 612 024	80 992 004
Correction of Error (see note 37.3)		(1 390)
Correction of Error (see note 37.3)		(7 099 411)
Restated Balance at end of year		73 891 203

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.

HOUSING RESERVES

Community Facilities	0	0
Replacement and Renewals	0	182 635
Capital Discount Scheme	1 344 097	4 906 768
Balance at the end of the year	1 344 097	5 089 404
Correction of Error (see note 37.3)		(182 635)
Restated Balance at end of year		4 906 768

Community Facilities

Balance at the beginning of the year		0
Contribution for the year		23 969
Interest		452
Transfer to Asset Financing Fund		(24 422)
Balance at the end of the year		0

Replacement and Renewals

Balance at the beginning of the year		890 925
Contribution for the year		189 980
Interest		56 720
Transfer to Capital Replacement Reserve		(954 989)
Balance at the end of the year		182 635
Correction of Error (see note 37.3)		(182 635)
Restated Balance at end of year		0

Capital Discount Scheme

Balance at the beginning of the year	4 906 768	4 514 579
Interest	437 328	392 189
Expenditure funded during the year	(4 000 000)	-
Balance at the end of the year	1 344 097	4 906 768

The housing reserves are required in terms of National Housing Fund regulations. The housing reserves can only be utilised to maintain housing stock.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
2. LONG-TERM LIABILITIES		
Local Registered Stock Loans	26 000 000	26 000 000
Development Bank of Southern Africa	206 597 482	226 382 719
Amalgamated Banks of South Africa	0	2 540 322
Amalgamated Banks of South Africa - Long Term Lease	0	30 000 000
Cape Joint Pension Fund	0	70 000
External Loans	232 597 482	284 993 041
Amalgamated Banks of South Africa - Leaseback Rental	0	154 633 786
Post Retirement Benefits	0	298 895 129
Post Retirement Benefits (Transferred to Non-current provisions)	0	(298 895 129)
	<u>232 597 482</u>	<u>439 626 828</u>
Less : Current portion transferred to current liabilities	18 763 885	26 370 082
Development Bank of Southern Africa	16 763 885	23 829 760
Registered Stock Loans	2 000 000	0
Amalgamated Banks of South Africa	0	2 540 322
	<u>18 763 885</u>	<u>26 370 082</u>
	<u>213 833 597</u>	<u>413 256 746</u>

Refer to Appendix A for more detail on long-term liabilities.

LOCAL REGISTERED STOCK

Bear interest at rates between 16.40% and 17.55% per annum and are redeemable within one to four years

ABSA

These are structured finance loans repayable over 10 years and were taken up during 1996/97. The ABSA loan is coupled to a sale and leaseback agreement of a gas turbine at Munelek. The Lease was repaid in the 2006/07 financial year on 30 September 2006.

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.

DBSA

Various loans were consolidated into one single loan amounting to R238 297 599 with effect from 30 September 2005, repayable over 10 years in 20 half-yearly instalments including accrued interest. There are two choices of variable interest rate linked to the 6 month JIBAR or to the 3 month JIBAR and a fixed interest rate linked to Government Bond R157. From 1 October 2005 to 30 September 2006 the interest was calculated linked to the six month JIBAR, but on 1 October 2006 the interest rate was fixed, linked to the Government Bond R157 at 9.38%. Council has the right to amend the interest rate between variable or fixed.

CAPE JOINT PENSION FUND

The loan was taken up during 1996/97 bearing interest at the rate of 11.5% per annum and was repaid on 31 December 2006

POST RETIREMENT BENEFIT FUND

The 2005/06 balance in the amount of R298 895 129 was restated in respect of Post Retirement Benefits and is now included under Non-current Provisions.

3. NON-CURRENT PROVISIONS

Gratuity Provision	18 777 599	18 959 716
Post Retirement Benefits (Refer Note 2)	625 731 000	298 895 129
Rehabilitation of Landfill sites	66 987 413	0
Total Non-Current Provisions	<u>711 496 012</u>	<u>317 854 845</u>

Gratuity Provision

This provision is in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund.

Balance at beginning of year	18 959 716	20 000 000
Contributions to provision	2 076 740	4 239 668
Expenditure incurred	(2 258 858)	(5 279 952)
Balance at end of year	<u>18 777 599</u>	<u>18 959 716</u>

Post Retirement Benefits

The past service liability in respect of post retirement benefits relates to ill-health retirements and medical aid contributions and has been actuarially assessed at R625,7 million.

Balance at beginning of year	298 895 129	275 363 958
Contributions to provision	360 686 921	57 259 656
Expenditure incurred	(33 851 050)	(33 728 485)
Balance at end of year	<u>625 731 000</u>	<u>298 895 129</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
3. NON-CURRENT PROVISIONS (continued)		
Rehabilitation of landfill sites		
In terms of the licencing of the landfill refuse site, Council will incur rehabilitation costs of R51 133 381 for Arlington Tip site and R15 854 032 Koedoeskloof Tip sites respectively to restore the site at the end of its useful life was estimated to be in 2057 and 2052 respectively. Provision has been made for the net present value of this cost using the average cost of borrowing interest rate.		
Comparative landfill rehabilitation figures for the 2006 year are not disclosed as no reliable estimate could be made based on the available information.		
Balance at beginning of year	0	0
Contributions to provision	66 987 413	0
Expenditure incurred	0	0
Balance at end of year	66 987 413	0
4. CONSUMER DEPOSITS		
Electricity and Water	85 277 865	79 745 847
Interest Paid	1 313 085	888 787
	86 590 950	80 634 634
Guarantees held in lieu of Electricity and Water Deposits	1 980 247	2 281 500
5. CREDITORS		
Trade creditors	753 300 217	468 898 402
Payments Received in Advance	21 109 790	0
Staff leave	90 467 802	70 059 084
Other creditors	2 850 445	5 613 663
Retentions	15 212 089	0
Total Creditors	882 940 343	544 571 149
It was not considered necessary to discount the Staff leave pay accrual to its present value as the potential obligation is of a short-term nature. In accordance with the collective agreement on conditions of service, municipal employees are required to take their annual leave over a period of twelve months.		
2005/06 was restated in the amount of R1 390 084 in respect of Other Creditors that were adjusted against General Expenses.		
6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
6.1 Conditional Grants from other spheres of Government	462 970 099	473 419 238
Equitable Share (See Note 21.3)	0	19 082 806
Financial Management Grant (See Note 21.5)	1 460 253	1 785 915
Library Services - Carnegie Corporation Grant (See Note 21.6)	661 066	661 688
SMME - Development (See Note 21.7)	157 300	192 501
Project Consolidate (See Note 21.9)	5 480 913	3 341 525
Disaster Management Grant (See Note 21.10)	2 828 760	2 352 666
Municipal Systems Improvement Grant (See Note 21.11)	140 787	129 266
Municipal Infrastructure Grant (See Note 21.12)	100 767 913	39 088 844
Restructuring Grant (See Note 21.13)	0	38 327 707
Ploughing Fields (See Note 21.15)	102 114	218 645
Project Generation (DEAET) (See Note 21.17)	5 658 496	5 196 179
Amphitheatre (UDDI) (See Note 21.19)	33 534	30 790
National Treasury - Accreditation of Municipalities (See Note 21.20)	6 761 735	3 459 148
2010 Soccer World Cup (See Note 21.22)	7 655 429	0
Youth Projects (See Note 21.23)	0	500 000
Walmer Youth Development Project (See Note 21.24)	88 611	130 000
Youth Advisory Centre (See Note 21.25)	245 862	0
HIV / AIDS Columbia University Project (See Note 21.26)	305 441	0
PTIF - 2010 Soccer World Cup (See Note 21.27)	87 794 287	52 883 921
Other Grants (See Note 21.28)	242 827 597	306 037 636
Total Unspent Conditional Grants and Receipts	462 970 099	473 419 238

During the year ended 30 June 2006, the balance in respect of Unspent Conditional Grants & Receipts was understated in the amount of R452 550 517. This balance was erroneously included in the Government Grant Reserve in the amount of R451 888 829 and in the Capitalisation Reserve in the amount of R661 688.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
7. Property, Plant and Equipment (PPE)		
As at 30 June 2007		
	Cost	Accumulated Depreciation
		Carrying Value
Land & Buildings	290 397 464	39 747 424
Infrastructure Assets	4 170 544 446	1 412 817 869
Community Assets	710 363 898	141 702 534
Heritage Assets	59 964 030	
Other Assets	473 378 333	147 738 615
	5 704 648 171	1 742 006 442
		3 962 641 729
As at 30 June 2006		
	Cost	Accumulated Depreciation
		Carrying Value
Land & Buildings	235 130 415	38 882 741
Infrastructure Assets	3 592 783 979	1 202 220 695
Community Assets	564 942 001	184 801 674
Heritage Assets	39 902 880	50 653
Other Assets	255 700 424	96 886 685
	4 688 459 699	1 522 842 448
		3 165 617 251

8 Intangible Assets		
As at 30 June 2007		
	Cost	Accumulated Depreciation
		Carrying Value
Computer Software	227 714 103	80 348 795
		147 365 308
As at 30 June 2006		
	Cost	Accumulated Depreciation
		Carrying Value
Computer Software	140 341 344	52 751 768
		87 589 576

9. INVESTMENT PROPERTY		
Cost		90 305 290
Total Investment Property		90 305 290
Moved to PPE		(90 305 290)
Restated Balance		0

Investment Property is included under Property, plant and equipment as per the exemption in accordance with Gazette No. 30013.

The Logistics Park land was not reflected as Investment Property as no Land value was available. In line with the exemption, the Investment Property was transferred back to Property, Plant and Equipment.

10 INVESTMENTS

Listed	0	5 000
RSA Government Stock	0	5 000
Financial instruments	1 444 792 962	1 467 856 595
Fixed Deposits	1 443 968 038	1 281 926 972
ABSA Leaseback Agreement	0	184 633 791
Sanlam Shares	824 924	526 626
UAL Long Term Investment	0	769 206
Total	1 444 792 962	1 467 861 595

Average rate of return on investments	8.57%	6.95%
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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 2007 was R 824 924 (2006: R 526 626). 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 2 785 987 as at 30 June 2006. The UAL Investment was redeemed during the 2006/07 financial year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
11 LONG-TERM RECEIVABLES		
Sporting and Other Bodies	979 913	937 889
Car Loans	3 884 310	8 489 327
	<u>4 864 222</u>	<u>9 427 216</u>
Add: Consumer and Other Debtors	67 298 541	39 268 397
Rate and General	32 997 629	20 944 575
Electricity	5 330 828	2 667 834
Water	13 914 583	7 697 087
Refuse	5 467 701	3 001 795
Sewerage	9 585 910	4 906 641
Insurance	1 891	50 466
	<u>1 894 300</u>	<u>3 048 979</u>
Less: Current Portion transferred to Current Assets	0	222 234
Sporting and Other Bodies	1 894 300	2 826 745
Car Loans	<u>70 268 463</u>	<u>45 646 634</u>

CAR LOANS

Senior Staff were entitled to car loans prior to the introduction of the MFMA. These loans attract interest at 8% per annum and are repayable over a maximum period of 6 years with the final repayments being made in the year 2010.

12 INVENTORY

	83 229 667	70 282 350
Raw Materials	182 683	150 132
Raw Materials - Water	0	0
Finished Goods	70 763 599	57 891 992
Water Finished Goods - at cost	1 859 549	1 581 196
Consumable Goods	10 423 836	10 659 030
	<u>(4 248 372)</u>	<u>(4 248 372)</u>
Less: Provision for Obsolete Inventory	<u>78 981 295</u>	<u>66 033 978</u>

The Inventory for Raw Materials - Water has been restated in the amount of R16 484 869 (2005/2006) in accordance with the exemption in Gazette No. 30013.

The municipality has capitalised all purchased water inventory and only purification costs in respect of non-purchased water inventory were capitalised.

13 CONSUMER DEBTORS

	R	R	R
	Gross Balances	Provision for Doubtful Debts	Net Balance
As at 30 June 2007			
Service Debtors	1 185 241 202	(596 166 883)	589 074 319
Rates and General	389 613 772	(240 578 777)	149 034 995
Electricity	326 316 771	(102 884 938)	223 431 833
Water	326 781 751	(137 833 182)	188 948 568
Refuse	40 093 970	(41 442 867)	-1 348 898
Sewerage	102 434 938	(73 427 118)	29 007 820
	<u>8 295 956</u>	<u>(5 335 513)</u>	<u>2 960 443</u>
Total	<u>1 193 537 158</u>	<u>(601 502 396)</u>	<u>592 034 762</u>

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.

As at 30 June 2006

Service Debtors	1 201 455 038	(621 273 691)	580 181 347
Rates and General	500 360 393	(268 020 343)	232 340 050
Electricity	292 969 110	(112 376 245)	180 592 865
Water	261 041 682	(135 072 942)	125 968 740
Refuse	47 001 228	(29 608 082)	17 393 146
Sewerage	100 082 624	(76 196 078)	23 886 546
	<u>6 636 058</u>	<u>(4 689 228)</u>	<u>1 946 830</u>
Total	<u>1 208 091 096</u>	<u>(625 962 919)</u>	<u>582 128 177</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
<u>Rates and General: Ageing</u>		
Current (0-30 days)	131 653 612	214 482 344
31 - 60 Days	8 280 921	12 371 766
61 - 90 Days	9 100 462	5 485 940
Over 90 Days	240 578 777	268 020 343
Total	389 613 772	500 360 393
<u>Electricity: Ageing</u>		
Current (0-30 days)	209 663 862	170 891 822
31 - 60 Days	11 104 580	8 140 969
61 - 90 Days	2 663 391	1 560 075
Over 90 Days	102 884 938	112 376 245
Total	326 316 771	292 969 110
<u>Water: Ageing</u>		
Current (0-30 days)	174 154 147	114 424 475
31 - 60 Days	10 392 431	6 985 262
61 - 90 Days	4 401 990	4 559 002
Over 90 Days	137 833 182	135 072 942
Total	326 781 751	261 041 681
<u>Refuse: Ageing</u>		
Current (0-30 days)	-5 104 344	13 802 895
31 - 60 Days	2 556 157	2 227 107
61 - 90 Days	1 199 289	1 363 144
Over 90 Days	41 442 867	29 608 082
Total	40 093 970	47 001 228
<u>Sanitation: Ageing</u>		
Current (0-30 days)	20 682 231	15 956 259
31 - 60 Days	5 629 332	4 733 749
61 - 90 Days	2 696 257	3 196 539
Over 90 Days	73 427 118	76 196 078
Total	102 434 938	100 082 624
<u>Housing Rentals: Ageing</u>		
Current (0-30 days)	2 759 756	1 681 634
31 - 60 Days	163 087	212 964
61 - 90 Days	37 600	52 232
Over 90 Days	5 335 513	4 689 228
Total	8 295 956	6 636 058

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
Summary of Debtors by Customer Classification			
30 June 2007			
Current (0-30 days)	427 047 412	64 057 112	42 704 741
31 - 60 Days	30 501 206	4 575 181	3 050 121
61 - 90 Days	16 079 191	2 411 879	1 607 919
Over 90 Days	481 201 917	72 180 288	48 120 192
Gross Consumer Debtors by Customer classification	954 829 726	143 224 459	95 482 973
Gross Consumer Debtors			1 193 537 158
Less: Provision for Doubtful Debts			(601 502 396)
Net Consumer Debtors for the year ended 30 June 2007			592 034 762

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
Summary of Debtors by Customer Classification			
30 June 2006			
Current (0-30 days)	433 748 319	58 494 666	38 996 444
31 - 60 Days	27 737 453	4 160 618	2 773 745
61 - 90 Days	12 973 546	1 946 032	1 297 355
Over 90 Days	500 770 335	75 115 550	50 077 034
Gross Consumer Debtors by Customer classification	975 229 653	139 716 866	93 144 577
Gross Consumer Debtors			1 208 091 095
Less: Provision for Doubtful Debts			(625 962 919)
Net Consumer Debtors for the year ended 30 June 2006			582 128 177

	2007 R	Restated 2006 R
Reconciliation of the doubtful debts provision		
Balance at beginning of year	625 962 919	510 349 046
Contributions to provision	40 978 710	96 157 335
Additional Appropriation	0	72 291 967
	666 941 629	678 798 348
Bad debts written off against provision	(65 439 232)	(52 835 429)
Balance at end of year	601 502 396	625 962 919

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
14 OTHER DEBTORS		
Government Grants and Subsidies	36 341 726	12 213 601
Interest on External Investments	41 602 869	19 535 596
External Debtors	29 064 188	44 691 020
	<u>107 008 783</u>	<u>76 440 217</u>
Regional Service Levy - Turnover (see note 20)		3 258 519
Regional Service Levy - Remuneration (see note 20)		8 183 333
Restatement - Insurance Claim (see note 22)		251 639
Restatement - Logistics Park Rental & Levy (see note 22)		1 329 884
Restated Balance		<u><u>89 463 592</u></u>

15 VAT

VAT owed	<u>11 945 742</u>	<u>3 822 843</u>
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS

16 CALL INVESTMENT DEPOSITS

Other Deposits	<u>55 555 956</u>	<u>55 174 189</u>
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Call Deposits amounting to R18 763 885 (2006: R26 370 082) are ring-fenced and attributable to repaying long-term loans.

17 BANK AND CASH BALANCES

The Nelson Mandela Bay Metropolitan Municipality operates various current accounts with Standard Bank of South Africa, **with no overdraft facility**. The details are as follows:

BANK: Standard Bank of South Africa
ACCOUNT NUMBER: 08 002 125 5
BRANCH: Port Elizabeth
BRANCH CODE: 05 00 17

Cash Book balance at beginning of the year	53 026 362	59 096 804
Cash Book balance at end of the year	<u>215 431 857</u>	<u>53 026 362</u>
Bank Balance at beginning of the year	78 753 519	89 395 726
Bank Balance at end of the year	<u>129 415 076</u>	<u>78 753 519</u>

Which are disclosed in the Statement of Financial Position as follows:

Bank balances and cash	<u>215 431 857</u>	<u>53 026 362</u>
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18. PROPERTY RATES**Actual**

Residential	249 574 595	215 688 224
Commercial	241 629 609	243 633 099
State	41 986 161	39 545 221
	<u>533 190 365</u>	<u>498 866 544</u>

Valuations

	<u>R000's</u>	<u>R000's</u>
Residential	4 341 630	4 120 355
Commercial	2 558 232	2 769 396
State	548 005	559 899
	<u>7 447 867</u>	<u>7 449 650</u>

19. SERVICE CHARGES

Sale of Electricity	1 119 758 699	1 037 156 962
Sale of Water	265 345 267	287 596 265
Refuse Removal	82 719 764	81 504 028
Sewerage and Sanitation charges	185 314 498	167 478 569
	<u>1 653 138 228</u>	<u>1 573 735 823</u>

Service charges in respect of Water in the amount of R 20 139 285 has restated in respect of the 2005/06 financial year.

Service charges in respect of Electricity in the amount of R 23 644 595 has restated in respect of the 2005/06 financial year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
20 REGIONAL SERVICES LEVIES		
Regional Service Levies - turnover	0	68 692 001
Regional Service Levies - remuneration	0	211 586 760
Total Regional Service Levies	<u>0</u>	<u>280 278 761</u>

Regional Service Levies - turnover was restated in the amount of R3 258 519 and Regional Service Levies - remuneration in the amount of R8 183 333 due to income accrued during the 2006/07 financial year, being in respect of the 2005/06 financial year.

Regional Service Levies was discontinued at the end of the 2005/06 financial year and was replaced by an Equitable Share Levies Replacement Grant from National Treasury.

21 GOVERNMENT GRANTS AND SUBSIDIES

PHB Subsidies	66 357 404	113 333 518
Health Subsidies	59 068 835	63 398 802
Equitable Share Allocation	395 073 562	151 131 073
Transportation Subsidies	4 056 253	4 653 680
Finance Management Grant	543 338	521 148
Library Services - Carnegie Corporation Grant	36 670	108 639
SMME - Development	35 201	89 499
LGWSETA Funding	0	2 756 733
Project Consolidate	2 371 124	824 659
Disaster Management Grant	1 336 912	2 166 000
Municipal Systems Improvement Grant	0	2 069 859
Municipal Infrastructure Grant	14 916 667	689 875
Restructuring Grant	5 359 751	5 481 074
Capacity Building Grant	0	208 346
Ploughing fields	127 453	1 123 408
DBSA-Systems Renewal Project	0	1 694 737
Project Generation(DEAET)	0	893 936
Community Development Workers	0	510 060
Amphitheatre - Uitenhage - UDDI	0	1 041 011
National Treasury - Accreditation of Municipalities	697 413	0
RSC Levies Replacement	246 595 009	0
National & Provincial Government Capex Funding	428 037 609	0
2010 Soccer World Cup Stadium	317 085	0
Youth Projects	500 000	0
Walmer Youth Development Project	41 389	0
Youth Advisory Centre	504 138	0
HIV / AIDS Columbia University Project	532 869	0
Other	25 347 039	12 761 437
	<u>1 251 855 724</u>	<u>365 457 494</u>

21.1 PHB Subsidies

This Grant is received from Provincial Government and is used for the construction of low cost housing

Balance at beginning of year	0	0
Current year receipts	66 357 404	113 333 518
Conditions met - transferred to revenue	(66 357 404)	(113 333 518)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

21.2 Health Subsidies

This grant is received from the Provincial Government and used in the Health function.

Balance at beginning of year	0	0
Current year receipts	59 068 835	60 035 520
Conditions met - transferred to revenue	(59 068 835)	(60 035 520)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

21.3 Equitable Share

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

Balance unspent at beginning of year	19 082 806	13 913 669
Current year receipts	375 990 756	156 300 210
Conditions met - transferred to revenue	(395 073 562)	(151 131 073)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>19 082 806</u>

21.4 Transportation Subsidies

This Subsidy is used in subsidising the provision of roads in the metropolitan area.

Balance unspent at beginning of year	0	0
Current year receipts	4 056 253	4 653 680
Conditions met - transferred to revenue	(4 056 253)	(4 653 680)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
21.5 Finance Management Grant		
This grant is used in the financial reform project under the guidance of National Treasury.		
Balance unspent at beginning of year (See Note 36.2)	1 785 915	6 160 927
Current year receipts	1 217 677	3 500 000
Funding of Capital Projects	(1 000 000)	(7 353 864)
Conditions met - transferred to revenue	(543 338)	(521 148)
Conditions still to be met - transferred to liabilities	<u>1 460 253</u>	<u>1 785 915</u>

21.6 Library Services - Carnegie Corporation Grant

This Grant is used in the provision of books and services in the municipality's libraries.

Balance unspent at beginning of year	661 688	751 338
Current year receipts	58 975	142 567
Funding of Capital Projects	(22 927)	(123 577)
Conditions met - transferred to revenue	(36 670)	(108 639)
Conditions still to be met - transferred to liabilities	<u>661 066</u>	<u>661 688</u>

21.7 SMME - Development

This Subsidy is used for the provision of roads in the metropolitan area.

Balance unspent at beginning of year	192 501	0
Current year receipts	0	282 000
Conditions met - transferred to revenue	(35 201)	(89 499)
Conditions still to be met - transferred to liabilities	<u>157 300</u>	<u>192 501</u>

21.8 LGWSETA Funding

This Grant is used to promote Skills Development within the municipality.

Balance unspent at beginning of year	0	0
Current year receipts	0	2 756 733
Conditions met - transferred to revenue	-	(2 756 733)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

21.9 Project Consolidate

This Grant was received from the Department of Provincial and Local Government as an initiative to improve municipal systems relating to the collection of debt.

Balance unspent at beginning of year	3 341 525	0
Current year receipts	4 510 512	4 166 184
Conditions met - transferred to revenue	(2 371 124)	(824 659)
Conditions still to be met - transferred to liabilities	<u>5 480 913</u>	<u>3 341 525</u>

21.10 Disaster Management Grant

This Grant is used to provide aid to those in need when disasters arise in the metropolitan area.

Balance unspent at beginning of year	2 352 666	3 244 150
Current year receipts	1 813 006	1 274 516
Conditions met - transferred to revenue	(1 336 912)	(2 166 000)
Conditions still to be met - transferred to liabilities	<u>2 828 760</u>	<u>2 352 666</u>

21.11 Municipal Systems Improvement Grant

This Grant was received from the Department of Provincial and Local Government in an initiative to improve municipal systems relating to the collection of debt.

Balance unspent at beginning of year	129 266	2 084 002
Current year receipts	11 521	115 122
Conditions met - transferred to revenue	0	(2 069 859)
Conditions still to be met - transferred to liabilities	<u>140 787</u>	<u>129 266</u>

21.12 Municipal Infrastructure Grant

This Grant is used for the provision of Infrastructure in the metropolitan area.

Balance unspent at beginning of year	39 088 844	39 992 446
Current year receipts	141 737 299	85 923 705
Funding of Capital Projects	(65 141 563)	(86 137 432)
Conditions met - transferred to revenue	(14 916 667)	(689 875)
Conditions still to be met - transferred to liabilities	<u>100 767 913</u>	<u>39 088 844</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
21.13 Restructuring Grant		
This Grant is used for restructuring of the municipality		
Balance unspent at beginning of year	38 327 707	56 522 782
Current year receipts	29 902 533	37 684 677
Funding of Capital Projects	(84 115 358)	(50 398 678)
Conditions met - transferred to revenue	(5 359 751)	(5 481 074)
Transferred to Other debtors	21 244 869	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>38 327 707</u>

21.14 Capacity Building Grant

This Grant was received from Provincial Government for capacity building in the various wards.

Balance unspent at beginning of year	0	200 000
Current year receipts	0	8 346
Conditions met - transferred to revenue	0	(208 346)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

21.15 Ploughing Fields

This Grant is used to promote Economic development.

Balance unspent at beginning of year	218 645	1 020 000
Current year receipts	10 922	322 054
Conditions met - transferred to revenue	(127 453)	(1 123 408)
Conditions still to be met - transferred to liabilities	<u>102 114</u>	<u>218 645</u>

21.16 DBSA-Systems Renewal Project

This Grant is used for the upgrading of the municipality's information systems.

Balance unspent at beginning of year	0	0
Current year receipts	0	1 694 737
Conditions met - transferred to revenue	0	(1 694 737)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

21.17 Project Generation(DEAET)

This Grant is used to promote Economic development.

Balance unspent at beginning of year	5 196 179	0
Current year receipts	462 317	6 090 116
Conditions met - transferred to revenue	0	(893 936)
Conditions still to be met - transferred to liabilities	<u>5 658 496</u>	<u>5 196 179</u>

21.18 Community Development Workers

This Grant is used to cover the costs associated with Community Development workers.

Balance unspent at beginning of year	0	0
Current year receipts	0	510 060
Conditions met - transferred to revenue	0	(510 060)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

21.19 Amphitheatre - Uitenhage - UDDI

This Grant is used to promote Economic development in the Uitenhage and Despatch Development Initiative.

Balance unspent at beginning of year	30 790	1 000 000
Current year receipts	2 744	71 802
Conditions met - transferred to revenue	0	(1 041 011)
Conditions still to be met - transferred to liabilities	<u>33 534</u>	<u>30 790</u>

21.20 National Treasury - Accreditation of Municipalities

This Grant is from National Treasury for Accreditation .

Balance unspent at beginning of year	3 459 148	0
Current year receipts	4 000 000	3 459 148
Conditions met - transferred to revenue	(697 413)	0
Conditions still to be met - transferred to liabilities	<u>6 761 735</u>	<u>3 459 148</u>

21.21 RSC Levies Replacement Grant

This Grant is to compensate for loss of revenue due to the abolishment of RSC Levies

Balance unspent at beginning of year	0	0
Current year receipts	246 595 009	0
Conditions met - transferred to revenue	(246 595 009)	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
21.22 2010 Soccer World Cup Stadium		
This Grant is used to fund the building of the 2010 Soccer World Cup Stadium.		
Balance unspent at beginning of year	0	0
Current year receipts	185 982 212	0
Funding of Capital Projects	(178 009 698)	0
Conditions met - transferred to revenue	(317 085)	0
Conditions still to be met - transferred to liabilities	<u>7 655 429</u>	<u>0</u>
21.23 Youth Projects		
This Grant is used for Youth Development.		
Balance unspent at beginning of year	500 000	0
Current year receipts	0	500 000
Conditions met - transferred to revenue	(500 000)	0
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>500 000</u>
21.24 Walmer Youth Development Project		
This Grant is used for Youth Development.		
Balance unspent at beginning of year	130 000	0
Current year receipts	0	130 000
Conditions met - transferred to revenue	(41 389)	0
Conditions still to be met - transferred to liabilities	<u>88 611</u>	<u>130 000</u>
21.25 Youth Advisory Centre		
This Grant is used for Youth Development.		
Balance unspent at beginning of year	0	0
Current year receipts	750 000	0
Conditions met - transferred to revenue	(504 138)	0
Conditions still to be met - transferred to liabilities	<u>245 862</u>	<u>0</u>
21.26 HIV/AIDS Columbia University Project		
This Grant is used for HIV / AIDS projects.		
Balance unspent at beginning of year	0	0
Current year receipts	838 309	0
Conditions met - transferred to revenue	(532 869)	0
Conditions still to be met - transferred to liabilities	<u>305 441</u>	<u>0</u>
21.27 PTIF SoccerWorld Cup		
This Grant is received from National Treasury for upgrading of infrastructure to support the 2010 World Cup Stadium.		
Balance unspent at beginning of year	52 883 921	0
Current year receipts	68 600 000	53 650 000
Funding of Capital Expenditure	(33 156 765)	(766 079)
Conditions met - transferred to revenue	(532 869)	0
Conditions still to be met - transferred to liabilities	<u>87 794 287</u>	<u>52 883 921</u>
21.28 Other Grants		
These are grants received by the municipality for various purposes		
Balance unspent at beginning of year	306 037 635	215 976 885
Current year receipts	28 195 431	102 822 188
National & Provincial Government Capex Funding	(66 591 299)	0
Conditions met - transferred to revenue	(25 347 039)	(12 761 437)
Conditions still to be met - transferred to liabilities	<u>242 294 728</u>	<u>306 037 635</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
22 OTHER INCOME		
Sale of Land	11 139 925	8 700 495
Fees and Charges	98 184 562	117 440 421
Grave Income	4 968 972	4 419 962
Interest	35 249 352	24 877 618
Rental Income	9 411 217	9 033 039
Other Income	59 582 003	31 138 464
	218 536 032	195 609 999
Transfer to Licences and Permits		(57 508 895)
Restatement - Insurance Claim (see note 22)		251 639
Restatement - Logistics Park Rental & Levy (see note 22)		1 329 884
Restated Balance		139 682 627
Licences and Permits are disclosed separately in line with National Treasury requirements.		
The decrease in income is in relation to Vehicle Registration and Licence fees no longer being collected by the Municipality.		
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	707 268 295	663 589 717
Employee related costs - Contributions for UIF, pensions and medical aids	211 509 725	166 698 093
Travel, motor car, accomodation, subsistence and other allowances	46 388 029	33 941 990
Housing benefits and allowances	9 518 789	8 683 227
Overtime payouts	53 360 563	45 140 367
Performance bonus	0	457 340
Long-service Awards	15 547 008	14 307 934
Less: Salaries Capitalised to PPE	(6 939 303)	0
	1 036 653 107	932 818 668
Remuneration of the Municipal Manager		
Annual Remuneration	727 888	618 670
Performance Bonuses	0	0
Car allowance	86 912	96 000
Contributions to UIF, Medical and Pension Funds	0	1 142
Total	814 800	715 812
Remuneration of the Chief Financial Officer		
Annual Remuneration	490 268	481 073
Performance Bonuses	0	53 994
Car allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	49 521	95 046
Total	683 789	774 113
Remuneration of Individual Executive Directors		
Corporate Administration		
Annual Remuneration	699 630	598 799
Performance Bonus	0	67 541
Car Allowance	80 000	115 000
UIF, Medical and Pension Funds	933	1 252
	780 563	782 592
Economic Development, Tourism and Agriculture		
Annual Remuneration	425 212	564 972
Performance Bonus	0	0
Car Allowance	114 494	148 764
UIF, Medical and Pension Funds	233	1 252
	539 939	714 988
Environmental Services		
Annual Remuneration	523 171	492 902
Performance Bonus	0	53 994
Car Allowance	120 000	120 000
UIF, Medical and Pension Funds	63 741	91 150
	706 912	758 046
Health		
Annual Remuneration	97 776	566 258
Performance Bonus	0	53 994
Car Allowance	0	88 000
UIF, Medical and Pension Funds	0	0
	97 776	708 252
Housing and Land		
Annual Remuneration	680 281	557 552
Performance Bonus	0	53 994
Car Allowance	37 500	150 000
UIF, Medical and Pension Funds	466	1 252
	718 247	762 798
Human Resources		
Annual Remuneration	478 230	607 268
Performance Bonus	0	0
Car Allowance	150 236	100 000
UIF, Medical and Pension Funds	9 554	1 075
	638 020	708 343

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
23 EMPLOYEE RELATED COSTS (continued)		
Electricity and Energy		
Annual Remuneration	593 896	553 394
Performance Bonus	0	53 994
Car Allowance	154 080	154 080
UIF, Medical and Pension Funds	25 357	23 400
	<u>773 333</u>	<u>784 868</u>
Infrastructure and Engineering		
Annual Remuneration	656 988	617 736
Performance Bonus	0	65 835
Car Allowance	96 000	96 000
UIF, Medical and Pension Funds	0	0
	<u>752 988</u>	<u>779 571</u>
Recreation and Culture		
Annual Remuneration	0	564 972
Performance Bonus	0	53 994
Car Allowance	0	148 764
UIF, Medical and Pension Funds	0	0
	<u>0</u>	<u>767 730</u>
Safety and Security		
Annual Remuneration		645 458
Performance Bonus		0
Car Allowance		30 000
UIF, Medical and Pension Funds		530
	<u>0</u>	<u>675 988</u>

Executive Director positions where no remuneration has been reflected were vacant for the period under review.

24 REMUNERATION OF COUNCILLORS

Mayor's Remuneration/Allowance	730 593	360 541
Deputy Mayor's Remuneration/Allowance	573 524	309 892
Speaker	573 524	309 892
Councillors' Remuneration/Allowances	32 375 671	19 270 996
Pension Fund Contributions	0	1 956 277
Telephone Allowances	1 082 628	954 066
Transport Allowances	0	4 496 351
Housing Allowances	0	510 194
Councillor's Medical Aid	0	493 194
Office Bearers' Allowances	0	565 030
Personal Facilities Allowances	0	98 298
	<u>35 335 941</u>	<u>29 324 731</u>

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties driven by a chauffeur employed by the Council.

In accordance with the Councillor's remuneration package; the structure has changed to an all-inclusive package, with the exception of a Telephone Allowance.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
25 INTEREST PAID		
Interest on External Loans	24 103 040	26 932 678
Lease Charges	80 298	319 440
	24 183 338	27 252 118

26 BULK PURCHASES		
Electricity	635 394 969	577 088 128
Water	30 927 895	24 088 799
	666 322 864	601 176 927

27 GRANTS AND SUBSIDIES PAID		
Grants in aids	4 623 183	7 799 869
Grants to Entities	21 145 770	17 739 864
Grants to Other Organisations	16 836 177	15 568 580
	42 605 130	41 108 313

The 2005/06 comparatives was restated in the amounts of R17 739 864 and R15 568 580 in respect of Grants to Entities and Grants to Other Organisations respectively. These amounts were transferred from General Expenses.

28 CASH GENERATED BY OPERATIONS

Net surplus for the year	608 189 032	73 263 263
Adjusted Accumulated Surplus at beginning of year	54 062 901	89 020 084
Accumulated Surplus at beginning of year	92 192 192	72 298 053
Change in Accounting Policy/Errors	-38 129 291	16 722 031
Additional Contributions to Provisions for the year	0	36 731 491
Depreciation	265 533 716	192 016 619
Increase/(Decrease) in non-current provisions	(36 109 907)	(1 040 284)
Increase/(Decrease) in current provisions	-	5 147 926
Contribution to Doubtful Debts Provision	40 978 710	168 449 302
Contribution to non-current Provisions	429 751 074	300 919 327
Investment Income	(141 025 426)	(124 734 548)
Interest Paid	24 183 338	27 252 118
Operating surplus before working capital changes:	1 245 563 437	767 025 298

Increase in inventories	(12 947 317)	(7 241 832)
Increase in consumer debtors	(9 906 585)	(207 370 821)
Decrease in current portion of long-term receivables	1 154 679	966 344
Increase in creditors	-338 369 194	44 068 502
Increase/(Decrease) in unspent conditional grants	10 449 139	-
Increase/(Decrease) in current portion of long-term liabilities	7 606 197	8 612 817
Increase in other debtors	(17 545 191)	(28 979 026)
Increase in VAT	(8 122 900)	(6 318 255)

Cash generated by operations	877 882 267	570 763 027
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29 CASH AND CASH EQUIVALENTS

Bank balances and cash	215 431 857	53 026 362
Call investment deposits	55 555 956	55 174 189
Total cash and cash equivalents	270 987 813	108 200 551

30 (DECREASE) IN LONG-TERM LOANS(EXTERNAL)

Loans raised	0	0
Loans repaid	(199 423 149)	(36 735 750)
	(199 423 149)	(36 735 750)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL		
31 FINANCE MANAGEMENT ACT		
31.1 Contributions to organised local government		
Opening balance	0	0
Council subscriptions	6 422 160	1 121 746
Amount paid - current year	(6 422 160)	(1 121 746)
Balance unpaid (included in creditors)	0	0
<p>The 2005/06 comparative was restated in the amount of R220 699 to bring in line with the actual contribution made.</p>		
31.2 Audit Fees		
Opening balance	0	0
Current year audit fee	3 991 696	3 184 417
Amount paid - current year	(3 991 696)	(3 184 417)
Amount paid - previous year	-	0
Balance unpaid (included in creditors)	0	0
31.3 VAT		
<p>VAT inputs and VAT output are shown in note 15. All VAT returns have been submitted by the due date throughout the year</p>		
31.4 PAYE and UIF		
Opening balance	9 010 397	9 971 739
Current year payroll deductions	134 407 782	119 408 595
Amount paid - current year	(123 561 830)	(110 398 198)
Amount paid - previous year	(9 010 397)	(9 971 739)
Balance unpaid (included in creditors)	10 845 952	9 010 397
31.5 Pension and Medical Aid Deductions		
Opening balance	0	0
Current year payroll deductions and Council Contributions	235 420 039	228 744 625
Amount paid - current year	(235 420 039)	(228 744 625)
Balance unpaid (included in creditors)	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007 R	Restated 2006 R
31.6 Councillor's arrear consumer accounts	R	R	R
Councillors had arrear accounts outstanding for more than 90 days as at:	Total	Outstanding less than 90 days	Outstanding more than 90 days
30 June 2007			
Councillor AVG Mfunda	3 081	444	2 637
Councillor M Nzotoyi	3 662	2 542	1 120
Councillor NM Makapela	3 906	305	3 601
	10 649	3 291	7 358

		2007 R	Restated 2006 R
Councillors had arrear accounts outstanding for more than 90 days as at:	Total	Outstanding less than 90 days	Outstanding more than 90 days
30 June 2006			
Councillor F Desi	922	0	922
Councillor B S Greef	11 808	10 318	1 490
Councillor M S Hote	644	0	644
Councillor A C G Mfunda	3 619	278	3 341
Councillor M M Nkewu	776	332	444
Councillor S Ntonela	367	175	192
Councillor C G Pietersen	3 533	0	3 533
Councillor Z J Qupe	3 600	377	3 223
	25 269	11 480	13 789

		2007 R	Restated 2006 R
31.7 List of Entities and related transactions			
Solely-controlled entities			
All entities are solely controlled by the municipality and have received the following grants.:			
1. Nelson Mandela Bay Development Agency		20 043 520	16 690 104
2. Centenary Hall Promotions		55 460	52 820
3. Feathermarket Hall Promotions		1 046 790	996 940
4. Nelson Mandela Metropolitan Art Museum		0	2 603 090
Total		21 145 770	20 342 954
Nelson Mandela Metropolitan Art Museum (treated as other organisations)			(2 603 090)
Restated Grants to Solely-controlled Entities		21 145 770	17 739 864

Other Organisations

The Organisations have received the following grants:

1. Uitenhage Despatch Development Initiative	2 553 200	2 400 000
2. Nelson Mandela Bay Tourism	11 093 707	10 565 490
	13 646 907	12 965 490
Nelson Mandela Metropolitan Art Museum	3 189 270	2 603 090
Restated Grants to Other Organisations	16 836 177	15 568 580

31.8 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2006/07 financial year are detailed as follows:

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
32 CAPITAL COMMITMENTS		
Approved and contracted for	1 312 565 344	278 906 634
Infrastructure	352 240 425	221 811 571
Community	960 324 918	488 995
Other	0	56 606 068
Approved but not yet contracted for	411 426 943	15 023 967
Infrastructure	399 668 416	
Community	8 564 817	
Other	3 193 710	15 023 967
Total	1 723 992 287	293 930 601
This expenditure will be financed from:		
Capital Replacement Reserve	50 006 181	107 886 253
Grants and Subsidies	1 620 168 329	152 182 231
RSC Levies	53 591 204	33 862 117
Contribution to Capital	226 573	
Total	1 723 992 287	293 930 601
33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (See Note 2)	213 833 597	413 256 746
Used to Finance property, plant and equipment - at cost	0	0
Sub-total	213 833 597	413 256 746
Cash set aside for the repayment of long-term liabilities (See Note 2)	18 763 885	26 370 082
Cash invested for repayment of long-term liabilities	232 597 482	439 626 828
34 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.		
35 RESTATED PRIOR YEAR COMPARATIVES		
35.1 Net effect on surplus		
Service Charges (refer Note 19) - restated in consumer debtors		(43 783 880)
Regional Service Levy - Turnover (refer Note 20) - restated in other debtors		(3 258 519)
Regional Service Levy - Remuneration (refer note 20) - restated in other debtors		(8 183 333)
Other Income (refer note 22) - restated in other debtors		(1 581 524)
General Expenses (refer note 35.7 below)		17 874 953
Net effect on surplus for 2005/2006		(38 932 303)
35.2 Long-term liabilities		
Balance as per audited financial statements		712 151 875
Transfer to Non-current Provisions (see note 2)		(298 895 129)
Restated Balance		413 256 746
35.3 Non-current Provisions		
Balance as per audited financial statements		18 959 716
Transfer from Long-term Liabilities (see note3)		298 895 129
Restated Balance		317 854 845
35.4 Licences and Permits		
Balance as per audited financial statements		-
Transfer from Other Income (see note21)		57 508 895
Restated Balance		57 508 895
Licences and Permits disclosed separately in line with the National Treasury requirements.		
The decrease in income is in relation to Vehicle Registration and Licence fees no longer being collected by the Municipality.		
35.5 Other Income		
Balance as per audited financial statements		195 609 999
Transfer to Licences and Permits		(57 508 895)
Restatement - Insurance Claim (see note 22)		251 639
Restatement - Logistics Park Rental & Levy (see note 22)		1 329 884
Restated Balance		139 682 627
Licences and Permits disclosed separately in line with the National Treasury requirements.		
The decrease in income is in relation to Vehicle Registration and Licence fees no longer being collected by the Municipality.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
35.6 Grants & Subsidies Paid		
Balance as per audited financial statements		7 799 869
Transfer from General Expenses		<u>33 308 444</u>
Restated Balance		<u>41 108 313</u>
<p>The 2005/06 balance was restated in the amounts of R17 739 864 and R15 568 580 in respect of Grants to Entities and Grants to Other Organisations respectively. These amounts were transferred from General Expenses. The restatement is in accordance with the National Treasury requirements.</p>		
35.7 General Expenses		
Balance as per audited financial statements		567 032 678
Transfer to Grants & Subsidies Paid		(33 308 444)
Restatement Logistics Park Operational Costs		1 298 984
Refund of Loan		76 303
Opening stock amended		16 484 869
Bank Charges understated		<u>14 797</u>
Restated Balance		<u>551 599 188</u>
35.8 Inventory		
Balance as per audited financial statements		82 518 847
Opening Stock amended		<u>(16 484 869)</u>
Restated Balance		<u>66 033 978</u>
<p>The Inventory for Raw Materials - Water has been restated in the amount of R16 484 869 (2005/2006) in accordance with the exemption in Gazette No. 30013.</p>		
35.9 Creditors		
Balance as per audited financial statements		543 181 065
Restatement Logistics Park Operational Costs		1 298 984
Refund of Loan		76 303
Bank Charges understated		<u>14 797</u>
Restated Balance		<u>544 571 149</u>
35.10 Investment Property		
Balance as per audited financial statements		90 305 290
Transferred to Property, plant and equipment (see note 7)		<u>(90 305 290)</u>
Restated Balance		<u>-</u>
35.11 Property, plant and equipment		
Balance as per audited financial statements		3 162 901 536
Transferred from Investment Property (see note 9)		90 305 290
Transferred to Intangible Assets (see note 8)		<u>(87 589 576)</u>
Restated Balance		<u>3 165 617 250</u>
35.12 Intangible Assets		
Balance as per audited financial statements		-
Transferred from Property, plant and equipment (see note 7)		<u>87 589 576</u>
Restated Balance		<u>87 589 576</u>
35.13 Service Charges		
Balance as per audited financial statements		1 529 951 944
Sale of Water understated (see note 19)		20 139 285
Sale of Electricity understated (see note 19)		<u>23 644 594</u>
Restated Balance		<u>1 573 735 823</u>
<p>Service charges in respect of Water in the amount of R 20 139 285 has restated in respect of the 2005/06 financial year.</p>		
<p>Service charges in respect of Electricity in the amount of R 23 644 595 has restated in respect of the 2005/06 financial year.</p>		
35.14 Consumer Debtors		
Balance as per audited financial statements		538 344 298
Sale of Water understated (see note 13)		20 139 285
Sale of Electricity understated (see note 13)		<u>23 644 594</u>
Restated Balance		<u>582 128 177</u>
<p>Service charges in respect of Water in the amount of R 20 139 285 has restated in respect of the 2005/06 financial year.</p>		
<p>Service charges in respect of Electricity in the amount of R 23 644 595 has restated in respect of the 2005/06 financial year.</p>		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
35.15 Other Debtors		
Balance as per audited financial statements		76 440 217
Regional Service Levy - Turnover (see note 20)		3 258 519
Regional Service Levy - Remuneration (see note 20)		8 183 333
Restatement - Insurance Claim (see note 22)		251 639
Restatement - Logistics Park Rental & Levy (see note 22)		<u>1 329 884</u>
Restated Balance		<u>89 463 592</u>
35.16 Regional Services Levies - turnover		
Balance as per audited financial statements		65 433 482
Regional Service Levy - Turnover (see note 20)		<u>3 258 519</u>
Restated Balance		<u>68 692 001</u>
35.17 Regional Services Levies - remuneration		
Balance as per audited financial statements		203 403 427
Regional Service Levy - Remuneration (see note 20)		<u>8 183 333</u>
Restated Balance		<u>211 586 760</u>
36 CORRECTION OF ERROR		
36.1 Unspent Conditional Grants & Receipts		
During the year ended 30 June 2006, the balance in respect of Unspent Conditional Grants & Receipts was understated in the amount of R452 550 517. This balance was inadvertently included in the Government Grant Reserve in the amount of R451 888 829 and in the Capitalisation Reserve in the amount of R661 688.		
Balance as per audited financial statements		20 868 720
Transfer from Government Grant Reserve		451 888 829
Transfer from Capitalisation Reserve		<u>661 688</u>
Restated Balance		<u>473 419 237</u>
36.2 Donations and Public Contributions Reserve		
During the year ended 30 June 2006, the balance in respect of Donations & Public Contributions Reserve was understated in the amount of R87 856 071. This balance was inadvertently included in the Capitalisation Reserve.		
Balance as per audited financial statements		31 677 860
Transfer from Capitalisation Reserve		<u>87 856 071</u>
Restated Balance		<u>119 533 931</u>
36.3 Housing Development Fund		
During the year ended 30 June 2006, the balance in respect of Housing Development Fund was overstated in the amount of R7 283 436. This balance was inadvertently included in the Capitalisation Reserve in the amount of R(7 099 411) and an amount of R184 025 relating to the Capital Replacement Reserve was inadvertently included in the Housing Development Fund.		
Balance as per audited financial statements		90 321 443
Transfer to Capital Replacement Reserve		(184 025)
Transfer from Capitalisation Reserve		<u>(7 099 411)</u>
Restated Balance		<u>83 038 007</u>
36.4 Capital Replacement Reserve		
During the year ended 30 June 2006, the balance in respect of the Capital Replacement Reserve was understated in the amount of R184 025. This balance was inadvertently included in the Housing Development Fund.		
Balance as per audited financial statements		236 133 612
Transfer from Housing Development Fund		<u>184 025</u>
Restated Balance		<u>236 317 638</u>
36.5 Government Grant Reserve		
During the year ended 30 June 2006, the Unspent Conditional Grants & Receipts balance of R451 888 829 was inadvertently included in the Government Grant Reserve. The Government Grant Reserve balance in the amount of R664 503 229 was inadvertently included in the Capitalisation Reserve.		
Balance as per audited financial statements		472 757 549
Transfer to Unspent Conditional Grants & Receipts		(451 888 829)

Transfer from Capitalisation Reserve
Restated Balance

664 503 229
685 371 949

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
36.6 Accumulated Surplus		
During the year ended 30 June 2006 the Accumulated Surplus was inadvertently understated in the amount of R 1 248 174 554. This balance was inadvertently included in the Capitalisation Reserve.		
Balance as per audited financial statements		53 259 889
Transfer from Capitalisation Reserve		<u>1 194 914 666</u>
Restated Balance		<u>1 248 174 554</u>

36.7 Capitalisation Reserve

During the year ended 30 June 2006 the Capitalisation Reserve was inadvertently overstated by R745 921 549. This Balance has accordingly been transferred to the respective Reserves and the Accumulated Surplus.

Balance as per audited financial statements	3 217 211 214
Transfer to Government Grant Reserve	(664 503 229)
Transfer to Donations & Public Contributions Reserve	(87 856 071)
Transfer to Housing Development Fund	7 099 411
Transfer to Unspent Conditional Grants & Receipts	(661 688)
Transfer to Accumulated Surplus	<u>(1 194 914 666)</u>
	<u>1 276 374 970</u>

37 OPERATING LEASE COMMITMENTS

NMBMM as Lessee

	2007 R	Restated 2006 R
Future minimum lease payments under non-cancellable operating leases:		
Buildings	9 148 994	13 830 694
Payable within one year	5 116 150	4 880 113
Payable within two to five years	4 009 563	8 916 929
Payable after 5 years	23 281	33 651
Photocopier, fax machines and other equipment	1 074 134	1 679 299
Payable within one year	524 199	605 164
Payable within two to five years	549 935	1 071 128
Payable after 5 years	0	3 006
Motor vehicles	288 545	374 410
Payable within one year	124 803	85 865
Payable within two to five years	163 741	288 545
Payable after 5 years	0	0
	<u>10 511 673</u>	<u>15 884 402</u>

NMBMM as Lessor

At statement of financial performance date, NMBMM has contracted with tenants for the following future minimum lease payments:

Buildings	1 958 666	2 437 930
Payable within one year	533 066	479 263
Payable within two to five years	1 041 452	1 275 839
Payable after 5 years	384 148	682 828
	<u>1 958 666</u>	<u>2 437 930</u>

The operating lease payments/ receipts is recognised on the basis of the cash flows in the lease agreement in accordance with the exemption in the Gazette no. 30013.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	Restated 2006 R
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL 38 EXPENDITURE DISALLOWED		
	2007 R	Restated 2006 R
Reconciliation of irregular expenditure		
Opening Balance	0	0
Irregular Expenditure current year	3 655 845	0
Approved by Council	0	0
Transfer to receivables for recovery	0	0
Closing Balance	3 655 845	0
Incident/ Disciplinary steps / Criminal Proceedings		
38.1 Relocation of families to sites		
Irregular payment for the relocation of families to sites. No actions taken as investigations are still in process.	1 366 230	0
38.2 Supply chain management policy not followed		
Supply chain management policy not followed in procurement of services. This is subject to investigation.	39 615	0
38.3 Ekard sales		
Ekard sales totalling R500 000 have not been disclosed in the operating budget for 2006/2007 as the income was either collected and not banked, or was not received at all. This is subject to investigation. The services of the employee being in question was terminated.	500 000	0
38.4 Unauthorised requisitioning of stock		
Printer cartridges (held as stock items in municipal stores) to the value of approximately R1.75 million have been withdrawn on the basis of fraudulently completed requisitions. This amount was charged to the operating budget resulting in overexpenditure on the vote. The official was summarily suspended awaiting the a disciplinary hearing. The case was reported to the SA Police for further investigation.	1 750 000	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

Restated

39. CONTINGENT LIABILITIES

	2007 R	2006 R
Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to	572 088	572 088
(a) Linton Projects	0	385 808
(b) Swartkops Seesout	0	6 540 360
(c) Elsig Electrical Engineering	0	761 516
(d) B Jacobs	0	202 355
(e) S L Hartzenberg	0	252 355
(f) Post Retirement Benefits	0	326 835 871
(g) Amadisi Construction	0	20 342 465
(h) J M Hendricks	0	3 541 600
(i) Scribante Plant Hire (EC)(PTY) Limited t/a Scribante Concrete	500 000	493 510
(j) Commando Security	0	1 000 000
(k) D Tobias	250 000	220 000
(l) J E Otto	0	354 000
(m) S E Van Zyl	651 368	651 000
(n) H E Davids	0	241 000
(o) Masakeni Civils	0	377 648
(p) FJP van der Merwe	0	446 064
(q) E Haasbroek	652 000	652 000
(r) Rand Merchant Bank Loan	300 000 000	0
(s) D Pook	397 000	0
(t) K R Hataha	1 210 475	0
(u) M G Mantla	1 130 000	0
	305 362 931	363 869 640

- (a) The claim arises out of a dispute surrounding the sale of Council owned land.
- (b) The claim arises out of an alleged Sewer spillage into the salt pans
- (c) The claim arises out of a dispute between an Electrical contractor and the Municipality over the alleged amendments to a contract.
- Both (d) and (e) refer to the same incident. The claim arises as a result of
- (d) both the Father and the Mother suing the Municipality in their separate
- (e) capacities as their minor child allegedly drowned in water on a Municipal building site.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

39. CONTINGENT LIABILITIES - (continued)

- (f) The assessed liability as at 1 July 2002, amounted to R 878,7 million, which is made up as follows:

Current value of past service liability:

Personnel in service	R 339 565 000
Retired personnel	<u>R 286 166 000</u>
Total	<u>R 625 731 000</u>

Current value of future service liability:

Personnel in service	<u>R 252 935 000</u>
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The past service liability of R625 731 000 is fully covered by the provision for post retirement benefits.

- (g) The claim arises out of a dispute between a housing contractor and the Municipality over the termination of a housing contract due to the continuous failure of the claimant to comply with his obligations under the contract to timeously completing the work.
- (h) The claim arises as a result of the Mother suing the Municipality in her capacity as natural guardian of her minor daughter who sustained injuries whilst in a public recreational park.
- (i) The claim arises out of a dispute surrounding payment of monies due and payable by the Municipality to Vukuzenzele (Pty) Limited, Maqadi Yona Construction and Equibuild Construction for alleged services rendered.
- (j) The claim arises out of a dispute surrounding alleged payment for services rendered.
- (k) The claim arises out of a shooting incident between a Traffic officer and the claimant after the traffic officer allegedly lost control and overturned a municipal vehicle.
- (l) The claim arises out of injuries sustained in an alleged fall into an open manhole.
- (m) The claim arises out of damage to the Claimants vehicle allegedly caused by swerving as a Municipal Traffic officer overtook an overloaded truck.
- (n) The claim arises out of the Municipality allegedly failing to inform Sanlam about the possibility of medical boarding within six months from the last date on which the Claimant actually worked resulting in the alleged repudiation of his claim against Sanlam.
- (o) The claim arises out of a dispute surrounding the alleged determination by the engineer pursuant to clause 61 of the General Conditions of Contract, that the contractor's claim for extensions of time and re-establishment costs not be approved.
- (p) The claim arises out of the Municipality allegedly failing to inform Sanlam timeously of the Claimant's prospective or potential medical boarding resulting in the alleged repudiation of his claim against Sanlam for permanent and total disability benefits.
- (q) The claim arises out of damage to the Claimants property allegedly caused by underground water from a burst municipal water pipe.
- (r) Council has resolved on 30 May 2007 that the tender received from Rand Merchant Bank for providing a loan facility to Nelson Mandela Bay Metropolitan Municipality at an interest rate of 0.700 of a point over the base rate at the date of signature of the agreement be approved. The loan will be in the amount of R300 000 000 for funding of Electrical Infrastructure Expansion. The debt agreement has not yet been signed by the mayor therefore a contingent liability has been raised.
- (s) The claim arises out of injuries sustained in an alleged fall on a pavement.
- (t) The claim arises out of injuries sustained in an alleged fall into an open manhole.
- (u) The claim arises out of injuries sustained by the Claimant's minor son arising from the fact that he allegedly came into contact with an exposed live electrical conductor.

APPENDIX A

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS							
Local Registered Stock							
LOAN NO.	INTEREST RATE %	YEAR	DATE REPAYABLE	BALANCE AT 30 June 2005 R	RECEIVED DURING THE YEAR R	REPAID DURING THE YEAR R	BALANCE AT 30 June 2006 R
1	17.40	1988	2008/06/30	2 000 000	0	0	2 000 000
1	16.90	2000	2011/06/30	8 000 000	0	0	8 000 000
279	16.40	2000	2009/09/26	8 000 000	0	0	8 000 000
278	17.55	2000	2009/03/23	8 000 000	0	0	8 000 000
				26 000 000	0	0	26 000 000
Development Bank of Southern Africa				226 382 719	0	19 785 237	206 597 482
Amalgamated Banks of South Africa				2 540 322	0	2 540 322	0
Amalgamated Banks of South Africa - Long Term Lease				30 000 000	0	30 000 000	0
State Housing Loans to Public Organisations				13 908 901	0	13 908 901	0
Cape Joint Pension Fund				70 000	0	70 000	0
				298 901 942	0	66 304 460	232 597 482

APPENDIX B
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

					ACCUMULATED DEPRECIATION							Carrying Value
	Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Closing Balance	Opening Balance	Transfers / Adjustments	Additions	Disposals / Adjustments	Closing Balance	
Land & Buildings												
Buildings	235 130 415	(13 715 781)	31 597	30 403 337	(320 832)	251 528 736	38 882 741	(2 950 840)	3 943 856	(128 333)	39 747 424	211 781 312
Land		38 818 728		50 000		38 868 728		11 156 430	(11 156 430)		-	38 868 728
	235 130 415	25 102 947	31 597	30 453 337	(320 832)	290 397 464	38 882 741	8 205 590	(7 212 574)	(128 333)	39 747 424	250 650 040
Infrastructure Assets												
Roads, Sidewalks & Stormwater Networks	1 245 478 197	7 145 652	12 941 517	220 616 735	(504 103)	1 485 677 998	554 132 920	5 277 630	90 474 589	(319 265)	649 565 874	836 112 124
Beach Developments	23 002 696	43 599 654		11 196 365	(6 286 603)	71 512 112	9 997 129	16 388 961	1 566 021	(2 811 656)	25 140 455	46 371 657
Electricity Reticulation & Supply	1 017 530 052	(28 807 858)	14 243 169	153 529 612		1 156 494 975	267 984 003	(2 985 187)	53 990 087		318 988 903	837 506 072
Sewerage Mains & Purification Works	574 308 816	140 353 075	4 330 905	109 343 221		828 336 017	142 734 987	39 158 778	33 731 695		215 625 460	612 710 557
Waste Disposal Facilities	117 457 833	(66 637 377)	4 624 722	5 975 322		61 420 500	38 942 443	(34 948 562)	6 333 618		10 327 499	51 093 001
Water Supply & Reticulation	409 110 543	(48 274 685)	2 484 385	43 955 631		407 275 874	154 258 117	(20 221 195)	21 289 193		155 326 115	251 949 759
Dams & Treatment Works	205 895 842	(74 880 211)		28 811 339		159 826 970	34 171 096	657 355	3 015 112		37 843 563	121 983 407
	3 592 783 979	(27 501 750)	38 624 698	573 428 225	(6 790 706)	4 170 544 446	1 202 220 695	3 327 780	210 400 315	(3 130 921)	1 412 817 869	2 757 726 577
Community Assets												
Libraries	14 679 000	910 005	1 595 159	1 980 607		19 164 771	4 327 320	(25 573)	776 553		5 078 300	14 086 471
Fire Stations	24 995 538	5 029 550	680	363 479	(32 324)	30 356 923	14 040 974	(824 508)	(319 992)	(19 394)	12 877 080	17 479 843
Cemeteries	14 279 601	1 363 500		6 510 042		22 153 143	3 859 067	(1 360 200)	441 726		2 940 593	19 212 550
Clinics	18 131 198	7 907 093	958	1 278 132	(41 339)	27 276 042	4 046 447	(231 155)	837 740	(16 536)	4 636 496	22 639 546
Community Centres	76 231 589	4 449 830	74 054	3 886 277		84 641 750	19 686 634	465 565	2 634 229		22 786 428	61 855 322
Public Conveniences	57 174 631	(49 746 602)	5 630		(439 002)	6 994 657	34 428 760	(31 697 409)	264 361	(192 553)	2 803 159	4 191 498
Swimming Pools	15 182 105	(397 143)		1 013 396	(107 942)	15 690 416	7 310 902	(174 096)	489 978	(69 682)	7 557 102	8 133 314
Recreational Facilities	268 810 018	(24 481 741)	4 688 428	166 757 228	(12 417 138)	403 356 795	71 915 472	(21 534 201)	10 561 118	(5 124 818)	55 817 571	347 539 224
Selling & Letting Schemes	75 458 321	33 440 441			(8 169 361)	100 729 401	25 186 098	20 487 257	(15 899 442)	(2 568 108)	27 205 805	73 523 596
	564 942 001	(21 525 067)	6 364 909	181 789 161	(21 207 106)	710 363 898	184 801 674	(34 894 320)	(213 729)	(7 991 091)	141 702 534	568 661 364
Heritage Assets												
Historical Buildings	34 188 881	(33 377 634)		403 512		1 214 759	50 653	300 887	(351 540)		-	1 214 759
Memorials & Statues		2 675 409				2 675 409		35 940	(35 940)		-	2 675 409
Heritage Sites		1 120 882		258 298		1 379 180		3 000	(3 000)		-	1 379 180
Museums		45 730 959		3 263 902		48 994 861		11 713	(11 713)		-	48 994 861
Art Works	5 713 999	(14 178)				5 699 821		-			-	5 699 821
	39 902 880	16 135 438		3 925 712	-	59 964 030	50 653	351 540	(402 193)			59 964 030
Other Assets												
Bins & Containers		185 916				185 916		157 233	14 182		171 415	14 501
Emergency & Medical Equipment		2 112 809	2 858 223		(13 124)	4 957 908		1 477 498	266 329	(13 124)	1 730 703	3 227 205
Vehicles & Plant	137 560 333	17 000 391	30 525 016		(161 114)	184 924 626	56 685 670	352 332	18 099 808	(80 557)	75 057 253	109 867 373
Office Furniture & Fittings	94 097 539	47 938 383	6 041 511		(464 682)	147 612 751	19 709 085	9 546 546	3 519 790	(464 682)	32 310 739	115 302 012
Landfill Sites		66 987 413				66 987 413		-			-	66 987 413
Security Systems		9 245 069	6 288 282			15 533 351		2 581 797	2 014 114		4 595 911	10 937 440
Access Control		-				-		-			-	-
Tip Sites		3 198 492				3 198 492		1 007 959	150 027		1 157 986	2 040 506
Computer Hardware	24 042 552	18 294 841	7 640 483			49 977 876	20 491 930	7 886 045	4 336 633		32 714 608	17 263 268
	255 700 424	164 963 314	53 353 515		(638 920)	473 378 333	96 886 685	23 009 410	28 400 883	(558 363)	147 738 615	325 639 718
Total	4 688 459 699	157 174 882	98 374 719	789 596 435	(28 957 564)	5 704 648 171	1 522 842 448	-	230 972 702	(11 808 708)	1 742 006 442	3 962 641 729

APPENDIX B
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2007

	Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Closing Balance	Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	Carrying Value
Intangible Assets												
Computer Software	24 507 464	115 833 880	4 239 422	83 133 336	0	227 714 103	52 751 768	0	27 597 027	0	80 348 795	147 365 308

APPENDIX B(1)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
Carry Value 1 July 2006						
Cost	235 130 415	3 592 783 979	592 209 209	39 238 956	326 779 470	4 786 142 029
Transfers/Adjustments	16 897 357	(30 829 530)	7 917 796	15 738 468	(80 799 587)	(71 075 496)
Disposal			(27 267 208)	663 924	(3 550)	(26 606 834)
Accumulated Depreciation	(38 882 741)	(1 202 220 695)	(184 801 674)	(50 653)	(96 886 685)	(1 522 842 448)
	213 145 031	2 359 733 754	388 058 123	55 590 695	149 089 648	3 165 617 251
		-	-	-	-	
Movement during year ended 30 June 2007						
Aquisition	31 597	38 624 698	6 364 909		53 353 515	98 374 719
Capital Under Construction	30 453 337	573 428 225	181 789 161	3 925 712		789 596 435
Adjustments			5 451 457	45 430	151 677 995	157 174 882
Depreciation	7 212 574	(210 400 315)	213 729	402 193	(28 400 883)	(230 972 702)
	37 697 508	401 652 608	193 819 256	4 373 335	176 630 627	814 173 334
Carry Value of Disposals during year ended 30 June 2007						
Cost	(320 832)	(6 790 706)	(21 207 106)	-	(638 920)	(28 957 564)
Depreciation	128 333	3 130 921	7 991 091	-	558 363	11 808 708
	(192 499)	(3 659 785)	(13 216 015)	-	(80 557)	(17 148 856)
Carrying Values at 30 June 2007	250 650 040	2 757 726 577	568 661 364	59 964 030	325 639 718	3 962 641 729
Summary - Carrying Values at 30 June 2007						
Summary - Cost	282 191 874	4 167 216 666	745 258 218	59 612 490	450 368 923	5 704 648 171
Summary - Accumulated Depreciation	(31 541 834)	(1 409 490 089)	(176 596 854)	351 540	(124 729 205)	(1 742 006 442)
	250 650 040	2 757 726 577	568 661 364	59 964 030	325 639 718	3 962 641 729

APPENDIX C
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions	Capital Under Construction	Adjustments / Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Infrastructure & Engineering Unit - Rate and General	1 176 152 023	10 769 246	139 625 790	-	1 326 547 059	538 231 731	63 031 560	-	601 263 291	725 283 768
Levies Finance-Office of the Speaker	355 716	-	-	-	355 716	-	-	-	-	355 716
Housing & Land	265 113 361	12 662 175	1 960 662	(27 267 208)	252 468 990	64 430 433	6 829 478	(8 090 807)	63 169 104	189 299 886
Recreational & Cultural Services	246 730 417	1 582 728	32 685 992	-	280 999 137	60 653 527	7 767 179	-	68 420 706	212 578 431
Safety & Security	95 013 758	7 888 784	13 950 166	-	116 852 708	33 901 331	3 517 474	-	37 418 805	79 433 903
Economic Development, Tourism & Agriculture	13 209 279	-	3 046 792	-	16 256 071	5 967 515	289 250	-	6 256 765	9 999 306
Human Resources & Corporate Administration	165 079 271	10 352 643	8 606 756	663 924	184 702 594	65 732 434	14 281 461	-	80 013 895	104 688 699
Budget & Treasury	61 424 545	1 189 100	23 548 017	-	86 161 662	15 368 931	4 163 390	-	19 532 321	66 629 341
Constituency Co-ordinator	2 410 758	-	-3 354	-	2 407 404	-	-	-	-	2 407 404
Health	21 707 907	-	3 386 801	-	25 094 708	5 634 093	387 401	-	6 021 494	19 073 214
Environment & Waste Management	160 568 905	14 453 579	13 459 530	-	188 482 014	36 951 075	7 063 528	-	44 014 603	144 467 411
Sanitation - Metro	571 370 604	5 299 687	72 688 648	-	649 358 939	164 077 173	21 906 327	-	185 983 500	463 375 439
Metro Water Service	420 696 512	4 590 070	49 353 647	-	474 640 229	150 785 468	16 876 036	-	167 661 504	306 978 725
Municipal Manager	6 266 153	-	-	-	6 266 153	1 771 520	402 506	-	2 174 026	4 092 127
Electricity & Energy	1 017 813 782	22 188 411	87 900 176	-	1 127 902 369	248 160 192	45 504 011	-	293 664 203	834 238 166
	4 223 912 991	90 976 423	450 209 623	(26 603 284)	4 738 495 753	1 391 665 423	192 019 601	(8 090 807)	1 575 594 217	3 162 901 536

APPENDIX D
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006	Actual	2006	Actual	2006	Surplus/ (Deficit)		2007	Actual	2007	Actual	2007	Surplus/ (Deficit)
	Income		Expenditure				Income		Expenditure			
	1 536 851		105 086 806		(103 549 955)	Executive and Council	158 724 614		291 174 167		(132 449 553)	
	969 471 087		409 401 791		560 069 296	Finance and Admin	2 144 301 677		801 489 982		1 342 811 695	
	56 633 752		82 619 141		(25 985 389)	Health	69 022 289		93 466 211		(24 443 922)	
	141 455 728		191 269 416		(49 813 688)	Housing and Land	128 900 978		227 849 888		(98 948 909)	
	48 765 044		182 783 322		(134 018 278)	Safety and Security	40 343 992		208 299 681		(167 955 689)	
	5 948 110		115 021 533		(109 073 423)	Recreation and Cultural Services	12 428 215		132 401 509		(119 973 294)	
	6 233		6 837 209		(6 830 976)	Environmental Services	26 005 920		119 728 834		(93 722 915)	
	121 333 506		175 888 838		(54 555 332)	Waste Management	133 239 035		215 892 320		(82 653 285)	
	15 946 465		119 378 466		(103 432 001)	Infrastructure and Engineering	138 626 716		247 230 519		(108 603 803)	
	306 007 439		291 097 911		14 909 528	Water	367 310 633		365 741 383		1 569 250	
	1 133 129 589		991 914 989		141 214 600	Electricity and Energy	1 231 121 820		1 104 159 737		126 962 083	
	6 731 616		62 425 992		(55 694 376)	Economic Development, Tourism and Agriculture	10 172 568		79 211 323		(69 038 755)	
	10 395 897		10 352 134		43 763	Market	10 581 674		11 424 739		(843 065)	
	262 106 278		262 126 785		(20 507)	Sanitation	305 885 078		270 405 883		35 479 195	
	<u>3 079 467 595</u>		<u>3 006 204 332</u>		<u>73 263 263</u>	Total	<u>4 776 665 209</u>		<u>4 168 476 176</u>		<u>608 189 033</u>	

APPENDIX E(1)
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual (R)	2007 Budget (R)	2007 Variance (R)	2007 Variance (%)	Explanations of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	533 190 365	541 872 790	(8 682 425)	-2	
Service charges	1 653 138 228	1 636 668 000	16 470 228	1	
Interest earned - external investments	141 025 426	134 951 780	6 073 646	5	
Interest earned - outstanding debtors	76 809 365	55 710 000	21 099 365	38	raised on outstanding debtor balances. Interest rate increased more than anticipated.
Fines	17 368 619	21 666 190	(4 297 571)	-20	Due to the ad hoc nature of this income, accurate income projections are not possible.
Licences and Permits	6 409 122	6 371 520	37 602	1	
Government grants and subsidies	1 251 855 724	567 391 660	684 464 064	121	Actual grants received in excess of original allocations Due to the ad hoc nature of this income, accurate income projections are not possible.
Other income	218 536 032	183 111 040	35 424 992	19	More property, plant and equipment disposed of than initially anticipated This was necessitated to adjust the provisions to the appropriate levels
Gains on disposal of property, plant and equipment	593 785	21 300	572 485	2688	
Contributions: Other	877 738 544	6 246 030	871 492 514	13953	
Total Revenue	4 776 665 208	3 154 010 310	1 622 654 898	51	
EXPENDITURE					
Employee related costs	1 036 653 107	1 025 708 420	10 944 687	1	
Remuneration of Councillors	35 335 941	37 128 850	(1 792 909)	-5	
Bad debts	19 604 984	2 134 700	17 470 284	818	Increased bad debt write-offs due to escalating outstanding
Collection costs	2 061 166	2 177 030	(115 864)	-5	
Depreciation	265 533 716	212 002 090	53 531 626	25	Review of projects resulted in an adjustment to the Higher cost and an effort to decrease backlogs in repairs and maintenance resulted in higher levels of expenditure.
Repairs and maintenance	307 142 106	278 089 900	29 052 206	10	
Interest paid	24 183 338	28 430 730	(4 247 392)	-15	Interest paid decreased due to refinancing certain external
Bulk purchases	666 322 864	676 654 920	(10 332 056)	-2	
	42 605 130	13 507 790			Additional Grants were allocated to entities for operational purposes as more projects was allocated to entities. The main reason for the difference is that Grants paid from the Levies funded Operating Budget was included under General
Grants and subsidies paid			29 097 340	215	Expenses.
General expenses	629 994 135	351 614 840	278 379 295	79	Expenditure incurred relating to housing top structures not originally budgeted for pending receipt of subsidies from Provincial Government.
Contributions To/(From) Provisions	1 139 039 691	526 561 040	612 478 651	116	This was necessitated to adjust the provisions to the appropriate levels
Total Expenditure	4 168 476 176	3 154 010 310	1 014 465 866	32	

APPENDIX E(2)
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

	2007 Budget	Additions / Under Construction	Variance R	% Variance	Explanation of Variances greater than 10 %
Infrastructure & Engineering Unit - Rate and General	341 301 100	222 152 407.00	119 148 693	35	Delayed implementation as a result of non-availability of planners
Housing & Land	4 878 000	19 818 030.00	(14 940 030)	-306	Services are implemented in order for Top Structure Construction to take place
Recreational & Cultural Services	14 000 000	17 450 125.00	(3 450 125)	-25	Additional projects were identified
Safety & Security	17 530 000	22 119 154.00	(4 589 154)	-26	Delays in delivery in the previous financial year was expedited in the current financial year.
Economic Development, Tourism & Agriculture	8 462 000	20 859 466.00	(12 397 466)	-147	Escalation of construction cost caused additional funds to be sought to complete projects
Budget & Treasury	85 990 000	72 084 574.00	13 905 426	16	Delays experienced in the roll-out of the General Rates Valuation
Constituency Co-ordinator	2 700 000	664 229.00	2 035 771	75	Identification of suitable erven was problematic
Health	9 383 850	2 703 235.00	6 680 615	71	Escalation of construction cost caused delays
Environment Services	27 958 230	32 824 454.00	(4 866 224)	-17	Additional projects were identified
Corporate Administration	27 050 000	21 620 957.00	5 429 043	20	Escalation of construction cost caused delays
Sanitation - Metro	178 890 000	110 346 388.00	68 543 612	38	The confusion regarding Bucket Eradication caused delays
Metro Water Service	99 328 100	77 896 606.00	21 431 494	22	Delayed implementation as a result of non-availability of planners
Municipal Manager	350 000 000	156 947 181.00	193 052 819	55	Implementation of the Stadium was slightly delayed as a result of funding
Electricity & Energy	206 702 000	197 857 106.00	8 844 894	4	
	1 374 173 280	975 343 912	398 829 368	29	

APPENDIX F
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2007

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure				Total Spent	Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June			
Financial Management Grant	NT	1 000 000				1 000 000	103 079	252 095	66 292	121 896	543 362	N / A	Yes
National Electrification Programme	DME	8 333 333	7 017 544	3 500 000	2 177 000	21 027 877	3 919 987	4 196 397	2 748 873	4 392 679	15 257 936	N / A	Yes
Municipal Infrastructure Grant	DPLG	37 000 000	19 000 000	56 666 667	19 590 614	132 257 281	29 154 180	19 044 739	10 128 591	11 921 098	70 248 608	N / A	Yes
Restructuring Grant	NT	0	25 000 000			25 000 000	7 487 062	8 838 662	6 591 281	30 943 508	53 860 513	N / A	Yes
Equitable Share (Excluding MURP)	DPLG	157 347 596	118 417 604	196 180 093		471 945 293	35 060 206	44 652 481	40 493 976	38 734 972	158 941 635	N / A	Yes
Effective Disaster Management	DPLG	1 500 000				1 500 000	436 351	480 376	589 447	653 628	2 159 802	N / A	Yes
MSIG-Project Consolidate	DPLG	2 000 000	2 000 000			4 000 000	1 120 699	809 078	14 410	1 672 620	3 616 807	N / A	Yes
World Cup Soccer (Construction of Stadiums)	NT			110 086 628		110 086 628			36 258 655	73 547 340	109 805 995	N / A	Yes
World Cup Soccer (Transport or PTIF)	NT	30 000 000		38 600 000	0	68 600 000	78 121 212	2 118 922	9 551 782	27 103 305	39 555 221	N / A	Yes
Motherwell Urban Renewal Programme	DPLG	5 175 370	3 450 247	6 900 494		15 526 111	2 222 967	2 566 270	1 802 375	3 106 502	9 698 114	N / A	Yes

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy

**SCHEDULE FOR RECORDING DEVIATION FROM NORMAL PROCUREMENT PROCESS FOR SUBMISSION TO COUNCIL AS REQUIRED IN TERMS OF
REGULATION 36 OF THE SUPPLY CHAIN MANAGEMENT POLICY**

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	CONTRACT VALUE	CONTRACT PERIOD	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
1	-	Appointment of a convenor for the City Wide ICT Workshop	R10 000	-	Mr Pepsi Mtiya of Ubuzwe Business Solutions	12 June 2006	In terms of Section 36(i)(a)(v) He has already been appointed by the ECDC to set up the NMB Innovation HUB and it would not be practical or cost effective to follow official tender procedures
2	5348S	Elimination of rocket toilets at KwaNobuhle, Uitenhage	R1 722 399,90	-	Lwazi Building Construction	29 May 2006	In terms of Section 36(i)(a)(v) Increased volume of work impractical to put out as a separate tender
3	-	Renewal of licences for software, Gupta Tean Developer	R135 996,30	-	Matsema (Pty) Limited	21 June 2006	In terms of Section 36(i)(a)(ii) Sole supplier
4	-	Authority to extend services of KPMG Services Project Manager to assist in the formulation of an asset register in the Metro	R157 800 excluding VAT	-	KPMG Services (Pty) Limited	14 June 2006	In terms of Section 36(i)(a)(v) Extension of existing contract, therefore impractical to go out on tender again
5	-	Installation of security systems : Traffic and Licensing : Korsten	R76 898,70	-	Boxless Innovations	12 June 2006	In terms of Section 36(i)(a)(v) The contractor has an existing maintenance contract with the Safety and Security Business Unit and therefore impractical to go out on tender again

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	CONTRACT VALUE	CONTRACT PERIOD	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
6	-	Purchase of blankets during floods 23 and 24 May 2006	R30 096,00	-	African Textiles	12 June 2006	In terms of Section 36(i)(a)(i) Emergency
7	NMBLP/SE/ICTI	Scope change to contract with T-Systems SA (Pty) Limited : Information and Communication Technology	R453 045,39 excluding VAT	-	T-Systems SA (Pty) Limited	16 May 2006	In terms of Section 36(i)(a)(v) The scope of the contract has changed thus making it impractical to go out on tender again
8	Contract 1935	Variable Message Signs for the beachfront	R3 809 574	-	12 T Industrial Information Technologies (Pty) Limited	16 May 2006	In terms of Section 36(i)(a)(ii) Sole Supplier
9	-	Upgrade of the UTC/Scoot Traffic Signal System	R259 926,45	-	Siemens (Pty) Limited	14 June 2006	In terms of Section 36(i)(a)(v) Impractical to go out on tender as other systems may not be compatible with what is prevailing on the ground
10	-	Purchase of Prepayment Vending Equipment	R704 838,95 excluding VAT	-	Contour Technology (Pty) Limited	26 June 2006	In terms of Section 36(i)(a)(ii) Only system compatible to current system, therefore sole supplier
11	-	Renewal of licences : Titus Corporation CC	R130 796,96 including VAT	-	Titus Corporation CC	26 June 2006	In terms of Section 36(i)(a)(ii) Sole supplier

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	CONTRACT VALUE	CONTRACT PERIOD	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
12	C5274	Paving of Motherwell Cemetery : Increase in contract amount	R77 123,74	-	Ilizwe Projects (Pty) Limited	26 June 2006	In terms of Section 36(i)(a)(v) Impractical to go out on tender. Contractor currently on site and busy with work. Extension of current contract
13	-	Payment of Algoa Bus Company for transport provided on Election Day (1 March 2006)	R2 430,00	-	Algoa Bus Company	26 June 2006	In terms of Section 36(i)(a)(v) As part of housing delivery effort, certain families had to be relocated to their completed unit. This could not have been delayed until after the Local Government elections. The day prior to elections, these beneficiaries requested to be transported to their voting stations on the day of elections. Therefore, impractical to go out on tender
14	A816	Full maintenance lease of new light motor vehicles	R147 201,00 inclusive of VAT per annum	Lease commence on 1 July 2006 or on a date as may be mutually agreed upon by the Business Unit Manager : Safety and Security and the Contractor	Contract Lease Management	25 June 2006	In terms of Section 36(i)(a)(v) Impractical to go out on tender as similar tender was awarded to Contract Lease Management recently

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	CONTRACT VALUE	CONTRACT PERIOD	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
15	-	Level 1 First Aid Training Traffic College	R19 836,00	-	Bfast (Basic First Aid School Trust)	14 June 2006	Business Unit failed to obtain formal written quotations as required by SCMP
30	-	Security Division training requirements	R106 440	-	ISGAD of Nelson Mandela Metropolitan University	28 June 2006	In terms of Section 36(i)(a)(v) ISGAD was appointed to compile Module 1 through the tender process. For standardisation and continuity purposes, also appointed to continue with Modules 2 and 3, therefore impractical to go out on tender
31	-	Upgrading of existing telephone system – South End Fire Station	R104 086,56 including VAT	-	Gijima Ast	28 June 2006	In terms of Section 36(i)(a)(ii) Sole supplier
32	-	Upgrade and extension of NU30 hall in Motherwell	R121 971,09	-	The Matrix Urban Designers and Architects	13 June 2006	In terms of Section 36(i)(a)(v) The architect was already engaged and it was not practical to go out on a separate tender, and because the service has already been provided (Section 35(2) and 36(1)(a) and (v) of the Supply Chain Management Policy)

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	CONTRACT VALUE	CONTRACT PERIOD	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
33	-	Replacement of pressure control valves for heat treatment plant at Fishwater Flats Water Reclamation Works	R789 900 Excluding VAT	-	Mike Duff Steam Controls	28 February 2006	In terms of Section 36(i)(a)(ii) Mike Duff Steam Controls are the sole agents in the Port Elizabeth area for the EAB control valves used in the plant
34	-	Purchase of 12 houses in Red Location	R6 000	-	12 Families at R500 each	20 February 2006	In terms of Section 36(i)(a)(iii) To compensate the owners of 12 houses for them to leave them as they are. These houses are situated in Red Location as the houses will be restored and registered as heritage sites
35	-	Portfolio Program Project Management System Training	R41 222,40	-	Post Vision Technology	20 February 2006	In terms of Section 36(i)(a)(ii) Post Vision Technology have been contracted by the National Disaster Management Centre to develop the program and who, in this instance, is the sole provider

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	CONTRACT VALUE	CONTRACT PERIOD	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
36	-	Design and printing of 2 x 2 m x 1 m backdrops – Soweto-on-Sea Settlement Project – Signing Ceremony with Minister of Housing on 27 February 2006	R6 800 Excluding VAT	-	Boom Town Design and Advertising	12 April 2006	In terms of Section 36(i)(a)(i) Due to the emergency that occurred for the design and printing of 2 posters to depict the Soweto-on-Sea Settlement Project for the signing ceremony with the Minister of Housing on 27 February 2006
37	-	Civic luncheon : Housing Launch in Uitenhage	-	21 February 2006	-	23 February 2006	In terms of Section 36(i)(a)(i) As part of the Service Launches arranged by NMMM, the Minister for Housing, Dr L Sisulu, visited the Metro on 21 February 2006, to officiate at the Housing Launch in Uitenhage and as a result, the Office of the Executive Mayor was requested at short notice to facilitate a civic lunch on this occasion
38	-	Civic Luncheon : Housing Launch in Uitenhage	R135 780,00	-	Not provided	23 February 2006	Requested to facilitate civic lunch on short notice

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	CONTRACT VALUE	CONTRACT PERIOD	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
39	-	Portfolio Programme Project Management System Training	R41 222,40 including VAT	-	Post Vision Technology	9 March 2006	Sole provider
40	-	Economic Monitor	Not provided	-	PERCCI	21 February 2006	No information is available from secondary sources
42	-	Handbook : Induction of new Councillors	R38 582,10	-	Dumisa Design and Advertising	17 March 2006	Emergency
43	-	Tent hire for Local Government elections	R29 601	1 March 2006	Mr M G Macingwane	31 March 2006	The contractor is familiar with the sites due to the fact that the IEC has made use of his services on previous occasions
45	HL/00007	Red Location Museum of Struggle – Memorial Space – Extension of Contract	R145 000	-	Alfdav Construction/ SBT Construction	20 January 2006	Impractical or impossible to follow official procurement process
46	-	Extension of telephone system : Budget and Treasury – Murray & Roberts Building	R294 050 excluding VAT	-	Siemens	20 January 2006	Sole supplier of equipment
47	-	Authority to approve expenditure on Phase 1 of the development of “Cradock four” Heritage Site	R16 450 excluding VAT	-	Nelson Mandela Metropolitan University	10 May 2006	Emergency

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT NO.	CONTRACT DESCRIPTION	CONTRACT VALUE	CONTRACT PERIOD	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
48	-	Payment of Consultants on 3 Tourism Related projects	R848 600	-	Siseko Quantity Surveyors Imbona Architects Goba Engineers Public Process Consultants Centre for Tourism Studies The Matrix Kwesi V3 Engineers Manong Engineers	3 May 2006	Impractical to re-tender and work is 60% complete
49	-	Replacement of Rotodiff for Centrifuge at Fishwater Flats Water Reclamation Works	R151 631,30	-	SKF South Africa Ltd	21 April 2006	Sole Service Provider and Emergency
50	-	2010 Forum Workshop Boardwalk 20 April 2006	R23 340	-	Fedics (Pty) Ltd	21 April 2006	Emergency
52	-	Supply of property registration information – Registrar of Deeds	R128 960	-	Chief Registrar of Deeds, Department of Land Affairs	25 April 2006	Sole Service Provider
53	-	Purchase of Contour Vend 2000 Point of Sale Equipment	R481 890 excluding VAT	-	Contour Technology (Pty) Ltd	7 February 2006	Impractical and impossible to follow official procurement process because the identified equipment is compatible with the entire municipal system

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
90	Emergency purchases during floods – 2/8/2006	R267 625,91	SA Foam & Mattress Servistar C & K Hardware African Textiles KFC	23 August 2006	In terms of Section 36(1)(i) of the SCMP. Due to a severe rain storm on 2 August 2006, many residents were forced to evacuate their homes and seek alternative shelter. This resulted in the following emergency purchases having to be made to respond effectively to the disaster situation: Blankets Foam Mattresses Plasting Sheeting Relief Food
91	Acquisition of additional computer aided Draughting Licenses	R123 595,38	Micrographics	21 September 2006	(Section 36(1)(a)(v)). The GIS/Drawing Office acquired five AutoCAD 2007 software licenses in the 2005/2006 budget year. Authority was sought by the Housing and Land Business Unit for the purchasing of 3 additional AutoCAD 2007 software licenses. It is deemed impractical to go out on tender as other computer programmes are not compatible to the existing programme.
92	Flood Damage : Appointment of Consultants to undertake emergency repairs	Professional fees be paid in terms of the provisions of the Engineering Council of SA Scale of fees contained in Board Notice 30 of 2006	Engineering Advice and Services cc Iliso Consulting (Pty) Ltd Stemele Bosch Africa (Pty) Ltd	21 September 2006	(In terms of Section 36(1)(a)(i)). Engineering Advice and Services cc – Design and Tender Stage, preparation of Working drawings and Construction Stage of the construction of the intersection of Kragga Kamma Road and Circular Drive. Iliso Consulting (Pty) Ltd – Design and Tender Stage, preparation of Working Drawings and Construction Stage of the Construction of the bridge and ancillary works at Lower Valley Road and Chelmsford Avenue. Stemela Bosch Africa (Pty) Ltd – Design and Tender Stage, preparation of Working Drawings and Construction Stage of the construction of the bridge and ancillary works at William Moffett, 9 th Avenue, Walmer and Riverstone Road. On 2 and 3 August 2006 extensive damage was caused by flood waters to the abovementioned roads. These facilities are key links in the road network and it has been necessary to undertake emergency repairs in order to restore traffic flows to normality.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
93	Flood damage repairs : Van der Kemp's Kloof Dam	R45 063,22 & R16 911,31	Gusha Civils L & P Quarries JV with SRK Consulting	27 September 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Authority was sought for the deviation from the calling for tenders in respect of urgent and necessary work to be undertaken on dam structures at Van der Kemp's Kloof caused by flood damage. Gusha Civils L & P Quarries JV with SRK as Consulting Engineers was appointed to re-instate the dams at Van Der Kemp's Kloof in 2005. Restructuring of the damaged area must be undertaken in a manner that links and ties into the civil work undertaken by Gusha Civils L & P Quarries JV. Civil works should be overseen and supervised by SRK who undertook similar work during the dam's re-instatement.
94	Purchase of Suction Pump for use in flooded Boundary Lane area	R77 505,00 (excl of VAT)	Northfield Engineering	26 September 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. On 2 and 3 August 2006 extensive damage was caused by flood waters resulting in the flooding of Boundary Lane, which necessitated the urgent purchase of a specific high head positive suction pump.
95	Braai/Dinner ANC Retreat : 22/8/2006	R12 530	Bobby's Food Empodium	5 September 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Office of the Executive Mayor was requested at very short notice to provide dinner at the ANC Caucus Retreat held on 22 August 2006 due to the meeting extending longer than expected.
96	Installation of Station Control and Public Address Racks	R186 650,00	Sysman Vunumphelo	17 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Authority was granted for the appointment of the current maintenance contractor and licensee to the original tender contract, to do additional work required for the installation of station control and public address racks at various Fire Stations in the Metro.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
97	Payment of Asante Management Consultants to undertake Skills Development Analysis in respect of Tourism Masterplan	R147 062,50	Asante Management Consultants	23 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Asante Management Consultants in association with Harley Sharpe Southern Africa was appointed to develop the Tourism Master Plan in line with the SCMP. The Situational Analysis identified the skills gap within the Tourism Industry, which were not part of the of the original scope of work. The lack of information in the secondary sources, posed a challenge to the consultants as a comprehensive audit had to be undertaken, Asante had to conduct their own primary research and firm surveys. The appointment of other service providers was deemed to be impractical as they would lack insight in the Tourism Master Plan.
98	Upgrading of Synapsis Software	R107 500,00 excl of VAT	Synapsis Software	15 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. With Synapsis Software being the custodians and sole supplier of the current system, it is impractical to follow the official procurement process for the upgrade of the existing Service Request Application, to supply, install and provide end user training.
99	Approval to increase tender amount in respect of Armoury Project, Contract HL/000005, Sidwell, Port Elizabeth	R180 000	Zama Projects	20 June 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The original tender in the amount of R1 811 885,16 was awarded to Zama Projects to construct the Armoury at the Sidwell Traffic Department, Port Elizabeth. Some site works must be done to prepare for the installation of the security fence and to finish off some grassed areas adjacent to the Armoury which was not included in the contract. This will result in additional work to the value of R180 000.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
100	Purchase of Novell Licences	R2 318 114,00	State Information Technology Agency (SITA)	11 July 2006	<p>Because of an increased demand, the purchase of additional Novell Licences has become necessary. Approval was sought for the dispensing of the normal tendering procedures in terms of Section 36 (1)(a)(v) of the Supply Chain Management Policy. The reasons for requesting a deviation from the normal tendering process are as follows:</p> <p>(a) The current system being used by the NMBMM is the Novell Netware.</p> <p>(b) The Novell Netware is the only system compatible with the Metro's current system.</p> <p>(c) Novell Netware is the only supplier of the system required by the NMBMM.</p>
101	Payment of NMMU (Algoa Campus Classroom hired as a venue for EPWP learners) 1 March 2006 to 31 July 2006	R11 237,70	Nelson Mandela Metropolitan University	7 June 2006	<p>In terms of Section 36 (1)(a)(v) of the Supply Chain Management Policy. The official concerned was unaware of the fact that approval to deviate from normal procurement procedures should have been obtained prior to the rental of the classrooms.</p>
102	Drought relief strategy : Augmentation of Nootgedagt Water Treatment Works : Appointment of consulting Engineer	According to advertised fees applicable to consulting engineers	BKS (Pty) Ltd	12 June 2006	<p>In terms of Section 36 (1)(a)(i) and (v) of the Supply Chain Management Policy. The original consultants for the construction of the Nootgedagt Water Treatment works was BKS (Pty) Ltd. Due to the drought situation, there will be saving in time and cost as certain of the design work would be a duplication of the previous design.</p>
103	Repairs to Swartkops Mount Road 66kV Underground Cable	R118 072,26, excl VAT	CBI Electric African Cables	21 November 2006	<p>In terms of Section 36(1) (a) (i) and (ii) of the Supply Chain Management Policy. CBI Electric African Cables is the sole supplier in the RSA.</p>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
104	Lease of Ward Councillor Offices from the private sector	R8 800	Ward 5 – Central Office (R2 000 pm) Ward 9 – R2 000 pm Ward 12 – Malabar Old Age home (R800 pm) Ward 34 - West End – R1 700 pm Ward 40 – St Albans School (R800 pm) Ward 52 – NG Church Office, Uitenhage (R1 500 pm)	11 August 2006	In terms of Section 36 (1) (a) (v) of the Supply Chain Management Policy. The procurement process was followed on 2 occasions, and only one response received. Because the process has been exhausted, there were still Ward Councillors who did not have offices and was essential to place them.
105	Emergency repairs to powerlines – August 2006 floods	R24 470,85	Rangers Clutch and Break	19 October 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. During the floods in August, widespread power failures were experienced. Due to the difficulty of access to various areas, a 4 x 4 crane truck with a driver and a 4 x 4 LDV were hired. This was an emergency as no other suitable vehicles could be sourced from the annual contracts.
106	Authority to extend services of KPMG Services : Physical Verification of Movable Assets	R175 320 per month for 2 months excluding VAT and reimbursable disbursements like travelling.	KPMG Services	7 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In order for the Metro to make a significant impact in the Auditor General's report for 2005/06 the physical verification of movable assets amongst others must be performed. According to the Asset Management Process Plan Schedule the target date to complete the physical verification of movable assets as per the Asset Management Process Plan of action tabled at the Audit Steering Committee was 31 August 2006. The contract on the physical verification exercise was awarded to KPMG Services started on 1 June 2006 to 30 June 2006. Due to budget constraints the funds that were made available at the time could not cover the estimated 3 month period to complete the physical verification exercise.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
107	Contract HL0027 : Red Location Precinct : Phase 2	R2 999 241,00	Noero Wolff Architects	1 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy in order to allow for natural continuation of work carried out by the contractor on a previous occasion.
108	Procurement of Specialist Services : World Cup 2010	R1 220 000	Grant Thornton Stewart Scott and Khuthele NOH and Metroplan	11 July 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Is a natural continuation of work carried out by the contractor on a previous occasion and has cost saving implications to Council.
109	Purchase of Milk Formula from sole supplier : Nestle SA (Pty) Ltd	R317 157,12	Nesle (SA) Pty Ltd	22 May 2006	In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. Approximately 1 700 malnourished children and babies born from HIV positive mothers are receiving Nan Pelargon as a nutritional supplement. The E C Department of Health was unable to supply the milk formula due to technical difficulties. ECDOD submitted a formal request to the Health Business Unit for the acquisition of the milk to ensure that targeted beneficiaries are provided with the needed milk. Currently the INP is using Pelargon Acidified Infant Formula as the preferred breast milk substitute. Nesle South Africa (Pty) Limited is the sole manufacturer of this product.
110	Tuberculosis Blitz Campaign	R300 000 (To be re-imbursed by the EC Dept of Health)	Various service providers – Caterers, buses, marquee tents, portable toilets. The event was cancelled due to floods but the catering had to be prepared in advance. A cancellation fee was negotiated with other service providers.	11 August 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In view of the short notice period and the level of logistical support required to ensure a successful event, approval was granted to dispense with the calling for tenders.
111	HIV/AIDS Prevention Programme – Purchase of Equipment	R52 782,00	Chapmar Industries CC	28 December 2006	In terms of Section 36(i)(a)(v) of the Supply Chain Management Policy. Due to the short period available to spend the allocated funds (31 December 2006), and the fact that the service provider is closing on 15 December 2006.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
112	Drafting and Promulgation of By-laws	R252 000	ISGAD	31 October 2006	<p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>Due to the volume of work, limited time period and budgetary constraints it was decided to split the by-law drafting process into 5 main phases, which could be performed and addressed over a period of time. ISGAD was appointed for the First Phase of this project through the normal tendering process. It would have been a fruitless exercise to issue a tender for the presentation of the remaining four phases. It was also vital that ISGAD be afforded the opportunity to continue with the remaining phases for continuity and standardization purposes.</p>
113	Reconstruction of Provincial Proclaimed Main Road No 450 – Addo Road – Appointment of Consulting Engineers	Tariff of Fees for persons registered in terms of the Engineering Profession Act, 2000	P D Naidoo and Associates (Pty) Ltd, Nathoo Mbenyane Engineers and Uhambiso Consult (Pty) Ltd	17 August 2006	<p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>The construction of Addo Road was considered as a vital link to Motherwell and the need to improve traffic safety in the area. In this regard an application for the allocation of an amount of R20 m was submitted to the European Union in terms of the MURP for the construction of Addo Road. At that time, the appointment of consultants to carry out the design, etc, was actively pursued in anticipation of the EU allocation being received. The allocation of these funds was not approved and the project did not proceed at that time.</p> <p>On 2 June 2005, the then Municipal Bid Committee resolved to appoint the firms P D Naidoo and Ass and Uhambiso Consult to carry out the design of Addo Road. On 19 June 2006 the Adjudication Committee recommended the appointment of P D Naidoo and Ass and Nathoo Mbenyane Engineers Joint Venture. In terms of the above resolutions, a situation has now arisen that there are two different resolutions dealing with the appointment of Consultants for the Addo Road project. Although at that stage, none of the consultants had been formally appointed, an expectation of work had been created. The situation was explained to the consultants concerned and agreement was reached that the work will be allocated between the consultants in a way that will be satisfactory to all parties.</p>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
114	Increase in tender amount for Centralised control Centre, South End, Contract HL/00023	R341 432,32	Zama Projects	15 January 2007	<p>In terms of Section 36(i)(a)(v) of the Supply Chain Management Policy.</p> <p>Additional work to be carried out by Zama Projects on Contract HL/00023 to accommodate future security and system expansion for the Centralised Control Centre, South End. The main contractor, Zama Projects, as well as the four specialist nominated sub-contractors, are still in the process of completing the building work under the existing contract. In terms of the JBCC Principal Building Agreement, the contractor has a lien or right of continuing possession of the works, which remains in force until completion of the works. It is thus contrary to the existing contract to allow another contractor to work on the site before completion is achieved. The main contractor could be requested to give written permission for this clause to be waived, however this creates serious problems in terms of responsibility for defective work and possible damage to the work completed under the previous contract. All additional work will be costed in accordance with the rates tendered by the main contractor and nominated sub-contractors in their Bills of Quantities which formed part of the original tender documentation. Should new tenders be called for, the tenderers would price for site establishment costs, setting up site, storage sheds, offices, etc. These sites establishment costs are already costed by the existing contractor as Preliminaries & General costs in the Bills of Quantities, and are thus not re-costed in the rates for the proposed additional work.</p>
115	Rationalisation of Entities Project : Extension of brief to include Culture and Heritage entity	R184 800	BDO Spencer Steward	22 December 2006	<p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>The extension of the brief to include the Culture and Heritage entity as well as the Municipal Facilities would be expensive if thorough scrutiny and investigation was done for each entity/project.</p>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
116	Procurement of books from Juta and Company	R2 311,00	Juta and Company	28 November 2006	In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. Juta and Company is the publishers and distributors of the requested books. No other company distributes the books and is therefore sole supplier.
117	Maintenance to Nelson Mandela Art Museum	R600/hr	Stauch Vorster Architects	22 November 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The appointment of Stauch Vorster Architects will be a natural continuation of work and will result in a significant cost saving benefit to the Council, as their office hold extensive records and drawings of the Art Museum. Since the 1990's they have designed and supervised extensions to the Main Hall and the Arts Hall and have been in constant consultation regarding the problems with both roofs. Steuch Vorster reduced the normal hourly rate from the industry rate of R800 to R600 per hour because he already has all the structural records of the museum building.
118	Critical Cable Fault location by Verotest (Pty) Ltd	R22 981,26	Verotest (Pty) Ltd	3 October 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. A high resistance cable fault recently settled in on the Northdowns – Willard No 1 22 kV feeder. The Business Unit's Fault Location Section, with its own resources, tried everything possible over a period of time to locate the fault, but was unsuccessful. Due to the emergency of repairing the cable in the shortest possible time, it was decided to utilise the assistance of an accredited contractor. A lengthy tender procedure in procuring the necessary assistance would not have been in the interest in solving the problem timeously.
119	Motherwell Creative Arts Centre : Professional Facilitators and Community Facilitators	Not exceeding R5 000 per month per person	Various Specialised Art Mentors	3 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In lieu of no policy in place in the NMBM regarding the scoping and implementation of community based arts projects and in the context of the unit having to identify specialists at the negotiated rate of R5 000 per month to implement the creative industry projects.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
120	Maintenance Software Renewal ADBS (Action Driven Balanced Scorecard) Performance Management System	Vote OK 187045 Budget : R890 400 Expenditure to date: R80 000	QVCS Africa	27 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. QVCS Africa is the only company able to supply the required further licenses.
121	Contract 5398(S) : Replacement of Heat Treatment Sewer at Fishwater Flats Water Treatment Works : Increase in contract amount and amendment of project budget	R511 692,60 (inclusive of VAT)	Masakeni Construction (Pty) Ltd	31 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Due to a number of design modifications affecting the scope of work, the total contract cost has increased by approximately 29,3%. The increase in the contract cost resulted mainly from extra pipework that has to be installed in order to connect services that were not linked/provided for in the original design.
122	Motherwell Arts and Culture Centre	R115 500	School of Architecture of the Nelson Mandela Metropolitan University	22 November 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The first phase of the development, being the Motherwell Community Support Centre, was designed by the NMMU School of Architects and funded by SIDA that support this type of skills development. The proposed development abuts the first phase and also funded by SIDA. The NMMU charges a lower fee than the standard one of SAICE. The urgency to commence as the SIDA funding has to be spent before the end of December 2006.
123	Emergency repairs to substation	R24 000	Den Hangen Contractor CC	31 October 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. A substation wall was completely destroyed as a result of an explosion of the substation equipment. The wall was temporarily fixed with corrugated iron sheets. Some of the sheets have been stolen exposing the equipment to further theft and vandalism. In addition, an extremely dangerous situation is created where the public could enter these substations and be exposed to live electrical equipment.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
124	Nooitgedagt Water Treatment Works : Repairs to final water pumps	R285 086,75, exclusive of VAT	Sulzer (South Africa) Ltd	23 October 2006	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Due to the nature of the work and the water situation in the Metro it was regarded as an emergency and therefore it was not possible to follow the normal tendering procedure.
125	Appointment of Contract Management and Administration Company : Alterations to NU30 Community Hall, Motherwell	R187 672,24	Matrix Urban Designers and Architects	23 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Matrix Urban Designers and Architects was appointed to design the extension of the NU3 Hall to a 420 seater capacity community hall to accommodate the R850 000 available on the budget. However, applications for alternative funding was successful and funding was granted to extend the hall capacity to the tune of R3 million. As Matrix Urban Designers and Architects was already on site and was busy with the architectural designs for a smaller hall, their Scope of Work was subsequently increased to design a hall that could accommodate 950 to 1000 people – in line with the community needs.
126	Payment of catering : Presidential Imbizo 9 to 10 September 2006	R110 000	Simunye Caterers	3 October 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Because of the time factor, verbal quotations were sourced for the provision of lunch packs on the occasion of the Presidential Imbizo held on 9 to 10 September 2006, and not written quotations, as required by Section 12(1)(c) of the Supply Chain Management Policy.
127	Approval for payment to Zip Zap Circus (Cape Town) as sole trainers for Motherwell Creative Arts Centre Project.	R7 717,80	Zip Zap Circus School	13 November 2006	In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy on the grounds that extensive investigation has revealed the reasonable availability of only one Circus School, i.e. Zip Zap.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
128	Voltage transformer for LMT Switchgear	2 units at R38 660 9 units at R198 000	ABB SA (Pty) Ltd	30 November 2006	In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy. The ABB voltage transformers are an integral component of the ABB switchgear used to provide a metered electricity supply to major consumers. Additional units of ABB voltage transformers was purchased from the sole supplier, i.e. ABB SA (Pty) Limited, to replenish depleted stock urgently required. Since normal delivery is quoted as 12 weeks and major consumers were currently unmetered without these voltage transformers, the procurement of these units was considered to constitute an emergency measure.
129	Payment to trucking contractors for the relocation of families	R105 800	Umtha cc – 24 families James Nggandu – 38 “ M A Mongo – 39 “ Nepto Trading cc – 47 “ Thobile E Tom – 42 “ Patutu Ntamo - 40 “ K E Holejane – 32 “ S A Mrwebo – 45 “ W M Vonqo - 45 “ M DNdimba – 38 “ L S Ndimba – 27 “ M M Ndimba – 43 “ Total 460 families	18 December 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
130	Annual contract maintenance of server which hosts the computer software of the libraries	R4 677,42 per month	HPSA	7 December 2006	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. HPSA is the only service provider in the Eastern Cape to provide site management in respect of the annual contract for the maintenance of the Unix Operating System being utilized by the Libraries.
131	Railway safety Regulator – Application for Rail Safety Permit – Appointment of Specialist Service Provider	R38 500	Sheltam Grindrod (Pty) Ltd	15 December 2006	In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. The firm Sheltam Grindrod (Pty) Ltd is the only suitably skilled local service provider to process a Railway Safety Permit application to the required standard.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
132	Repairs to faulty air conditioners at Pleinhuis	R13 304, exclusive of VAT	Industrial Thermodynamics cc	25 January 2007	In terms of Section 36(1)(a)(i) and (v) of the Supply Chain Management Policy. Pleinhuis employees were working under unbearable and unhealthy conditions as a result of the non-functioning of the air conditioner and the fact that the network file server in that building malfunctioned due to overheating resulting in the loss of back-up from October to December 2006.
133	Renewal of Progress Software Licenses	R214 794, exclusive of VAT	Sysnet Cape CC	9 February 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Progress Software (Pty) Ltd requires that the original distributor supplying the actual licenses, handle the renewal of licenses. Should the licenses not be renewed, the hourly rate will cost R500,00 and to buy the latest Progress Software version will cost R2 742 050,00. The renewal of the licenses is therefore in the best financial interest of the Municipality.
134	Repairs to Computerised Weighbridge : Arlington Waste Disposal Site	R19 684,20 exclusive of VAT	SA Scale Co	9 February 2007	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Urgent repairs to the weighbridge was required as any delays would result in lengthy queues at the entrance to the sites which in turn has a negative effect on the productivity of the Metro's refuse collection service. It also results in unhappiness from the private sectors that use the sites extensively and could result in an increase in illegal dumping which in turn could impact negatively on the health and safety of the Metro's residents.
135	Payment to Simunye Caterers for the National Youth Service Volunteer Campaign Launch Programme	R24 000 inclusive of VAT	Simunye Caterers	9 February 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Youth Service Volunteer Campaign Launch Programme was held on 19 December 2006. There were 800 volunteers who attended the launch and lunch was required for the occasion. Caterers were contacted to source the required 3 quotes, but many companies were closed for business during the holiday period. Simunye Caterers was the only company able to provide the service at short notice.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
136	Replacement of IT Server Security Device Equipment for the Pre-Payment Vending and Meter Reading Systems	R60 602,50	Dimension Date	9 February 2007	<p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>*The equipment required is a small element of an existing larger network configuration and the introduction of another service provider will make it impossible to determine responsibility and attribute accountability in the case of a communication problem or security leak, which would seriously affect the operation of the system.</p> <p>*It is critical that the supplier of the Security Devices (Fire Walls) fully understands ALL elements of the configuration and networking of our current systems in order to ensure uninterrupted effective operation of the Prepayment Vending and Meter Reading Systems. Therefore, the risk is too high to allow another supplier to become involved in a critical but small element of the current security and network layouts.</p> <p>*All the configurations, setup of IP addresses, routers, switches and security devices in respect of the System were originally procured from, installed, commissioned and are currently being managed and maintained by Dimension Data.</p>
137	Modifications and additions to the IVR Electronic Help Desk for the Electricity and Energy Business Unit	R106 000, exclusive of VAT	Siemens	9 February 2007	<p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>In terms of the IVR contract between the NMBM and Siemens Business Services (Contract 1737 Annexure B), Siemens Business Services is the only company that can do these modifications and additions for the Business Unit.</p>
138	Upgrade of GIMS Valuations Tool Programme	GIMS Valuation Tool Program and Training : R48 564,00, incl. VAT and Annual Maintenance : R23 085,00, incl. VAT	GIMS (Pty) Ltd	1 March 2007	<p>In terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy.</p> <p>GIMS (Pty) Ltd is the only accredited distributor in SA who is allowed to conduct and deliver official ESRI training courses related to the ESRI product range.</p>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
139	Extension of Lease : Portion of 7 th Floor : Fidelity House	R20 415,12 per month for the full 482 m2	Apexhi Properties Limited – Agent Broll	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Budget & Treasury Business Unit leases the entire 7 th floor, Fidelity House measuring 482 square meters. The lease of offices measuring 112 square meters expires on 31 August 2009 while the lease of the larger portion measuring 370 square meters expires on 31 March 2007. Both leases mentioned include the option to renew. It was therefore considered impractical to call for tenders, and the lease of 370 square meters of the 7 th floor, Fidelity House, which expires on 31 March 2007, was amended by extending the expiry date to 31 August 2009 to coincide with the expiry date of the 112 square meters also being leased.
140	Three-year Software Support Contract for ecWIN Automated Meter Reading System and Web Server	R72 000 for the 1 st year, R79 200 for the 2 nd year, R87 120 for the 3 rd year	IST Holdings (Pty) Ltd	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Electricity and Energy Business Unit procured the ecWIN AMR system and Web Server from IST Holdings (Pty) Ltd in 2003 (PEE3213). The system is used for the collection of commercial and industrial metering and billing data and hosts a web server for large electricity power users. The system currently hosts ± 300 remotely read large business meters (150 customers) and an additional ± 850 smaller business meters. Electricity metering data for billing to the value of ± R65m per month is collected via this system. A technical support agreement with IST Holdings (Pty) Ltd, the suppliers of the software has been renewed annually since 2004. The current extended system support contract will terminate at the end of February 2007. It is essential that a system support contract be in place at all times as the business unit does not have the expertise to maintain the system. As IST Holdings (Pty)Ltd is the author, licensor and sole supplier of the EcWIN software, it would be a fruitless exercise to follow the normal procurement procedure.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
141	Installation of 2 x 66 kV Straight Through Joints : Uitenhage	R45 692,25 excl. VAT	CBI Electric Power Installations	1 March 2007	In terms of Section 36(1)(a)(i) and (ii) of the Municipal Supply Chain Management Policy. CBI Electric Power Installations is the sole provider of this type of service in the country. Due to the nature of the fault, it was imperative to carry out emergency repairs to the damaged cable in order to reinstate supply to the Kwanobuhle area as soon as possible.
142	Upgrade of existing ecWIN Software and addition of month-end reports	R149 111,00 excl. VAT	IST Holdings (Pty) Ltd	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Electricity and Energy Business Unit procured the ecWIN AMR system and Web Server from IST Holdings (Pty) Ltd in 2003 (PEE3213). The system is used for the collection of commercial and industrial metering and billing data and hosts a web server for large electricity power users. The system currently hosts ± remotely read large business meters (150 customers) and an additional ± 850 smaller business meters. Electricity metering data for billing to the value of ± R65 m per month is collected via this system. The current software license is limited to 1 000 customer accounts. With the recent addition of Uitenhage, Despatch and the Coega IDZ plus the normal business customer growth in the metro, the system has exceeded the 1 000 limit and needs to be upgraded. Additional month-end reporting modules and software development is required to include the upload of metering data from other meter types. As IST Holdings (PTY) Ltd is the author, licensor and sole supplier of the ecWIN software as stated on the attached document, it would be a fruitless exercise to follow the normal procurement procedure.
143	Increase in contract sum : Contract 2086 : Alterations, renovations and additions to Customer Care Centre at Daleview	R90 000	Unempundry Logistics	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The additional work was undertaken as a matter of urgency due to the need to secure municipal property/assets such as computer equipment, faxes and copy machines at the centre and the service provider was already on site.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
144	Hosting of Growth and Development Summit Stakeholder Engagement Workshop : 8 and 9 March 2007, Coega Village	R109 440	Coega Conference Centre	1 March 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Coega Conference Centre was the only venue available on 8 and 9 March 2007 that could accommodate the number of people expected to attend the event.
145	Increase in contract sum : contract 2085 : Alterations, renovations and additions to Customer Care Centre at Mthomolwazi	R90 000	T A Builders	1 March 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The additional work was undertaken as a matter of urgency due to the need to secure municipal property/assets such as computer equipment, faxes and copy machines at the centre and the service provider was already on site.
146	Moral Regeneration Movement Awareness Programme – 16 December 2006	R16 895 (excl. VAT) for golf t-shirts R2 915 (excl. VAT) for baseball caps R5 990 (excl. VAT) for PVC banner R3 510 (incl. VAT) for brochures R3 900 (excl. VAT) for audio visual equipment R2 600 for transport of 30 volunteers R3 350 for catering	Reflec (Pty) Ltd Rizzla Graphics and Advertising Nxa-Nthatu Silkscreen and Printing Stage and Audio Works	13 February 2007	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. Due to time constraints as well as the difficulty to engage service providers during the annual shutdown over the festive season, deviation from the procurement procedure was necessary.
147	Emergency repairs at the Kwanobuhle Wastewater Treatment Works	R110 600	URSA Concrete	26 March 2007	In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Unforeseen costs were incurred, when URSA Concrete was requested to assist in carrying out emergency repairs at the Wastewater Treatment Works in Kwanobuhle. URSA was currently busy with another contract, only 10 km away.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
148	Training requirements : Safety and Security Business Unit	R632 000	ISGAD	3 November 2006	In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. During February 2006 the Safety and Security Business Unit (Security Division), through the tender process, called for the provision of Investigating Training (Detective Development), as a specialised learning field for the Investigation Unit of the Security Division. The only responsive tender received was that of the Nelson Mandela Metropolitan University, Institute for Sustainable Governance and Development (ISGAD). It was the opinion that it would have been a fruitless exercise to issue a tender for the presentation of module 1 for the additional 80 security officers. It was vital that ISGAD be afforded the opportunity, for continuity and standardization purposes, to present the additional module course.
149	Request for shortening of informal tendering period : Appointment of service provider to assist in consolidation of inputs during the process towards the Growth and Development Summit	-	-	23 March 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Authority was granted for the reduction of the tender period from 7 to 3 days in respect of the appointment of a service provider for the preparatory workshop of the Growth and Development Summit held on 8 and 9 March 2007.
150	Upgrade and maintenance of Software package	R48 452, exclusive of VAT	lyanda Power Technologies	23 March 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. COGNICASE-CYME is the author and licensor of the CYMGRD software used by the NMBM Electricity and Energy Business Unit. COGNICASE-CYME appoints an exclusive agent to sell, renew licenses and support their software. Their appointed agent in South Africa is lyanda Power Technologies (Pty) Ltd. There is currently one Network license, which needs upgrading and maintenance. The cost to upgrade and maintain versus the development of a new software package is enormous. The new development will take at least 3 years for any company to develop this software coupled with the existing date on the database. Taking into consideration the cost and time that will be needed to develop a new package is simply not practical for this Business Unit to consider.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
151	Civic Entertainment SAFA Soccer Match – 25 March 2007	R21 900	EPRU Stadium-R11 400 Bojangles-R6 500 Spot-On Independent liquors-R4 000	26 March 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. By instruction of the Executive Mayor, the Office of the Speaker was requested to arrange for Councillors to attend the SAFA soccer match between Kaizer Chiefs and Bloemfontein Celtics on Sunday, 25 March 2007. The Executive Mayor viewed that this was once more an opportunity to update the provincial and national guests on the readiness of the Metro. SAFA sponsored 53 tickets, and Council had to incur expenditure for the remaining 67 councillors, catering and drinks. Tickets and catering were obtained from the sole supplier at the stadium, and the drinks procured from a Municipal Standing Contract.
152	Modifications at Kelvin Jones Waste Water Treatment Works : Increase in approved contract price – Contract 5175	R804 711,35, inclusive of VAT which will be subject to escalation.	URSA Civils	2 April 2007	In order to compensate for unforeseen costs which only manifested itself during construction, the invitation of tenders be dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
153	Appointment of a professional service provider for proposed upgrade of the Langa Memorial, Uitenhage	R225 000,00 inclusive of VAT	Adendorff Architects and Interiors	14 May 2007	In terms of Section 36(1)(v) of the Supply Chain Management Policy. Because of the uniqueness of the project, i.e. being a Memorial and having been advertised as a design competition.
154	Signage, Additions and alterations to the 2010 Directorate offices	Signage – R1 707 exclusive of VAT Additions and alterations – R29 668,00 exclusive of VAT	Signage – Green Room Design Company Alterations and Additions – Africorp International Properties (Pty) Limited	16 May 2007	In terms of Section 36(1)(v) of the Supply Chain Management Policy. The Green Room Design Company was responsible for the original signage on the windows as well as the signage in the lobby. It would be impractical to involve a different service provider for the additions and alterations to the offices, since the original layout of the offices were done by Africorp, they already had a floor plan and the new alterations and additions should fit in with the existing offices since most of the floor space on the 4 th floor is still occupied by EDTA and after completion of the World Cup 2010 the offices will be occupied by EDTA again.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
155	Appointment of proposed service provider for proposed enclosure of the Newton Park Swimming Pool : Erf 2178, Newton Park – Contract HL/00043	Total consultants fees not to exceed R1 213 059,16, exclusive of VAT	Thembela Architects	14 May 2007	As this project was advertised as an open competition for all registered professional architects within the Municipality, the invitation of tenders be dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
156	Payment for breakfast served at City Hall : Kaizer Chiefs and Bloemfontein Celtics Soccer Match – 25 March 2007	R1 500	Bobby's Food Emporium	2 April 2007	Due to the late notification of the proposed breakfast and the difficulty in obtaining the required number of quotes from service providers, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
157	Repair of Stump Grinder	R24 084,55, inclusive of VAT	Johnny Alberts Earthmoving Repairs cc	2 April 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Johnny Alberts Earthmoving Repairs cc was the only service provider willing to strip the machine and quote on it. The machine was duly stripped to identify the fault and was standing in parts in his workshop. To have this procedure repeated by another service provider would have been impractical, and that division would fall further behind with its work backlog.
158	Repairs to Macerators at Creek Sewerage Pumping Station	R164 410,00 Exclusive of VAT	Northfield Engineering (Pty) Ltd	19 April 2007	In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy. On 28 March 2007 a long metal stave found its way into the Industrial stream of one of the Environmental Channel Monster Twin Shaft Grinders, bent the shaft extension and burnt out an electric motor. In order to keep Creek Pump Station operational it was necessary to send mixed flows, i.e. industrial end domestic effluent in a common line to Fishwater Flats Waste Water Treatment Works. This interim emergency arrangement is contrary to the standards laid down by the Dept of Water Affairs and Forestry as the industrial effluent contains heavy metals which require specialised treatment. Because of these reasons the repairs had to be effected on an emergency basis. Northfield Engineering (Pty) Ltd are the sole distributors of Macerators in the Eastern Cape.

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31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
159	Follow-up Strategic Planning Session – Corporate Administration Directorate	-	Phumeza Mthombeni and Associates	7 May 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. -The second session would be a continuation of the first session in. -The said consultants would know where to pick up and proceed in line with the Corporate Administration and Metro's goals and objectives. -The said consultants quoted far less than the competitors.
160	GIS Software Maintenance	R1 058 069,62	GIMS	8 June 2007	In terms of Section 36(1)(a)(ii) and (v) of the Supply Chain Management Policy. ESRI software suite was used throughout the Metro and GIMS being the sole distributor of ESRI products in South Africa.
161	Urgent repairs to Chatty-Motherwell 132 KV Overhead Distribution Line	R203 007,06, exclusive of VAT	Conco	8 June 2007	In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy. On 2 February 2007, an articulated vehicle collided with one of the Chatty-Motherwell 132 kV overhead line towers. Temporary repairs were carried out to the overhead line to ensure continuity of supply to the north-eastern areas. Due to the nature of the present overhead crossing, albeit safe, permanent repairs were required to the overhead line to restore it to normal. A specialist contractor (Conco), able to effect permanent repairs to the overhead line, was undertaking overhead line construction work in Port Elizabeth.
162	Contract 2110 – Occupational Medical Screening and Surveillance	R108 300 / m Until 31 December 2007	Dr J Lapere	8 June 2007	In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Continuation of project by the current experienced service provider.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

31.8 Supply Chain Management Policy (continued)

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
163	Request for extension of Project Management Services for NMBM to participate in RED3 Creation Process	R275,00 /h, exclusive of VAT, for a period not exceeding 500 hours at, total being R157 675,00.	J C Engineering Consulting Services	8 June 2007	Because of the importance for the continuation of the current experienced project manager for the NMBM RED 3 creation process, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
164	Increase in Contract amount : Contract 2061 : New Brighton Oval Rugby Field	R159 809,78	Akhiwa and Abemi Joint Venture	8 June 2007	Because of unforeseen costs having been incurred resulting in an increase in the approved contract amount, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
165	Increase in Contract amount : Contract 5367 : Construction of Civil Engineering Infrastructure at Chatty 3 and 4	R1 160 520, inclusive of VAT and subject to escalation	Masakeni Construction	8 June 2007	Because of unforeseen costs having been incurred resulting in an increase in the approved contract amount, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.