

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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1. BASIS OF PRESENTATION

The annual financial statements are prepared on the accrual basis of accounting and are in accordance with the historical cost convention.

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

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.

Exemption from complying with the following standards was obtained from the Minister of Finance until the 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 Gazette no. 30013 of 29 June 2007, that have been early adopted
GRAP 03	Accounting policies, changes in accounting estimates and errors	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Entire standard

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Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of Gazette no. 30013 of 29 June 2007, that have been early adopted
IAS 14 (AC 115)	Segment reporting	<ul style="list-style-type: none"> ▪ Entire standard
IAS 17 (AC 105)	Leases	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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 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 ▪ 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"> ▪ Entire 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 Gazette no. 30013 dated 29 June 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.

The progress made towards achieving full compliance with the standards referred to in section 122(3) of the MFMA is measured against the municipality's implementation plan, as set out in Appendix G to the annual financial statements.

Apart from those issues involving estimates, management has made no judgments in the process of applying the accounting policies which could have a significant effect on the amounts of items recognised in the financial statements.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

Consolidated Financial Statements:

Consolidated annual financial statements were not prepared due to the exemption granted from complying with section 122(2) of the MFMA, in accordance with Gazette no. 30013 of 29 June 2007. In accordance with the Government Gazette, Appendix H to the municipality's annual financial statements includes the annual financial statements of each of the municipality's entities.

A summary of the significant accounting policies, which have been consistently applied, except for the following, are disclosed below:

- The municipality has adopted IAS 20. As a result, capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as deferred income, and are credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related assets. In terms of the MFMA Circular 18, the municipality previously recognised the full extent of conditional grants and receipts related to capital as revenue in the Statement of Financial Performance once the criteria, conditions or obligations embodied in the agreement had been met.

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

The municipality maintains various reserves in terms of specific requirements.

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 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).

5.4 Self - Insurance Reserve

A Self-Insurance Reserve exists to provide cover for selected risks including fire, storm, workmen's compensation, public liability and motor vehicles. The reserve is re-insured externally to cover major losses.

Premiums are charged to the respective Directorates at market related rates, taking into account past experience of claims and replacement values of the insured assets.

The reserves 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.

5.5. Compensation for Occupational Injuries and Diseases (COID) Reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act.

The certificate of Exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the Municipality deposits cash and/or securities with the Commissioner, the market values of which in aggregate, shall not be less than the capitalised value of the continuing liability of the Municipality as at 31 December of each year.

The continuing liability is that of pensions, with the capitalised value being determined on the basis of an actuarial determination as prescribed by the Commissioner. A COID reserve has been established, equivalent to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner and the Municipality is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Property, plant and equipment, is stated at cost, less accumulated depreciation except land which is stated at fair value. 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. Property, plant and equipment is stated at fair value at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.

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 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. Depreciation only commences when the asset is brought into use. 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>
Infrastructure			
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
Community			
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill Sites	45-50

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

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 accounting policy applied in the previous financial year.

6.5 Property held for sale in the ordinary course of operations

Property held for sale in the ordinary course of operations is classified as part of property, plant and equipment in terms of the exemptions contained in Gazette no. 30013 of 29 June 2007. This is in line with the accounting 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 accordance with the exemptions contained in Gazette No. 30013 of 29 June 2007.

8. 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.

8.1. Investments in Financial Instruments

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

9. 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. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

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.

10. 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.

11. 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.

12. REVENUE RECOGNITION

12.1 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.

12.2 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.

13. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and subsidies are recognised 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 and funds invested until it is utilised.

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 municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

13.1 Grants and receipts of a revenue nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

13.2 Grants and receipts of a capital nature

Income is reclassified as deferred income under non-current liabilities in the Statement of Financial Position to the extent that the criteria, conditions or obligations have been met and is credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related assets.

14. PROVISIONS

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the Statement of Financial Position reporting date and adjusted to reflect the current best estimate.

14.1 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.

14.1.1 Medical Aid: Continued Members

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

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.

14.2 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.

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 7.9% and discounted to the present value at the average borrowing cost of 11.1554%.

14.3 Gratuity Provision

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

14.4 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained.

15. PROVISION FOR DOUBTFUL DEBTS

The provision is equivalent to 100% of amounts owing to the municipality older than 90 days (amounts owing by government departments have been excluded from determining the level of the provision). The provision currently amounts to R 564 581 182.

In accordance with GRAP the Provision for Doubtful Debts has been deducted from the amount outstanding by debtors at 30 June 2008.

16. 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.

17. 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.

18. 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.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the 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.

20. 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.

21. COMPARATIVE INFORMATION

21.1 Current year comparatives:

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

21.2 Prior year comparatives:

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

22. 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 is included in PPE in line with the exemption granted as per Gazette 30013 dated 29 June 2007.

23. LEASES

23.1 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.

23.2 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.

24. BORROWING COSTS

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

25. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the payments basis.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

	Note	2008 R	Restated 2007 R
NET ASSETS AND LIABILITIES			
Net Assets		4 611 793 234	3 117 658 397
Housing Development Fund	1	78 389 754	76 733 274
Capital Replacement Reserve		786 402 852	538 004 431
Capitalisation Reserve		1 021 794 222	1 160 651 092
Donations and Public Contributions Reserves		222 699 766	183 345 356
Self-Insurance Reserve		75 276 561	71 008 008
COID Reserve	2	11 382 335	10 213 079
Accumulated Surplus		2 415 847 745	1 077 703 156
Non-current liabilities		3 381 974 437	2 108 078 447
Long-term Liabilities	3	450 706 094	221 310 567
Non-current Provisions	4	818 815 708	833 823 759
Deferred Income	6	2 112 452 635	1 052 944 120
Current Liabilities		1 961 484 163	1 523 227 766
Consumer deposits	7	94 494 372	86 590 950
Deferred Income	6	92 794 047	39 409 357
Current Provisions	5	33 370 000	2 523 706
Creditors	8	1 046 409 122	909 214 057
Unspent Conditional Grants and Receipts	9	637 978 181	466 725 810
Current Portion of Long-term Liabilities	3	56 438 440	18 763 885
Total Net Assets and Liabilities		9 955 251 834	6 748 964 610
ASSETS			
Non-current assets		7 158 649 839	4 201 374 656
Property, Plant and Equipment	10	6 773 741 004	3 966 145 658
Intangible Assets	11	266 059 125	147 365 308
Investments	13	20 042 708	17 639 722
Long-term Receivables	14	98 807 002	70 223 968
Current Assets		2 796 601 995	2 547 589 954
Inventory	15	89 979 757	81 432 519
Consumer debtors	16	623 527 877	602 335 716
Other Debtors	17	147 531 628	151 628 657
VAT	18	27 028 837	11 945 742
Current portion of long-term receivables	14	1 456 414	2 106 266
Short-term investment deposits	19	1 839 563 553	1 482 709 196
Bank balances and cash	20	67 513 928	215 431 857
Total Assets		9 955 251 834	6 748 964 610

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

Budget				Actual	Actual
2007	2008			2008	Restated
R	R			R	2007
					R
REVENUE					
541 872 790	607 878 660	Property rates	21	587 886 646	533 190 365
1 636 668 000	1 777 599 780	Service Charges	22	1 795 795 795	1 653 138 228
134 951 780	128 293 700	Interest earned - external investments		183 781 377	141 706 243
55 710 000	62 005 230	Interest earned - outstanding debtors		89 638 612	77 367 970
21 666 190	32 825 840	Fines		19 433 557	17 368 619
0	6 762 390	Licences and Permits		7 141 521	6 409 122
567 391 660	2 315 537 510	Government Grants and Subsidies	24	760 337 059	884 070 764
0	13 899 730	Rental of facilities and equipment		12 952 898	14 046 247
0	1 028 200	Income for agency services		1 092 774	1 201 315
189 482 560	198 329 670	Other Income	25	186 484 726	299 197 472
21 300	22 020	Gains on the disposal of property, plant and equipment		482 231	593 785
6 246 030	872 160	Contributions: Other		0	0
3 154 010 310	5 145 054 890	Total Revenue		3 645 027 195	3 628 290 130
EXPENDITURE					
1 025 708 420	1 162 623 990	Employee related costs	26	1 264 406 907	1 497 257 672
37 128 850	42 118 450	Remuneration of Councillors	27	37 824 627	35 335 941
2 134 700	2 028 890	Bad debts	28	60 820 880	41 631 821
2 177 030	2 885 880	Collection costs		2 234 944	2 061 166
0	68 888 540	Contracted services		78 206 801	64 061 736
212 002 090	254 222 820	Depreciation		283 294 864	266 587 719
278 089 900	302 406 110	Repairs and Maintenance		330 013 395	307 598 579
28 430 730	34 566 320	Interest paid	29	65 070 931	63 264 464
676 654 920	726 478 390	Bulk purchases	30	719 787 933	663 871 640
13 507 790	15 737 390	Grants and subsidies paid	31	56 253 937	43 899 815
351 614 840	897 482 940	General Expenses		559 924 336	545 326 418
526 561 040	1 635 615 170	Contributions To/(From) Provisions		0	0
0	0	Loss on disposal of Property Plant and Equipment		44 881 698	17 148 856
3 154 010 310	5 145 054 890	Total Expenditure		3 502 721 254	3 548 045 826
		Surplus for the year		142 305 942	80 244 304
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 2008

	<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>COID Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R	R		R	R
2007									
Balance at 01 July 2006	83 038 007	236 317 538	1 276 374 971	685 371 949	119 533 930	75 563 229	0	1 287 106 857	3 763 306 481
Correction of Error (Note 40)		(258 801)	47 557		(32 205 824)	(4 770 605)	-	(3 332 766)	(40 520 439)
Change in accounting policy				-685 371 949					-685 371 949
Restated Balance	83 038 007	236 058 737	1 276 422 528	0	87 328 106	70 792 624	0	1 283 774 091	3 037 414 093
Surplus/(deficit) for the year								80 244 304	80 244 304
Transfer to CRR	-	624 490 804						(624 490 804)	0
Interest Received	8 651 900	83 463			2 421 228	6 358 393	914 533	(18 429 517)	0
Property, plant and equipment purchased		(323 230 530)						323 230 530	0
Donated/contributed PPE					94 622 677			(94 622 677)	0
Contribution to Insurance Reserve						11 523 513	2 499 333	(14 022 846)	0
Contribution from Self Insurance Reserve						(10 000 000)	10 000 000	-	0
Insurance claims processed						(7 666 520)	(3 200 787)	10 867 307	0
Transfer from Housing Development Fund	(14 956 633)				(1 623 069)			16 579 702	0
Offsetting of depreciation			(103 506 968)	-	(1 118 814)			104 625 781	0
Asset Disposals*		-	(20 441 134)	-	703 573			19 737 561	0
Additional Depreciation Reversal*		601 957	8 176 665		1 011 654			(9 790 277)	0
Balance at 30 June 2007	76 733 274	538 004 431	1 160 651 092	0	183 345 356	71 008 009	10 213 079	1 077 703 156	3 117 658 396
2008									
Opening Balance	76 733 274	538 004 431	1 160 651 092	0	183 345 356	71 008 009	10 213 079	1 077 703 156	3 117 658 396
Surplus/(deficit) for the year								142 305 942	142 305 942
Property, previously not valued, now valued in 2008								1 351 828 896	1 351 828 896
Transfer to CRR		512 269 763						(512 269 763)	0
Interest Received	11 015 637	152 906 329			6 404	7 865 468	1 165 334	(172 959 172)	0
Property, plant and equipment purchased		(416 777 670)						416 777 670	0
Capital Grants used to purchase PPE								-	0
Donated/contributed PPE					40 496 020			(40 496 020)	0
Contribution to Insurance Reserve						12 566 943	2 846 191	(15 413 134)	0
Insurance claims processed						(16 163 859)	(2 842 269)	19 006 128	0
Transfer to Housing Development Fund	-9 359 157							9 359 157	0
Offsetting of depreciation			(116 148 134)		(1 326 444)			117 474 578	0
Asset Disposals			(22 708 736)		178 431			22 530 305	0
Balance at 30 June 2008	78 389 754	786 402 852	1 021 794 222	0	222 699 766	75 276 561	11 382 335	2 415 847 745	4 611 793 234

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	Restated 2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		3 466 720 487	3 159 884 940
Cash paid to suppliers and employees		2 964 151 542	2 342 055 192
Cash generated from operations	32	502 568 945	817 829 748
Interest received		273 419 988	219 074 213
Interest paid	29	(65 070 931)	(63 264 464)
NET CASH INFLOW FROM OPERATING ACTIVITIES		710 918 002	973 639 497
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1 691 750 798)	(865 214 919)
Disposal of property, plant and equipment		482 232	593 785
Purchase of intangible assets		(128 099 877)	(87 372 758)
(Increase)/Decrease in non-current receivables		(27 933 182)	(23 634 621)
(Increase)/Decrease in non-current investments		(2 402 986)	(1 684 846)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1 849 704 611)	(977 313 360)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/ (Decrease) in Long-term loans (External)	34	266 236 115	(215 501 792)
(Decrease) in Non-current provisions		(37 170 608)	(39 324 009)
Increase in Consumer deposits		7 903 422	5 956 316
Increase in Deferred Income		1 110 754 108	390 577 130
NET CASH INFLOW FROM FINANCING ACTIVITIES		1 347 723 037	141 707 645
NET INCREASE IN CASH AND CASH EQUIVALENTS		208 936 428	138 033 783
Cash and cash equivalents at the beginning of the year		1 698 141 053	1 560 107 270
Cash and cash equivalents at the end of the year	33	1 907 077 481	1 698 141 053

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008 R	Restated 2 007 R
1. Housing Development Fund		
Housing Infrastructure Development Fund	5 165 507	4 574 230
Housing Revolving Fund	71 329 196	70 612 024
Housing Reserves	1 895 051	1 547 019
Total Housing Development Fund	78 389 754	76 733 274

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	4 574 230	4 240 035
Contributions received	310 800	-
Interest received	280 477	334 195
Balance at the end of the year	5 165 507	4 574 230

The purpose of the Housing Infrastructure Development Fund is to provide funding for housing infrastructural developments. Contributions consist of cash received from the Provincial Housing Board.

Housing Revolving Fund

Balance at the beginning of the year	70 612 024	73 891 204
Contributions received	-	1 649 369
Interest received	10 585 091	8 060 375
Cash utilised to finance property, plant and equipment	(9 867 919)	(12 988 924)
Balance at the end of the year	71 329 196	70 612 024

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

HOUSING RESERVES

Community Facilities	46 656	23 361
Replacement and Renewals	354 230	179 563
Capital Discount Scheme	1 494 165	1 344 096
Balance at the end of the year	1 895 051	1 547 019

Community Facilities

Balance at the beginning of the year	23 361	-
Contribution for the year	23 295	23 361
Balance at the end of the year	46 656	23 361

During the year ended 30 June 2007, income for Community facilities in the amount of R23 361 was not transferred via the Statement of Changes in Nett Assets to the Housing Development Fund.

Replacement and Renewals

Balance at the beginning of the year	179 563	-
Contribution for the year	174 667	179 563
Restated Balance at beginning of year	354 230	179 563

During the year ended 30 June 2007, income for Replacements and Renewals in the amount of R179 563 was not transferred via the Statement of Changes in Nett Assets to the Housing Development Fund.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008 R	Restated 2 007 R
1. Housing Development Fund (Continued)		
<u>Capital Discount Scheme</u>		
Balance at the beginning of the year	1 344 096	4 906 768
Interest	150 069	437 328
Expenditure funded during the year	-	(4 000 000)
Balance at the end of the year	1 494 165	1 344 096

The balance was adjusted by an amount of R1 in respect of the 2006/07 financial year, due to rounding.

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

2. COID Reserve

Balance at the beginning of the year	10 213 079	-
Interest	1 165 334	914 533
Premiums received	2 846 191	2 499 333
Contribution from Self Insurance Reserve	-	10 000 000
Expenditure funded during the year	(2 842 269)	(3 200 787)
Balance at the end of the year	11 382 335	10 213 079

The COID Reserve is required in terms of Section 84 of the COID Act (No. 130 of 1993) as the municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases.

A contribution in the amount of R10 000 000 has been made via the Statement of Changes in Nett Assets from the Self Insurance Reserve to the COID Reserve. The COID Reserve was previously managed as part and parcel of the Self Insurance Reserve.

Premiums received in the amount of R2 499 333, claims paid in the amount of R3 200 787 and interest received in the amount of R914 533 have been adjusted against the Accumulated Surplus via the Statement of Changes in Nett Assets in respect of the 2006/07 financial year.

3. LONG-TERM LIABILITIES

	R	R
Local Registered Stock Loans	24 000 000	26 000 000
Development Bank of Southern Africa	189 833 598	206 597 482
Amalgamated Banks of South Africa	285 000 000	-
External Loans	498 833 598	232 597 482
Brookes Bequest	8 310 936	7 476 970
Total Long-term Liabilities	507 144 534	240 074 452
Less : Current portion transferred to current liabilities	56 438 440	18 763 885
Development Bank of Southern Africa (DBSA)	18 438 440	16 763 885
Registered Stock Loans	8 000 000	2 000 000
Amalgamated Banks of South Africa (ABSA)	30 000 000	-
	450 706 094	221 310 567

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 nine months to three years.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2 008	Restated
	R	2 007
		R
3. LONG-TERM LIABILITIES (Continued)		
ABSA		
The loan was taken up during the 2007/08 financial year and is repayable over 10 years in 20 half-year instalments at a fixed interest rate of 11.85% per annum. The loan was used to finance various electricity reticulation projects.		
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.		
BROOKES BEQUEST		
Brookes bequest represents a long term creditor. The funds can only be utilised by the municipality when the two remaining Trustees approve the donation of funds to the municipality. The funds may be utilised for capital projects related to the development of Humewood.		
4. NON-CURRENT PROVISIONS		
Gratuity Provision	17 583 469	16 253 893
Post Retirement Benefits	694 671 000	746 024 521
Rehabilitation of Landfill sites	106 561 239	71 545 345
Total Non-Current Provisions	818 815 708	833 823 759
Gratuity Provision		
This provision is in respect of the long-term liability relating to gratuities payable to employees that were not previously members of a pension fund.		
Balance at beginning of year	16 253 893	18 959 716
Contributions to provision	200 608	-
Transfer of current portion current (to) / from current liabilities	1 128 968	(2 705 823)
Balance at end of year	17 583 469	16 253 893
Post Retirement Benefits		
The past service liability in respect of post retirement benefits relates to ill-health retirements and medical aid contributions, and Ex-gratia pensions which have been actuarially assessed at R705 646 000 and R19 213 000 respectively. The current portions in the aforementioned amounts are R28 298 000 and R1 890 000 respectively.		
Balance at beginning of year	746 024 521	298 895 129
Contributions to provision	13 481 382	480 980 442
Expenditure incurred	(28 051 664)	(33 851 050)
Transfer of current portion to current liabilities	(36 783 239)	-
Balance at end of year	694 671 000	746 024 521

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated 2 007
	R	R
4. NON-CURRENT PROVISIONS (Continued)		
Rehabilitation of landfill sites		
In terms of the licencing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R31 777 882 for the Arlington Tip site, R12 381 031 for the Koedoeskloof Tip site and R62 402 326 for the Ibhayi Tip site determined at net present value to restore the sites at the end of its useful lives estimated to be in 2057, 2052 and 2007 respectively. Squatters are currently occupying the Ibhayi Landfill site that is already closed as a tip site. It is envisaged that the squatters will be removed by the end of 2010 in order to restore the site. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 7.9% and discounted to the present value at the average borrowing cost of 11.1554%.		
Balance at beginning of year	71 545 345	-
Contributions to provision	35 015 894	71 545 345
Expenditure incurred	-	-
Balance at end of year	106 561 239	71 545 345
5. CURRENT PROVISIONS		
Gratuity Provision	1 134 750	2 523 706
Post Retirement Benefits	30 188 000	-
Performance bonus provision	1 317 250	-
Provision for contingent liabilities	730 000	-
Total Current Provisions	33 370 000	2 523 706
Gratuity Provision		
This provision is in respect of the short-term liability relating to gratuities payable to employees that were not previously members of a pension fund.		
Balance at beginning of year	2 523 706	-
Contributions to provision	2 263 718	5 290 843
Transfer to non-current provision	(1 128 967)	(30 657)
Expenditure incurred	(2 523 706)	(2 736 480)
Balance at end of year	1 134 750	2 523 706
Performance bonus provision		
This provision is in respect of the short-term liability relating to performance bonuses payable to Section 57 employees, based on a maximum of 14% of their annual salary.		
Balance at beginning of year	-	-
Contributions to provision	1 317 250	-
Expenditure incurred	-	-
Balance at end of year	1 317 250	0
Post Retirement Benefits		
The provision is in respect of the short-term liabilities attributable to ill-health retirements and medical aid contributions and ex-gratia pensions.		
Balance at beginning of year	-	-
Contributions to provision	-	-
Expenditure incurred	(6 595 239)	-
Transferred from Non-current provision	36 783 239	-
Balance at end of year	30 188 000	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated 2 007
	R	R
5. CURRENT PROVISIONS (Continued)		
Provision for Contingent Liability		
Contributions to provision	730 000	-
Balance at end of year	730 000	0
<p>The courts have ruled that the municipality must settle a claim instituted against it and accordingly a provision has been raised.</p>		
6 DEFERRED INCOME		
Assets financed from Conditional Government Grants	2 205 246 681	1 092 353 477
Less: Current portion transferred to current liabilities	92 794 047	39 409 357
Total Non-current Deferred Income	2 112 452 634	1 052 944 120
Reconciliation of movement		
Balance at the beginning of the year	1 092 353 477	685 371 949
Additions during the year	1 144 482 278	448 644 201
Income recognised during the year	(31 589 074)	(41 847 107)
Transfer from Capital Replacement Reserve		193 857
Transfer from Accumulated Surplus		(9 423)
Balance at end of the year	2 205 246 681	1 092 353 477
Less: current portion	92 794 047	39 409 357
Non-current portion	2 112 452 634	1 052 944 120
<p>Deferred income represents conditional grants received from Government to construct and acquire capital assets.</p>		
<p>In accordance with IAS 20 the Government Grant Reserve was replaced by the Deferred Income Liability.</p>		
7 CONSUMER DEPOSITS		
Electricity and Water	93 206 197	85 277 865
Interest Paid	1 288 175	1 313 085
	94 494 372	86 590 950
Guarantees held in lieu of Electricity and Water Deposits	1 980 427	1 980 427
8 CREDITORS		
Trade creditors	845 080 791	753 401 665
Payments Received in Advance	26 546 397	21 109 790
Staff leave	106 388 006	90 597 613
Other creditors	40 392 945	28 892 900
Retentions	28 000 983	15 212 089
Total Creditors	1 046 409 122	909 214 057
<p>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.</p>		
<p>The 2006/07 comparative was restated by an amount of R30 892 093 (Refer Note 40.20)</p>		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2 008
R

Restated
2 007
R

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

9.1 Conditional Grants from other spheres of Government

Equitable Share (See Note 24.3)	-	-
Financial Management Grant (See Note 24.5)	1 375 119	1 460 253
Library Services - Carnegie Corporation Grant (See Note 24.6)	708 320	661 066
SMME - Development (See note 24.7)	192 500	157 300
Project Consolidate (See Note 24.8)	2 562 986	5 480 913
Disaster Management Grant (See Note 24.9 a)	3 676 285	2 828 760
Disaster Management Grant (See Note 24.9 b)	9 927 927	14 456 165
Municipal Systems Improvement Grant (See Note 24.10)	156 506	140 787
Municipal Infrastructure Grant (See Note 24.11)	169 032 524	100 767 913
Ploughing Fields (See Note 24.13)	23 758	20 936
Project Generation (DEAET) (See Note 24.14)	6 290 271	5 658 496
Amphitheatre (UDDI) (See Note 24.15)	37 278	33 534
National Treasury - Accreditation of Municipalities (See Note 24.17)	6 761 735	6 761 735
Youth Projects (See Note 24.20)	-	-
2010 Soccer World Cup Stadium (See Note 24.18)	60 558 816	7 655 429
Walmer Youth Development Project (See Note 24.20)	53 623	88 611
Youth Advisory Centre (See Note 24.21)	126 324	245 862
HIV / AIDS Columbia University Project (See Note 24.22)	-	305 441
PTIF - 2010 Soccer World Cup (See Note 24.24)	154 098 228	88 327 156
Other Grants (See Note 24.25)	222 395 980	231 675 452
Total Unspent Conditional Grants and Receipts	637 978 182	466 725 810

During the year ended 30 June 2007 the balance in respect of Unspent Conditional Grants & Receipts was understated in the amount of R3 755 711.

10 Property, Plant and Equipment (PPE)

As at 30 June 2008

	Cost	Accumulated Depreciation	Carrying Value
Land & Buildings	1 693 182 338	47 034 832	1 646 147 506
Infrastructure Assets	4 861 305 055	1 563 393 748	3 297 911 307
Community Assets	1 546 334 001	157 074 914	1 389 259 087
Heritage Assets	64 176 287	-	64 176 287
Other Assets	606 504 128	230 257 311	376 246 817
	8 771 501 809	1 997 760 805	6 773 741 004

As at 30 June 2007

	Cost	Accumulated Depreciation	Carrying Value
Land & Buildings	290 397 464	39 747 424	250 650 040
Infrastructure Assets	4 170 544 446	1 413 850 135	2 756 694 311
Community Assets	710 363 898	141 724 271	568 639 627
Heritage Assets	59 964 030	-	59 964 030
Other Assets	477 936 265	147 738 615	330 197 650
	5 709 206 103	1 743 060 445	3 966 145 658

Property, plant and equipment may include property held for resale.

11 INTANGIBLE ASSETS

As at 30 June 2008

	Cost	Accumulated Amortisation	Carrying Value
Computer Software	361 906 966	95 903 841	266 003 125
Website Development	70 000	14 000	56 000
	361 976 966	95 917 841	266 059 125

As at 30 June 2007

	Cost	Accumulated Amortisation	Carrying Value
Computer Software	227 714 103	80 348 795	147 365 308
Website Development	-	-	-
	227 714 103	80 348 795	147 365 308

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated 2 007
	R	R
12 INVESTMENT PROPERTY		
Investment Property is included in Property, Plant and Equipment as per the exemption in accordance with Gazette No. 30013.		
13 INVESTMENTS		
Financial instruments	20 042 708	17 639 722
Fixed Deposits	19 296 156	16 814 798
Sanlam Shares	746 552	824 924
Total	20 042 708	17 639 722
Average rate of return on investments	10.63%	8.57%
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 2008 was R 746 552 (2007: R 824 924). The shares were awarded to the municipality as the beneficiary of an insurance endowment policy, which matured during October 1998.		
During the year ended 30 June 2007, Investments in the amount of R1 427 153 240 were invested for a period not exceeding 12 months and were therefore reclassified as Short-term Investment Deposits. (Refer Note 40.22)		
14 LONG-TERM RECEIVABLES		
Sporting and Other Bodies	393 991	304 245
Car Loans	707 369	2 646 771
Consumer and Other Debtors	97 705 642	67 272 953
Rate and General	43 596 420	32 972 041
Electricity	6 585 581	5 330 828
Water	24 000 008	13 914 583
Refuse	8 485 104	5 467 701
Sewerage	15 037 066	9 585 910
Insurance	1 464	1 891
Long-term receivables (Net of current portion)	98 807 002	70 223 968
CURRENT RECEIVABLES		
Sporting and Other Bodies	230 375	310 123
Car Loans	1 226 039	1 796 143
Current Portion of Long-term receivables	1 456 414	2 106 266
Total Current and Non-current Receivables	100 263 416	72 330 234
Note was amended in order to reflect the Current and Non-current Receivables separately		
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.		
CONSUMER AND OTHER DEBTORS		
The current portion is disclosed in note 16 - Consumer Debtors.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008 R	Restated 2 007 R
15 INVENTORY		
	94 696 767	83 229 667
Raw Materials	195 289	182 683
Finished Goods	78 534 113	70 763 599
Water Finished Goods - at cost	4 424 760	1 859 549
Consumable Goods	11 542 605	10 423 836
Less: Provision for Obsolete Inventory	(4 717 010)	(4 248 372)
	89 979 757	78 981 295
Restate Water Finished Goods - at cost		2 451 224
Restated Balance		81 432 519

The Inventory for Water has been restated in the amount of R2 451 224 (2006/2007) in accordance with the exemption in Gazette No. 30013. The restatement was due to the inclusion of water in the various pipelines. The municipality has capitalised all purchased water inventory.

Refer notes 30, 40.23 & 40.36)

16 CONSUMER DEBTORS

	R	R	R
	Gross Balances	Provision for Doubtful Debts	Net Balance
As at 30 June 2008			
Service Debtors	1 179 136 096	(559 081 952)	620 054 144
Rates and General	499 462 612	(231 625 809)	267 836 803
Electricity	178 535 359	(59 036 581)	119 498 778
Water	278 373 773	(153 785 298)	124 588 475
Refuse	84 246 301	(43 528 427)	40 717 874
Sewerage	138 518 051	(71 105 837)	67 412 214
House Rentals	8 972 962	(5 499 230)	3 473 732
Total	1 188 109 058	(564 581 182)	623 527 876

Doubtful Debts Provision

The doubtful debts provision is based on the ageing of debtors and excludes all government debts. Council's policy is to provide for all debtors' balances which have been outstanding for more than 90 days.

As at 30 June 2007

Service Debtors	1 185 241 202	(596 166 883)	589 074 319
Rates and General	395 131 179	(240 578 777)	154 552 401
Electricity	298 367 941	(102 884 938)	195 483 002
Water	270 595 224	(137 833 182)	132 762 042
Refuse	84 772 900	(41 442 867)	43 330 032
Sewerage	136 373 959	(73 427 118)	62 946 841
House Rentals	8 295 956	(5 335 513)	2 960 443
Total	1 193 537 158	(601 502 396)	592 034 762
Transfer from Creditors (Creditors with debit balances)			5 443 312
Transfer to Creditors (Debtors with credit balances)			4 857 641
Restated Balance			602 335 716

Rates and General: Ageing

Current (0-30 days)	251 417 315	137 171 018
31 - 60 Days	12 846 939	8 280 921
61 - 90 Days	3 572 549	9 100 462
Over 90 Days	231 625 809	240 578 777
Total	499 462 612	395 131 179

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated 2 007
	R	R
16 CONSUMER DEBTORS (Continued)		
<u>Electricity: Ageing</u>		
Current (0-30 days)	105 232 324	181 715 031
31 - 60 Days	12 721 147	11 104 580
61 - 90 Days	1 545 307	2 663 391
Over 90 Days	59 036 581	102 884 938
Total	178 535 359	298 367 941
<u>Water: Ageing</u>		
Current (0-30 days)	102 668 960	117 967 621
31 - 60 Days	16 172 181	10 392 431
61 - 90 Days	5 747 334	4 401 990
Over 90 Days	153 785 298	137 833 182
Total	278 373 773	270 595 224
<u>Refuse: Ageing</u>		
Current (0-30 days)	36 489 342	39 574 586
31 - 60 Days	3 099 199	2 556 157
61 - 90 Days	1 129 333	1 199 289
Over 90 Days	43 528 427	41 442 867
Total	84 246 301	84 772 900
<u>Sanitation: Ageing</u>		
Current (0-30 days)	63 183 682	54 621 252
31 - 60 Days	3 099 199	5 629 332
61 - 90 Days	1 129 333	2 696 257
Over 90 Days	71 105 837	73 427 118
Total	138 518 051	136 373 959
<u>Housing Rentals: Ageing</u>		
Current (0-30 days)	3 126 711	2 759 756
31 - 60 Days	234 639	163 087
61 - 90 Days	112 382	37 600
Over 90 Days	5 499 230	5 335 513
Total	8 972 962	8 295 956
R		
<u>Summary of Debtors by Customer Classification</u>		
30 June 2008	R	R
	Residential Consumers	Industrial / Commercial
		National and Provincial Government
Current (0-30 days)	393 855 207	146 141 138
31 - 60 Days	29 271 185	20 774 228
61 - 90 Days	12 130 308	1 545 691
Over 90 Days	421 439 805	143 141 377
Gross Consumer Debtors by Customer classification	856 696 505	311 602 434
Gross Consumer Debtors		1 188 109 058
Less: Provision for Doubtful Debts		(564 581 182)
Net Consumer Debtors for the year ended 30 June 2008		623 527 876
<u>Summary of Debtors by Customer Classification</u>		
30 June 2007	R	R
	Residential Consumers	Industrial / Commercial
		National and Provincial Government
Current (0-30 days)	390 612 228	140 107 087
31 - 60 Days	18 591 503	11 607 323
61 - 90 Days	10 830 555	1 469 814
Over 90 Days	425 569 376	166 049 034
Gross Consumer Debtors by Customer classification	845 603 662	319 233 258
Gross Consumer Debtors		1 193 537 158
Less: Provision for Doubtful Debts		(601 502 395)
Net Consumer Debtors for the year ended 30 June 2007		592 034 763
Transfer from Creditors (Creditors with debit balances)		5 443 312
Transfer to Creditors (Debtors with credit balances)		4 857 641
Restated Balance		602 335 717

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated 2 007
	R	R
16 CONSUMER DEBTORS (Continued)		
Reconciliation of the doubtful debts provision		
Balance at beginning of year	601 502 396	625 962 919
Contributions to provision	47 982 864	40 978 710
	<u>649 485 260</u>	<u>666 941 629</u>
Bad debts written off against provision	(84 904 078)	(65 439 232)
Balance at end of year	<u>564 581 182</u>	<u>601 502 396</u>
17 OTHER DEBTORS		
Government Grants and Subsidies	56 968 338	36 341 726
Interest on External Investments	61 050 799	41 866 798
External Debtors	29 512 491	24 315 998
	<u>147 531 628</u>	<u>102 524 522</u>
Transfer from Accumulated Surplus		20 813 992
Transfer from Creditors		626 814
Transfer from Other Income		27 663 329
Restated Balance		<u>151 628 657</u>
18 VAT		
VAT refund	<u>27 028 837</u>	<u>11 945 742</u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS		
19 SHORT-TERM INVESTMENT DEPOSITS		
Other Deposits	<u>1 839 563 553</u>	<u>55 555 956</u>
	<u>1 839 563 553</u>	<u>55 555 956</u>
Transferred from Investments		1 427 153 240
Restated balance		<u>1 482 709 196</u>
Investments in the amount of R1 427 153 240 were invested for a period not exceeding 12 months and were therefore reclassified as Short-term Investment Deposits.		
Short-term Investment Deposits amounting to R56 438 440 (2007: R18 763 885) are ring-fenced and attributable to repaying long-term loans.		
20 BANK BALANCES AND CASH		
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	215 431 857	53 026 362
Cash Book balance at end of the year	<u>67 513 928</u>	<u>215 431 857</u>
Bank Balance at beginning of the year	129 415 076	78 753 519
Bank Balance at end of the year	<u>142 393 143</u>	<u>129 415 076</u>
Which are disclosed in the Statement of Financial Position as follows:		
Bank balances and cash	<u>67 513 928</u>	<u>215 431 857</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008 R	Restated 2 007 R
21 PROPERTY RATES		
<i><u>Actual</u></i>		
Residential	270 373 978	249 574 595
Commercial	276 273 220	241 629 609
State	40 607 694	41 986 161
Other	631 754	
	587 886 646	533 190 365
<i><u>Valuations</u></i>		
	<u>R000's</u>	<u>R000's</u>
Residential	4 676 379	4 341 630
Commercial	2 700 424	2 558 232
State	495 453	548 005
Other	44 628	0
	7 916 884	7 447 867
22 SERVICE CHARGES		
Sale of Electricity	1 196 831 999	1 119 758 699
Sale of Water	306 474 534	265 345 267
Refuse Removal	89 392 809	82 719 764
Sewerage and Sanitation charges	203 096 453	185 314 498
	1 795 795 795	1 653 138 228
23 REGIONAL SERVICES LEVIES		
Regional Services Levies was discontinued at the end of the 2005/06 financial year and was replaced with a Levies Replacement Grant from National Treasury.		
24 GOVERNMENT GRANTS AND SUBSIDIES		
PHB Subsidies	46 939 408	66 357 404
Health Subsidies	62 701 327	59 068 835
Equitable Share Allocation	274 819 896	385 896 769
Transportation Subsidies	5 664 091	4 056 253
Finance Management Grant	758 807	543 338
Library Services - Carnegie Corporation Grant	26 554	36 670
SMME - Development	0	35 201
Project Consolidate	3 288 460	2 371 124
Disaster Management Grant	3 650 069	1 336 912
Municipal Infrastructure Grant	5 956 444	14 916 667
Restructuring Grant	2 667 984	5 359 751
Project Generation (DEAET) (See Note 24.14)	0	0
Amphitheatre - Uitenhage - UDDI (See Note 24.15)	0	0
National Treasury - Accreditation of Municipalities	0	697 413
RSC Levies Replacement	281 823 099	246 595 009
2010 Soccer World Cup Stadium	851 960	317 085
Youth Projects	0	500 000
Walmer Youth Development Project	34 988	41 389
Youth Advisory Centre	869 538	504 138
HIV / AIDS Columbia University Project	2 577 103	532 869
Provincial Government Grants	15 565 882	16 894 137
Government Grant Revenue - Depreciation (See Note 6)	39 409 357	57 223 878
Other	12 732 090	20 785 920
	760 337 059	884 070 764
24.1 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	46 939 408	66 357 404
Conditions met - transferred to revenue	(46 939 408)	(66 357 404)
Conditions still to be met - transferred to liabilities	0	0

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2 008	Restated 2 007
	R	R
24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
24.2 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	62 701 327	59 068 835
Conditions met - transferred to revenue	(62 701 327)	(59 068 835)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>
24.3 Equitable Share		
	37 498 327	
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	0	154 227 326
Current year receipts	274 819 896	231 699 602
Funding of Capital Projects	-	(30 159)
Conditions met - transferred to revenue	(274 819 896)	(385 896 769)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>
24.4 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	5 664 091	4 056 253
Conditions met - transferred to revenue	(5 664 091)	(4 056 253)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>
24.5 Finance Management Grant		
This grant is used in the financial reform project under the guidance of National Treasury.		
Balance unspent at beginning of year	1 460 253	1 785 915
Current year receipts	673 673	1 217 677
Funding of Capital Projects	-	(1 000 000)
Conditions met - transferred to revenue	(758 807)	(543 338)
Conditions still to be met - transferred to liabilities	<u>1 375 119</u>	<u>1 460 253</u>
24.6 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	661 066	661 688
Current year receipts	73 808	58 975
Funding of Capital Projects	-	(22 927)
Conditions met - transferred to revenue	(26 554)	(36 670)
Conditions still to be met - transferred to liabilities	<u>708 320</u>	<u>661 066</u>
24.7 SMME - Development		
This Subsidy is used for the development of Small businesses in the Metropolitan.		
Balance unspent at beginning of year	157 300	192 501
Current year receipts	35 200	0
Conditions met - transferred to revenue	-	(35 201)
Conditions still to be met - transferred to liabilities	<u>192 500</u>	<u>157 300</u>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2 008	Restated 2 007
	R	R
24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
24.8 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	5 480 913	3 341 525
Current year receipts	370 533	4 510 512
Conditions met - transferred to revenue	(3 288 460)	(2 371 124)
Conditions still to be met - transferred to liabilities	<u>2 562 986</u>	<u>5 480 913</u>
24.9 Disaster Management Grant		
a) This grant is being for the establishment of a Disaster Management Centre and related infrastructure.		
Balance unspent at beginning of year	2 828 760	2 352 666
Current year receipts	1 943 948	1 813 006
Conditions met - transferred to revenue	(1 096 423)	(1 336 912)
Conditions still to be met - transferred to liabilities	<u>3 676 285</u>	<u>2 828 760</u>
b) This Grant is used to provide aid to those in need when disasters arise in the metropolitan area.		
Current year receipts	14 456 165	13 273 161
Conditions met - transferred to revenue	1 601 128	1 183 004
Funding of Capital Projects	(2 553 646)	0
Conditions still to be met - transferred to liabilities	(3 575 720)	0
	<u>9 927 927</u>	<u>14 456 165</u>
24.10 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	140 787	129 266
Current year receipts	15 719	11 521
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	<u>156 506</u>	<u>140 787</u>
24.11 Municipal Infrastructure Grant		
This Grant is used for the provision of Infrastructure in the metropolitan area.		
Balance unspent at beginning of year	100 767 913	39 088 844
Current year receipts	169 713 756	141 737 299
Funding of Capital Projects	(95 492 701)	(65 141 563)
Conditions met - transferred to revenue	(5 956 444)	(14 916 667)
Conditions still to be met - transferred to liabilities	<u>169 032 524</u>	<u>100 767 913</u>
24.12 Restructuring Grant		
This Grant is used for restructuring of the municipality		
Balance unspent at beginning of year	0	38 327 707
Previous year Debtor brought forward	(21 244 869)	
Current year receipts	99 637 455	29 902 533
Funding of Capital Projects	(75 724 603)	(84 115 358)
Conditions met - transferred to revenue	(2 667 984)	(5 359 751)
Transferred to Other debtors	0	21 244 869
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 2008**

	2 008	Restated
	R	2 007
		R
24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
24.13 Ploughing Fields		
This Grant is used to promote Economic development.		
Balance unspent at beginning of year	20 936	218 645
Current year receipts	2 822	10 922
Funding of Capital Projects	0	(81 178)
Conditions met - transferred to revenue	0	(127 453)
Conditions still to be met - transferred to liabilities	23 758	20 936
24.14 Project Generation(DEAET)		
This Grant is used to promote Economic development.		
Balance unspent at beginning of year	5 658 496	5 196 179
Current year receipts	631 775	462 317
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	6 290 271	5 658 496
24.15 Amphitheatre - Uitenhage - UDDI		
This Grant is used to promote Economic development in the Uitenhage and Despatch Development Initiative.		
Balance unspent at beginning of year	33 534	30 790
Current year receipts	3 744	2 744
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	37 278	33 534
24.16 National Treasury - Accreditation of Municipalities		
This Grant is used for capacity building of employees in the municipality's Housing and Land Directorate.		
Balance unspent at beginning of year	6 761 735	3 459 148
Current year receipts	0	4 000 000
Conditions met - transferred to revenue	-	(697 413)
Conditions still to be met - transferred to liabilities	6 761 735	6 761 735
24.17 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	281 823 099	246 595 009
Conditions met - transferred to revenue	(281 823 099)	(246 595 009)
Conditions still to be met - transferred to liabilities	0	0
24.18 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	7 655 429	0
Current year receipts	840 954 912	185 982 212
Funding of Capital Projects	(787 199 565)	(178 009 698)
Conditions met - transferred to revenue	(851 960)	(317 085)
Conditions still to be met - transferred to liabilities	60 558 816	7 655 429
24.19 Youth Projects		
This Grant is used for Youth Development.		
Balance unspent at beginning of year	0	500 000
Current year receipts	0	0
Conditions met - transferred to revenue	-	(500 000)
Conditions still to be met - transferred to liabilities	0	0

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2 008	Restated
	R	2 007
		R
24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
24.20 Walmer Youth Development Project		
This Grant is used for Youth Development.		
Balance unspent at beginning of year	88 611	130 000
Current year receipts	0	0
Conditions met - transferred to revenue	(34 988)	(41 389)
Conditions still to be met - transferred to liabilities	<u>53 623</u>	<u>88 611</u>
24.21 Youth Advisory Centre		
This Grant is used for Youth Development.		
Balance unspent at beginning of year	245 862	0
Current year receipts	750 000	750 000
Conditions met - transferred to revenue	(869 538)	(504 138)
Conditions still to be met - transferred to liabilities	<u>126 324</u>	<u>245 862</u>
24.22 HIV/AIDS Columbia University Project		
This Grant is used for HIV / AIDS projects.		
Balance unspent at beginning of year	305 441	0
Current year receipts	2 271 662	838 309
Conditions met - transferred to revenue	(2 577 103)	(532 869)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>305 441</u>
24.23 Provincial Subsidies		
This grant is received from the Provincial Government and used to subsidise Libraries & the Environmental Services Function.		
Balance at beginning of year	0	0
Current year receipts	15 565 882	16 894 137
Conditions met - transferred to revenue	(15 565 882)	(16 894 137)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>
24.24 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	88 327 156	52 883 921
Current year receipts	132 000 000	68 600 000
Funding of Capital Expenditure	(66 228 928)	(33 156 765)
Conditions still to be met - transferred to liabilities	<u>154 098 228</u>	<u>88 327 156</u>
24.25 Other Grants		
These are grants received by the municipality for various purposes		
Balance unspent at beginning of year	231 994 476	160 668 979
Current year receipts	104 518 896	143 025 197
National & Provincial Government Capex Funding	(138 985 551)	(51 360 257)
Conditions met - transferred to revenue	(12 732 090)	(20 658 467)
Conditions still to be met - transferred to liabilities	<u>184 795 731</u>	<u>231 675 452</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated
	R	2 007
		R
25 OTHER INCOME		
Sale of Land	11 854 757	11 139 925
Fees and Charges	104 302 972	98 184 562
Grave Income	4 624 434	4 968 972
Interest	0	35 249 352
Rental Income	0	9 411 217
Public Contributions and Donations Revenue	40 482 108	0
Other Income	25 220 455	59 582 003
	186 484 726	218 536 032
Transfer to Interest earned on external investments		(94 333)
Transfer to Self Insurance Reserve		(11 523 433)
Transfer from Contributions: Other (refer note 23)		219 816
Transfer to Accumulated Surplus		(2 499 333)
Transfer to Rental of Facilities and Equipment		(14 046 247)
Transfer from Capital Replacement Reserve		528 111
Transfer to General expenses		(13 189 851)
Transfer from Other debtors		27 663 329
Transfer to Income for Agencies		(1 201 315)
From Capitalisation Reserve		7
Transfer to Dinations and Public Contributions		(2 641)
Transfer from Accumulated Surplus		94 807 331
Restated Balance		299 197 472

Interest on external investments in the amount of R94 333 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R219 816 relating to the Vodacom Buyout has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

COVID premiums in the amount of R2 499 333 has been incorrectly included in Other Income and therefore required restatement in respect of the 2006/07 financial year.

Rental of Facilities and Equipment in the amount of R14 046 247 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R528 111 has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

General expenses in the amount of R13 189 851 has been incorrectly included in Other Income and therefore required restatement in respect of the 2006/07 financial year.

Income for Agency Services in the amount of R1 201 315 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R27 663 329 has been understated and therefore requires restatement in respect of the 2006/2007 financial year

Other Income in the amount of R7 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R2 641 has been incorrectly included in Donations and Public Contributions and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R184 654 has been incorrectly included in Accumulated Surplus and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R94 622 677 relating to Donations and Public Contributions has not been included in Accumulated Surplus and therefore required restatement in respect of the 2006/07 financial year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated
	R	2 007
		R
25 OTHER INCOME (Continued)		
..... incorrectly included in other income and general expenses. GRAP requires the transfer to be made via the Statement of Changes in Net Assets from the Accumulated Surplus to the Self Insurance Reserve in respect of the insurance premiums and therefore restatement in respect of the 2006/07 financial year required.		
26 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	758 407 535	707 268 295
Employee related costs - Contributions for UIF, pensions and medical aids	351 229 684	211 509 725
Travel, motor car, accomodation, subsistence and other allowances	57 164 141	46 388 029
Housing benefits and allowances	11 905 836	9 518 789
Overtime payouts	55 434 354	53 360 563
Performance bonus	12 842 366	0
Long-service Awards	17 422 991	15 547 008
Less: Salaries Capitalised to PPE		(6 939 303)
	1 264 406 907	1 036 653 107
Transfer from Contributions: Other		(40 833 604)
Transfer from Contributions To/(From) Provisions		508 319 408
Transfer to Accumulated Surplus (COID)		(2 499 333)
Transfer to General Expenses		(4 381 906)
Restated Balance		1 497 257 672
(Refer to note 40.5)		

Contributions: Other

Employee related costs in the amount of R33 851 050 relating to Post Retirement Benefits has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R4 723 697 relating to Post Retirement Benefits Provision has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R2 258 857 relating to Gratuities funded from Provisions has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Contributions To/(From)

Employee related costs in the amount of R2 076 740 relating to the Gratuities Provision has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R480 980 442 relating to the Post Retirement Benefits Provision has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R25 262 226 relating to the Leave Pay accrual has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated
	R	2 007
		R
26 EMPLOYEE RELATED COSTS (Continued)		
Statement of Changes in Net Assets / COID		
Employee related cost in the amount of R2 499 333 relating to COID premiums expensed has been incorrectly included in the Statement of Financial Performance and therefore was transferred via Statement of Changes in Net Assets to the Coid Fund.		
General Expenses		
General Expenses in the amount of R4 381 906 relating to Uniforms and clothing and transport costs has been incorrectly included in Employee Related Costs and therefore require restatement in respect of the 2006/07 financial year. .		
Remuneration of the Municipal Manager		
Annual Remuneration	861 600	727 888
Performance Bonuses	0	0
Car allowance	96 000	86 912
Contributions to UIF, Medical and Pension Funds	0	0
Total	957 600	814 800
Remuneration of the Chief Financial Officer		
Annual Remuneration	389 135	490 268
Performance Bonuses	0	0
Car allowance	111 508	144 000
Contributions to UIF, Medical and Pension Funds	0	49 521
Total	500 643	683 789
Remuneration of the Chief Operating Officer		
Annual Remuneration	540 723	0
Performance Bonuses	0	0
Car allowance	124 649	0
Contributions to UIF, Medical and Pension Funds	53 816	0
Total	719 188	0
Remuneration of the Chief of Staff		
Annual Remuneration	725 892	0
Performance Bonuses	0	0
Car allowance	0	0
Contributions to UIF, Medical and Pension Funds	37 644	0
Total	763 536	0
Remuneration of Individual Executive Directors		
Corporate Services		
Annual Remuneration	681 180	1 177 860
Performance Bonus	0	0
Car Allowance	120 000	230 236
UIF, Medical and Pension Funds	0	10 487
Total	801 180	1 418 583
Economic Development and Recreational Services		
Annual Remuneration	474 700	425 212
Performance Bonus	0	0
Car Allowance	80 000	114 494
UIF, Medical and Pension Funds	56 474	233
Total	611 174	539 939
Environmental and Health Services		
Annual Remuneration	278 830	620 947
Performance Bonus	0	0
Car Allowance	49 120	120 000
UIF, Medical and Pension Funds	9 196	63 741
Total	337 146	804 688
Housing and Land		
Annual Remuneration	533 336	680 281
Performance Bonus	0	0
Car Allowance	80 000	37 500
UIF, Medical and Pension Funds	0	466
Total	613 336	718 247

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated 2 007
	R	R
26 EMPLOYEE RELATED COSTS (Continued)		
Electricity and Energy		
Annual Remuneration	626 022	593 896
Performance Bonus	0	0
Car Allowance	154 080	154 080
UIF, Medical and Pension Funds	0	25 357
	780 102	773 333
Infrastructure and Engineering		
Annual Remuneration	705 180	656 988
Performance Bonus	0	0
Car Allowance	96 000	96 000
UIF, Medical and Pension Funds	0	0
	801 180	752 988
Strategic Programmes		
Annual Remuneration	675 180	0
Performance Bonus	0	0
Car Allowance	120 000	0
UIF, Medical and Pension Funds	0	0
	795 180	0
Safety and Security		
Annual Remuneration	574 296	0
Performance Bonus	0	0
Car Allowance	132 000	0
UIF, Medical and Pension Funds	0	0
	706 296	0
World Cup 2010		
Annual Remuneration	650 360	0
Performance Bonus	0	0
Car Allowance	120 000	0
UIF, Medical and Pension Funds	40 800	0
	811 160	0

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

27 REMUNERATION OF COUNCILLORS

Mayor's Remuneration	773 207	730 593
Deputy Mayor's Remuneration	618 565	573 524
Speaker's Remuneration	618 565	573 524
Councillors' Remuneration	34 654 620	32 375 671
Telephone Allowances	1 159 670	1 082 628
	37 824 627	35 335 941

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.

28 BAD DEBTS

Bad debts consists of the following:

Bad debts expense	97 742 094	19 604 984
Contribution to doubtful debts	-36 921 214	0
	60 820 880	19 604 984
Transfer from Contributions To/(From) Provisions (See Note 40.6)		40 978 709
Transfer from Contributions Other (See Note 40.4)		(19 018 684)
Transfer from Capitalisation Reserve		66 812
Restated Balance		41 631 821

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008	Restated 2 007
	R	R
29 INTEREST PAID		
Interest on External Loans	29 813 881	24 103 040
Interest on Government Grants and Creditors	35 257 050	0
Lease Charges	0	80 298
	65 070 931	24 183 338
Transfer from Contributions To/(From) Provisions		39 081 126
Restated Balance		63 264 464
30 BULK PURCHASES		
Electricity	686 657 110	635 394 969
Water	33 130 823	30 927 895
	719 787 933	666 322 864
Restatement		2 451 224
Restated Balance		663 871 640
<p>The Inventory for Water - Finished Goods has been restated in the amount of R2 451 224. The bulk purchase expense for water purchased therefore required restatement in the amount of R2 451 224 in respect of the 2006/07 financial year. (Refer notes 15, 40.32 & 40.36)</p>		
31 GRANTS AND SUBSIDIES PAID		
Grants in aids	5 607 087	4 988 648
Grants to Entities	32 804 830	21 145 770
Grants to Other Organisations	17 842 020	16 836 177
	56 253 937	42 970 595
Transfer from Contributions To / (From)		929 220
Restated Balance		43 899 815
<p>An amount of R929 220 in respect of a contribution made to the Metropolitan Transport Fund was incorrectly included in Contributions To / From category and required restatement in respect of the 2006/07 financial year.</p>		
32 CASH GENERATED FROM OPERATIONS		
Net Surplus for the year	142 305 942	80 244 304
Adjustment for:		
Investment income	(273 419 988)	(219 074 213)
Contribution to bad debts provision	(36 921 214)	21 960 025
Contribution to Obsolete inventory	468 638	-
Gain on disposal of PPE	(482 231)	(593 785)
Loss on disposal of PPE	44 881 698	17 148 856
Loss/ (Gain) in Sanlam shares	78 372	(298 299)
Revenue from Government Grants - depreciation	-39 409 357	-57 223 878
Revenue from Donations and Public Contributions	-40 482 108	-94 622 677
Depreciation	283 294 864	266 587 719
Interest paid	65 070 931	63 264 464
Contribution to provisions - non-current	48 697 884	552 525 787
Contribution to provisions - current	4 310 968	5 290 843
Operating Surplus before working capital changes	198 394 398	635 209 146
(Increase)/Decrease in Inventory	(9 015 876)	1 086 356
Decrease/ (Increase) in debtors	15 729 053	(42 167 565)
Decrease/ (Increase) in other debtors	4 097 029	(76 754 660)
(Increase) in VAT	(15 083 095)	(8 122 899)
Increase/ (Decrease) in Unspent conditional grants and receipts	171 252 371	(9 742 451)
Increase in Creditors	137 195 065	318 321 822
Cash generated from operations	502 568 945	817 829 749
33 CASH AND CASH EQUIVALENTS		
Short-term Investment Deposits	1 839 563 553	1 482 709 196
Bank balances and cash	67 513 928	215 431 857
Total Cash and Cash Equivalents	1 907 077 481	1 698 141 053

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008 R	Restated 2 007 R
34 (DECREASE) IN LONG-TERM LOANS(EXTERNAL)		
Loans raised	300 000 000	0
Loans repaid	(33 763 885)	(215 501 792)
	<u>266 236 115</u>	<u>(215 501 792)</u>
35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
35.1 Contributions to organised local government		
Opening balance	0	0
Council subscriptions	11 675 722	6 422 160
Amount paid - current year	(11 675 722)	(6 422 160)
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
35.2 Audit Fees		
Opening balance	0	0
Current year audit fee	4 550 766	3 991 696
Amount paid - current year	(4 550 766)	(3 991 696)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
35.3 VAT		
VAT inputs and VAT output are shown in note 18. All VAT returns have been submitted by the due date throughout the year.		
35.4 PAYE and UIF		
Opening balance	10 845 952	9 010 397
Current year payroll deductions	132 736 242	134 407 782
Amount paid - current year	(121 576 891)	(123 561 830)
Amount paid - previous year	(10 845 952)	(9 010 397)
Balance unpaid (included in creditors)	<u>11 159 351</u>	<u>10 845 952</u>
35.5 Pension and Medical Aid Deductions		
Opening balance	0	0
Current year payroll deductions and Council Contributions	257 814 655	235 420 039
Amount paid - current year	(257 814 655)	(235 420 039)
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
35.6 Skills Development Levy		
Opening balance	609 262	529 920
Current year payroll deductions	7 670 603	7 313 547
Amount paid - current year	(7 027 478)	(6 704 285)
Amount paid - previous year	(609 262)	(529 920)
Balance unpaid (included in creditors)	<u>643 125</u>	<u>609 262</u>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT (continued)**

36.1 Councillors' arrear consumer accounts

	R	R	R
Councillors had arrear accounts outstanding for more than 90 days as at:	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
30 June2008			
Councillor I Adams	196	196	0
Councillor H M August	224	224	0
Councillor X S Banga	123	123	0
Councillor M A Booysen	109	109	0
Councillor D Buti	112	112	0
Councillor F Desi	130	130	0
Councillor P Hermaans	121	121	0
Councillor T M Jacobs	252	252	0
Councillor E Johnson	205	205	0
Councillor P B Lonake	234	234	0
Councillor N S Magopeni	224	224	0
Councillor M P Makapela	138	138	0
Councillor Z G Makazi	213	213	0
Councillor A M Mali	182	182	0
Councillor M M Manentsa	7	7	0
Councillor F A Mbane	492	492	0
Councillor A Meyer	175	175	0
Councillor X E Mgudlandlu	242	242	0
Councillor E T Mgwanza	387	387	0
Councillor L Mlomo	159	159	0
Councillor L P Mlonzi	195	195	0
Councillor S E Mnyaka	242	242	0
Councillor M C Mtanga	159	159	0
Councillor V E Mzaza	192	192	0
Councillor M Nzotoyi	723	723	0
Councillor Z J Qupe	205	205	0
Councillor Z J Seale	142	142	0
Councillor J J F Seymore	869	869	0
Councillor N N Sihlwayi	117	117	0
Councillor N E Skweyiya	399	399	0
Councillor M B Tokota	154	154	0
	7 322	7 322	0

Councillors had arrear accounts outstanding for more than 90 days as at:	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
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30 June2007

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

Councillors' consumer accounts outstanding for more than 30 days at a particular month-end are deducted from the Councillors' remuneration for the following month.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008 R	Restated 2 007 R
36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
36.2 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	38 168 844	40 809 688
2. Centenary Hall Promotions	253 330	144 930
3. Feathermarket Hall Promotions	1 574 605	1 402 380
Total	39 996 779	42 356 998
Section 57 Employees (See note 26)		
Other Organisations		
The Organisations have received the following grants:		
1. Uitenhage Despatch Development Initiative	10 714 164	17 420 183
2. Nelson Mandela Bay Tourism	17 122 373	16 526 768
3. Nelson Mandela Metropolitan Art Museum	4 103 016	3 208 905
Grants to Other Organisations	31 939 553	37 155 856
The organisations have made the following payments		
1. Uitenhage Despatch Development Initiative	3 330 318	7 690 033
	3 330 318	7 690 033
36.3 Supply Chain Management Policy		
The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2007/08 financial year are detailed as follows:		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2 008 R	Restated 2 007 R
37 CAPITAL COMMITMENTS		
Approved and contracted for	441 648 858	1 338 501 998
Infrastructure	244 682 734	378 079 175
Community	194 599 698	960 422 823
Other	2 366 426	0
Approved but not yet contracted for	43 909 080	53 768 560
Infrastructure	33 420 135	42 010 033
Community	7 697 368	8 564 817
Heritage	667 366	
Other	2 124 211	3 193 710
Total	485 557 938	1 392 270 558
This expenditure will be financed from:		
Capital Replacement Reserve	210 528 865	50 006 181
Grants and Subsidies	103 898 409	1 288 446 600
External Finance Fund	138 732 516	0
RSC Levies	32 398 148	53 591 204
Contribution to Capital	0	226 573
Total	485 557 938	1 392 270 558
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (See Note 3)	442 395 158	213 833 597
Used to Finance property, plant and equipment - at cost	0	0
Sub-total	442 395 158	213 833 597
Cash set aside for the repayment of long-term liabilities (See Note 2)	56 438 440	18 763 885
Cash invested for repayment of long-term liabilities	56 438 440	461 159 043

39 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.

40 RESTATED PRIOR YEAR COMPARATIVES

Statement of Financial Performance

40.1 Surplus for the year

Balance as per audited financial statements

487 168 765

Net effect on surplus

(406 924 462)

Interest earned on external investments (refer note 40.2)

94 333

Other Income (refer note 40.3 and note 25)

80 661 440

Contributions: Other (refer note 40.4)

(877 738 544)

Employee related costs (refer note 40.5 and note 26)

(460 604 565)

Contributions To / (From) Provisions (refer note 40.6)

1 259 785 579

Bad debts (refer note 28 and note 40.8)

(22 026 837)

Repairs and Maintenance (refer note 40.9)

(456 473)

General Expenses (refer note 40.7)

84 667 717

Grants and Subsidies Paid (refer note 40.15)

(929 220)

Government Grants and Subsidies (refer note 40.14)

(367 784 960)

Interest paid (refer note 40.12)

(39 081 126)

Contracted Services (refer note 40.10)

(64 061 736)

Rental of Facilities and Equipment (refer note 40.11)

14 046 247

Income for Agencies (refer note 40.13)

1 201 315

Bulk Purchases

2 451 224

Loss on disposal

(17 148 856)

Restated surplus for 2006/2007

80 244 304

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Restated
2 007
R

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.2 Interest earned on external investments

Balance as per audited financial statements	141 611 910
Transfer from Other Income	94 333

Restated Balance

141 706 243

Interest on external investments in the amount of R94 333 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

40.3 Other Income

Balance as per audited financial statements	218 536 032
Transfer to Interest earned on external investments	(94 333)
Transfer to Accumulated Surplus	(11 523 433)
Transfer from Contributions: Other	219 816
Transfer to Accumulated Surplus	(2 499 333)
Transfer to Rental of Facilities and Equipment	(14 046 247)
Transfer from Capital Replacement Reserve	528 111
Transfer to General expenses	(13 189 851)
Transfer from Other debtors	27 663 329
Transfer to Income for Agencies	(1 201 315)
From Capitalisation Reserve	7
Transfer to Donations and Public Contributions	(2 641)
Transfer from Accumulated Surplus	94 807 331

Restated Balance

299 197 472

Interest on external investments in the amount of R94 333 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R219 816 relating to the Vodacom Buyout has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

COVID premiums in the amount of R2 499 333 has been incorrectly included in Other Income and therefore required restatement in respect of the 2006/07 financial year.

Rental of Facilities and Equipment in the amount of R14 046 247 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amounts of R528 111 has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

General expenses in the amount of R13 189 851 has been incorrectly included in Other Income and therefore required restatement in respect of the 2006/07 financial year.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

**Restated
2 007
R**

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Income for Agency Services in the amount of R1 201 315 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R27 663 329 has been understated and therefore requires restatement in respect of the 2006/2007 financial year

Other Income in the amount of R7 has been incorrectly included in Capitalisation Reserve and therefore required restatement in respect of the 2006/07 financial year.

Internal insurance premiums in the amount of R11 523 433 has been incorrectly included in other income and general expenses. GRAP requires the transfer to be made via the Statement of Changes in Net Assets from the Accumulated Surplus to the Self Insurance Reserve in respect of the insurance premiums and therefore restatement in respect of the 2006/07 financial year required.

Other Income in the amount of R2 641 has been incorrectly included in Donations and Public Contributions and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R184 654 has been incorrectly included in Accumulated Surplus and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R94 622 677 relating to Donations and Public Contributions has not been included in Accumulated Surplus and therefore required restatement in respect of the 2006/07 financial year.

40.4 Contributions: Other

Balance as per audited financial statements	877 738 544
Transfer to Employee related costs	(40 833 604)
Transfer to Accumulated Surplus	(710 528 973)
Transfer to Bad Debts	(19 018 684)
Transfer to Government Grants and Subsidies	(3 824 181)
Transfer to Contributions To / (From)	(103 267 856)
Transfer to Other Income	(219 816)
Transfer to General Expenses	(45 430)
Restated Balance	<u><u>(0)</u></u>

Employee related cost in the amount of R40 833 604 relating to Gratuities funded from Reserves, Personnel Benefits Reserve, Post Retirement Benefits have been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Contribution to Accumulated Surplus in the amount of R269 280 has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Contribution to Accumulated Surplus in the amount of R277 208 relating to Dog Fund has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Restated
2 007
R

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Contribution to Accumulated Surplus in the amount of R250 852 relating to Parking Areas development has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Contribution to Accumulated Surplus in the amount of R53 259 888 relating to RSC Levies has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Accumulated Surplus in the amount of R646 913 382 has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Proceeds of Insurance Claim in the amount of R9 558 363 has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

General Expenses in the amount of R45 430 has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Bad debts in the amount of R19 018 684 relating to Provision for Doubtful Debts has been incorrectly included in Contributions Other and therefore required restatement in respect of the 2006/07 financial year.

Government grants and subsidies in the amount of R3 824 181 was restated in the 2006/07 financial year to account for incorrect classifications under Contributions Other.

Contributions Other in the amounts of R103 267 856 relating to Levies Replacement has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R219 816 relating to the Vodacom Buyout has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

40.5 Employee related costs

Balance as per audited financial statements	1 036 653 107
Transfer from Contributions: Other	(40 833 604)
Transfer from Contributions To/(From) Provisions	508 319 408
Transfer to Accumulated Surplus (COID)	(2 499 333)
Transfer to General Expenses	(4 381 906)
Restated Balance	<u>1 497 257 672</u>

Contributions: Other

Employee related costs in the amount of R33 851 050 relating to Post Retirement Benefits has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Restated
2 007
R

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Employee related costs in the amount of R4 723 697 relating to Post Retirement Benefits Provision has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R2 258 857 relating to Gratuities funded from Provisions has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

Contributions To/(From)

Employee related costs in the amount of R2 076 740 relating to the Gratuities Provision has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R480 980 442 relating to the Post Retirement Benefits Provision has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R25 262 226 relating to the Leave Pay accrual has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Statement of Changes in Net Assets / COID

Employee related cost in the amount of R2 499 333 relating to COID premiums expensed has been incorrectly included in the Statement of Financial Performance and therefore was transferred via Statement of Changes in Net Assets to the Coid Fund.

General Expenses

General Expenses in the amount of R4 381 906 relating to Uniforms and clothing and transport costs has been incorrectly included in Employee Related Costs and therefore require restatement in respect of the 2006/07 financial year. .

40.6 Contributions To/(From) Provisions

Balance as per audited financial statements	1 259 785 579
Transfer to Employee related costs	(508 319 408)
Transfer to Bad Debts	(40 978 709)
Transfer to Accumulated Surplus	(117 454 872)
Transfer to Self Insurance Fund	251 639
Transfer to Grants and Subsidies Paid	(929 220)
Transfer to Contributions Other	(103 267 856)
Transfer to Self Insurance Fund	(9 810 002)
Transfer to Interest Paid	(39 081 126)
Transfer to Government Grants and Subsidies	(428 833 019)
Transfer to Capital Replacement Reserve	(157 821)
Transfer to Accumulated Surplus	(11 205 186)
Restated Balance	-

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Restated
2 007
R

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Employee related costs in the amount of R2 076 740 relating to Gratuities Provision has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R480 980 442 relating to Post Retirement Benefits provision has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Employee related costs in the amount of R25 262 226 relating to the Leave Pay accrual has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Bad debts in the amount of R40 978 709 has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

A surplus in the amount of R251 639 relating to insurance has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

The 2006/07 balance in the amount of R929 220 that included in the non-GRAP category, Contribution To was restated to Grant to Other Organisations with regard to the contribution to the Metropolitan Transport Fund (External Fund).

Accumulated Surplus in the amount of R114 502 439 relating to Levies Replacement has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

An amount of R2 659 043 was incorrectly included in the Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Accumulated Surplus in the amount of R293 390 relating to Art Purchases has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Contributions Other in the amounts of R103 267 856 relating to Levies Replacement has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Government Grant and Subsidies in the amount of R9 176 793 relating to E-Share has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Capital expenditure in the amount of R419 656 226 was incorrectly included in the Statement of Financial Performance and therefore required restatement in respect of the 2006/07 financial year.

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Insurance expense in the amount of R9 810 002 relating to insurance has been incorrectly included in Contributions To/ (From) and therefore required restatement in respect of the 2006/07 financial year.

Interest paid in the amount of R39 081 126 has been incorrectly included in Contributions To/ (From) and therefore required restatement in respect of the 2006/07 financial year.

Interest paid in the amounts of R157 821, R11 205 186 has been incorrectly included in Contributions To/ (From) and therefore required restatement in respect of the 2006/07 financial year.

40.7 General Expenses

Balance as per audited financial statements	629 994 135
Transfer to Repairs and Maintenance	(3 181 738)
Transfer to Contributions Other	(45 430)
Transfer from Employee Related Costs	4 381 906
Transfer to Contracted Services	(61 336 471)
Transfer from Creditors	(8 003)
Transfer to Accumulated Surplus	(11 340 282)
Transfer from Capitalisation Reserve	138
Transfer from Other Income	(13 189 851)
Transfer from Donations and Public Contributions	52 013
Restated Balance	<u>545 326 418</u>

Repairs and Maintenance in the amount of R3 181 738 has been incorrectly included in General Expenses and therefore required restatement in respect of the 2006/07 financial year.

General Expenses in the amount of R45 430 has been incorrectly included in Contributions: Other and therefore required restatement in respect of the 2006/07 financial year.

General Expenses in the amounts of R4 381 906 relating to Uniforms and clothing and Transport Costs have been incorrectly included in Employee Related Costs and therefore required restatement in respect of the 2006/07 financial year.

General Expenses in the amount of R8 003 has been incorrectly included in Creditors and therefore required restatement in respect of the 2006/07 financial year.

Contracted services in the amount of R61 336 471 has been incorrectly included in General expenses and therefore required restatement in respect of the 2006/07 financial year. .

General expenses in the amount of R11 979 879 has been incorrectly included in Other Income and therefore required restatement in respect of the 2006/07 financial year.

General expenditure in the amount of R11 340 282 in respect of COID expenditure was not funded via the Statement changes in Nett Assets.

General expenditure in the amount of R138 has been incorrectly included in the Capitalisation Reserve and therefore required restatement in respect of the 2006/07 financial year

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

General Expenses in the amount of R52 013 has been incorrectly included in Donations and Public Contributions Reserve and therefore required restatement in respect of the 2006/07 financial year.

40.8 Bad Debts

Balance as per audited financial statements	19 604 984
Transfer from Contributions To/(From) Provisions (refer note 28)	40 978 709
Transfer from Capitalisation Reserve	66 812
Transfer from Contributions Other (refer note)	<u>(19 018 684)</u>
Restated Balance	<u><u>41 631 821</u></u>

Bad debts in the amount of R40 978 709 has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Bad debts in the amount of R19 018 684 has been incorrectly included in Contributions Other and therefore required restatement in respect of the 2006/07 financial year.

An amount of R66 812 was incorrectly written off to the Capitalisation Reserve and therefore require restatement in respect of the 2006/2007 financial year.

40.9 Repairs and Maintenance

Balance as per audited financial statements	307 142 106
Transfer from General Expenses	3 181 738
Transfer to Contracted Services	<u>(2 725 265)</u>
Restated Balance	<u><u>307 598 579</u></u>

Repairs and Maintenance in the amount of R3 181 738 has been incorrectly included in General Expenses and therefore required restatement in respect of the 2006/07 financial year.

Contracted Services in the amount of R2 725 265 has been incorrectly included in Repairs and Maintenance and therefore required restatement in respect of the 2006/07 financial year.

40.10 Contracted Services

Balance as per audited financial statements	-
Transfer from General Expenses	61 336 471
Transfer from Repairs and Maintenance	<u>2 725 265</u>
Restated Balance	<u><u>64 061 736</u></u>

Contracted services in the amount of R61 336 471 has been incorrectly included in General expenses and therefore required restatement in respect of the 2006/07 financial year. .

Contracted Services in the amount of R2 725 265 has been incorrectly included in Repairs and Maintenance and therefore required restatement in respect of the 2006/07 financial year.

40.11 Rental of Facilities and Equipment

Balance as per audited financial statements	-
Transfer from Other Income	<u>14 046 247</u>
Restated Balance	<u><u>14 046 247</u></u>

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Rental of Facilities and Equipment in the amount of R14 046 247 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

40.12 Interest Paid

Balance as per audited financial statements	24 183 338
Transfer from Contributions To/ (From)	39 081 126
Restated Balance	<u>63 264 464</u>

Interest paid in the amount of R39 081 126 has been incorrectly included in Contributions To/ (From) and therefore required restatement in respect of the 2006/07 financial year.

40.13 Income for Agency Services

Balance as per audited financial statements	-
Transfer from Other Income	1 201 315
Restated Balance	<u>1 201 315</u>

Income for Agency Services in the amount of R1 201 315 has been incorrectly included in other income and therefore required restatement in respect of the 2006/07 financial year.

40.14 Government Grants and Subsidies

Balance as per audited financial statements	1 251 855 724
Transfer from Contributions Other	3 824 181
Transfer from Contributions To/(From) Provisions	(428 833 019)
Transfer from Accumulated Surplus	57 223 878
Restated Balance	<u>884 070 764</u>

Government grants and subsidies in the amount of R3 824 181 required restatement in respect of the 2006/07 financial year to account for incorrect classifications under Contributions Other.

Government Grant and Subsidies in the amount of R9 176 793 relating to E-Share has been incorrectly included in Contributions To/(From) Provisions and therefore required restatement in respect of the 2006/07 financial year.

Capital expenditure in the amount of R419 656 226 was incorrectly included in the Statement of Financial Performance and therefore required restatement in respect of the 2006/07 financial year.

The amortisation of Deferred Income in the amount of R57 223 878 has now been included in Accumulated Surplus and has been transferred to revenue in accordance with IAS20 and therefore required restatement in respect of the 2006/07 financial year.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.15 Grants & Subsidies Paid

Balance as per audited financial statements	42 970 595
Transfer from Contributions To / (From)	929 220
Restated Balance	43 899 815

An amount of R929 220 in respect of a contribution made to the Metropolitan Transport Fund was incorrectly included in the Contributions To / From category and required restatement in respect of the 2006/07 financial year.

Statement of Financial Position

40.16 Housing Development Fund

Opening Balance	76 530 350
Transfer from Accumulated Surplus	202 924
Restated Closing Balance	76 733 274

During the year ended 30 June 2007, income for Replacements and renewals in the amount of R179 563 and Community facilities in the amount of R23 361 were not transferred via the Statement of Changes in Nett Assets to the Housing Development Fund.

40.17 Long-term liabilities

Balance as per audited financial statements	213 833 597
Transfer from Donations and Public Contributions	7 476 970
Restated Balance	221 310 567

Longterm Liabilities in the amount of R7 476 970 has been incorrectly included in Donations and Public Contributions and therefore required restatement in respect of the 2006/07 financial year.

40.18 Non-current Provisions

Balance as per audited financial statements	836 347 465
Transfer to Current Provisions (See note)	(2 523 706)
Restated Balance	833 823 759

The current provision in the amount of R2 523 706 has now been transferred from the Non- Current Provision to the Current Provision.

40.19 Current Provisions

Balance as per audited financial statements	-
Transfer from Non-Current Provisions (See note)	2 523 706
Restated Balance	2 523 706

The current provision in the amount of R2 523 706 has now been transferred from the Non- Current Provision to the Current Provision.

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.20 Creditors

Balance as per audited financial statements	878 321 965
Transfer from Capital Replacement Reserve	291 642
Transfer from Consumer Debtors	10 300 953
Transfer to Other Debtors	626 814
Transfer to General expenses	(8 003)
Transfer from Donations and Public Contributions	19 610 925
Transfer to Unspent Conditional Grants and Receipts	2 953
Transfer from Accumulated Surplus	66 808
Restated Balance	<u>909 214 057</u>

Creditors in the amount of R291 642 has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

Consumer debtors in the amount of R5 443 312 reflecting credit balances has been incorrectly included in debtors and therefore required restatement in respect of the 2006/07 financial year.

External creditors in the amount of R4 857 561 reflecting debit balances has been incorrectly included in consumer debtors and therefore required restatement in respect of the 2006/07 financial year.

Creditors in the amount of R626 814 has been understated due to a VAT issue and therefore required restatement in respect of the 2006/07 financial year.

General Expenses in the amount of R8 003 has been incorrectly included in Creditors and therefore required restatement in respect of the 2006/07 financial year.

Creditors in the amount of R19 610 925 has been incorrectly included in Donations and Public Contributions and therefore required restatement in respect of the 2006/07 financial year.

External creditors in the amount of R2 953 has been incorrectly included in Unspent Conditional Grants and Receipts and therefore required restatement in respect of the 2006/07 financial year.

Creditors in the amount of R66 808 has been incorrectly included in the Accumulated Surplus and therefore required restatement in respect of the 2006/07 financial year.

40.21 Call Investment deposits

Balance as per audited financial statements	55 555 956
Transferred from Investments	1 427 153 239
Restated Balance	<u>1 482 709 196</u>

Call Investment deposits in the amount of R1 427 153 239 have been incorrectly classified as longterm investments and therefore required restatement in respect of the 2006/2007 financial year

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.22 Investments

Balance as per audited financial statements	1 444 792 962
Transferred to Call Investment deposits	<u>(1 427 153 239)</u>
Restated Balance	<u>17 639 722</u>

Call Investment deposits in the amount of R1 427 153 239 have been incorrectly classified as longterm investments and therefore required restatement in respect of the 2006/2007 financial year

40.23 Inventory

Balance as per audited financial statements	78 981 295
Transfer from Bulk Purchases	<u>2 451 224</u>
Restated Balance	<u>81 432 519</u>

The Inventory for Water - Finished Goods has been restated in the amount of R2 451 224

40.24 Consumer Debtors

Balance as per audited financial statements	592 034 762
Transfer from Creditors	<u>10 300 954</u>
Restated Balance	<u>602 335 716</u>

Consumer debtors in the amount of R5 443 312 reflecting credit balances has been incorrectly included in debtors and therefore required restatement in respect of the 2006/07 financial year.

External creditors in the amount of R4 857 561 reflecting debit balances has been incorrectly included in consumer debtors and therefore required restatement in respect of the 2006/07 financial year.

40.25 Other Debtors

Balance as per audited financial statements	102 524 522
Transfer from Accumulated Surplus	<u>20 813 992</u>
Transfer from Creditors	<u>626 814</u>
Transfer from Other Income	<u>27 663 329</u>
Restated Balance	<u>151 628 657</u>

Other Debtors in the amount of R5 042 043 has been understated due to a RSC Levies not raised and therefore required restatement in respect of the 2006/07 financial year.

Other Debtors in the amount of R626 814 has been understated due to a VAT issue and therefore required restatement in respect of the 2006/07 financial year.

Other Debtors in the amount of R27 663 329 and R15 771 949 has been understated due to a VAT issue and therefore requires restatement in respect of the 2006/2007 financial year

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.26 Longterm Receivables

Balance as per audited financial statements	70 249 636
Transfer from Accumulated Surplus	(25 668)
Restated Balance	<u>70 223 968</u>

Insurance premiums in respect of the municipal letting schemes that were incorrectly included in Long-term Receivables in the amount of R25 668 was transferred to the Self Insurance Reserve via the Statement of Changes in Net Assets.

40.27 Unspent Conditional Grants & Receipts

Opening Balance as per audited financial statements	462 970 099
Transfer from Donations and Public Contributions Reserve	3 758 665
Transfer to Creditors	(2 953)
Restated Opening Balance	<u>466 725 810</u>

Conditional Grants in the amount of R3 758 665 has been incorrectly included in Donations and Public Contributions Reserve and therefore required restatement in respect of the 2006/07 financial year.

External creditors in the amount of R2 953 has been incorrectly included in Unspent Conditional Grants and Receipts and therefore required restatement in respect of the 2006/07 financial year.

40.28 Donations and Public Contributions Reserve

Opening Balance as per audited financial statements	119 533 930
Transfer to Capital Replacement Reserve	(1 011 110)
Transfer to Accumulated Surplus	(333 205)
Transfer from General Expenses	(52 013)
Transfer to Creditors	(19 610 925)
Transfer to Other Income	2 641
Transfer to Unspent Conditional Grants	(3 758 665)
Transfer from Accumulated Surplus	34 423
Transfer to Longterm Liabilities	(7 476 970)
Restated Opening Balance	<u>87 328 106</u>

During the year ended 30 June 2007, the opening balance in respect of Donations & Public Contributions Reserve was overstated in the amount of R1 389 745 as a result of the incorrect inclusion of certain amounts. An amount of R1 011 110 should have been included in the Capital Replacement Reserve and R333 206, R45 430 and R34 423 should have been included in the Accumulated Surplus due to a classification error between these reserves.

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Creditors in the amount of R19 610 925 has been incorrectly included in Donations and Public Contributions Reserve and therefore required restatement in respect of the 2006/07 financial year.

Conditional Grants in the amount of R3 758 665 has been incorrectly included in Donations and Public Contributions Reserve and therefore required restatement in respect of the 2006/07 financial year.

During the year ended 30 June 2007 the opening balance of the Donations and Public Contributions Reserve was understated in the amount of R34 423. This balance was incorrectly included in the Accumulated Surplus due to a classification error between the reserve and the accumulated surplus.

Longterm Liabilities in the amount of R7 476 970 has been incorrectly included in Donations and Public Contributions Reserve and therefore required restatement in respect of the 2006/07 financial year.

General Expenses in the amount of R6 583 has been incorrectly included in Donations and Public Contributions Reserve and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R2 461 has been incorrectly included in Donations and Public Contributions Reserve and therefore required restatement in respect of the 2006/07 financial year.

40.29 Capital Replacement Reserve

Opening Balance as per audited financial statements	236 317 538
Transfer from Donations and Public Contributions Reserve	1 011 110
Transfer to Creditors	(291 642)
Transfer to Income: Other	(528 112)
Transfer to Contributions To/ (From)	(157 821)
Transfer to Accumulated Surplus	(98 479)
Transfer to Deferred Income	(193 857)
Restated Opening Balance	<u>236 058 737</u>

During the year ended 30 June 2007, the opening balance in respect of the Capital Replacement Reserve was understated in the amount of R1 011 110. This balance was incorrectly included in the Donations and Public Contributions Reserve due to a classification error between these two reserves.

Creditors in the amount of R291 642 has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

Other Income in the amount of R119 190 relating to Parking Meters and R23 361 relating to Community Facilities has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Interest paid in the amount of R157 821 has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

An amount of R98 479 has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

Government Grant funding in the amount of R193 857 has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

40.30 Government Grant Reserve

During the year ended 30 June 2007, the Accounting Policy changed for the classification of Government Grants, to IAS20. This Balance has accordingly been transferred from the Government Grant Reserve.

Opening Balance as per audited financial statements	685 371 949
Transfer to Deferred Income	(685 371 949)
Restated Opening Balance	-

40.31 Accumulated Surplus

Opening Balance as per audited financial statements	1 287 106 857
Transfer to Creditors (refer note 40.20)	(66 808)
Transfer to Other Debtors (refer note 40.25)	20 813 992
Transfer from Longterm receivables (refer note 40.26)	(25 668)
Transfer to Donations and Public Contributions (refer note 40.28)	298 782
Transfer from Capital Replacement Reserve (refer note 40.29)	98 479
Transfer from Capitalisation Reserve (refer note 40.32)	19 386
Transfer to/ From Self Insurance Fund (refer note 40.33)	4 770 606
Water Stock adjustment	(16 484 869)
Other Expenses	(12 756 666)
Restated Opening Balance	1 283 774 091

40.32 Capitalisation Reserve

Opening Balance as per audited financial statements	1 276 374 971
Transfer to Accumulated Surplus	(19 386)
Transfer to Bad Debts	66 812
Transfer to Other Income	(7)
Transfer to General Expenses	138
Restated Opening Balance	1 276 422 528

An amount of R47 557 has been incorrectly included in the Capitalisation Reserve and therefore required restatement in respect of the 2006/07 financial year.

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.33 Self Insurance Reserve

During the year ended 30 June 2007 the opening balance of the Self Insurance Reserve was incorrectly overstated by R4 770 606 due to Equitable Share Funds incorrectly included in the Self Insurance Fund transferred to Accumulated Surplus. This Balance has accordingly been transferred to the Accumulated Surplus.

Opening Balance as per audited financial statements	75 563 229
Transfer to Accumulated Surplus	-4 770 606
Restated Opening Balance	70 792 623
Insurance Premiums transferred to SIF from Accumulated Surplus	11 523 433
Interest transferred to SIF from Accumulated Surplus	6 358 393
Insurance claims transferred from SIF to Accumulated Surplus	(7 666 441)
Transfer to COID Fund	(10 000 000)
Restated Closing Balance	71 008 008

Internal insurance premiums in the amount of R11 523 433 has been incorrectly included in other income and general expenses. GRAP requires the transfer to be made via the Statement of Changes in Net Assets from the Accumulated Surplus to the Self Insurance Reserve in respect of the insurance premiums and therefore restatement in respect of the 2006/07 financial year required.

Insurance claims paid that were funded from the Self Insurance Reserve in the amount of R7 666 441 has been incorrectly included in general expenses. GRAP requires the transfer to be made via the Statement of Changes in Net Assets from the Self Insurance Reserve to the Accumulated Surplus in respect of the insurance claims and therefore required restatement in respect of the 2006/07 financial year.

An amount of R10 000 000 should have been included in the COID Reserve and not the Self Insurance Reserve due to a classification error between these reserves.

Interest in the amount of R6 358 393 has been transferred from the Accumulated Surplus to the Self Insurance Reserve

40.34 Deferred Income

Opening Balance as per audited financial statements	0
Transfer from Government Grant Reserve	685 371 949
Restated Opening Balance	685 371 949
Additions during the year	448 644 201
Income recognised during the year	(41 847 107)
Transfer from Capital Replacement Reserve	193 857
Transfer from Accumulated Surplus	(9 423)
Restated Closing Balance	1 092 353 477

During the year ended 30 June 2007 the Accounting Policy changed for the classification of Government Grants, to IAS20. This Balance in the amount of R685 371 949 has accordingly been transferred from Government Grant Reserve.

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Restated
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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Government Grant funding in the amount of R193 857 has been incorrectly included in the Capital Replacement Reserve and therefore required restatement in respect of the 2006/07 financial year.

An amount of R9 423 should have been included in Deferred Income and not Accumulated Surplus due to a classification error.

40.35 COID Reserve

Opening Balance as per audited financial statements	0
Transfer from Accumulated Surplus	2 499 333
Transfer from Self Insurance Reserve	10 000 000
Transfer from Accumulated Surplus	914 533
Transfer to Accumulated Surplus	(3 200 787)
Restated Opening Balance	<u>10 213 079</u>

COID premiums in the amount of R2 499 333 has been incorrectly included in Other Income and therefore required restatement via the Accumulated surplus in respect of the 2006/07 financial year.

An amount of R10 000 000 should have been included in the COID Reserve and not the Self Insurance Reserve due to a classification error between these reserves.

Interest in the amount of R914 533 has been transferred from the Accumulated Surplus to the COID Reserve.

The COID Reserve transferred funds in the amount of R3 200 787 via the Statement of Changes in Nett Assets to the Accumulated Surplus in respect of medical and other COID approved payments made by the Directorates to external parties.

40.36 Bulk Purchases

Balance as per audited financial statements	666 322 864
Transfer to Inventory	(2 451 224)
Restated Balance	<u>663 871 640</u>

The Inventory for Water - Finished Goods has been restated in the amount of R2 451 224

40.37 Loss on disposal

Balance as per audited financial statements	-
Transfer from Accumulated Surplus	17 148 856
Restated Balance	<u>17 148 856</u>

Loss on disposal in the amount of R17 148 856 has been transferred from the Accumulated Surplus

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	2008	Restated 2007
41 FOREIGN EXCHANGE TRANSACTIONS		
Foreign exchange loss included in the carrying amount of Property, plant and equipment	7 878 035	0
42 OPERATING LEASE COMMITMENTS	R	R
NMBMM as Lessee		
Future minimum lease payments under non- cancellable operating leases:		
Buildings	5 234 391	9 826 344
Payable within one year	3 760 316	5 524 823
Payable within two to five years	1 461 682	4 278 240
Payable after 5 years	12 393	23 281
Photocopier, fax machines and other equipment	711 871	1 366 569
Payable within one year	520 971	663 329
Payable within two to five years	190 900	703 240
Payable after 5 years	0	0
Motor vehicles	1 085 443	1 984 294
Payable within one year	898 851	898 851
Payable within two to five years	186 592	1 085 443
Payable after 5 years	0	0
	7 031 705	13 177 207
NMBMM as Lessor		
At statement of financial performance date, NMBMM has contracted with tenants for the following future minimum lease payments:		
Land	16 670 000	16 870 000
Receivable within one year	350 000	200 000
Receivable within two to five years	1 920 000	1 790 000
Receivable after 5 years	14 400 000	14 880 000
Buildings	1 981 624	2 727 356
Receivable within one year	780 378	745 732
Receivable within two to five years	1 145 602	1 597 431
Receivable after 5 years	55 644	384 193
	0	0
	18 651 624	19 597 356
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.		
43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
Opening Balance	3 655 845	0
Irregluar Expenditure current year	603 216	3 655 845
Approved by Council	0	0
Transfer to receivables for recovery	(19 233)	0
Closing Balance	4 239 828	3 655 845
Incident/ Disciplinary steps / Criminal Proceedings		
43.1 Relocation of families to sites		
Irregular payment for the relocation of families to sites. No actions taken as investigations are still in progress.	1 366 230	1 366 230

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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	2008	Restated 2007
	R	R
43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
43.2 Supply chain management policy not followed		
Supply chain management policy not followed in procurement of services. This is subject to investigation.	39 615	39 615
43.3 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. The case was reported to the SA Police for further investigation (refer CAS 547/01/2007). The services of the employee in question was terminated.	500 000	500 000
43.4 Unauthorised requisitioning of stock		
Printer cartridges (held as stock items in municipal stores) to the value of approximately R1.938 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 (refer CAS 190/05/2007).	1 938 750	1 750 000
43.5 Regional Services Council (RSC) Levies - Fraud		
RSC Levy payments made by levy payers were not banked. The services of the employee was terminated. The case was reported to the SA Police for further investigation (refer CAS 812/10/2006).	19 233	-
43.6 Theft of Municipal goods through irregular amendments to requisitions		
Municipal officials altered requisitions after submission to the Stores and Purchasing Section. The case was reported to the SA Police for further investigation (refer CAS 12/10/2008).	59 218	-
43.7 Allegations of exorbitant payment for emptying of digester tanks in Colchester		
Allegations that emptying of digester tanks for the low cost housing development section in Colchester were emptied at an unrealistic cost to the municipality. It was alleged that the tender process was not followed and that the contractor charged for work not performed.	336 015	-
44 CONTINGENT LIABILITIES		
Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to	584 947	572 088
(a) Linton Projects	385 808	385 808
(b) Swartkops Seesout	7 157 829	7 157 829
(c) Elsig Electrical Engineering	761 516	761 516
(d) B Jacobs & S L Hartzenberg claims consolidated in 2006/07 Financial year.	-	574 710
(e) Amadisi Construction	10 342 465	10 342 465

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	2 008	Restated
	R	2007
		R
44. CONTINGENT LIABILITIES - (continued)		
(f) Scribante Plant Hire (EC)(PTY) Limited t/a Scribante Concrete	700 000	500 000
(g) D Tobias	-	775 755
(h) S E Van Zyl	651 368	651 368
(i) H E Davids	241 680	241 680
(j) Masakeni Civils	-	377 648
(k) FJP van der Merwe	334 548	334 548
(l) E Haasbroek	-	652 000
(m) D Pook	-	397 000
(n) K R Hataha	1 210 475	1 210 475
(o) M G Mantla	-	1 130 000
(p) E Hills	379 850	379 850
(q) Golden Coast Trading CC t/a Ibhayi Spar	-	235 895
(r) B W Morgan	25 000	-
(s) Ann du Plessis	100 000	-
(t) Telkom	15 914	-
(u) M. Smith	400 000	-
(v) PE African Bricks	737 271	-
(w) E. Lottering	50 000	-
(x) X.C. Zimemo	1 616 000	-
(y) The Minister of Safety & Security	8 952	-
(z) T. Terblanche	11 524	-
(aa) J. Ruiters	45 000	-
(bb) November	1 683 000	-
(cc) E Barnard	100 000	-
(dd) C Swarts	52 008	
(ee) C Du Plessis	100 000	
(ff) Tommy Lamont	4 585 604	
(gg) Uitenhage Housing Inv	600 000	
(hh) Mlungisi Nelson Kulati	10 458	
(ii) H E Davids		3 541 600
	32 891 216	30 222 235

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

44. CONTINGENT LIABILITIES - (continued)

- (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.
- (d) The claim arises as a result of both the Father and the Mother suing the Municipality in their separate capacities as their minor child allegedly drowned in water on a Municipal building site.
- (e). 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
- (f) 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.
- (g) 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. The claimant amended the quantum of his claim during the course of pleadings. The claim has subsequently been withdrawn by the plaintiff.
- (h) The claim arises out of damage to the Claimant's vehicle allegedly caused by swerving to avoid a Municipal Traffic officer overtaking an overloaded truck.
- (i) 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.
- (j) This was only a legal opinion, and did not represent an actual claim.
- (k) 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.
- (l) The claim arises out of damage to the Claimants property allegedly caused by underground water from a burst municipal water pipe. Claim has subsequently been withdrawn by the plaintiff
- (m) The claim arises out of injuries sustained in an alleged fall on a pavement. This case was resolved in the 2007/08 financial year.
- (n) The claim arises out of injuries sustained in an alleged fall into an open manhole.
- (o) 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.
- (p) The claim arises out of injuries sustained in an alleged fall into an open manhole.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

44. CONTINGENT LIABILITIES - (continued)

- (q) The claim arises due to the forced closure of the business for a period of time that resulted from a burst water main. Claim has subsequently been withdrawn by the plaintiff
- (r) The claim arises out of injuries sustained in an alleged fall into an open manhole.
- (s) The claim arises from injuries sustained in an alleged fall into a hole in the road.
- (t) Claim arising from property allegedly damaged by the municipality's employees
- (u) The claim arises from the Municipality allegedly burying (plaintiffs' father) after it was exhumed for DNA testing.
- (v) The claim arises as the Municipality was ordered to pay PE African Bricks any monies due to Prestige Home Builders, who had been contracted by the Municipality to build houses.
- (w) 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.
- (x) 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.
- (y) The claim arises as a result of municipal vehicle being involved in an accident with the plaintiff's vehicle.
- (z) This claim arises as a result of municipal overhead cables allegedly not properly maintained.
- (aa) The claim arises as a result of municipal vehicle being involved in an accident with the plaintiff's vehicle.
- (bb) This claim arises as a result of the Parent suing the Municipality in her capacity of natural guardian of her minor child who allegedly sustained injuries whilst playing in a public recreational park.
- (cc) The claim arises from an alleged fall into an indentation formed on a pavement.
- (dd) The claim arises from an alleged fall into a hole.
- (ee) The claim arises as a result of a motor cycle fall allegedly caused by the motor cycle skidding on the loose gravel on the road surface.
- (ff) The claim is against various defendants for past and future hospital expenses, loss of income and general damages for shock, pain and suffering and loss of the amenities of life. The defendants have applied to join the Municipality as a third party and claim that in the event of the court holding them liable to the plaintiff, that they are entitled to a contribution from the Municipality.
- (gg) This is a matter in which the Municipality is investigating the validity of approximately 300 housing transactions in the Uitenhage area.
- (hh) The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.
- (ii) The claim was withdrawn from the Court roll on 27 March 2007 and no further action has been taken.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

45. SUBSEQUENT EVENTS

Non-adjusting event

- (a) Property, plant and equipment includes Land which was valued for the first time during the 2007/08 financial year, in compliance with GAMAP 17.

The aforementioned Land values was based on the original valuation roll compiled during the 2007/08 financial year. Subsequent to the 2007/08 year-end a supplementary valuation roll was compiled.

Certain property values as reflected in the original valuation roll may be influenced by the supplementary valuation roll, which became available at the end of October 2008.

In compliance with the Municipal Property Rates Act (MPRA) the following procedures and timeframes are applicable:

- (i) The supplementary valuation roll was advertised in the Provincial Gazette and local newspapers on 3 November 2008.
- (ii) The printing and posting of the section 49 notices to the general public occurred during the first week in November 2008.
- (iii) A second advert was placed in the local newspapers, inviting property owners to lodge objections by 12 December 2008.

The final property values as reflected in the supplementary valuation roll will only take effect upon consideration and finalisation of the objections by the Valuation Appeal Board.

- (b) As the objection process must still be concluded, it is not possible at this stage to determine the potential financial effect.

APPENDIX A

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS							
Local Registered Stock							
LOAN NO.	INTEREST RATE %	YEAR	DATE REPAYABLE	BALANCE AT 30 June 2007 R	RECEIVED DURING THE YEAR R	REPAID DURING THE YEAR R	BALANCE AT 30 June 2008 R
1	17.40	1988	2008/06/30	2 000 000	0	2 000 000	0
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	2 000 000	24 000 000
Development Bank of Southern Africa				206 597 482	0	16 763 885	189 833 597
Amalgamated Banks of South Africa				0	300 000 000	15 000 000	285 000 000
				232 597 482	300 000 000	33 763 885	498 833 597

APPENDIX B												
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008												
	COST						ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Closing Balance	Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	
Land & Buildings												
Buildings	251 528 736	(4 590 540)	40 613 038	18 530 146	-	306 081 380	39 747 424	22 888	7 264 520	-	47 034 832	259 046 548
Land	38 868 728	1 348 213 078	19 152	-	-	1 387 100 958	-	-	-	-	-	1 387 100 958
	290 397 464	1 343 622 538	40 632 190	18 530 146	-	1 693 182 338	39 747 424	22 888	7 264 520	-	47 034 832	1 646 147 506
Infrastructure Assets												
Roads, Sidewalks & Stormwater Networks	1 485 677 998	5 414	7 342 043	312 226 324	8 100 000	1 797 151 779	650 598 141	-	74 584 832	-	725 182 973	1 071 968 806
Beach Developments	71 512 112	(906 336)	-	12 949 010	19 284 128	64 270 658	25 140 454	(392 745)	1 614 563	9 501 514	16 860 758	47 409 900
Electricity Reticulation & Supply	1 156 494 975	(148 666)	99 222 734	110 638 343	2 700 000	1 363 507 386	318 988 903	-	46 865 214	-	365 854 117	997 653 269
Sewerage Mains & Purification Works	828 336 017	80 102	13 237 347	84 081 445	-	925 734 911	215 625 460	-	26 036 673	-	241 662 133	684 072 778
Waste Disposal Facilities	61 420 500	(43 285 400)	1 641 344	5 102 107	-	24 878 551	10 327 499	(9 506 378)	681 942	-	1 503 063	23 375 488
Water Supply & Reticulation	407 275 874	(33 640)	11 493 349	62 470 616	-	481 206 199	155 326 115	-	15 920 506	-	171 246 621	309 959 578
Dams & Treatment Works	159 826 970	-	-	44 728 601	-	204 555 571	37 843 563	-	3 240 520	-	41 084 083	163 471 488
	4 170 544 446	(44 288 526)	132 936 817	632 196 446	30 084 128	4 861 305 055	1 413 850 135	(9 899 123)	168 944 250	9 501 514	1 563 393 748	3 297 911 307
Community Assets												
Libraries	19 164 771	(2 515 482)	1 462 642	113 065	-	18 224 996	5 078 740	-	683 927	-	5 762 667	12 462 329
Fire Stations	30 356 923	-	-	-	-	30 356 923	12 877 080	-	1 002 791	-	13 879 871	16 477 052
Cemeteries	22 153 143	-	-	6 453 093	-	28 606 236	2 940 593	-	431 276	-	3 371 869	25 234 367
Clinics	27 276 042	-	-	11 139 953	143 582	38 272 413	4 636 496	-	938 325	14 358	5 560 463	32 711 950
Community Centres	84 641 750	-	5 425 962	5 615 421	-	95 683 133	22 786 428	-	2 570 631	-	25 357 059	70 326 074
Public Conveniences	6 994 657	(76 716)	-	-	-	6 917 941	2 803 159	(23 043)	234 633	-	3 014 749	3 903 192
Swimming Pools	15 690 416	906 758	215 145	5 115 488	-	21 927 807	7 557 102	392 901	526 138	-	8 476 141	13 451 666
Recreational Facilities	403 356 795	12 598	5 126 950	807 226 551	-	1 215 722 894	55 838 868	-	8 611 511	-	64 450 379	1 151 272 515
Selling & Letting Schemes	100 729 401	84 190	-	-	10 191 933	90 621 658	27 205 805	-	3 447 621	3 451 710	27 201 716	63 419 942
	710 363 898	(1 588 652)	12 230 699	835 663 571	10 335 515	1 546 334 001	141 724 271	369 858	18 446 853	3 466 068	157 074 914	1 389 259 087
Heritage Assets												
Historical Buildings	1 214 759	-	391 178	-	-	1 605 937	-	-	-	-	-	1 605 937
Memorials & Statues	2 675 409	-	102 967	-	2 000 000	778 376	-	-	-	-	-	778 376
Heritage Sites	1 379 180	46 475	-	23 370	-	1 449 025	-	-	-	-	-	1 449 025
Museums	48 994 861	(46 475)	-	4 779 606	70 276	53 657 716	-	-	-	-	-	53 657 716
Art Works	5 699 821	-	985 412	-	-	6 685 233	-	-	-	-	-	6 685 233
	59 964 030	-	1 479 557	4 802 976	2 070 276	64 176 287	-	-	-	-	-	64 176 287
Other Assets												
Bins & Containers	185 916	27 377 224	5 961 078	-	-	33 524 218	171 415	6 279 507	5 024 254	-	11 475 176	22 049 042
Emergency & Medical Equipment	4 957 908	726 424	1 665 360	-	22 140	7 327 552	1 730 703	88 968	1 440 148	524	3 259 295	4 068 257
Vehicles & Plant	184 924 626	1 020 048	48 283 422	-	-	234 228 096	75 057 253	204 009	34 228 746	-	109 490 008	124 738 088
Office Furniture & Fittings	147 612 751	5 269 553	15 190 435	-	15 347 232	152 725 507	32 310 739	-	15 832 837	55 503	48 088 073	104 637 434
Landfill Sites	71 545 345	-	-	-	-	71 545 345	-	-	9 380 472	-	9 380 472	62 164 873
Security Systems	15 533 351	-	1 197 264	2 266 483	-	18 997 098	4 595 911	-	2 107 931	-	6 703 842	12 293 256
Tip Sites	3 198 492	14 443 289	-	-	-	17 641 781	1 157 986	2 933 893	422 552	-	4 514 431	13 127 350
Computer Hardware	49 977 876	5 177 177	15 408 010	-	48 532	70 514 531	32 714 608	-	4 633 921	2 515	37 346 014	33 168 517
	477 936 265	54 013 715	87 705 569	2 266 483	15 417 904	606 504 128	147 738 615	9 506 377	73 070 861	58 542	230 257 311	376 246 817
	5 709 206 103	1 351 759 075	274 984 832	1 493 459 622	57 907 823	8 771 501 809	1 743 060 445	-	267 726 484	13 026 124	1 997 760 805	6 773 741 004

APPENDIX B												
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2008												
	COST						ACCUMULATED AMORTISATION					Carrying Value
	Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Closing Balance	Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	
Intangible												
Computer Software	227 714 103	6 162 986	91 434 353	36 595 524	-	361 906 966	80 348 795		15 555 046	-	95 903 841	266 003 125
Website Development	-		70 000		-	70 000	-		14 000		14 000	56 000
	227 714 103	6 162 986	91 504 353	36 595 524	-	361 976 966	80 348 795	-	15 569 046	-	95 917 841	266 059 125

APPENDIX B(1)						
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY						
RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008						
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
Carry Value 1 July 2007						
Cost	265 615 349	4 204 836 902	753 096 071	43 828 592	309 053 939	5 576 430 853
Transfers/Adjustments	25 102 947	(27 501 750)	(21 525 067)	16 135 438	169 521 246	161 732 814
Disposal	(320 832)	(6 790 706)	(21 207 106)	-	(638 920)	(28 957 564)
Accumulated Depreciation	(39 747 424)	(1 413 850 135)	(141 724 271)	-	(147 738 615)	(1 743 060 445)
	250 650 040	2 756 694 311	568 639 627	59 964 030	330 197 650	3 966 145 658
Movement during year ended 30 June 2008						
Aquisition	40 632 190	132 936 817	12 230 699	1 479 557	87 705 569	274 984 832
Capital Under Construction	18 530 146	632 196 446	835 663 571	4 802 976	2 266 483	1 493 459 622
Adjustments	1 343 622 538	(44 288 526)	(1 588 652)		54 013 715	1 351 759 075
Depreciation	(7 287 408)	(159 045 127)	(18 816 711)		(82 577 238)	(267 726 484)
	1 395 497 466	561 799 610	827 488 907	6 282 533	61 408 529	2 852 477 045
Carry Value of Disposals during year ended 30 June 2008						
Cost	-	(30 084 128)	(10 335 515)	(2 070 276)	(15 417 904)	(57 907 823)
Depreciation	-	9 501 514	3 466 068	-	58 542	13 026 124
	-	(20 582 614)	(6 869 447)	(2 070 276)	(15 359 362)	(44 881 699)
Carrying Values at 30 June 2008	1 646 147 506	3 297 911 307	1 389 259 087	64 176 287	376 246 817	6 773 741 004
Summary - Carrying Values at 30 June 2008						
Summary - Cost	1 693 182 338	4 861 305 055	1 546 334 001	64 176 287	606 504 128	8 771 501 809
Summary - Accumulated Depreciation	(47 034 832)	(1 563 393 748)	(157 074 914)	-	(230 257 311)	(1 997 760 805)
	1 646 147 506	3 297 911 307	1 389 259 087	64 176 287	376 246 817	6 773 741 004

APPENDIX 'C'											
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008											
	COST					Accumulated Depreciation					Carrying Value
	Opening Balance	Transfers / Adjustments	Additions/Under Construction	Disposals	Closing Balance	Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	
Infrastructure & Engineering Roads & Stormwater	1 528 512 786	(4 407 688)	334 404 268	-	1 858 509 366	675 244 988	(440 771)	77 491 535		752 295 752	1 106 213 614
Sanitation Service	754 985 800	80 102	91 814 593		846 880 495	216 128 708	-	28 782 925		244 911 633	601 968 862
Water Service	551 957 468	63 044	118 510 730		670 531 242	190 351 833	-	19 092 068		209 443 901	461 087 341
Electricity & Energy	1 298 592 243	(148 667)	224 341 857	(2 700 000)	1 520 085 433	346 843 599	-	54 192 254		401 035 853	1 119 049 580
Office of the Speaker	355 716	-	-		355 716	23 714	-	11 857		35 571	320 145
Chief Operating Officer	-	19 401			19 401		19 401	-		19 401	-
Housing & Land	245 379 594	1 348 088 673	9 134 519	(10 087 851)	1 592 514 935	49 279 151	(57 880)	6 460 609	(3 417 016)	52 264 864	1 540 250 071
Safety & Security	135 234 085	-	33 840 211		169 074 296	45 702 358	-	18 515 070		64 217 428	104 856 868
Special Projects & Programmes	-	3 506 766	1 434 749		4 941 515		48 024	51 826		99 850	4 841 665
Economic Development & Recreational Services	419 167 506	(6 680 546)	70 919 087	(29 384 128)	454 021 919	74 443 883	392 746	10 941 460	(9 501 514)	76 276 575	377 745 344
Budget & Treasury	21 603 703	(96 685)	3 116 803		24 623 821	2 982 287	-	778 953		3 761 240	20 862 581
Constituency Co-ordinator	3 185 905	(3 185 905)	-		-	-	-	-		-	-
Environment & Health Services	322 637 575	715 686	56 544 493	(165 722)	379 732 032	71 026 427	57 881	27 471 333	(14 882)	98 540 759	281 191 273
Corporate Services	243 317 872	13 824 294	36 879 562	(15 499 846)	278 521 882	68 490 099	-	23 855 858	(92 712)	92 253 245	186 268 637
Office of the Executive Mayor	-	-	304 017		304 017		-	-		-	304 017
Municipal Manager	184 275 850	(19 400)	787 199 565	(70 276)	971 385 739	2 543 398	(19 401)	80 736		2 604 733	968 781 006
	5 709 206 103	1 351 759 075	1 768 444 454	(57 907 823)	8 771 501 809	1 743 060 445	-	267 726 484	(13 026 124)	1 997 760 805	6 773 741 004

APPENDIX D
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007	Actual	2007	Actual	2007	Surplus/ (Deficit)		2008	Actual	2008	Actual	2008	Surplus/ (Deficit)
	Income		Expenditure				Income		Expenditure			
	21 228 553		119 586 462		(98 357 909)	Executive and Council	30 507 277		153 816 366		(123 309 089)	
1	219 949 120		853 314 373		366 634 747	Finance and Admin	1 153 019 656		570 866 494		582 153 162	
	68 417 542		88 691 484		(20 273 942)	Health	71 104 244		95 002 221		(23 897 977)	
	126 812 200		166 413 864		(39 601 664)	Housing and Land	69 806 545		172 271 787		(102 465 242)	
	46 317 687		204 652 465		(158 334 778)	Safety and Security	50 211 227		237 878 301		(187 667 074)	
	26 894 422		127 173 677		(100 279 255)	Recreation and Cultural Services	18 627 825		123 666 002		(105 038 177)	
	18 825 644		165 867 840		(147 042 196)	Environmental Services	16 713 894		159 526 422		(142 812 528)	
	132 630 198		143 666 947		(11 036 749)	Waste Management	147 921 285		220 676 045		(72 754 760)	
	58 153 590		210 877 413		(152 723 823)	Infrastructure and Engineering	36 270 447		188 628 206		(152 357 759)	
	332 046 784		246 322 890		85 723 894	Water	386 087 392		282 543 452		103 543 940	
	1 211 169 911		950 545 529		260 624 382	Electricity and Energy	1 294 791 626		968 463 680		326 327 946	
	68 138 606		70 978 266		(2 839 660)	Economic Development, Tourism and Agriculture	49 435 222		100 454 871		(51 019 649)	
	10 581 674		8 577 333		2 004 341	Market	14 256 308		12 933 922		1 322 386	
	287 124 199		191 377 283		95 746 916	Sanitation	306 274 247		215 993 485		90 280 762	
	<u>3 628 290 130</u>		<u>3 548 045 826</u>		<u>80 244 304</u>	Total	<u>3 645 027 195</u>		<u>3 502 721 254</u>		<u>142 305 942</u>	

APPENDIX E(1)
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanations of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	587 886 646	607 878 660	(19 992 014)	-3	
Service charges	1 795 795 795	1 777 599 780	18 196 015	1	
Rental of Facilities and equipment	12 952 898	13 899 730	(946 832)	-7	
Interest earned - external investments	183 781 377	128 293 700	55 487 677	43	Due to the higher interest rates coupled with increased investments more income was obtained than anticipated.
Interest earned - outstanding debtors	89 638 612	62 005 230	27 633 382	45	Increase in arrear debtors resulting in an increase in interest raised on outstanding debtor balances. Interest rate increased more than anticipated.
Fines	19 433 557	32 825 840	(13 392 283)	-41	Due to the ad hoc nature of this income, accurate income projections are not possible.
Licenses and Permits	7 141 521	6 762 390	379 131	6	
Income for Agency Services	1 092 774	1 028 200	64 574	6	
Government grants and subsidies	760 337 059	2 315 537 510	(1555 200 451)	-67	The approved budget included Capital Grants received and in compliance with applicable accounting standards was not reflected in the actuals.
Other income	186 484 726	198 329 670	(11 844 944)	-6	
Gains on disposal of property, plant and equipment	482 231	22 020	460 211	2090	More PPE disposed of than initially anticipated.
Contributions: Other	0	872 160	(872 160)	-100	The accounting treatment has been amended to be aligned with the GRAP Standards.
Total Revenue	3 645 027 195	5 145 054 890	-1 500 027 695		
EXPENDITURE					
Employee related costs	1 264 406 908	1 162 623 990	101 782 918	9	
Remuneration of Councilors	37 824 627	42 118 450	(4 293 823)	-10	
Bad debts	60 820 880	2 028 890	58 791 990	2898	Increased bad debt write-offs due to escalating outstanding debtors.
Collection costs	2 234 944	2 885 880	(650 936)	-23	
Depreciation	283 294 864	254 222 820	29 072 044	11	
Repairs and maintenance	330 013 395	302 406 110	27 607 285	9	
Interest paid	65 070 931	34 566 320	30 504 611	88	
Bulk purchases	719 787 933	726 478 390	(6 690 457)	-1	
Contracted Services	78 206 801	68 888 540	9 318 261	14	
Grants and subsidies paid	56 253 937	15 737 390	40 516 547	257	The original Budget provision for Grants Paid was underprovided but subsequent amendments were made in the Adjustment budget.
General expenses	559 924 336	897 482 940	(337 558 604)	-38	The accounting treatment has been amended to be aligned with the GRAP Standards.
Loss on disposal of PPE	44 881 698	0	44 881 698	-100	During the compilation of the Budget it was not certain of which assets the NMBM will dispose off.
Contributions To/(From) Provisions	0	1 635 615 170	(1635 615 170)	-100	The accounting treatment has been amended to be aligned with the GRAP Standards.
Total Expenditure	3 502 721 254	5 145 054 890	(1642 333 636)		

APPENDIX E(2)
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Budget	Additions / Under Construction	Variance	% Variance	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Stormwater	563 104 500	348 280 288	214 824 212	38	Bus Rapid Transport System construction was delayed due to limited contractor capacity
Housing & Land	47 950 000	14 079 408	33 870 592	71	The delay of the Environmental Impact Assessment decision caused the implementation of the Winterhoek Park Development to be postponed
Economic Development & Recreational Services	76 959 460	75 729 026	1 230 434	2	
Safety & Security	30 001 180	34 301 393	(4 300 213)	-14	Budget was adjusted to accomodate the acquisition of specialised vehicles
Budget & Treasury	65 070 000	84 576 549	(19 506 549)	-30	Budget was adjusted to accomodate the completion of the General Valuation and Billing projects
Environment & Health Services	47 603 470	56 544 493	(8 941 023)	-19	Budget was adjusted to accomodate the acquisition of additional refuse compactors
Corporate Services	46 050 000	48 892 830	(2 842 830)	-6	
Sanitation Service	92 210 000	99 265 800	(7 055 800)	-8	
Water Service	122 659 350	118 510 730	4 148 620	3	
Municipal Manager	775 520 000	787 199 565	(11 679 565)	-2	
Special Projects & Programmes	6 670 640	1 434 749	5 235 891	78	The acquisition of land vesting with private owners could not be secured, therefore the Xhosa Cultural Village project could not commence
Office of the Executive Mayor	40 500 000	304 016	40 195 984	99	Budget was adjusted to accomodate the upgrading of Sport & Recreational Facilities throughout the Metro
Electricity & Energy	215 553 800	227 425 483	(11 871 683)	-6	
	2 129 852 400	1 896 544 330	233 308 070	11	

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 2008

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure					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	Total Spent		
Financial Management Grant	NT	500 000	0	0	0	500 000	216 766	144 734	114 384	282 923	758 807	N / A	Yes
National Electrification Programme	DME	8 777 000	0	4 480 000	2 400 000	15 657 000	3 869 570	5 593 553	4 370 805	2 988 325	16 822 253	N / A	Yes
Municipal Infrastructure Grant	DPLG	0	62 300 000	90 450 230	0	152 750 230	8 082 106	22 601 466	46 607 965	37 265 338	114 556 875	N / A	Yes
Restructuring Grant	NT	20 000 000	0	80 000 000	0	100 000 000	11 350 228	32 569 851	15 625 180	20 379 837	79 925 096	N / A	Yes
Equitable Share (Excluding MURP)	DPLG	91 606 632	68 704 974	114 508 290	0	274 819 896	42 134 075	64 535 146	26 201 178	141 949 497	274 819 896	N / A	Yes
RSC Levies Replacement Grant	DPLG	93 941 033	70 455 775	117 426 291	0	281 823 099	52 128 316	40 177 519	46 953 991	123 778 476	263 038 302	N / A	Yes
Effective Disaster Management	DPLG	1 500 000	0	0	0	1 500 000	249 874	418 948	113 107	642 831	1 424 760	N / A	Yes
MSIG-Project Consolidate	DPLG	0	0	0	0	0	1 012 764	1 392 630	827 023	443 339	3 675 756	N / A	Yes
World Cup Soccer (Construction of Stadiums)	NT	76 925 891	254 562 408	221 407 597	177 600 000	730 495 896	62 644 044	234 324 955	131 961 123	369 362 934	798 293 056	N / A	Yes
World Cup Soccer (Transport or PTIF)	NT	33 000 000	33 000 000	66 000 000	0	132 000 000	8 100 816	19 544 487	15 134 636	33 103 036	75 882 975	N / A	Yes
Motherwell Urban Renewal Programme	DPLG	5 589 402	4 192 051	6 986 752	0	16 768 205	3 375 400	4 305 136	2 076 583	806 210	10 563 329	N / A	Yes

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

NO.	CONTRACT DESCRIPTION/ CONTRACT NUMBER	CONTRACT VALUE	NAME OF SERVICE PROVIDER	APPROVAL DATE	REASON FOR DEVIATION
1	ArcGIS11 Training	R31 065,00	GIMS (Pty) Ltd	13 June 2007	GIMS (Pty) Ltd was the only accredited distributor in South Africa allowed to conduct and deliver official ESRI training courses related to the ESRI product range, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy, and GIMS (Pty) Ltd was appointed for the training of 5 staff members in ArcGIS11.
2.	Purchase of new Autocad 2008 Software Package	R47 031,84	Micrographics	13 June 2007	The invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and the AutoCAD 2008 software package was purchased from Micrographics, in the amount of R47 031,84, inclusive of VAT, as its package was currently being used by the Housing and Land's Directorate Corporate Graphic Services Division as well as most of the Consultants with whom the Surveyors deal with and it was therefore considered impractical to consider other software packages at this stage.
3.	Upgrading and extension of existing of existing "Network" Survey Suite	R40 578,30	M Software	13 June 2007	As the Network Survey Suite software was currently being used by the Land Survey Division of the Housing and Land Directorate, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

4.	SOW1 : Continued Consultancy Services : Afrisec Strategic Solutions : May 2007	R91 200	Afrisec Strategic Solutions	13 June 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
5.	Upgrading of Philips Sopho IS3000 PABX Telephone System (South End Fire Station) and Integration of Satellite Fire Station Telephone System	R143 097,36	GijimaAst	12 June 2007	As the existing Philips IS3000 PABX system required hardware upgrades to accommodate the communication requirements of the nine satellite fire stations and the Centralised Control Centre, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
6.	Emergency repairs Feathermarket Centre	R19 328,00	Mzamomhle Construction and Cleaning	13 June 2007	The official procurement process was dispensed with in terms of Section 36(1)(a)(i) of the Municipal Supply Chain Management Policy to appoint Mzamomhle Construction and Cleaning to effect urgent repairs to the Feather Market Centre roof.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

7.	Inauguration meeting of the Helenvale Urban Renewal Programme : 1 March 2007	R9 933,50 – Venue hire and Launch R2 085,00 – Hiring of buses	Connex Travel	22 June 2007	Due to the unavailability of alternate venues except Pine Lodge, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. Authority was also granted for the hiring of buses for the transport of the community from Helenvale to Pine Lodge Resort.
8.	SOW2 : Street Surveillance : Afrisec Strategic Solutions : May 2007	R319 200	Afrisec Strategic Solutions	13 June 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
9	Nelson Mandela Bay Logistics Park : Contract Sum Increase for NMBLP01/CIV/MC	R75 000	WK-Wynfords JV	13 June 2007	Due to escalation resulting from a renewed validity period and the actual inflation indices being much higher than forecast in the contingency allowance, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

10	Contract 5350X : Rehabilitation/construction of Mimosa and Hyacinth Stormwater outfalls : Increase in approved contract amount	R432 844,28	Masakeni Construction	13 June 2007	In order to compensate for additional costs incurred as a result of the site being abandoned for a period of six months due to the liquidation of Amafela and major rainfall damage, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
11.	SOW8 : Payment to Afrisec Security Solutions in respect of Integrated Security System : Central Control Room, South End Fire Station Headquarters	R1 152 043,60	Afrisec Strategic Solutions	22 June 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
12.	Upgrading and extension of existing GPS (Global Positioning System)	R250 629,00	Geo Systems Africa	13 June 2007	As the GPS (Global Positioning System) software currently being used by the Land Survey Division of the Housing and Land Directorate was purchased from Geo Systems Africa, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

13.	Nelson Mandela Bay Logistics Park Contract sum increase for NMBLP01/GH/MC : Construction of entrance building and substation	R66 570,00	Dekon Projects	13 June 2007	As essential additional items were identified after the contract was awarded, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
14.	Extension of access control systems for City Hall	R259 780,92	ID Control Solutions	13 June 2007	Since the contractor provides an access control service at most of the municipal buildings, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
15.	Upgrade to ArcGis Server	R9 462	GIMS	15 June 2007	Based on the fact that GIMS is the sole provider of the software used by NMBM and accordingly the only supplier able to effect the upgrade to the ArcGIS Server, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
16	SOW16 : CCTV Link between Central Control Room and Disaster Management	R265 347,12	Afrisec Strategic Solutions	25 June 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

17	License renewal contract with Matsema (Pty) Ltd	R372 535,33	Matsema (Pty) Ltd	25 June 2007	As the Application Development Section, Information Technology Division, Corporate Administration Directorate used Gupta for the development of all in-house corporate and divisional application systems, and Matsema (PTY) Ltd being the sole supplier of Gupta in South Africa, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy.
18.	SOW1 : Ongoing Consultancy Services : Afrisec Strategic Solutions : March 2007	R91 200	Afrisec Strategic Solutions	31 May 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

19.	SOW1 : Ongoing Consultancy Services : Afrisec Strategic Solutions : April 2007	R91 200	Afrisec Strategic Solutions	31 May 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
20	SOW2 : Lease Agreement Street Surveillance : April 2007	R319 200	Afrisec Strategic Solutions	31 May 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

21	SOW2 : Lease Agreement Street Surveillance : March 2007	R319 200	Afrisec Strategic Solutions	31 May 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
22.	SOW26 : Emergency Access Control 17 th Floor Brister House	R110 110,45	Afrisec Strategic Solutions	31 May 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

23.	Appointment of Consultant : Groundwater Investigation	R200 000, dual funded between DWAF, WRC and NMBM	Groundwater Africa	4 July 2007	As the consultant had already been commissioned by another organ of state to do the same work and that the study is a dual study funded between DWAF, WRC and NMBC, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
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**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

24.	Replacement of IT Server Security Device Equipment for the prepayment vending & meter reading system	R60 602,50, exclusive of VAT	Dimension Data	9 February 2007	<p>The official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, as it was regarded impractical to procure the Security Devices (Fire Walls) by calling for 3 written quotations, because of the following reasons:</p> <ol style="list-style-type: none"> 1. The equipment required is a critical but small element of an existing larger network configuration and the introduction of another service provider would make it impossible to determine responsibility and attribute accountability in the case of a communication problem or security leak, which would seriously affect the operations of the system. 2. It is critical that the supplier of the Security Devices (Fire Walls) fully understands ALL elements of the configuration and networking of our current system in order to ensure uninterrupted effective operation of the Prepayment Vending and Meter Reading Systems. Therefore, the risk was too high to allow another supplier to become involved in a critical but small element of the current security and network layouts. 3. All the configurations, setup of IP addresses, routers, switches and security devices in respect of the System were originally procured from, installed, commissioned and were currently being managed and maintained by Dimension Data, who has an intimate knowledge of the workings of the network.
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

36.3 Supply Chain Management Policy

25.	Payment to Simunye Caterers for the National Youth Service Volunteer Campaign Launch Programme	R24 000 inclusive of VAT	Simunye Caterers	25 May 2007	The official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy as many companies were closed for business during the December holiday period and the only company able to open their kitchen at short notice, was Simunye Caterers.
26.	Entering into contracts with Transunion Credit Bureau (Pty) Ltd and Esperian South Africa (Prop.) Ltd		Transunion Credit Bureau (Pty) Ltd and Esperian South Africa (Prop.) Ltd	22 May 2007	As defaulters were recorded on the data base of the respective service providers, the Municipality would be able to take advantage of that, and that the invitation of tenders be dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, and that contracts be entered into with both Transunion Credit Bureau (Pty) Ltd and Esperian South Africa (Prop.) Ltd for Debtor Management and Assistance to the Poor sections of Revenue Management and Customer Care : Budget and Treasury to obtain various types of credit information on consumers, to assist in the collection of overdue accounts and for the verification of applications for Assistance to the Poor subsidy.
27.	Request for Aerial Photography and Digital Orthophoto Mapping of a greater part of the Nelson Mandela Bay Municipality	R1 128 600 inclusive of VAT	Kwena Aerial Surveys	22 May 2007	As the Municipality would derive benefit from saving time and money, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

28.	Acquisition of additional computer aided CAD draughting licenses from Micrographics	R41 256, exclusive of VAT	Micrographics	22 May 2007	As the AutoCAD software programme had already been procured by the Housing and Land and Electricity and Energy Directorates, and in order to standardize on AutoCAD software as the means of draughting, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
29.	Purchase and upgrade of Alchemy System	R37 680, inclusive of VAT	Metrofile	22 May 2007	As this software was already being used by the Directorate, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
30.	Visit of Beira delegation : 6 – 9 May 2007	R19 500	Beach Hotel Budget Car Rental Blue Waters Cafe Old Austria Restaurant Spur	21 May 2007	Authority was granted to depart from the Supply Chain Management Policy in terms of Section 36(1)(a)(v) on the basis that it was impractical to provide for hospitality related items by utilising the procedures laid down in the policy.
31.	Modification and Additions to the IVR Electronic Help Desk for the Electricity and Energy Business Unit	R106 000 exclusive of VAT	Siemens Business Services	25 May 2007	The invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, as Siemens Business Services was the only company authorised to do modifications and additions to the system in terms of the IVR contract between Nelson Mandela Bay Municipality and Siemens (Contract 1737).
32.	Repairs to Computerised Weighbridge at Arlington Waste Disposal Site	R19 684,20 exclusive of VAT	SA Scale Co	25 May 2007	The invitation of tenders was dispensed with in terms of Section 36(1)(a)(i) of the Municipal Supply Chain Management Policy, and SA Scale Co was appointed to effect urgent repairs to the weighbridge at the Arlington Site after normal working hours.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

33.	Repair and installation of 66kV cable at Kwanobuhle, Uitenhage	R718 533,43 excluding VAT	CBI Electric	22 May 2007	The invitation of tenders was dispensed with in terms of Section 36(1)(a)(i) of the Municipal Supply Chain Management Policy, and CBI Electric was appointed to provide and install cable and accessories to effect emergency repairs to maintain the electricity supply in Kwanobuhle.
34.	Payment to Afrisec Strategic Solutions : Integrated Security System for Customer Care Office in New Brighton, Budget and Treasury Directorate	R501 352,86	Afrisec Strategic Solutions	17 July 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions has been held to be invalid by the High Court. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
35.	Payment to Afrisec Strategic Solutions : Integrated Security System : Supply and Installation of CCTV Cameras along beachfront	R520 640,39	Afrisec Strategic Solutions	4 June 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions has been held to be invalid by the High Court. Nevertheless certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the official procurement process was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

36.3 Supply Chain Management Policy

36.	Executive Protection : Training Requirements	R32 750 per officer, for 12 officers, inclusive of subsistence allowance	Dynamic Alternative Specialised Security Consultants and Training	30 July 2007	Due to the sensitive and high profile type of work performed by Executive Protection Officers, it was deemed a security risk to obtain general quotes. Hence, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
37.	Payment for advertisement in Nelson Mandela Bay Review	R41 610	Nelson Mandela Bay Review	20 July 2007	The invitation of tenders was dispensed with in terms of Sections 36(1)(a)(ii) and (v) of the Municipal Supply Chain Management Policy as it was impractical to follow the official tender processes to advertise in and obtain 1 000 copies of the Nelson Mandela Bay Review, the sole supplier of this publication,
38.	Service level agreements with UDDI	-	UDDI	4 July 2007	The establishment of UDDI was facilitated by NMBM to pursue its economic development agendas and it is funded for this purpose. It would accordingly not be possible or practical to acquire this service by public competition, hence the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
39.	Expansion of existing telephone system : Office of the Executive Director : World Cup 2010	R27 495,00, inclusive of VAT	Siemens	25 June 2007	The invitation of tenders was dispensed with in terms of Section 36(1)(a)(ii) and (v) of the Municipal Supply Chain Management Policy, as Siemens was the supplier of the existing telephone system in Kwantu Towers which needed to be extended to serve the additional requirements of the World Cup 2010 Directorate.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

40.	Approval of expenditure incurred in respect of the Multi-Party Women Caucus Strategy Planning Workshop on 3 May 2007	R7 110,00	Protea Edward Hotel	21 May 2007	In view of the due diligence exercised by Ms N Ndwayana, Office of the Speaker, to obtain the required number of quotes from service providers, the deviation from procurement procedures be condoned in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
41.	Contract 2218 : Disconnection/Inspection and restore of water supply	-	Concorde Metering CC	25 June 2007	The invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy to extend the contract of the current service provider for a period not exceeding 6 months, on condition that the Directorate calls for fresh tenders.
42.	Purchase of a FIA Chloride Channel and a Phosphate Digestion Block	R118 134,00, inclusive of VAT	Anatech Instruments (Pty) Ltd	25 June 2007	As the equipment currently being used by the Directorate was a Lachat product, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Supply Chain Management policy, and the equipment was purchased from Anatech Instruments (Pty) Ltd, the sole supplier of the equipment.
43.	Maintenance/Repairs on Inductively Coupled Plasma Optical Emission Spectrometer	R20 845,05, inclusive of VAT	Industrial Analytical Sciences (Perkin Elmer)	25 June 2007	During the maintenance of the ICP-OES, the service technician realised that the equipment needed an ICP 24V Power One, which he installed. The ICP urgently needed the power supply to prevent delays on result reporting. Hence, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

44.	Contract HL/00017 : Appointment of Professional Service Providers for proposed upgrade of the Langa Memorial, Uitenhage	R225 000,00, exclusive of VAT	KWMH Quantity Surveyors Stewart Scott (Pty) Ltd Consulting Engineers	25 June 2007	Because of the uniqueness of this project, i.e. having been advertised as a design competition and the service providers' involvement in the proposal which won first prize in the architectural competition, the proposed appointment would thus constitute an assignment that represents a natural continuation of previous work carried out by the service providers, hence the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
45.	Contract 2206 : Disconnection/Inspection and reconnection of electricity supply	-	Alex Maintenance & Electrical Services CC	25 June 2007	The invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy to extend the contract of the current service provider for a period not exceeding 6 months, on condition that the Directorate calls for fresh tenders.
46.	Increase in tender amount : Drivers Licence Test Centre, Cuyler Street, Uitenhage	R250 000	Zama Projects	25 June 2007	As essential additional items were identified during the renovation process, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and the approved contract amount was increased by R250 000,00 from R2 032 456,14, exclusive of VAT to R2 282 456,14, exclusive of VAT.
47.	Purchase of Corporate Gifts	R36 725,10	Various Suppliers	29 August 2007	In view of the uniqueness of the products to be acquired as gifts to be handed out to international visitors, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

48.	OSM 10 Refurbished Switchgear	R59 535,00, plus VAT	ABB South Africa (Pty) Limited	29 August 2007	As ABB South Africa (Pty) Ltd was the sole supplier of components and spares for the Reyrolle OSM 10 circuit breakers in South Africa, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy.
49.	Data World : Provision and Integration of Application Software with Value Assist 3.0 Systems	R560 880,00, inclusive of VAT	Data World	29 August 2007	As Data World was the sole provider of the Value Assist 3.0 Systems as well as the mobile devices used to operate the programme and the integration thereof, and the system was currently being used by the Directorate, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy.
50.	Repairs to Swartkops/Mount Road 1 & 2 kV Underground Cables	R734 590,40, exclusive of VAT	CBI Electric African Cables	27 August 2007	In order to ensure continuity of electricity supply in Port Elizabeth, emergency repairs had to be carried out on 2 cables which had been damaged by contractors at two different sites. CBI was also the only company able to effect repairs to the damaged cable. Hence the invitation of tenders was dispensed with in terms of Section 36(1)(a)(i) of the Municipal Supply Chain Management Policy.
51.	Nelson Mandela Bay Multi-Purpose Stadium : Bulk Sewer Connection : Increase in approved contract price	R416 856,31	Vaduba Investments CC	29 August 2007	Due to the increase in the scope of works as a result of stadium design changes during the detail design stage of the project, the action of the Executive Director in dispensing with the invitation of tenders in terms of Section 36(1)(a)(ii) and (v) of the Municipal Supply Chain Management Policy and authorising the additional work and expenditure, was condoned.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

52.	Fit and supply of security doors by Trellidor	R11 260,53	Trellidor	6 September 2007	As it was impractical at the time to follow the official procurement procedure due to the need to safeguard the newly acquired furniture and office equipment, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
53.	2010 World Cup: Procurement of Specialist Services for Transportation Projects	R640 000	Stewart Scott and Khuthele	6 September 2007	As the first, second and third phase of the specialist investigations into the Transport Priority Statements had been carried out by Stewart Scott and Khuthele, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
54.	Installation of photocopiers in libraries	R1 200 per month for 6 months per machine, for 10 machines	Xerox	6 September 2006	The action of the Directorate in authorising Xerox to install 10 coin operated rental photocopy machines in various municipal libraries on the assumption that tenders had been invited by Stores, was condoned in terms of Section 36(1)(b) of the Supply Chain Management Policy.
55.	Upgrading of eight PABX Telephone Systems and integration of satellite fire station's telephone systems	R399 744,42, inclusive of VAT	Gijima Ast Holding (Pty) Ltd	27 June 2007	As the existing Phillips IS3000 PABX system required hardware upgrades at eight of the satellite fire stations in order to facilitate and incorporate all the existing fire stations' PABX telephone systems into one operational unit and to utilise the new wireless communication network being set up in the Metro, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

56.	Appointment of Professional Service Providers for proposed enclosure of the Newton Park Swimming Pool : Erf 2178, Newton Park, Port Elizabeth	R950 000,00, exclusive of VAT	Pulana Baxter Quantity Surveyors, Structural Solutions Consulting Engineers, and Clinkscales Maughan-Brown (Pty) Limited	27 June 2007	Because of the uniqueness of the abovementioned project, i.e. having been advertised as a design competition and the consultant's involvement in the proposal which won first prize in the architectural competition, the proposed appointment would thus constitute an assignment that represents a natural continuation of previous work carried out by the firm, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
57.	Contract 176/04/02 : Annual tender for provision of Professional civil Engineering Consulting Services : Extension of Contract Period	As and when required	Various	27 June 2007	As the contract had already expired, the invitation of tenders was dispensed with in terms of Section 36.1(a)(v) of the Supply Chain Management Policy, and the validity period of Contract 176/04/02 for the provision of professional civil engineering consulting services, was extended on a month to month basis until such time as the new tender for the 2007/08 financial year has been awarded, not exceeding 6 months.
58.	Extension of Contracts PEE 3269, PEE 3268 and PEE 3265	As and when required	Various	30 July 2007	As the contracts had already expired, and the new contracts would not be awarded before September 2007, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, and the contracts was extended for a further 2 months i.e. until 30 September 2007.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

59.	Payment for Contract Security Services rendered	R17 865,82	Khulani Fidelity	30 July 2007	As the security service had already been rendered and the account had to be paid, and because Khulani Fidelity was already providing a Security Service in Happy Valley, the invitation of tenders was dispensed with in terms of Sections 36(1)(a)(i) and (v) of the Supply Chain Management.
60.	Training Courses : Environmental Services	R106 775,00	NMMU and GIMS	30 July 2007	As the training courses had already been attended by Environmental Services Directorate staff members, as well as the University and GIMS being the sole providers of such training in this area, the action of the Executive Director : Environmental Services in authorising the staff members to attend the training courses was condoned and the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
61.	Payment to Maqadi Ayanda Transport for services rendered during flood emergency – August 2006	R232 713,90	Maqadi Ayanda Transport	30 July 2007	The invitation for tenders was dispensed with in terms of Sections 36(1)(a)(i) and (v) of the Municipal Supply Chain Management Policy to pay Maqadi Ayanda Transport the full and final amount of R232 713,90, whose services were engaged during the period 2 - 17 August 2006, to clean blocked stormwater drains during the flood emergency.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

36.3 Supply Chain Management Policy

62.	Temporary extension of contract period for the wastewater conveyance : Annual maintenance contracts	As per previous tender amount	Enviro-Tech CC Alliance Plumbers & Civils J K Structures Khulani Brick and Blocks CC	2 August 2007	The motivation of the Directorate for the dispensing with the invitation of tenders and the extension of contract numbers C5266, C5267 and C5268 on a limited month to month basis was that the said contracts had now expired and the process of inviting fresh tenders was in hand. The motivation for the dispensing with the invitation of tenders and the extension of Contract 5263 on a month to month basis is due to the fact that the tender for Renewable Energy, which will be using the sludge from Fishwater Flats Water Reclamation works, i.e. Lereko Consortium, the successful tenderer, is not in a position to start operating as yet as it was still finalising its plans and the agreement with the Municipality.
63.	Extension of Contract 3263 : Medium and Low Voltage Cable Laying and CDU Installations	As and when required	Various contractors	2 August 2007	As the contract had already expired, and the new contract would not be awarded before mid August 2007, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, and the current contracts were extended for a period not exceeding 2 months.
64.	Confederation of African Football (CAF) 50 th Anniversary : Manufacture of vehicle branding by Sharpline Signs and Graphics for sponsored Volkswagen vehicles	R9 660,00	Sharpline Signs and Graphics	6 September 2007	In view of the conditions imposed by Volkswagen that the branding of the vehicles sponsored by it for the Confederation of African Football (CAF) 50 th Anniversary Celebrations be manufactured by its own service provider, i.e. Sharpline Signs and Graphics, and paid for by the NMBM, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
65.	Confederation of African	R109 039,86	TBC	6 September 2007	Due to the short notice received from

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36.3 Supply Chain Management Policy

	Football (CAF) 50 th Anniversary : Mayoral Welcoming Civic reception – 3 September 2007		SGB Scaffolding Operative Hire The Food Factory Hire It SAB Domestic Distributors Jenny Stage Audio Works Denzil Africa Usiba Noncwadi		SAFA for the welcoming reception which made it impossible to follow the official tender procedures, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
66.	International Habitat Day	R83 970,58	Nelson Mandela Bay Event Hire Adhoc productions Operative Business Trust Siba's Butchery	25 September 2007	As it was impractical and impossible to follow the official procurement processes for the delivery of services and goods due to time constraints, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
67.	Construction of a recycled timber walkway, Pollok Beach in front of Summerseas Development	R88 828,80	Polytimber	1 October 2007	Due to the fact that the tenderer could not fulfil its obligations through no fault of his own and has already procured the material on site, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, and Polytimber was authorised to complete the plastic timber walkway at Pollok Beach in front of the Summerseas development.
68.	Venue Hire : Breakfast Panel Discussion by Moral Regeneration Movement Committee and Various Stakeholders of NMBM – 7 September 2007	R21 223,32	Protea Marine Hotel	14 September 2007	Having regard to the fact that three written quotations were received and the lowest quote was accepted, and that Tradeworld registered suppliers were not available, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

69.	Procurement of T-shirts for International Habitat Day – 30 September 2007	R71 785,80	Dumisa Design and Advertising	1 October 2007	The invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy as it was impractical and impossible to follow the official procurement processes for the delivery of goods and services due to time constraints in respect of arrangements for the International Habitat Day which was held on 30 September 2007.
70.	Afrisec Strategic Solutions – Installation of CCTV street surveillance system and linking to central control room (SOW2)	R280 000, excl VAT	Afrisec Strategic Solutions	10 September 2007	As it was impractical to follow the official tender procedures, (continuity, standardization and financial purposes) the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
71.	Contract Enquiry 13/4 : Maintenance of Clinic Floor	-	Current Service Providers	9 October 2007	That as the contract had already expired and the need to carry on with maintenance until such time as fresh tenders had been adjudicated, the invitation for tenders was dispensed with in terms of paragraph 36(1)(v) of the Municipal Supply Chain Management Policy and the contract with the previous service providers was extended on a month to month basis but not beyond 31 December 2007.
72.	Payment of caterers	R995,00	Brister House Snack Bar	9 October 2007	As the service had already been provided and the NMBM is contractually bound to make the payments, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, and Brister House Snack Bar was paid the amount of R995,00 for the provision of a light finger lunch on two occasions at short notice.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

73.	Extension of Appointment : Risk Management and Short Term Insurance Intermediary	-	Faranani Risk Solutions	9 October 2007	In order to bring the Risk Management and Short-Terms Insurance Intermediary appointment in line with the insurance review date, the invitation for tenders was dispensed with in terms of section 36(1)(a)(v) of the Municipal Supply Chain Management Policy to extend the appointment of Faranani Risk Solutions for a period of six months until 30 June 2008.
74.	Purchase of swimming equipment for High Street Swimming Pool from Uitenhage Amateur Swimming Club	R15 000,00	Uitenhage Amateur Swimming Club	9 October 2007	The invitation for tenders was dispensed with in terms of section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and equipment which had been acquired by the previous lessee of the Uitenhage High Street Swimming Pool during the course of the lease and which was required by the Municipality for the continued operation of the said swimming pool, was purchased from the Uitenhage Amateur Swimming Club (previous lessee) at a cost of R15 000.

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36.3 Supply Chain Management Policy

75.	Funeral of late Councillor Derrick Ferreira	Transport – R2 720 T-shirts – R13 662,90	Algoa Bus Company Vuyo Safety Gear	15 October 2007	Having regard to the fact that Tradeworld registered bus hire companies were not available, authority was granted to utilise the services of Algoa Bus Company to provide transport to attendees of the funeral service of the late Councillor D Ferreira on 13 October 2007 with the provisions of paragraphs 14 to 17 departed from in terms of section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. Furthermore, as the lowest tenderer approved by the Municipal Manager on 12 October 2007 was no longer able to supply and deliver t-shirts for attendees of the funeral, authority was granted to accept the quotation of the second lowest tenderer, Vuyo Safety Gear, with the provisions of paragraphs 14 to 17 departed from in terms of section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
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36.3 Supply Chain Management Policy

76.	International Habitat Day : People's Conference on Shelter on 30 September and 1 October 2007 at New Brighton	R19 000,00	Malipume Ilanga Catering and Cleaning Services	9 October 2007	The supplier approved by the Municipal Manager for the hire of a marquee tent for the abovementioned event could no longer assist due to irreparable damage to the tent in bad weather when it was hired out to another company. When the other two (unsuccessful) suppliers who previously provided quotes were approached for assistance they had already hired out their tents and could no longer assist. This necessitated the Housing and Land Directorate to secure a tent at short notice from another supplier and Malipume Ilanga Catering and Cleaning Services were able to assist. For these reasons, the action of the Acting Executive Director : Housing and Land to secure a marquee tent from another supplier at very short notice in an emergency situation beyond her control was condoned and the invitation of tenders was dispensed with in terms of Section 36(1)(a)(i) of the Municipal Supply Chain Management Policy.
77.	Venue Hire and Associated Costs : 4 th People's Assembly – 5 October 2007	Venue hire including PA system, draping, catering, marquee tent, staff and big screen – R389 766	Nzululwazi Hall at Coega Village	9 October 2007	Having regard to the fact that the only suitable venue for the above event, i.e. the Feathermarket Centre was not available, the use of the Nzululwazi Hall at Coega Village, as the venue for the 4 th People's Assembly on 5 October 2007, was approved with the provisions of paragraph 17 being departed from in terms of section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

78.	Contract HL/00056 : Walmer Enterprise Village : Appointment of Professional Service Providers for Phase 3	In terms of published scale of fees	Gavin McLachlan Architects Bham Tayob Khan Matunda Quantity Surveyors Clinckscales Maughan-Brown Consulting Engineers	9 October 2007	As the proposed service providers had completed the preparation of designs and documentation for the complete project and had been involved in all previous phases of the project to date, and the proposed extension would constitute a natural continuation of previous work carried out by the firms, the invitation for tenders was dispensed with in terms of section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and the services of the aforementioned service providers was extended for Phase 4 of the Walmer Enterprise Village Project.
79.	Red Location Cultural Precinct : Phase 2 : Appointment of Professional Service Providers	-	Dojon Financial Services cc	9 October 2007	As Dojon Financial Services CC had been extensively involved with this project over a long period of time, and had, inter alia, been responsible for the Feasibility Study of the Precinct, the drafting of the submission of the funding application to National Treasury for a Neighbourhood Development Partnership Grant for the Precinct, and had performed extensive negotiations and consultations with all role-players in the preparation of the Project Brief, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and Dojon Financial Services CC was appointed as part of the team of consultants for the Preparation of an Interactive Business Plan for the proposed precinct for Red Location Phase 2 : Cultural Precinct project in New Brighton.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

80.	Extension of Contract PEE 3268 : Switchgear maintenance	-	Previous service provider	29 October 2007	As the contract had already expired and the need to carry on with maintenance until such time as fresh tenders had been adjudication, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and the contract with the previous service provider was extended on a month to month basis but not beyond 30 January 2007.
81.	Purchase of Asset Bar Coding Scanner	R362 500,00, exclusive of VAT	Combined Systems Group (Pty) Ltd	29 October 2007	As Combined Systems Group was the only supplier of BAUD software that must be loaded to PSION hand held scanners required in order to maintain a legally compliant movable assets register of the Metro, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and 25 PSION handheld W/A MX scanners 128K Flash SSD Comms Cable with Bar Coded Asset Management System Software was purchased from Combined Systems Group (Pty) Ltd.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

36.3 Supply Chain Management Policy

82.	Request to extend services of BDO Spencer Steward Inc. on Strategic Approach and technical advice to drive Asset Management in the Metro.	R29 239,00 per month, but not beyond 30 December 2007 (Exclusive of VAT)	DBO Spencer Steward Inc.	29 October 2007	As the contract between the NMBMM and DBO Spencer Steward Inc. expired on 30 September 2007 and the Bar Coding and roll out to BAUD system tender was nearing completion, i.e. 30 October 2007, and the necessity for the same service provider to continue with the project, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and the contract agreement entered into between the NMBMM and BDO Spencer Steward Inc. to provide strategic approach and technical advice to drive asset management projects of the Metro, was extended on a month to month basis, but not beyond 30 December 2007.
83.	Refurbished OSM 10 OIL Circuit Breakers	R69 574,00, inclusive of VAT, each, up to a maximum value of R2 million	ABB South Africa (Pty) Ltd	29 October 2007	Due to ABB South Africa (Pty) Ltd being the sole supplier of components and spares for the Reyrolle OSM10 Oil circuit breakers, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy.
84.	Contract Enquiry FMS 26/2007 : Rescue Pump Fire Appliance	R10 931 782,56	Marce Fire Fighting Technologies Fire Raiders (Pty) Ltd	31 October 2007	Due to the urgency of taking a decision, the Supply Chain Management Policy was departed from to the extent that the Evaluation Committee Report was submitted directly to the Accounting Officer for consideration by virtue of the provisions of Section 36(1)(a)(i) of the said Policy.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

85.	Nelson Mandela Bay Logistics Park : Contract sum increase for CR253/12/04 : Construction of Schnellecke Building	R406 904,58	Alfdav Construction CC	1 November 2007	That, due to the increase in the scope of works as detailed in the report by the Directorate, the action of the Executive Director in dispensing with the invitation for tenders in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and authorising the additional work and expenditure, was condoned and the approved contract amount for Contract CR253/12/04 : Nelson Mandela Bay Logistics Park : Construction of Schnellecke Building, was increased by R406 904,58 from R28 071 360,00 to R28 478 264,58, inclusive of VAT.
86.	Contract sum increase for NMBLP01/GH/MC : Construction of entrance building and substation	R75 876,60	Main Contractor appointed in terms of standard NMBM Procurement Process	1 November 2007	That, due to the increase in the scope of works as detailed in the report by the Directorate, the action of the Executive Director in dispensing with the invitation for tenders in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and authorising the additional work and expenditure, was condoned and the approved contract amount for Contract NMBLP01/GH/MC : Nelson Mandela Bay Logistics Park : Construction of Entrance Building and Substation, was increased by R75 876,60 from R6 291 882,00 to R6 367 758,60, inclusive of VAT.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

87.	Extension of scope of services rendered by ABSA Consultants and Actuaries	-	ABSA Consultants and Actuaries	7 December 2007	As the Budget and Treasury Directorate recently procured the services of ABSA Consultants and Actuaries to undertake a valuation of the NMBM's post retirement employment benefits, and the proposed work was closely related to employment benefits, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and authority was granted to the Chief Financial Officer to procure the services of ABSA Consultants and Actuaries, by extending the scope of Contract 2266 in order to verify the amount claimed by the liquidator of the PEMPF, so as to settle Council's liability to the said Fund.
88.	Contract 5238(S) : Upgrading of the Magennis Street Outfall Sewer Syphon, Uitenhage : Increase in Contract Sum	R100 159,94	WK Construction (Pty) Ltd in Joint Venture with DF Construction	11 December 2007	As several problems were being experienced during the construction of the project as set out in the Directorate's report to the Adjudication Committee, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and the approved contract sum was increased by R100 159,94 from R2 549 382,00 to R2 649 541,94, inclusive of VAT, which will be subject to Contract Price Adjustment.

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36.3 Supply Chain Management Policy

89.	Contract C306W : Rehabilitation of St George's Reservoir : Increase in Contract Sum	R63 184,56	PAB Trading	1 November 2007	The action of the Executive Director : Infrastructure and Engineering in dispensing with the invitation for tenders in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and authorising essential additional work and expenditure as detailed in the Directorate's report to the Adjudication Committee meeting held on 19 October 2007 (postponed from 18 October 2007), was condoned and the approved contract amount was increased by R63 184,56 from R3 735 495,16 to R3 798 679,00, inclusive of VAT.
90.	Appointment of Airtek Manufacturing cc to undertake emergency repairs to air conditioning at Eric Tindale Building	R198 742,00, exclusive of VAT	Airtek Manufacturing cc	11 December 2007	The invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) and (v) of the Supply Chain Management Policy and Airtek Manufacturing cc was appointed to effect emergency repairs to the air conditioning in Eric Tindale Building.
91.	Venue for Civic Reception : Sport Heroes Walk Against Aids : 1 December 2007	R10 000	The Caledon Centre	11 December 2007	As The Caledon Centre was the only venue available on the 1 December 2007 on the occasion of the Sport Heroes Walk Against Aids, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and was therefore used for the said reception.
92.	Fresh Produce Market : Repairs to Advance Scrubber	R25 000	Barlow World Handling	11 December 2007	As Barlow World Handling was the sole agents for the specified equipment, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and was appointed for the overhaul of the Market's Advance Scrubber.

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36.3 Supply Chain Management Policy

93.	Emergency repairs to Feather Market Centre	R19 328,00	Mzamomhle Construction and Cleaning	13 June 2007	The appointment of Mzamomhle Construction and Cleaning in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy was approved to effect urgent repairs to the Feather Market Centre roof.
94.	Request to extend the period of contract 1900 (water disconnection/restriction, reinstatement and "still off" inspections)	Charged per visit	Concorde Metering CC	11 December 2007	In order to provide the Budget and Treasury with sufficient time to re-advertise this contract and make an award, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and the existing contract period of Concorde Metering CC was extended on a month-to-month basis from 1 January 2008 for a maximum period of three months ending 31 March 2008.
95.	Request to extend the period of contract 1989 (electricity disconnection, reconnection and "still off" inspections)	Charged per visit	Alexander Maintenance	11 December 2007	In order to provide the Budget and Treasury with sufficient time to re-advertise this contract and make an award, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and the existing contract period of Alexander Maintenance was extended on a month-to-month basis from 1 January 2008 for a maximum period of three months ending 31 March 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

96.	Repairs to filter beds at Fishwater Flats Wastewater Treatment Works	R140 003,14	Spec (Pty) Limited	14 December 2007	As it would not have been in the Municipality's best interest to invite separate tenders for the work which would result in serious loopholes in the warranty of the Contract if other contractors were also working on the equipment, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy in order for Spec (Pty) Limited to continue with the urgent remedial repair works on the filter beds at Fishwater Flats Wastewater Treatment Works.
97.	Repair to Feather Market Centre Pipe Organ	R22 975,75	Jan Pekelharing & Sons	14 December 2007	As Mr Jan Pekelharing was the builder of the Pipe Organ in 1997 and therefore considered the best qualified person to repair the said instrument, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy, and authority was granted to the Purchasing and Supplies Subdirectorate to procure the services of Jan Pekelharing & Sons by extending the scope of their work with the Feather Market Convention Centre/Feather Market Organ Society/NMBM, at a price of R22 975,75.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

98.	Contract 5262 : Tri-annual contract for the construction of minor civil engineering works : Extension of validity period of contract	As per original tender	A total of 10 tenderers	12 December 2007	As the end of the validity period for Contract 5262 approached, officials prepared tender documents for the new tri-annual contract to succeed Contract 5262. There was, however, a marked difference between the new tender and the previous one, in that the new tender had to comply with the statutory conditions laid down by the Construction Industry Development Board. The process of compiling the new tender documents in-house, the invitation for tenders and the lengthy adjudication process lasted considerably longer than had been estimated by the relevant officials. The nett outcome of this is that the validity of this contract expired on 30 June 2007, and the new tri-annual contracts had not yet been awarded by the Adjudication Committee. This situation led to this Directorate not having any contractual instruments at its disposal through which external contractors could be employed, until the new tri-annual contracts were awarded. These awards were only made during August 2007. In the meantime, the Directorate urgently had to utilize the service of the recently expired annual contractors to assist it with numerous minor works projects, which included, inter alia, the re-routing of certain underground cables. To effect this work, some of the listed contractors were appointed to carry out this urgent work. Therefore, authority was granted to deviate from the provision of the Municipal Supply Chain Management Policy in terms of paragraph 36(1)(a)(v) thereof to extend the validity period of Contract 5262 : Tri-Annual Contract for the Construction of Minor Civil Engineering works retrospectively from 30 June 2007 to 31 August 2007.
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**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

99.	Contract 3278 : Storage, supply and cutting of underground cables up to 22 kV	In accordance with SEIFSA indices as published nationally from time to time	Aberdare Cables (Pty) Ltd	11 December 2007	Aberdare Cables (Pty) Ltd has its factory in Port Elizabeth and is an employer of local labour. At the commencement of the contract, it rented space in the Municipal Cable Yard in Buxton Avenue, North End and set up their storage and cutting facility in that area. That facility was extremely convenient to the supply of cable, as it was situated closely to the Munelek Building and a number of operational depots. Their performance with respect to complying with the requirements of the contract over the three years to date has been of a high standard. They committed a large amount of cable stock at extremely high cost to the storage facility. Therefore, as it would be advantageous to the Municipality to extend the current contract with Aberdare Cables (Pty) Ltd, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
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**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

100.	Extension of scope of services rendered by Engineering Advice Services	R230 000, exclusive of VAT	Engineering Advice Services	11 December 2007	The Infrastructure and Engineering Directorate procured the management services of EAS to address certain areas pertinent to the management of their own operations, being the development, implementation and operation of the Road Management System for the Nelson Mandela Bay Municipality. In order to achieve sound financial asset management and an unqualified audit report as at 30 June 2008, additional work was required to draft and implement a methodology that will enable key information, for inclusion in the Financial Fixed Asset Register, to be attached to the existing road elements contained in the Road Management System and provide a way forward for ongoing updates as new road elements are constructed. It was agreed between the B & T and I & E Directorates that the I & E contract be extended to incorporate the aforementioned additional work, therefore, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
101.	Elevator modernization of the car and machinery in the Feather Market Convention Centre	R310 695,00, exclusive of VAT	Kone Elevators	11 December 2007	As the current elevator operating within the Feather Market Convention Centre was in need of major refurbishment and modernizing, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

102.	Payment to Afrisec Security Solutions in respect of Integrated Security System for Customer Care Office in Uitenhage, Budget and Treasury Directorate	R713 299,58, inclusive of VAT	Afrisec Security Solutions	11 December 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions is considered to be invalid and was the subject of litigation. Nevertheless, certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy, and an amount of R713 299,58 was paid to Afrisec Strategic Solutions for the manufacture, installation, testing and commissioning of an integrated security system for the Uitenhage Customer Care Office.
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

36.3 Supply Chain Management Policy

103.	Contract 5437 : Construction of Diaz Road, from Kipling Street to Langenhoven Drive : Increase in approved contract amount	R3 535 679,61	Omega Civils (Pty) Ltd	11 December 2007	As it was necessary to add minor additional items to the original scope of work, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy, and the approved contract amount for Contract 5437 was increased by R3 535 679,61, from R15 811 456,47 to R19 347 136,08, inclusive of VAT and subject to escalation.
104.	Relocation and erection of high sites	R282 184,68, inclusive of VAT	Dimension Data	11 December 2007	As it would be beneficial for the Municipality to extend the existing scope of the Wireless Tender contract to include the erection and/or relocation of high sites, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy, and permission was granted to procure the equipment required, in the amount of R282 184,68.
105.	Marketing material : Launch of the Motherwell SMME Workshop and Exhibition	R67 156,21	Boom Town Advertising (Pty) Ltd	26 November 2007	As Boom Town Advertising (Pty) Ltd was the only service provider that could provide the service at short notice, the action of the Executive Director in dispensing with the invitation of tenders in terms of section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and authorising the purchase of marketing material such as T-shirts, caps and golf shirts, was condoned.
106.	Elundini Flats	R9 206,13	Nonene Construction	26 November 2007	As the work had already been completed due to a misunderstanding between the Municipality and the contractor, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

107.	Urgent Repair of Simulcast Radio High Site Equipment	R19 700	Alcom Matomo (Pty) Limited	26 November 2007	As the equipment had already been transported to Johannesburg to obtain a quotation for the repair, as well as the urgency thereof, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(i) and (v) of the Municipal Supply Chain Management Policy.
108.	Payment of Stipend to Floorwalkers and Storytelling Veterans	R60 000	Various	1 November 2007	As the demand for guides and story-telling veterans at the Red Location Museum had increased drastically, the action of the Executive Director in dispensing with the invitation for tenders in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and authorising the acquisition of the services of floorwalkers and story-telling veterans for the Red Location Museum, was condoned.
109.	Venue Hire : Brooks Hill Suites, Speaker's Planning Meeting and Breakfast in respect of 16 Days of Activism : 16 November 2007	R1 350	Brooks Hill Suites	21 November 2007	Although the Office of the Speaker have searched for availability of venues in the Metro, all were fully booked except for the two of which quotations had been received. The Brooks Hill Suites venue was therefore chosen to convene the meeting, and the deviation from paragraph 16(a) of the Municipal Supply Chain Management Policy was approved in terms of paragraph 17(2) thereof.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

110.	Replacement of a section of the Markman Collector Sewer : Increase in Contract Sum	R44 046,71	W K Construction (Pty) Limited	26 November 2007	Due to the increase in the scope of works as detailed in the report by the Directorate, the action of the Executive Director in dispensing with the invitation for tenders in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and authorising the additional work and expenditure, was condoned and the approved contract amount for Contract 5284(S) was increased by R44 046,71 from R6 855 112,42 to R6 899 159,13, inclusive of VAT, subject to the amount in respect of escalation being included in the final contract sum.
111.	Red Location Museum : Proposed Internal Alternations : Appointment of Professional Service Providers	Professional Tariff of Fees	Noero Wolff Architects	26 November 2007	As the appointment of Noero Wolff Architects, the architects who designed the Red Location Museum, would constitute "an assignment that represents a natural continuation of previous work carried out by the firm", the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.
112.	Placement of Newspaper Advertisements	Standard Tariff according to number of adverts placed	Dumisa Advertising	9 November 2007	Because of the failure by the Directorate to monitor the contract and anticipate the need for a further tender process, approval was granted to extend the contract of Dumisa Advertising on the same terms and conditions until 30 November 2007 in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy in that it was impossible, due to the failure of the Director : Communications referred to above, to comply.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

36.3 Supply Chain Management Policy

113.	Purchase of blankets in readiness for a possible flood situation	R56 988,60		29 November 2007	The invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Supply Chain Management Policy for the purchase of blankets in readiness for the eventuality of a flood situation over the weekend of 23 to 25 November 2007.
114.	Advertising By-law Evaluation	R15 732	Prof Van der Berg	9 November 2007	As Prof Van der Berg has previously dealt with this matter, and would thus be impractical to start the process afresh, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Supply Chain Management Policy.
115.	Procurement of goods and services for Launch of Helenvale Urban Renewal Programme	R34 000	Walkabout Clothing Spar Gelvandale Finro Cash and Carry Wholesalers	6 November 2007	Due to the need to bring the date of the launch forward at short notice to accommodate the Executive Mayor's programme, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Supply Chain Management Policy in respect of the procurement of t-shirts, meat and groceries for the launch of the Helenvale Urban Renewal Programme on 6 November 2007.
116.	Invitation to Dr Nokuzola Mndende to present to Executive Committee of Religious Leaders Desk on African Religion at its workshop to be held on 29 November 2007	R1 360 (Consultation) R4321 (Travel and accommodation) R2 500 (Catering at the workshop)			Due to the unavailability of other Academic Specialists who specialise on the subject of the African Religion, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Supply Chain Management Policy, and the services of Dr N Mndende was acquired in respect of a workshop for the Religious Leaders Desk of the Nelson Mandela Bay Municipality on 29 November 2007.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

117.	Emergency repairs to City Hall Air Conditioner	R16 382,51, excl VAT	Sandi's Aircondition CC	20 December 2007	Due to the urgent nature of the required repairs to the airconditioner at the City Hall, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Supply Chain Management Policy.
118.	Appointment of a forensic investigator to investigate alleged theft by municipal employees	R300 000	Price Waterhouse Coopers	20 December 2007	Due to the confidential nature of the investigation and urgency of the matter, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Supply Chain Management Policy, and the services of Price Waterhouse coopers was acquired to investigate the fraud and theft allegedly committed by a syndicate of municipal employees.
119.	Integrated Security System for Customer Care Office in Uitenhage : Installation of Steelwork and Control Equipment (Bullet Proof Door) : Budget and Treasury Directorate	R147 558,75	Afrisec Security Solutions	20 December 2007	The underlying agreement between NMBM and Afrisec Strategic Solutions was considered to be invalid and was the subject of litigation. Nevertheless, certain services and goods have been supplied by Afrisec, purportedly in terms thereof. Advice had been sought from Senior Council as to the responsibility of NMBM in relation to payments claimed by Afrisec in terms thereof. Accordingly, and in terms of that advice, and without conceding the validity of the underlying agreement, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Supply Chain Management Policy, and an amount of R147 558,75 was paid to Afrisec Strategic Solutions for the installation of steelwork and control equipment (bullet proof door) at the Customer Care Office in Uitenhage.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

120.	Increase in tender amount : H/L 00039 : Alterations to South End Fire Station	R113 863,20	Akhiwa Construction cc	11 December 2007	Due to unforeseen additional work having to be carried out, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy, and the approved tender amount of R508 152,72, inclusive of VAT, was increased by R113 863,20 to R622 015,92, inclusive of VAT.
121.	Repairs to Hamworthy Compressors at Fishwater Flats Wastewater Treatment Works	R245 110,32, excl VAT	Gardner Denver Limited	26 November 2007	The invitation for tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy, in order for Gardner Denver Limited, the sole agents, to supply the required spares for the overhaul of three Hamworthy 2MF6 Compressors at Fishwater Flats Wastewater Treatment Works.
122.	Extension of the Full Maintenance Lease Agreement with Vuswa Fleet Services (Pty) Limited	R2 490,40 per vehicle per month	Vuswa Fleet Services (Pty) Limited	26 November 2007	As there was not budgetary provision for the replacement or purchase of any new vehicles during the current financial year, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and the existing contract with Vuswa Fleet Services (Pty) Limited was extended for a further 12 months, to allow Traffic and Licensing to budget for the replacement of the 46 Almeiras.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

36.3 Supply Chain Management Policy

123.	Contract C5376 : Reconstruction of Matomela/Maqanda Street, Kwazakhele : Increase in approved contract amount	R1 642 888,25	Omega Civils (Pty) Ltd	26 November 2007	Due to unforeseen additional work having to be carried out, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy, and the approved tender amount of R10 150 361,41, inclusive of VAT, was increased by R1 642 888,25 to R11 739 249,66, which amount includes contingencies and VAT, and which will be subject to Contract Price Adjustment.
124.	Extension of services rendered by Lamacs	R5 950 000, excl VAT	Lamacs	26 November 2007	The invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy, and the current scope of work by Lamacs with the Housing and Land Directorate was extended to include the upgrade of the proposed management system for the Corporate Services Directorate.
125.	Appointment of Industrial Air-Conditioning and Refrigeration cc for the installation of a split unit at Eric Tindale Building (13 th Floor)	R16 036,00 (Exclusive of VAT)	Industrial Air- Conditioning and Refrigeration cc	11 February 2008	As it was considered an emergency because of the summer season and the working conditions were of a health hazard, the matter needed to be addressed instantly. The invitation for tenders were dispensed with in terms of Section 36(1)(a)(i) of the Municipal Supply Chain Management Policy.
126.	Development of a Labour Relations Strategy	R146 800 (Inclusive of VAT)	Akanani	11 February 2008	As no responsive tenders had been received after having called for tenders/proposals repeatedly, and Akanani being the only firm complying with the Directorate's terms of reference, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

127.	Purchase of Eye-Spy Community Awareness Kits for Disaster Management Campaigns	R60 448,50 (Inclusive of VAT)	Micro Mapping (Cape) CC	11 February 2008	As Micro Mapping (Cape) CC was the only supplier of Eye-Spy Visual Aids as per the Official Design No 98/0469 registered with the Department of Trade and Industry, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy.
128.	Forward Cover : 2010 FIFA Soccer Stadium	Estimated at R6,7 million, but dependant on the spot rate.	Grinaker-LTA	11 February 2008	In order to protect Council against the exchange rate fluctuations by way of taking forward cover, the Municipal Supply Chain Management Policy was departed from in terms of paragraph 36(1)(a)(v) and the forward cover proposal as received from Grinaker-LTD was accepted in principle for the remainder of the contract period for those payments due to Interbeton and that the contract awarded to Grinaker –LTA be extended by the cost of the forward cover as at the date of concluding the agreement, but dependant on the spot rate.
129.	Upgrading of Philips SOPHO ES3000 PABX Telephone System (South End Fire Station) and Integration of Satellite Fire Stations' Telephone Systems	R35 157 (Inclusive of VAT)	GijimaAst	11 February 2008	As the existing Philips IS3000 PABX system required upgrades to accommodate the additional Telkom lines and implementation of the Voice Over IP telephone systems to the nine fire stations within the Fire Service, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

130.	Refurbishment of Screw Pumps at Fishwater Flats Reclamation Works : Increase in contract amount	R1 092 201,38	Lekratek Water Technologies	3 March 2008	As unforeseen additional costs had been identified during the process of dismantling, cleaning and inspection of the units necessitating the replacement and refurbishment of certain items, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
131.	Appointment of Business Date Solutions for E-Government Services	R168 000 (Exclusive of VAT)	Business Data Solutions	3 March 2008	As Business Data Solutions was the only authorised reseller of the E-Box Thin Client used in the project as well as being the developers of the software, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy.
132.	Further extension of scope of work of ABSA Consultants and Actuaries in respect of Contract 2266 : Port Elizabeth Municipal Pension Fund	R20 000 (Exclusive of VAT)	ABSA Consultants and Actuaries	11 February 2008	The invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, as ABSA Consultants and Actuaries were already a single source service provider and considering the urgent nature of the verification report, it was prudent to extend the appointment.
133.	Appointment of Sandi's Air-Condition CC for Emergency Repairs to City Hall Air Conditioner	R45 030 (Exclusive of VAT)	Sandi's Air-Condition CC	11 February 2008	Due of the urgent nature of the required repairs, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Municipal Supply Chain Management Policy.
134.	Appointment of Air-tek Manufacturing cc for Emergency repairs to Brister House Air Conditioner	R21 112,80 (Inclusive of VAT)	Air-tek Manufacturing cc	11 February 2008	Due of the urgent nature of the required repairs, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(i) of the Municipal Supply Chain Management Policy.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)

36.3 Supply Chain Management Policy

135.	Retrieval of approval beneficiary applications into Council's electronic data management system so as to qualify for the Audit Report of the Auditor General from the Provincial Housing Board, Bhisho for the month of February 2008	R162 150	Hire of office space Hire of copier – Sharp Hotel accommodation Subsistence allowance for 5 staff members Car Hire for the month Petrol	11 February 2008	As it was impossible and impractical to follow the official tender procedures, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy.
136.	Iron Man 2008 – Cultural Programme	R70 000	Ubuntu Dancers Isingqi se-Africa Pulse Africa MACO Ubuhle be-Africa Unmonbo Dance Sosholoza Ibhubesi Productions Uphondo lwe-Africa Oyama Vanto Marcellus Bongani	15 April 2008	That given that artistic talent is not a commodity which can be comparatively measured and the experience gained by the selected group of local performing artists over the past three years to showcase the vibrancy of Mandela Bay at events such as Ironman, the invitation for tenders was dispensed with in terms of Section 36 (1)(a)(v) of the Municipal Supply Chain Management Policy to engage the services of the artists mentioned for the Ironman Triathlon 2008, Cultural Programme.
137.	Emergency Repairs at Missionvale Saltwater Pump Station	R131 428, exclusive of VAT	Elmach Electrical	2 April 2008	Given the urgent nature of the required repairs, the invitation for tenders was dispensed with in terms of Section 36 (1)(a)(v) of the Municipal Supply Chain Management Policy, and Elmach Electrical was appointed to effect emergency repairs to the Missionvale Saltwater Pump Station.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

138.	Executive Leadership Municipal Development Programme to be presented by the University of Pretoria	R185 000	University of Pretoria	14 April 2008	Due to the unavailability of the Executive Leadership Municipal Development Programme at institutions of higher learning in Nelson Mandela Bay, authority was granted to deviate from the provisions of the Municipal Supply Chain Management Policy in terms of Section 36(1)(a)(v) thereof for 25 Councillors to participate in this programme presented by the University of Pretoria during the period 29 April 2008 to 28 November 2008.
139.	Authority to purchase emergency building material for 12 families whose informal houses at Motherwell Servitude NU10 Informal Area were gutted by fire over the weekend of 22 March 2008	R125 500	Various	8 April 2008	Authority was granted for a departure in terms of paragraphs 36(1)(a)(i) and (v) of the Municipal Supply Chain Management Policy to purchase building material (corrugated iron sheets, wood, nails, etc.) as a matter of urgency for the 12 families at Motherwell Servitude NU10 informal area, whose informal houses were gutted by fire over the weekend of 22 March 2008.
140.	Extension of brief (Increase in contract value) : Consultants fee for stores Contract CSQ100630 : Design of Incident Command Vehicle for Disaster Management	Increase by R100 000 from R167 700 to R267 700	NCB Consultants	1 April 2008	As the project was much bigger than originally anticipated as well as the frequent additional consultations in Johannesburg to ensure compliance and modifications where necessary, the Municipal Supply Chain Management Policy was departed from in terms of paragraph 36(1)(a)(v) and Tender CSQ100630 awarded to NCB Consultants in the amount of R167 700 was increased by R100 000 to R267 700 in order to facilitate the successful completion of the manufacturing stage of the Incident Command Vehicle specially designed for Disaster Management.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

141.	Extension of services rendered by Metroplan	R587 366,00	Metroplan	1 April 2008	Because of the urgency of driving the Walmer Gqebera landfill and methane gas sites to conclusion, it would be most expedient to extend the brief of Metroplan to incorporate the re-planning of areas N-West and Q for higher density development, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and that the existing brief of Metroplan be extended in respect of the Planning of the Community Street Project, to include the preparation of detailed planning proposals for Areas N West and Q in Walmer Gqebera as well as the preparation of the required Environmental Impact Assessments in terms of the NEMA Regulations in the amount of R587 366,00, inclusive of VAT.
142.	Bandwidth Requirements	2007/08 – R62 800 2008/09 - ± R370 000 2009/10 - ± R400 000	Business Connexions	1 April 2008	Due to Business Connexions' current appointments that relate directly to the NMBM website, the 2010 FIFA World Cup™ Host City website and GIS development in the NMBM, and for the further reasons fully motivated in the Directorate's report, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and Business Connexion was appointed for the period ending 31 December 2010, to provide the necessary hardware and bandwidth required.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

143.	Walmer Gqebera : Landfill investigation : Areas E, P & N and Industrial Zone	R48 000, excl of VAT	SRK Consulting Engineers	6 May 2008	As SRK had been monitoring the site during the period December 2004 to May 2007, the invitation for tenders was dispensed with in terms of Section 36.1(a)(v) of the Municipal Supply Chain Management Policy, and the scope of work by SRK Consulting Engineers and Scientists extended for the continued monitoring and assessment of the landfill gas generation at the Gqebera site for a period of one year, in the amount not exceeding R48 000, exclusive of VAT.
144.	Rental of premises for sustainable energy efficiency centre	R346 340,87, excl of VAT	Growthpoint Securitisation Warehouse Trust	6 May 2008	As this was the only suitable premises available, as well as the urgency of securing a property in view of the electricity crisis being experienced, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and the premises at Investec Building, just off Ring Road, Newton Park, which included allocated parking, was leased from Growthpoint Securitisation Warehouse Trust, for the period 25 April 2008 to 30 April 2009, for the 2007/08 to 2008/09 financial years in the amount of R346 340,87, exclusive of VAT.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (CONTINUED)**

36.3 Supply Chain Management Policy

145.	Extension of current lease of building for Motherwell Distribution Depot	R18,00 excl of VAT per Square metre, per month	Eastern Province Livestock Agency (Pty) Limited	6 May 2008	As this was the only suitable premises available at the time, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy and the lease agreement between the Electricity and Energy Directorate of the Nelson Mandela Bay Municipality and Eastern Province Livestock Agency (Pty) Limited for the premises currently inhabited by the Directorate in Buick Street, Markman Industrial Township which had expired on 31 March 2008, was extended for a period of twelve months with effect from 1 April 2008, in the amount R18,00, exclusive of VAT, per square metre, per month.
146.	Supply of additional optional extra massmeter and computer to calculate brake efficiency to be added to the 2 "A" Grade 15 ton slow speed bakkie roller testers to meet SABS 0216 and CKS 589 at the vehicle Test Centre, Cresswell Street, Sidwell, Port Elizabeth	R86 800, excl of VAT	Workshop Electronics	6 May 2008	As the additional optional extras required were deemed essential to eliminate the human element from the calculations to determine the brake efficiency required for the vehicle to pass or fail the test, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and the original tender amount of Workshop Electronics in the amount of R401 404,00, exclusive of VAT was increased by R86 800,00, exclusive of VAT, to R488 204,00, exclusive of VAT, for the supply and installation of the optional extras of a mass meter and computer to each of the 2 "A" Grade 15 ton slow speed brake roller testers to meet SABS 0216 and CKS 589 requirements.

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36.3 Supply Chain Management Policy

147.	Demographic Study Update : Contract 2081 : Extension of Contract	R500 ,00 per hour	Development Partners	6 May 2008	As Development Partners had concluded the existing project to the satisfaction of the Executive Director and the extension of the contract would constitute a natural continuation of work, and Development Partners being the sole tenderer at the time of tender, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy and Contract 2081 with Development Partners was extended over a 3 year period at a cost calculated on an hourly rate of R500.00 per professional capped at a maximum of R30 000 per workshop and R700 000 per annual update, paid from Consultants Vote: 0439 0201, Spatial Development Framework Vote: 0439 5348 and Restructuring Grant - Town Planning Vote: 1563 4907.
148.	Repairs to filter beds at Fishwater Flats Wastewater Treatment Works	R163 601,40 and R158 243,40, incl of VAT respectively	Spec (Pty) Limited	6 May 2008	As part of the scope of works of the original contract was that once the filter media had been removed, the Civil and Mechanical structures had to be inspected for defects, and the subsequent detection of serious defects, and for the further reasons set out in the Directorate's report, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy, and Spec (Pty) Limited was authorised to effect remedial repair works on Filter beds B and C at Fishwater Flats Wastewater Treatment Works in the amounts of R163 601,40 and R158 243,40 inclusive of VAT, respectively.

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149.	Contract Enquiry 2232 : Supply, delivery, installation, commissioning and maintenance of a rear projection video wall system	R657 450, excl of VAT	Taltronics	6 May 2008	As Taltronics was the only appointed supplier of the Mitsubishi display cubes in South Africa, the invitation for tenders was dispensed with in terms of Section 36(1)(a)(ii), of the Municipal Supply Chain Management Policy and the offer of Taltronics to supply four additional cubes under Contract 2232 for the supply, delivery, installation, commissioning and maintenance of a rear projection video wall system, at a total cost of R657 450,00, exclusive of VAT, based on an exchange rate of R8 086 = \$1 USD, including a 17 month service level agreement, was accepted.
150.	Authority to appoint and incur expenditure to N Magula Construction to install 82 water meters in Barcelona	R11 200	N Magula Construction	3 April 2008	Authority was granted for a departure in terms of paragraph 36(1)(a)(v) of the Municipal Supply Chain Management Policy to appoint the contractor, N Magula Construction, to enter into a contract with him for the installation of 82 water meters in Barcelona in the amount of R11 200, exclusive of VAT, on the site where the Top Structures were erected by this contractor.
151.	Drafting of Tariff By-law	R4 500, inclusive of VAT	ISGAD	6 May 2008	As ISGAD was currently in the process of finalising the Municipal Code of By-laws, the invitation for tenders was dispensed with in terms of paragraph 36(1)(a)(v) of the Municipal Supply Chain Management Policy and the mandate of ISGAD was extended within the current contract period to include the drafting of the tariff by-law, in the amount of R4 500,00, inclusive of VAT.

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36.3 Supply Chain Management Policy

152.	Increase in Scope of Works at Veeplaas Sports Field	R148 380,12, incl of VAT	Akhiwa Construction	6 May 2008	As it would be cost effective for the Municipality to increase the scope of work of Akhiwa Construction because of the contractor already being on site, all the necessary equipment and workforce being on site and had an approved Health and Safety Plan, the invitation for tenders was dispensed with in terms of paragraph 36 (1)(a)(v) of the Municipal Supply Chain Management Policy, and the scope of work of the contract at the Veeplaas Sports Field, awarded to Akhiwa Construction, was increased to include the construction of an additional 129 metres of Bakgat Pilaster Boundary Wall.
153.	Contract 5493(S) : Bucket Eradication Programme, Uitenhage Sanitation Phase 1 : Installation of Toilets and related works for Blikkiesdorp (165 unites) : Increase in contract sum	R567 412,55 incl of VAT	Inkwenkwezi Projects cc	6 May 1008	The invitation for tenders was dispensed with in terms of paragraph 36(1)(a)(v) of the Supply Chain Management Policy, in order to cater for additional toilets unforeseen at the time of tender as well as the reasons as set out in the Directorate's report, the approved contract sum was increased by R567 412,55 from R1 660 393,44 to R2 227 805,99, inclusive of VAT and subject to CPA, and that the time for completion be increased from 26 weeks by 15 weeks to 41 weeks in total.

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36.3 Supply Chain Management Policy

154.	Extension of lease agreement of the Caledon Street Offices with Ju-Thy Eiendomme Trust	Monthly lease amount based on the existing lease agreement	Ju-Thy Eiendomme Trust	6 May 2008	As the existing lease agreement had already expired on 11 April 2008, the invitation for tenders was dispensed with in terms of paragraph 36(1)(a)(v) of the Municipal Supply Chain Management Policy and the Office Building in Caledon Street, Uitenhage was leased from Ju-Thy Eiendomme Trust on a month to month basis from 11 April 2008 for a period not exceeding six months until the new lease agreement had been finalized.
155.	Outer perimeter fence : Walmer 17 th Avenue Substation	R12 745,45, incl of VAT	E'Zethu Steelworks cc	12 May 2008	As the contractor was still on site having constructed the diamond razor blade mesh as well as the urgent nature of the work insofar as safeguarding the public and schoolchildren from coming into contact with the razor-sharp fence, and for the further reasons fully motivated in the Directorate's report, the invitation for tenders was dispensed with in terms of paragraph 36(1)(a)(v) of the Municipal Supply Chain Management Policy and E'Zethu cc was appointed to install an outer perimeter fence at the Walmer 17 th Avenue Substation in the amount of R12 745,45, inclusive of VAT.

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36.3 Supply Chain Management Policy

156.	Renewal of License : Matsema (Pty) Ltd	R493 976,64, incl of VAT	Matsema (Pty) Ltd	6 May 2008	As the Application Development Section, Municipal Informations Systems Sub-Directorate, Corporate Services, currently uses Gupta for the development of all in-house corporate and divisional application systems and Matsema (Pty) Ltd being the sole supplier of these licenses, the invitation for tenders was dispensed with in terms of paragraph 36(1)(a)(ii) of the Municipal Supply Chain Management Policy and the Gupta licenses was renewed by Matsema (Pty) Ltd for a period of one year in the amount of R493 976,64, inclusive of VAT.
157.	Contract 2332 : Back-up redundancy hardware/server for New Billing System	R850 434,74, excl of VAT	Fujitsu	28 March 2008	As no tenders were received after having called for tenders, and given the necessity of the redundancy hardware/server for the smooth operation of the New Billing Solution which would be implemented on 1 May 2008, and further given that Fujitsu has indicated that it could supply the equipment, the Municipal Supply Chain Management Policy be departed from in terms of paragraph 36(1)(a)(v) thereof and that Fujitsu be appointed to supply the redundancy hardware/server required for the implementation of the New Billing Solution in the amount of R850 434,75, exclusive of VAT.

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36.3 Supply Chain Management Policy

158.	Venue for Co-operative Development Centre and SMME Textile HUB Seminar : 22 and 23 April 2008	R23 895,68	Marine Protea Hotel	21 May 2008	Authority was granted to deviate from normal tender procedures in terms of paragraph 36(1)(a)(v) of the Municipal Supply Chain Management Policy to hire a venue at the Marine Protea Hotel for the purposes of the Co-operative Development and SMME Textile HUB Seminar due to the fact that the Red Location Museum that was timeously reserved was no longer suitable due to load shedding and the unavailability of suitable alternative municipal venues.
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Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Property, plant and equipment (GRAP 17) Review of useful life of items of PPE recognised in the annual financial statements <i>[paragraphs 59 – 61, and 77]</i>	1. CFO to communicate the requirement for the review of useful lives of PPE to all custodians of Assets through a workshop / written communication.	Has been communicated to all custodians of assets	CFO/ Executive Directors	1 July 2008
	2. CFO to issue a memo to all executive directors annually requesting them to ensure that the remaining useful lives of all items of PPE under their control as per the Fixed Asset Register (FAR) is realistic.	Memo has been issued to all custodians of assets	CFO/ Executive Directors	1 July 2008
	3. Executive directors will inform the manager responsible for items of PPE where the remaining useful lives are shorter or longer than those reflected on the FAR annually.	The Executive Directors have responded accordingly	CFO/ Executive Directors	31 December 2008
	4. The useful lives in the asset register will annually be amended for items identified and the depreciation charge adjusted for the current and future periods.	Adjustments in relation to the review of useful lives will be processed by 15 December 2008	CFO	30 June 2009

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Property, plant and equipment (GRAP 17) Review of useful life of items of PPE recognised in the annual financial statements <i>[paragraphs 59 – 61, and 77]</i>	5. Pass necessary accounting entries and also do necessary disclosure of the change in estimate (nature of change in estimate, amounts involved, effect on future periods).	All entries will be processed by 15 December 2008	CFO	30 June 2009
Property, plant and equipment (GRAP 17) Review of depreciation method applied to PPE recognised in the annual financial statements <i>[paragraphs 62 and 77]</i>	1. CFO to issue a memo to all executive directors annually to request them to ensure that the depreciation method used to depreciate all items of PPE under their control per the FAR is realistic. 2. CFO to annually review the depreciation method used to depreciate different classes of assets to assess its applicability for each class of asset. 3. Executive Directors will inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected annually on the FAR.	Memo has been issued to all custodians of assets Review will be completed by 30 June of each year The Executive Directors have responded accordingly	CFO/ Executive Directors CFO/ Executive Directors CFO/ Executive Directors	1 July 2008 1 July 2008 31 December 2008

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Property, plant and equipment (GRAP 17) Review of depreciation method applied to PPE recognised in the annual financial statements <i>[paragraphs 62 and 77]</i>	4. Pass necessary accounting entries and also do necessary disclosure of the change in estimate.	All entries will be processed by 15 December 2008	CFO	30 June 2009
Property, plant and equipment (GRAP 17) Impairment of non-cash-generating assets <i>[paragraphs 64 – 69 and 75(e)(v) – (vi)]</i>	1. CFO to issue a memo (including a printout of the FAR per directorate) annually to all executive directors to identify items of PPE that may have suffered impairment losses, requesting them to identify assets that: <ul style="list-style-type: none"> ➤ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➤ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); 	Memo, including printout, has been issued to all custodians of assets	CFO/ Executive Directors	1 July 2008

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Property, plant and equipment (GRAP 17) Impairment of non-cash-generating assets <i>[paragraphs 64 – 69 and 75(e)(v) – (vi)]</i>	<ul style="list-style-type: none"> ➤ Are technologically obsolete at year end (the inclusion of FAR printouts per directorate will facilitate this process - remaining useful lives of major assets are shown on these FAR printouts and the executive directors can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➤ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➤ Show that they are not performing according to their specifications or according to industry accepted norms. <p>2. Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>All entries will be processed by 15 December 2008.</p>	<p>CFO</p>	<p>30 June 2009</p>

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Property, plant and equipment (GRAP 17) Impairment of cash-generating assets <i>[paragraphs 63 and 75(e)(v) – (vi)]</i>	1. CFO to issue a memo (including a printout of the FAR per directorate) annually to all executive directors to identify items of PPE that may have suffered impairment losses, requesting them to identify assets that: <ul style="list-style-type: none"> • Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); • Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); • Are technologically obsolete at year end (the inclusion of FAR printouts per directorate will facilitate this process - remaining useful lives of major assets are shown on these FAR printouts and the executive directors can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); 	Memo, including printout, has been issued to all custodians of assets	CFO/ Executive Directors	1 July 2008

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Property, plant and equipment (GRAP 17) Impairment of cash-generating assets <i>[paragraphs 63 and 75(e)(v) – (vi)]</i>	<ul style="list-style-type: none"> • Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. • Show that they are not performing according to their specifications or according to industry accepted norms. 2. Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	All entries will be processed by 15 December 2008.	CFO	30 June 2009
Impairment of Assets (IAS 36/AC 128) Entire Standard	1. CFO to issue a memo (including a printout of the FAR per directorate) annually to all executive directors to identify items of PPE that may have suffered impairment losses, requesting them to identify assets that: <ul style="list-style-type: none"> • Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); 	Memo, including printout, has been issued to all custodians of assets	CFO/ Executive Directors	1 July 2008

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Impairment of Assets (IAS 36/AC 128) Entire Standard	<ul style="list-style-type: none"> • Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); • Are technologically obsolete at year end (the inclusion of FAR printouts per directorate will facilitate this process - remaining useful lives of major assets are shown on these FAR printouts and the executive directors can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); • Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. • Show that they are not performing according to their specifications or according to industry accepted norms. 			

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Impairment of Assets (IAS 36/AC 128) Entire Standard	2. Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	All entries will be processed by 15 December 2008	CFO	30 June 2009
Inventories (GAMAP 12) The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	<p>Currently the municipality does not reflect land that will be sold within the next twelve months as inventories, but carries these items as part of PPE. The following implementation plans will need to be executed to ensure compliance with GAMAP 12:</p> <ol style="list-style-type: none"> 1. Ensure that all land and buildings under the control of the municipality are reflected on the Fixed asset Register of the municipality by implementing the action plans set out as points 1) to 3) for the section on Investment Property as set out below. 2. Ensure that at the first balance sheet date that this specific requirement of GAMAP 12 will be implemented to show these assets as inventories, that all land and buildings that will be sold within the following twelve months are removed from the FAR and are reclassified as inventories. 	<p>The Land Management System will provide this information by 31 December 2008</p> <p>Adjustments will be processed once Land Management System is fully operational.</p>	<p>CFO/ Executive Director Housing and Land</p> <p>CFO/ Executive Director Housing and Land</p>	<p>31 December 2008</p> <p>30 June 2009</p>

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Inventories (GAMAP 12) The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	3. Ensure that these inventories are measured at the lower of cost price and Net Realisable Value (NRV).	Adjustments will be processed once Land Management System is fully operational.	CFO/ Executive Director Housing and Land	30 June 2009
	4. Ensure that the necessary disclosure requirements relating to inventories of land and buildings are met.	Disclosures in the Financial Statements will be made in terms of the applicable accounting standards.	CFO	30 June 2009
Investment Property (IAS 40/AC 135) The entire standard to the extent that the property is accounted for in terms of GAMAP 17	1. Perform a title deeds search to identify all land and buildings under the control of the municipality.	Completed – 30 March 2008	Executive Director Housing and Land	1 July 2008
	2. Compare the results of the title deeds search to the Fixed Asset Register and the Valuation roll and adjust the FAR to reflect all land and buildings under the control of the municipality.	All land has been valued	CFO/ Executive Director Housing and Land	31 December 2008
	3. Value land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown.	Refer (2) above	CFO/ Executive Director Housing and Land	30 June 2009

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Investment Property (IAS 40/AC 135) The entire standard to the extent that the property is accounted for in terms of GAMAP 17	4. Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40.	The identification of Investment Property has been completed	CFO	30 June 2009
	5. Decide on an accounting policy for the subsequent measurement of IP i.e. cost price less accumulated depreciation or Fair Value. The cost model for IP is not desirable nor does it result in fair presentation (it is highly unlikely that IP will depreciate in value, nor will its value be impaired under normal circumstances – IAS 40 encourages a municipality to rather apply the fair value model opposed to the cost model);	Accounting Policy matters will be treated as per the applicable accounting standards aligned with the exemptions.	CFO	30 June 2009
	6. Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the accounting for subsequent expenditure, disposal of IP, transfers of IP, Fair value increases etc.	The Land Management System will manage this aspect	CFO	30 June 2009

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Investment Property (IAS 40/AC 135) The entire standard to the extent that the property is accounted for in terms of GAMAP 17	7. Property held for sale in the coming financial year (2007/2008) will have to be calculated and transferred to Inventory 8. According to IAS 40 the following disclosure requirements are listed that will be included in the AFS of the municipality:- ➤ The gross carrying amount of cost price and accumulated depreciation at the beginning and the end of the period; ➤ A reconciliation of the carrying amount of Investment Property at the beginning and the end of the period, showing additions, improvements, disposals, fair value adjustments, depreciation and impairment; and ➤ Transfers to or from Investment Properties and Investment Properties reclassified as held for sale.	The Land Management System will manage this aspect. Disclosure will be in line with exemptions.	CFO CFO	30 June 2008 30 June 2009

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Investment Property (IAS 40/AC 135) 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 the standard <i>[paragraphs 79(e)(i) – (iii)]</i>	<ul style="list-style-type: none"> Ensure that, even if IP is reflected at cost, procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS. 	Valuation Roll will be used to determine fair value.	CFO	30 June 2009
Leases (IAS 17/AC 105) 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. <i>[SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105)</i>	<ol style="list-style-type: none"> Municipality as lessee: operating leases that have fluctuating payment arrangements must be identified. Municipality as lessor: operating leases that have fluctuating payment arrangements must be identified. 	Process of identifying leases where the Metro is the lessee has been completed Process of identifying leases where the Metro is the lessor will be completed by 30 June 2009	CFO/ Executive Directors Executive Director Housing and Land (lessor)	30 June 2008 30 June 2009

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Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
<p>Leases (IAS 17/AC 105) 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. <i>[SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]</i></p>	<p>3. Currently, operating lease payments are accounted for based on the cash flows in the lease agreement and therefore the actual amount of lease installments incurred per annum is recognized in the Statement of Financial Performance. Once straight lining is done the amount recognized in the Statement of Financial Performance will be the average annual installment calculated over the entire lifespan of the lease. If the actual installments in a year are more than the average installment the difference will be shown as a prepayment (debtor) in the AFS. If the actual installments in a year are less than the average installment the difference will be shown as an accrual (creditor) in the AFS.</p>	<p>Straight lining of leases runs parallel with processes mentioned in 1 and 2 above</p>	<p>CFO</p>	<p>30 June 2009</p>

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<p>Intangible Assets (IAS 38/AC 129) The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed</p>	<p>Classification and initial measurement of Intangible Assets not yet accounted for in terms of IAS 38:</p> <ol style="list-style-type: none"> 1. All assets that meet the definition of an intangible asset and the recognition criteria for an asset will be identified by scrutinising the FAR and capital purchases file/vouchers. 2. All intangible assets identified will be measured initially at their cost price. Examples of items which may meet the definition of an intangible asset in the municipal environment are: <ul style="list-style-type: none"> • The cost of the General Valuation Roll; • A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year; and 	<p>Identification of Intangible Assets has been completed</p> <p>Review of cost measurement basis of Intangible Assets has been completed</p>	<p>CFO/ Executive Directors</p> <p>CFO</p>	<p>1 July 2008</p> <p>30 June 2009</p>

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<p>Intangible Assets (IAS 38/AC 129) The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed</p>	<ul style="list-style-type: none"> If any intangible assets are currently classified as part of PPE, then the full application of IAS 38 will lead to a reclassification of these items as intangible assets. This will result in a reduction in the carrying amount of PPE and an increase in intangible assets. <p>5. If intangible assets have been incorrectly expensed in the past this can be regarded as a prior period error and will be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality.</p>	<p>Relevant adjustments will be processed by 15 December 2008.</p> <p>Relevant adjustments will be processed by 15 December 2008.</p>	<p>CFO</p>	<p>30 June 2009</p>

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<p>Employee Benefits (IAS 19/AC 116) Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. <i>[paragraphs 29, 48 – 119, 120A(c)-(q)]</i></p>	<p>Currently the municipality does not account for its defined benefit plans and other long-term employee benefits in terms of IAS 19. The following will be done by the municipality:</p> <p>1. Determine and draw up a detailed list of all of the municipality's post retirement benefit plans;</p>	<p>Done.</p>	<p>Executive Director: Corporate Services/ CFO</p>	<p>31 January 2008</p>

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<p>Employee Benefits (IAS 19/AC 116) Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. <i>[paragraphs 29, 48 – 119, 120A(c)-(q)]</i></p>	<p>2. Ensure that the necessary actuarial valuations are requested for all of the above-mentioned identified plans to ensure that the relevant information is obtained to enable the municipality to account for the defined benefit plan (the actuaries will also have to confirm that these identified plans are indeed defined benefit plans). Request that the consultants tasked with preparing the actuarial reports provide the municipality with an indication of the journal entries and disclosure of these entries in the AFS for the financial year.</p> <p>3. Determine if there are any multi – employer plans in existence (for e.g. Joint Municipal Pension Funds) within the municipality;</p> <p>4. Should the municipality be a member of multi-employer plans, obtain the necessary actuarial information from the various fund administrators in this regard for all such plans, as required by IAS 19.29 and IAS 19.30;</p>	<p>Actuarial valuations have been obtained</p> <p>Multi – employer plans were determined at 29 February 2008 and listed accordingly.</p> <p>Letters have been submitted to the various Fund Administrators to obtain the required information.</p>	<p>CFO</p> <p>Executive Director: Corporate Services/ CFO</p> <p>Executive Director: Corporate Services/ CFO</p>	<p>30 June 2009</p> <p>30 June 2009</p> <p>30 June 2009</p>

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<p>Employee Benefits (IAS 19/AC 116) Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. <i>[paragraphs 29, 48 – 119, 120A(c)-(q)]</i></p>	<p>5. Draft a list of the other accounting treatment and disclosure requirements of IAS 19 and ensure that these requirements are met in the AFS.</p>	<p>Once information has been obtained the accounting treatment and the 2008/09 financial statements will be IAS 19 compliant.</p>	<p>CFO</p>	<p>30 June 2009</p>

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<p>Revenue (GAMAP 9) Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i></p>	<p>In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is deferred, for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest.</p> <p>The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.</p> <p>In terms of SAICA circular 9 of 2006, ensure that the following is done:</p> <ol style="list-style-type: none"> 1. Prepare a list of all settlement discounts received for prompt settlement of creditors in respect of inventories purchased. 	<p>In process of identifying settlement discount received for the purchase of inventories</p>	<p>CFO</p>	<p>30 June 2008</p>

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Revenue (GAMAP 9) Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i>	2. Ensure that these settlement discounts have been deducted from the cost price of the inventories concerned.	Process has been implemented as from 1 July 2008	CFO	30 June 2008
	3. If these settlement discounts have been accounted for as other income ensure that the other income is reversed to cost of inventories in respect of inventories that are still on hand and to inventories expensed in respect of inventories that have been sold or utilised by the municipality.	Process has been implemented as from 1 July 2008	CFO	30 June 2008
	4. It is highly unlikely that the municipality has received extended payment terms. If it had received extended payment terms, the requirements of SAICA Circular 9/06.23 to .30 will be met. These paragraphs essentially state and require the following:	NOT APPLICABLE	CFO	30 June 2008

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<p>Revenue (GAMAP 9) Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i></p>	<p>i) IAS 39 – <i>Financial Instruments: Recognition and Measurement</i> applies to the payable in such circumstances, and the effect of the time value of money should be reflected when this is material (IAS 39 paragraphs AG69-AG82); and</p> <p>ii). Furthermore, paragraph 18 of IAS 2 addresses deferred settlement terms and states that when the arrangement effectively contains a financing element, that element must be recognised as interest over the period of the financing. It also provides an example of a financing element – where there is a difference between the purchase price for normal credit terms and the amount paid.</p> <p>5. The re-allocation of SAICA Circular 9/06 related transactions will require system posting adjustments which will be performed in the 2007/08 financial year.</p>	<p>Will be implemented by December 2008.</p>	<p>CFO</p>	<p>30 June 2009</p>

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<p>Financial Instruments: Recognition and Measurement (IAS 39/AC 133) Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]</i></p>	<p>The municipality is of the opinion that it is, through its normal activities, complying with the requirements of the initial measurement of IAS 39. According to IAS 39 Application Guidance par 64 and 76A, the fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). However in cases that might be identified where initial recognition is not done correctly, the following actions would be required.</p> <ol style="list-style-type: none"> 1. Initial recognition: IAS 39 requires recognition of a financial asset or a financial liability when, and only when, the entity becomes a party to the contractual provisions of the instrument, subject to the following provisions in respect of regular way purchases. 2. Initial measurement: Initially, financial assets and liabilities will be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss. 	<p>Will comply with the requirements of initial measurement by 30 June 2009</p> <p>Will comply with the requirements of initial measurement by 30 June 2009.</p>	<p>CFO</p> <p>CFO</p> <p>CFO</p>	<p>30 June 2009</p> <p>30 June 2009</p> <p>30 June 2009</p>

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<p>Financial Instruments: Recognition and Measurement (IAS 39/AC 133) Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]</i></p>	<p>Action: Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. IAS 39 provides a hierarchy to be used in determining the fair value for a financial instrument which are the following:</p> <ul style="list-style-type: none"> • Quoted market prices in an active market are the best evidence of fair value and will be used, where they exist, to measure the financial instrument. 			

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<p>Financial Instruments: Recognition and Measurement (IAS 39/AC 133) Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]</i></p>	<ul style="list-style-type: none"> • If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. • If there is no active market for an equity instrument and the range of reasonable fair values is significant and these estimates cannot be made reliably, then an entity must measure the equity instrument at cost less impairment. 			

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Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142) Classification, measurement and disclosure of non-current assets held for sale. <i>[paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]</i>	1. Print-outs of the FAR per directorate will be made and distributed to each respective executive director. The executive directors will scrutinise the FAR applicable to their directorate and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11.	Printouts has been distributed to all custodians of assets	CFO/ Executive Directors	30 June 2009
	2. The Executive Director will return their FAR, to the CFO and indicate the assets that meet the above mentioned criteria.	The Executive Directors have responded accordingly	CFO/ Executive Directors	30 June 2009
	3. CFO will ensure that every directorate returns their FAR and ensure that it has been signed-off as proof that it has been reviewed.	Review, evaluation and necessary follow-up on responses received will be completed by 31 October 2008	CFO	30 June 2009

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Financial Instruments: Disclosures (IFRS 7/AC 144) 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	1. Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.			

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<p>Financial Instruments: Disclosures (IFRS 7/AC 144) 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</p>	<p>2. The municipality will group its financial instruments into classes of similar instruments and, when disclosures are required, make disclosures by class.</p> <p>The two main categories of disclosures are:</p> <ul style="list-style-type: none"> ➤ Information about the significance of financial instruments. ➤ Information about the nature and extent of risks arising from financial instruments. <p>Action: The following disclosures for each of the categories will be included:</p>	<p>Disclosure will be included in the notes to the 2007/08 financial statements</p>	<p>CFO</p>	<p>30 June 2009</p>

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<p>Financial Instruments: Disclosures (IFRS 7/AC 144) 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</p>	<p><u>Balance sheet:</u></p> <ul style="list-style-type: none"> ➤ <i>Financial assets measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition.</i> ➤ <i>Held-to-maturity investments.</i> ➤ <i>Loans and receivables.</i> ➤ <i>Available-for-sale assets.</i> ➤ <i>Financial liabilities at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition.</i> ➤ <i>Financial liabilities measured at amortised cost.</i> 			

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<p>Financial Instruments: Disclosures (IFRS 7/AC 144) 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</p>	<p><u>Income statement:</u></p> <ul style="list-style-type: none"> ➤ <i>Items of income, expense, gains, and losses, with separate disclosure of gains and losses from financial assets measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition, held-to-maturity investments, loans and receivables, available-for-sale assets, financial liabilities measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition and financial liabilities measured at amortised cost.</i> ➤ <i>Interest income and interest expense for those financial instruments that are not measured at fair value through profit and loss</i> ➤ <i>Fee income and expense</i> ➤ <i>Amount of impairment losses on financial assets</i> ➤ <i>Interest income on impairment financial assets</i> 			

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<p>Financial Instruments: Disclosures (IFRS 7/AC 144) 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</p>	<p><u>Other disclosures:</u> ➤ <i>Accounting policies for financial instruments.</i></p> <p><i>1. Note that disclosure of fair values is not required when the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables, or for instruments whose fair value cannot be measured reliably. (IFRS 7 par 29 (a) and (b))</i></p>			

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Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134) Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	1. Currently all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46.			

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ACHIEVING FULL COMPLIANCE WITH APPLICABLE ACCOUNTING STANDARDS**

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<p>Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134) Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9</p>	<p>2. On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. 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).</p>	<p>Process of unbundling the GGR to a deferred income account has been completed</p>	<p>CFO</p>	<p>30 June 2008</p>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: NATIONAL TREASURY IMPLEMENTATION PLAN FOR
ACHIEVING FULL COMPLIANCE WITH APPLICABLE ACCOUNTING STANDARDS**

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134) Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	3. On the implementation of IAS 20, unbundle the GGR by transferring the balance to a deferred income account.	Process of unbundling the GGR to a deferred income account has been completed	CFO	30 June 2008
	4. For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance.	Process of unbundling the GGR to a deferred income account has been completed	CFO	30 June 2008

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: NATIONAL TREASURY IMPLEMENTATION PLAN FOR
ACHIEVING FULL COMPLIANCE WITH APPLICABLE ACCOUNTING STANDARDS**

Financial reporting standard & extent of exemption from standard	Milestones to be achieved to comply with exemption – reported in October 2007 <i>[include the key challenges to be overcome]</i>	Amendment to milestone and or achievement of milestone <i>[include whether the milestones have been achieved or not, the reasons for amendments to the milestones and the reasons for non-achievement]</i>	Person responsible	Estimate date of compliance <i>[cannot extend beyond 31 June 2008]</i>
Construction Contracts (IAS 11/AC 109) Entire Standard	The municipality does not enter into construction contracts, where assets are constructed with the purpose of realizing a profit on construction activities. Therefore it is considered that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE
Business Combinations (IFRS 3/AC 140) Entire Standard	<ol style="list-style-type: none"> 1. The municipality does not enter into business combination transactions. This standard would at the most be relevant to the municipality in terms of goodwill, but the municipality does not have any goodwill it needs to account for. 2. No further actions therefore required to implement this standard. 	NOT APPLICABLE	NOT APPLICABLE	NOT APPLICABLE

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
(COMPANY REG. NO. 1995/010736/08)

ANNUAL FINANCIAL STATEMENTS

AT

30 JUNE 2008

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
ANNUAL FINANCIAL STATEMENTS
AT 30 JUNE 2008

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CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2008

BUSINESS AND OPERATIONS

The company hires out the Centenary Hall for concerts, conferences, exhibitions and related events and provides catering for these events.

FINANCIAL RESULTS

The financial results for the year under review are clearly reflected in these financial statements. The company has a deficit of R 55 337 (2007 : R 119 302) for the year.

DIRECTORS

Particulars of the present directors are given on page 1.

DIVIDENDS

No dividend was paid during the current year.

SHARE CAPITAL

The authorised and issued share capital remained unchanged throughout the year.

The unissued authorised share capital of the company remains under the control of the directors of the company until the next annual general meeting.

GOING CONCERN

In December 2007 the parent Municipality made a decision to rationalise entities of the Municipality, and the Centenary Hall was identified as one of this entities. The process was that the Centenary Hall would be absorbed into the Corporate Services Directorate as from the 01 July 2008. The new organisational structure has been approved by the Corporate Services Directorate, however it still has to be approved by various committees. As at this date, the process of incorporation has not yet been finalised.

EVENTS SUBSEQUENT TO THE ACCOUNTING DATE

No material fact or circumstance has occurred between the accounting date and the date of this report.

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		317 466	372 803
Accumulated surplus		317 466	372 803
Current liabilities		223 462	153 935
Trade and other payables	1	198 480	151 688
VAT	2	24 982	2 247
Total Net Assets and Liabilities		540 928	526 738
ASSETS			
Non-current assets		116 720	183 463
Property, plant and equipment	3	116 720	183 463
Current assets		424 208	343 275
Trade and other receivables	4	63 295	46 250
Other receivables	5	15 950	18 518
Cash and cash equivalents	7	344 963	278 507
Total Assets		540 928	526 738

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
REVENUE			
Sales	6	155 582	-
Rental of facilities and equipment		800 497	640 406
Interest earned		-	13 629
Government grants	8	60 000	48 649
Other income	9	13 776	-
Total Revenue		1 029 855	702 684
EXPENDITURE			
Bar purchases		1 145	105
Catering purchases		110 501	23 543
Administration expenses	10	177 847	144 317
Selling and distribution expenses	11	11 864	8 052
Employee related costs	12	264 476	285 239
Doubtful debts		18 260	26 750
Depreciation		66 743	70 660
Repairs and maintenance	13	33 010	27 159
Bank charges		8 358	5 682
Finance cost	14	586	95
Levies		-	233
Contracted services	15	92 684	85 632
General expenses	16	299 718	144 519
Total Expenditure		1 085 192	821 986
SURPLUS (DEFICIT) FOR THE YEAR		(55 337)	(119 302)

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Accumulated surplus / deficit R	Total R
2007		
Balance at 1 July 2006	492 105	492 105
Surplus/(deficit) for the year	(119 302)	(119 302)
Balance at 30 June 2007	372 803	372 803
2008		
Surplus/(deficit) for the year	(55 337)	(55 337)
Balance at 30 June 2008	317 466	317 466

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		1 046 900	571 451
Cash paid to suppliers and employees		(979 858)	(337 145)
Cash generated by operations	17	67 042	234 306
Interest received		-	13 629
Interest paid		(586)	(95)
NET CASH INFLOW FROM OPERATING ACTIVITIES		66 456	247 840
NET INCREASE IN CASH AND CASH EQUIVALENTS		66 456	247 840
Cash and cash equivalents at the beginning of the year		278 507	30 667
Cash and cash equivalents at the end of the year	18	344 963	278 507

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION

1.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) except for IAS16 "Property, plant and equipment", including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Practices Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1.1.1 Terminology differences:

Standard of GRAP	Replaced statement of GAAP
Statement of financial performance	Income Statement
Statement of financial position	Balance Sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit	Profit / loss
Accumulated surplus / deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

1.1.2 The cash flow statement is prepared in accordance with the direct method.

1.2 New Standards Adopted

The accounting policies adopted are consistent with those of the previous financial year except as listed below:

The company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the company. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 Financial Instruments: Disclosure
- IAS 1 Presentation of Financial Statements - Capital Disclosures
- IFRIC 8 (AC441), Scope of IFRS2 (effective 1 May 2006)
- IFRIC 9 (AC442), Re-assessment of Embedded Derivatives (effective 1 June 2006)
- IFRIC 10 (AC443), Interim Financial Reporting and Impairment (effective 1 November 2006)
- IFRIC 11, IFRS 2 - Company and Treasury Share Transactions

CENTENARY HALL PROMOTIONS
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(ASSOCIATION INCORPORATED UNDER SECTION 21)
MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION (Continued)

1.2 New Standards Adopted (Continued)

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the company to make new disclosures to enable users of the financial statements to evaluate the company's objectives, policies and processes for managing capital.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the company. This statement has had no effect on the current year financial statements.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the company has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the company. This statement has had no effect on the current year financial statements.

IFRIC 10 Interim Financial Reporting and Impairment

The company adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the company. This statement has had no effect on the current year financial statements.

IFRIC 11 IFRS 2 - Company and Treasury Share Transactions

The company adopted IFRIC 11 which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. No such arrangement exists and hence this interpretation has had no impact on the company.

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MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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1. BASIS OF PRESENTATION (Continued)

1.3 Future Changes to Policies

The following GRAP statements have been approved and will be effective from 1st April 2009

GRAP 4	The Effects of Changes in Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities Assets
GRAP 100	Non – current Assets Held for Sales and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

1.4 Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

1.5 Use of Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1.6 Departures from the standards

IAS 16 "PROPERTY, PLANT AND EQUIPMENT"

The company does not determine residual values for each item of property, plant and equipment, does not determine estimated useful lives with reference to the period over which the assets are expected to be available for use and does not depreciate each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost, separately as required by IAS 16 "Property, plant and equipment".

CENTENARY HALL PROMOTIONS
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MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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. PROPERTY, PLANT AND EQUIPMENT

- 4.1** Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent expenditure relating to property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Inferior equipment is written off in full in the year it is acquired. Surpluses or deficits on the disposal of assets are credited or charged to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

Items of property, plant and equipment are depreciated using the straight line basis at rates that will reduce the book values to estimated residual values over the anticipated useful lives of the assets concerned. The principal annual rates used for this purpose are:

Furniture and fittings (6 years)
Office equipment (3 years)
Motor vehicles (5 years)
Computer software (2 years)
Computer equipment (3 years)

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

4.2 Impairments of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount.

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MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.2 Impairments of non-financial assets (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

5. FINANCIAL INSTRUMENTS

5.1 Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Cash includes cash on hand and with banks. Cash equivalents are short term, 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. Bank overdraft is shown separately on the face of the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

5.2 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

5.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

CENTENARY HALL PROMOTIONS
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MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

5. FINANCIAL INSTRUMENTS (Continued)

5.4 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

5.5 Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

5.6 Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

5.7 Financial liabilities

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated as at fair value through profit or loss.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 7-30 day terms, are initially measured at fair value of the consideration to be paid in the future for goods and services received.

After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest method.

Bank overdraft

Bank overdraft are initially recognised and subsequently measured at fair value.

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MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

5. FINANCIAL INSTRUMENTS (Continued)

5.8 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Gains and losses on subsequent measurement

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

6. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and other taxes or duties. The following specific recognition criteria must be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Revenue from the hiring out of facilities for functions is recognised once the function has taken place.

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MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

6. REVENUE RECOGNITION (Continued)

Other income is recognised when the services have been rendered.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

7. GRANTS AND PUBLIC CONTRIBUTIONS

Revenue from grants and public contributions is recognised when all conditions associated with the contribution have been met. Where grants and public contributions have been received but the company has not met the conditions, a liability is recognised.

Revenue from grants and public contributions are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

8. RETIREMENT BENEFITS

The entity provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

The company contributes to the Old Mutual Orion Provident Fund, a defined contribution plan. This fund has been registered and governed under the Pension Fund Act, 1956 as amended.

9. TAXES

Value added tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of value added tax included.

- The company accounts for Value Added Tax on the cash basis.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. The company has an assessed loss for the current and prior financial year-end.

10. OPERATING LEASES

Operating lease payments are charged to the income statement in line with the terms of the underlying lease agreement.

CENTENARY HALL PROMOTIONS
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MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

11. BORROWING COSTS

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

12. 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. There was no unauthorised expenditure in the current financial year.

13. 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 supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. There was no irregular expenditure in the current financial year.

14. 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. There was no fruitless and wasteful expenditure in the current financial year.

15. COMPARATIVE INFORMATION

15.1 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.

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

2008
R

1. TRADE AND OTHER PAYABLES

Accruals	4 497
Accounting fee accrual	-
Audit fee accrual	152 433
Nelson Mandela Bay Metropolitan Municipality	37 550
Payments received in advance	4 000
	198 480
	198 480

Terms and conditions of the above financial liabilities:

-Accruals are non-interest bearing and are normally settled on 30-day terms.

- The payable to the related party bears no interest and has no fixed terms of repayment and is current in nature.

2. VAT

VAT payable	24 982
	24 982

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

3. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of carrying values is set out on the following page.

200€

2007
R

10 922
2 189
138 577

-
-

151 688

2 247

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

2008

	Furniture and fittings	Office equipment	Motor vehicles	Computer software	Computer equipment	Total
	R	R	R			R
Carrying Value	59 954	4 282	119 227	-	-	183 463
Cost	265 799	107 052	158 969	1 691	20 165	553 676
Accumulated Depreciation	(205 845)	(102 770)	(39 742)	(1 691)	(20 165)	(370 213)
Depreciation	(31 204)	(3 745)	(31 794)	-	-	(66 743)
Carrying Value	28 750	537	87 433	-	-	116 720
Cost	265 799	107 052	158 969	1 691	20 165	553 676
Accumulated Depreciation	(237 049)	(106 515)	(71 536)	(1 691)	(20 165)	(436 956)

The company does not have any restrictions on title and property, plant and equipment has not been pledge as security for liabilities.

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

3. PROPERTY, PLANT AND EQUIPMENT (Continued)

2007

	Furniture and fittings	Office equipment	Motor vehicles	Computer software	Computer equipment	Total
	R	R	R	R	R	R
Carrying Value	91 426	11 673	151 021	-	3	254 123
Cost	123 487	28 997	162 969	-	1 010	316 463
Accumulated Depreciation	(32 061)	(17 324)	(11 948)	-	(1 007)	(62 340)
Depreciation	(31 472)	(7 391)	(31 794)	-	(3)	(70 660)
Carrying Value	59 954	4 282	119 227	-	-	183 463
Cost	265 799	107 052	158 969	1 691	20 165	553 676
Accumulated Depreciation	(205 845)	(102 770)	(39 742)	(1 691)	(20 165)	(370 213)

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008	2007
	R	R
4. TRADE AND OTHER RECEIVABLES		
Trade receivables	112 525	77 220
Less: Provision for impairment of receivables	(49 230)	(30 970)
	63 295	46 250
	63 295	46 250

As at 30 June 2008, trade receivables at nominal value of R 49 230 (2007: R 30 970) for the company were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

Reconciliation of provision for impairment of receivables

Balance at beginning of the year	(30 970)	(4 220)
Charge for the year	(18 260)	(26 750)
Balance at end of the year	(49 230)	(30 970)
	(49 230)	(30 970)

As at 30 June 2008, the ageing analysis of trade receivables is as follows:

Neither past due nor impaired	22 518	18 760
Past due and not impaired		
< 30 days	-	7 810
30 – 60 days	-	1 900
60 – 90 day	-	17 780
90 – 120 day	19 957	-
>120 days	20 820	-
Total	63 295	46 250
	63 295	46 250

Trade receivables are non-interest bearing and are generally on 30 days' terms.

5. OTHER RECEIVABLES

Electricity deposits	15 950	15 400
Nelson Mandela Bay Metropolitan Municipality	-	3 118
	15 950	18 518
	15 950	18 518

Other receivables are non-interest bearing.

6. SALES

Catering	155 582	-
Total sales	155 582	-
	155 582	-

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008 R	2007 R
7. CASH AND CASH EQUIVALENTS		
The entity has the following bank account:		
<u>Current Account (Primary Bank Account)</u>		
Standard Bank of South Africa Limited		
Account Number 080194443		
Cash book balance at beginning of year	277 498	29 658
Cash book balance at end of year	344 963	277 498
Bank statement balance at beginning of year	151 496	45 421
Bank statement balance at end of year	344 963	151 496
<u>Petty cash and cash floats</u>		
Cash book balances at beginning of year	1 009	1 009
Cash book balances at end of year	-	1 009
Total bank, Petty cash and cash float balances	344 963	278 507
8. GOVERNMENT GRANTS		
Total government grants	60 000	48 649

Grants are received from the Nelson Mandela Bay Metropolitan Municipality to cover operating deficits of the entity. The conditions of the grant have been met. No funds have been withheld.

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008	2007
	R	R
9. OTHER INCOME		
Sundry income	13 776	-
	<hr/>	<hr/>
Total other income	13 776	-
	<hr/> <hr/>	<hr/> <hr/>
Sundry income was earned on other services provided such as drapping and venue decoration.		
10. ADMINISTRATION EXPENSES		
Accounting fees	12 150	22 759
Auditing fees	165 697	121 558
	<hr/>	<hr/>
Total administration expenses	177 847	144 317
	<hr/> <hr/>	<hr/> <hr/>
11. SELLING AND DISTRIBUTION EXPENSES		
Marketing	10 164	6 747
Subscriptions	1 700	1 305
	<hr/>	<hr/>
Total selling and distribution expenses	11 864	8 052
	<hr/> <hr/>	<hr/> <hr/>
12. EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	203 975	197 056
Employee related costs - contributions to UIF, WCA, provident and medical aids	50 365	71 361
Bonuses (annual)	9 459	16 822
Other	677	-
	<hr/>	<hr/>
Total employee related costs	264 476	285 239
	<hr/> <hr/>	<hr/> <hr/>
There were no advances to employees.		
Remuneration of the Manager		
Annual remuneration	113 508	113 508
Bonuses (annual)	9 459	9 459
Contributions to UIF, medical aid and provident fund	37 764	39 516
	<hr/>	<hr/>
Total	160 731	162 483
	<hr/> <hr/>	<hr/> <hr/>

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008 R	2007 R
13. REPAIRS AND MAINTENANCE		
Building - internal	22 581	26 149
Equipment	2 775	-
Maintenance agreements	-	300
Sundry repairs	-	53
Vehicles	7 654	657
Total repairs and maintenance	33 010	27 159
14. FINANCE COST		
Interest paid	586	95
Total finance cost	586	95
15. CONTRACTED SERVICES		
Cleaning	67 184	61 432
Security	25 500	24 200
Total contracted services	92 684	85 632
16. GENERAL EXPENSES		
Cleaning materials	15 874	14 868
Computer consumables	3 801	-
Electricity and water	46 417	52 459
Equipment hire	63 333	706
Expendable equipment	375	1 226
Equipment consumables	86	-
Laundry	3 299	2 799
Motor vehicle	17 404	16 685
Postage, telephone and fax	49 310	33 336
Professional services	12 890	-
Refuse	3 473	3 307
Staff meals	-	123
Stationery	2 477	1 462
Training and development of staff	-	6 705
Travel and subsistence	-	1 010
Venue decoration	80 979	9 833
Total general expenses	299 718	144 519

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008	2007
	R	R
17. CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	(55 337)	(119 302)
Adjustment for:-		
Depreciation	66 743	70 660
Interest income	-	(13 629)
Interest paid	586	95
Operating deficit before working capital changes:	11 992	(62 176)
(Increase) / decrease in Trade receivables	(17 045)	6 590
Decrease / (Increase) in Other receivables	2 568	169 354
Increase / (decrease) in Trade payables	69 527	120 538
Cash generated by operations	67 042	234 306
18. CASH AND CASH EQUIVALENTS		
Bank balances and cash comprise cash and short-term deposits held by the company's treasury function. The carrying amount of these assets approximates to their fair value.		
Bank balances and cash	344 963	278 507
Total cash and cash equivalents	344 963	278 507
19. EVENTS AFTER THE REPORTING DATE		
No material fact or circumstance has occurred between the accounting date and the date of this report.		

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

20. RETIREMENT BENEFIT INFORMATION

The company contributes to the Old Mutual Orion Provident Fund, a defined contribution plan. This fund has been registered and governed under the Pension Fund Act, 1956 as amended.

The contributions of R 13 337 (2007 : R 21 548) were expensed in the current year.

21. UNAUTHORISED EXPENDITURE

No such expenditure was incurred in the current year.

22. IRREGULAR EXPENDITURE

No such expenditure was incurred in the current year.

23. FRUITLESS AND WASTEFUL EXPENDITURE

No such expenditure was incurred in the current year.

24. CAPITAL COMMITMENTS

No capital expenditure has been authorised nor contracted for.

25. CONTINGENT LIABILITIES AND ASSETS

We are not aware of any pending or threatened litigations, proceedings, hearings or claims or negotiations which may result in significant loss or possible recovery to the company. Thus, the company does not have any contingent liabilities or contingent assets to disclose at year-end.

26. IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations or assistance was received in the current year.

27. COMPARISON WITH BUDGET

The comparison of the entity's actual financial performance with that budgeted is set out in Annexures D(1) and D(2).

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008 R	2007 R
28. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>28.1 Audit fees</u>		
Opening balance	138 577	-
Current year audit fee	165 697	138 577
Amount paid - current year	(151 841)	-
Balance unpaid (included in Trade payables)	152 433	138 577
<u>28.2 VAT</u>		
VAT payable is shown in Note 2. All VAT returns have been submitted by the due date throughout the year.		
<u>28.3 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions	38 418	22 987
Amount paid - current year	(35 653)	(22 987)
Balance unpaid (included in Trade payables)	2 765	-
The PAYE and UIF deducted from employees in the June 2008 payroll were paid over to the parent municipality during July 2008. The balance unpaid at year-end is included in Trade Payables.		
<u>28.4 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	48 785	68 861
Amount paid - current year	(45 739)	(68 861)
Balance unpaid (included in Trade payables)	3 046	-
The Pension and medical aid contributions deducted from employees in the June 2008 payroll as well as Council's contributions to pension funds were paid over to the parent municipality during July 2008. The balance unpaid at year-end is included in Trade Payables.		

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

28. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

28.5 Non- Compliance with the Municipal Finance Management Act

The company has not performed weekly reconciliation of revenue as required by S97 of the MFMA.

All accounts were not reconciled on a monthly basis as required by S98 of the MFMA.

The company does not have an internal audit unit and audit committee as required by S165 and S166 of the MFMA.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial liabilities, comprise bank overdraft and trade payables. The main purpose of these financial liabilities is to raise finance for the company's operations. The company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the company's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate management

The interest rate risk is limited due to the fact that the company is actually financed by the Nelson Mandela Bay Metropolitan Municipality by means of grants to cover operating deficits.

The company has an overdraft facility with Standard Bank of South Africa Limited. The interest rate on the overdraft facility is at the prime lending rate. The limit on the short term banking facilities is R 25 000. The Nelson Mandela Bay Metropolitan Municipality has provided security in respect of the overdraft facilities.

Deposits attract interest at a rate that varies according to the prime banking rate.

Credit risk management

The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The maximum exposure is the carrying amount as disclosed in Note 4 to the financial statements .

With respect to credit risk arising from the other financial assets of the company, which comprise cash and cash equivalents, the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The company monitors its risk to a shortage of funds by considering the maturity of financial assets and projected cash flows from operations. The company's objective is to maintain a balance between continuity of funding and flexibility through use of bank overdrafts and funding received from its parent municipality.

Foreign exchange risks

The company does not operate internationally and is thus not exposed to foreign exchange risk arising from various currency exposures.

Fair value

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash, trade receivables and payables and other receivables and payables.

Capital management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

30. RELATED PARTIES

The entity's only related party is its parent municipality the Nelson Mandela Bay Metropolitan Municipality.

Types of related party transactions

Grants are received from the Nelson Mandela Bay Metropolitan Municipality to cover operating deficits of the entity.

The payroll administration is performed by the Nelson Mandela Bay Metropolitan Municipality, the entity reimburses its parent for all payroll costs paid on their behalf.

Material related party transactions and balances

	2008	2007
Transactions	R	R
Grant received	60 000	48 649
Payroll costs	264 476	285 239

Balances

Refer to Note 1 for details of related party balances payable.
There was no related party balances receivable at year-end.

Security

The Nelson Mandela Bay Metropolitan Municipality has provided security in respect of the overdraft facilities.

CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

31. KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Refer to Note 12 for details.

32. CORRECTION OF ERROR**32.1 VAT output on Government grants**

During the year ended 30 June 2007, the company failed to account for VAT output on Grant income of R6 811, as a result Government grants income per the annual financial statements was overstated and VAT liability understated by this amount.

This error was corrected as an adjustment to the prior year comparatives.

33. RESTATED PRIOR YEAR COMPARATIVES**33.1 Government grants (Statement of financial performance)**

	R
Balance per the prior year audited financial statements at 30 June 2007	55 460
Correction of error (Note 32.1)	<u>(6 811)</u>
Restated balance at 30 June 2007	<u><u>48 649</u></u>

33.2 VAT (Statement of changes in net assets)

Balance per the prior year audited financial statements at 30 June 2007 (Debit)	4 564
Correction of error (Note 32.1)	<u>(6 811)</u>
Restated balance at 30 June 2007 (Credit)	<u><u>(2 247)</u></u>

APPENDIX A
CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

Category	Cost:				Accumulated depreciation:				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
Other assets	553 676	-	-	553 676	(370 213)	(66 743)	-	(436 956)	116 720
Furniture and fittings	265 799	-	-	265 799	(205 845)	(31 204)	-	(237 049)	28 750
Office equipment	107 052	-	-	107 052	(102 770)	(3 745)	-	(106 515)	537
Motor vehicles	158 969	-	-	158 969	(39 742)	(31 794)	-	(71 536)	87 433
Computer software	1 691	-	-	1 691	(1 691)	-	-	(1 691)	-
Computer equipment	20 165	-	-	20 165	(20 165)	-	-	(20 165)	-
Total	553 676	-	-	553 676	(370 213)	(66 743)	-	(436 956)	116 720

THIS APPENDIX IS NOT APPLICABLE TO THIS ENTITY

APPENDIX C
CENTENARY HALL PROMOTIONS
 Trading as CENTENARY HALL
 (ASSOCIATION INCORPORATED UNDER SECTION 21)
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2008			Department	2007		
Revenue	Expenses	Surplus/ (Deficit)		Revenue	Expenses	Surplus/ (Deficit)
R	R	R		R	R	R
			Municipal Council			
			Administration			
			Technical Services			
			Regional Services			
-	-	-	Total	-	-	-

APPENDIX D(1)
CENTENARY HALL PROMOTIONS
Trading as CENTENARY HALL
(ASSOCIATION INCORPORATED UNDER SECTION 21)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of significant variances greater than 10% versus budget
Revenue					
Gross profit - catering	43 936	-	43 936	100.00%	Catering income and facility hire had a large growth pattern which is ahead of the budgeted figures for the year. The reason for this is due to a substantial increase in the number of events hosted at the Centre.
Gross profit - rental of facilities	800 497	763 720	36 777	4.82%	The increase from rental was due to large increase in rental of space for events.
Government grants	60 000	58 230	1 770	3.04%	N/A
Interest earned	-	36 150	(36 150)	-100.00%	The main source of interest revenue was from the Nelson Mandela Metropolitan Municipality. Centenay does no longer have an investment on its parent municipality.
Sundry income	13 776	6 920	6 856	99.08%	More income was generated from Drapping and decoration.
Expenditure					
Employee related costs	264 476	585 890	(321 414)	-54.86%	Actual expenditure was below budget due to managing with the current staff resources.
Repairs and maintenance	33 010	59 400	(26 390)	-44.43%	Actual expenditure was below he budgeted figures mainly due to the decrease in the maintenance of items in the venue.
General expenses	676 060	534 380	141 680	26.51%	Actual expenditure exceeded the budgeted figures mainly due to inflationary increases and increases in expenditure directly associated with the increase in revenue.

FEATHER MARKET PROMOTIONS
Trading as **FEATHER MARKET CENTRE**
(ASSOCIATION INCORPORATED UNDER SECTION 21)
(COMPANY REG. NO. 930/1267/08)

ANNUAL FINANCIAL STATEMENTS

AT

30 JUNE 2008

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
ANNUAL FINANCIAL STATEMENTS
AT 30 JUNE 2008

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FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
(COMPANY REG. NO. 930/1267/08)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2008

BUSINESS AND OPERATIONS

The company hires out the Feather Market Centre for concerts, conferences, exhibitions and related events and provides catering for these events.

FINANCIAL RESULTS

The financial results for the year under review are clearly reflected in these financial statements. The company has a deficit of R 897 069 (2007 : R 387 907) for the year.

DIRECTORS

Particulars of the present directors are given on page 1.

DIVIDENDS

No dividend was paid during the current year.

SHARE CAPITAL

The authorised and issued share capital remained unchanged throughout the year.

The unissued authorised share capital of the company remains under the control of the directors of the company until the next annual general meeting.

EVENTS SUBSEQUENT TO THE ACCOUNTING DATE

No material fact or circumstance has occurred between the accounting date and the date of this report.

**Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		8 553 002	9 450 071
Accumulated surplus		8 553 002	9 450 071
Current liabilities		790 971	441 042
Trade and other payables	1	684 729	225 903
VAT	2	60 538	186 583
Provision for bonuses	3	45 704	-
Bank overdraft	9	-	28 556
Total Net Assets and Liabilities		9 343 973	9 891 113
ASSETS			
Non-current assets		7 667 817	8 452 018
Property, plant and equipment	4	7 667 817	8 452 018
Current assets		1 676 156	1 439 095
Inventory	5	110 227	108 496
Trade and other receivables	6	327 924	219 447
Other receivables	7	6 200	6 500
Cash and cash equivalents	9	1 231 805	1 104 652
Total Assets		9 343 973	9 891 113

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
REVENUE			
Sales (Bar and catering)	8	3 569 486	4 667 477
Rental of facilities and equipment		1 101 277	1 096 764
Interest earned		129 825	98 861
Government grants	10	1 099 130	924 545
Other income	11	422 546	293 870
Total Revenue		6 322 264	7 081 517
EXPENDITURE			
Cost of sales	12	2 288 949	2 492 567
Administration expenses	13	114 225	103 415
Selling and distribution expenses	14	218 024	350 044
Employee related costs	15	2 049 964	2 020 502
Bad debts		8 682	56
Depreciation - other		847 145	860 174
Repairs and maintenance	16	263 835	230 039
Bank charges		22 984	24 153
Interest paid	17	30 101	490
Legal fees		-	14 067
Levies		6 792	5 643
Contracted services	18	277 960	281 530
General expenses	19	1 090 672	1 086 744
Total Expenditure		7 219 333	7 469 424
SURPLUS (DEFICIT) FOR THE YEAR		(897 069)	(387 907)

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Accumulated surplus / deficit R	Total R
2007		
Balance at 1 July 2006	9 837 978	9 837 978
Surplus/(deficit) for the year	(387 907)	(387 907)
Balance at 30 June 2007	9 450 071	9 450 071
2008		
Surplus/(deficit) for the year	(897 069)	(897 069)
Balance at 30 June 2008	8 553 002	8 553 002

FEATHER MARKET PROMOTIONS
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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		6 430 741	7 132 283
Cash paid to suppliers and employees		(6 311 812)	(6 603 740)
Cash generated by operations	20	118 929	528 543
Interest received		129 825	98 861
Interest paid		(30 101)	(490)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>218 653</u>	<u>626 914</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(62 944)	(70 015)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(62 944)</u>	<u>(70 015)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		155 709	556 899
Cash and cash equivalents at the beginning of the year		<u>1 076 096</u>	<u>519 197</u>
Cash and cash equivalents at the end of the year	21	<u>1 231 805</u>	<u>1 076 096</u>

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MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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1. BASIS OF PRESENTATION

1.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) except for IAS16 "Property, plant and equipment", including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Practices Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following changes in the presentation of the financial statements:

1.1.1 Terminology differences:

Standard of GRAP	Replaced statement of GAAP
Statement of financial performance	Income Statement
Statement of financial position	Balance Sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit	Profit / loss
Accumulated surplus / deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

1.1.2 The cash flow statement is prepared in accordance with the direct method.

1.2 New Standards Adopted

The accounting policies adopted are consistent with those of the previous financial year except as listed below:

The company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the company. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 Financial Instruments: Disclosure
- IAS 1 Presentation of Financial Statements - Capital Disclosures
- IFRIC 8 (AC441), Scope of IFRS2 (effective 1 May 2006)
- IFRIC 9 (AC442), Re-assessment of Embedded Derivatives (effective 1 June 2006)
- IFRIC 10 (AC443), Interim Financial Reporting and Impairment (effective 1 November 2006)
- IFRIC 11, IFRS 2 - Company and Treasury Share Transactions

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1. BASIS OF PRESENTATION (Continued)

1.2 New Standards Adopted (Continued)

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the company to make new disclosures to enable users of the financial statements to evaluate the company's objectives, policies and processes for managing capital.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the company. This statement has had no effect on the current year financial statements.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the company has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the company. This statement has had no effect on the current year financial statements.

IFRIC 10 Interim Financial Reporting and Impairment

The company adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the company. This statement has had no effect on the current year financial statements.

IFRIC 11 IFRS 2 - Company and Treasury Share Transactions

The company adopted IFRIC 11 which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. No such arrangement exists and hence this interpretation has had no impact on the company.

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1. BASIS OF PRESENTATION (Continued)

1.3 Future Changes to Policies

The following GRAP statements have been approved and will be effective from 1st April 2009

GRAP 4	The Effects of Changes in Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities Assets
GRAP 100	Non – current Assets Held for Sales and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

1.4 Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

1.5 Use of Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 3 – provisions

The Annual bonus provisions are based on employment contract stipulations as well as previous annual bonus payment trends.

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1. BASIS OF PRESENTATION (Continued)

1.6 Departures from the standards

IAS 16 "PROPERTY, PLANT AND EQUIPMENT"

The company does not determine residual values for each item of property, plant and equipment, does not determine estimated useful lives with reference to the period over which the assets are expected to be available for use and does not depreciate each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost, separately as required by IAS 16 "Property, plant and equipment" .

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. PROPERTY, PLANT AND EQUIPMENT

- 4.1** Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent expenditure relating to property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Inferior equipment is written off in full in the year it is acquired. Surpluses or deficits on the disposal of assets are credited or charged to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

Items of property, plant and equipment are depreciated using the straight line basis at rates that will reduce the book values to estimated residual values over the anticipated useful lives of the assets concerned. The principal annual rates used for this purpose are:

- Furniture and fittings (6 years)
- Office equipment (3 years)
- Motor vehicles (5 years)
- Computer software (2 years)
- Computer equipment (3 years)
- Audio visual equipment (3 years)
- Leasehold improvements (25 years)

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

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4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.2 Impairments of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

5. INVENTORY

Inventory which comprises merchandise purchased for resale is valued at the lower of cost and net realisable value on a specific identification basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Inventory cost includes the costs of purchase of inventories comprising the purchase price, levies, pressing and storage. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

6. FINANCIAL INSTRUMENTS

6.1 Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Cash includes cash on hand and with banks. Cash equivalents are short term, 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. Bank overdraft is shown separately on the face of the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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6. FINANCIAL INSTRUMENTS (Continued)

6.2 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

6.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

6.4 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

6.5 Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

6.6 Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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6. FINANCIAL INSTRUMENTS (Continued)

6.7 Financial liabilities

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated as at fair value through profit or loss.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 7-30 day terms, are initially measured at fair value of the consideration to be paid in the future for goods and services received.

After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest method.

Bank overdraft

Bank overdraft are initially recognised and subsequently measured at fair value.

6.8 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Gains and losses on subsequent measurement

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

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7. PROVISIONS

Provisions are recognised where the company and the group has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

An annual bonus provision is made based on employment contract stipulations as well as previous annual bonus payment trends.

8. REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and other taxes or duties. The following specific recognition criteria must be met before revenue is recognised:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Revenue from the hiring out of facilities for functions is recognised once the function has taken place.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

9. GRANTS AND PUBLIC CONTRIBUTIONS

Revenue from grants and public contributions is recognised when all conditions associated with the contribution have been met. Where grants and public contributions have been received but the company has not met the conditions, a liability is recognised.

Revenue from grants and public contributions are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

10. RETIREMENT BENEFITS

The company provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are recognised in the profit or loss for the period.

11. TAXES

Value added tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of value added tax included.

- The company accounts for Value Added Tax on the cash basis.

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12. OPERATING LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease rentals are recognised on a straight-line basis over the lease term or any other basis which is representative of the time pattern of the lessees benefit.

13. BORROWING COSTS

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

14. 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. There was no unauthorised expenditure in the current financial year.

15. 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 supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. There was no irregular expenditure in the current financial year.

16. 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. There was no fruitless and wasteful expenditure in the current financial year.

17. COMPARATIVE INFORMATION

17.1 Current year comparatives:

Budgeted amounts have been included in Appendix D(1) - D(2).

17.2 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
1. TRADE AND OTHER PAYABLES		
Trade payables	313 497	95 977
Payments received in advance	117 671	30 742
Staff leave	67 197	84 835
Audit fee Accrual	65 000	-
Nelson Mandela Bay Metropolitan Municipality	114 505	-
Other payables	6 859	14 349
	684 729	225 903
	684 729	225 903

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- The payable to related parties bear no interest and have no fixed terms of repayment and are current in nature.

The prior year comparative has been restated. Refer to Note 37 for details.

2. VAT

Vat input	(59 710)	(85 237)
Vat output	120 248	271 820
	60 538	186 583
	60 538	186 583

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to South African Revenue Services.

The prior year comparative has been restated. Refer to Note 37 for details.

3. PROVISION FOR BONUSES

Balance at beginning of the year	-	-
Annual Bonus	45 704	-
	45 704	-
	45 704	-

An annual bonus is due and payable to employees on their birth dates. The above provision is calculated on a time proportion basis.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4. PROPERTY, PLANT AND EQUIPMENT

2008

	Leasehold improvements	Furniture and fittings	Office equipment	Motor vehicles	Computer software	Computer equipment	Audio visual equipment	Total
	R	R	R	R	R	R	R	R
Carrying Value	8 235 046	75 521	30 369	111 082	-	-	-	8 452 018
Cost	18 716 018	306 916	268 093	246 850	10 928	66 762	3 151	19 618 718
Accumulated Depreciation	(10 480 972)	(231 395)	(237 724)	(135 768)	(10 928)	(66 762)	(3 151)	(11 166 700)
Additions	19 140	17 631	5 276	-	-	20 897	-	62 944
Depreciation	(748 705)	(24 857)	(21 850)	(49 369)	-	(2 364)	-	(847 145)
Carrying Value	7 505 481	68 295	13 795	61 713	-	18 533	-	7 667 817
Cost	18 735 157	324 547	273 369	246 850	10 928	87 659	3 151	19 681 661
Accumulated Depreciation	(11 229 676)	(256 252)	(259 574)	(185 137)	(10 928)	(69 126)	(3 151)	(12 013 844)

During the period, Feather Market Promotions acquired Property, plant and equipment with a cost of R62 944 in order to maintain the current operating capacity of the company.

The company does not have any restrictions on title and property, plant and equipment has not been pledge as security for liabilities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

2007

	Leasehold improvements	Furniture and fittings	Office equipment	Motor vehicles	Computer software	Computer equipment	Audio visual equipment	Total
	R	R	R	R	R	R	R	R
Carrying Value	8 983 687	58 675	37 818	160 452	-	1 017	528	9 242 177
Cost	18 716 018	263 771	241 223	246 850	10 928	66 762	3 151	19 548 703
Accumulated Depreciation	(9 732 331)	(205 096)	(203 405)	(86 398)	(10 928)	(65 745)	(2 623)	(10 306 526)
								-
Additions	-	43 145	26 870	-	-	-	-	70 015
								-
Depreciation	(748 641)	(26 299)	(34 319)	(49 370)	-	(1 017)	(528)	(860 174)
Carrying Value	8 235 046	75 521	30 369	111 082	-	-	-	8 452 018
Cost	18 716 018	306 916	268 093	246 850	10 928	66 762	3 151	19 618 718
Accumulated Depreciation	(10 480 972)	(231 395)	(237 724)	(135 768)	(10 928)	(66 762)	(3 151)	(11 166 700)

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	2008	2007
	R	R
5. INVENTORY		
Bar inventories	87 880	87 264
Catering inventories	22 347	21 232
	110 227	108 496
	110 227	108 496
6. TRADE AND OTHER RECEIVABLES		
Trade receivables	329 925	221 962
Less: Provision for impairment of receivables	(2 001)	(2 515)
	327 924	219 447
	327 924	219 447
<p>As at 30 June 2008, trade receivables at nominal value of R 2001 (2007: R 2 515) for the company were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:</p>		
<u>Reconciliation of provision for impairment of receivables</u>		
Balance at beginning of the year	(2 515)	(2 459)
Charge for the year	(8 682)	(56)
Utilised	9 196	-
	(2 001)	(2 515)
	(2 001)	(2 515)
<p>As at 30 June 2008, the ageing analysis of trade receivables is as follows:</p>		
Past due and not impaired		
< 30 days	325 826	219 447
30 – 60 days	2 098	-
60 – 90 day	-	-
	327 924	219 447
	327 924	219 447
<p>Trade receivables are non-interest bearing and are generally on 30 days' terms.</p>		
7. OTHER RECEIVABLES		
Electricity deposits	6 200	6 500
	6 200	6 500
	6 200	6 500
8. SALES		
Bar	672 250	735 296
Catering	2 897 236	3 932 181
	3 569 486	4 667 477
	3 569 486	4 667 477

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	2008 R	2007 R
9. CASH AND CASH EQUIVALENTS		
The entity has the following bank accounts:		
<u>Current Account (Primary Bank Account)</u>		
Standard Bank of South Africa Limited		
Account Number 080140114		
Cash book balance at beginning of year - overdrawn	(28 556)	(25 473)
Cash book balance at end of year	86 755	(28 556)
Bank statement balance at beginning of year:	83 649	84 696
Bank statement balance at end of year	85 759	83 649
<u>Money Market Account</u>		
Standard Bank of South Africa Limited		
Account Number 084993359		
Cash book balance at beginning of year	345 872	526 951
Cash book balance at end of year	388 939	345 872
Bank statement balance at beginning of year:	345 872	526 951
Bank statement balance at end of year	388 939	345 872
<u>Call Account</u>		
Cash book balance at beginning of year	-	8 939
Cash book balance at end of year	-	-
Bank statement balance at beginning of year:	-	8 939
Bank statement balance at end of year	-	-

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
9. CASH AND CASH EQUIVALENTS		
<u>Fixed Deposit</u>		
Standard Bank of South Africa Limited Account Number 088429725001		
Cash book balance at beginning of year	750 000	-
Cash book balance at end of year	750 000	750 000
Bank statement balance at beginning of year:	750 000	-
Bank statement balance at end of year	750 000	750 000
<u>Petty cash and cash floats</u>		
Cash book balances at beginning of year	8 780	8 780
Cash book balances at end of year	6 111	8 780
Total bank, cash and overdraft balances	1 231 805	1 076 096
10. GOVERNMENT GRANTS		
Total government grants	1 099 130	924 545

Grants are received from the Nelson Mandela Metropolitan Municipality to cover operating deficits of the entity. The conditions of the grant have been met. No funds have been withheld.

The company has not benefited from any other form of government assistance.

The prior year comparative has been restated. Refer to Note 37 for details.

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
11. OTHER INCOME		
Management fee	-	4 008
Sundry income	422 546	289 862
Total other income	<u><u>422 546</u></u>	<u><u>293 870</u></u>
12. COST OF SALES		
Opening inventory	108 496	77 671
Purchases	2 290 680	2 523 392
	<u>2 399 176</u>	<u>2 601 063</u>
Closing inventory	(110 227)	(108 496)
Total cost of sales	<u><u>2 288 949</u></u>	<u><u>2 492 567</u></u>
13. ADMINISTRATION EXPENSES		
Accounting fees	49 060	36 720
Auditing fees	65 165	66 695
Total administration expenses	<u><u>114 225</u></u>	<u><u>103 415</u></u>
14. SELLING AND DISTRIBUTION EXPENSES		
Commission on bookings	27 621	195 762
Conferences and visits	42 890	34 867
Marketing	125 744	99 511
Subscriptions	21 769	19 904
Total selling and distribution expenses	<u><u>218 024</u></u>	<u><u>350 044</u></u>
15. EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	1 383 284	1 464 624
Employee related costs - contributions to UIF, WCA, pensions and medical aids	234 405	205 214
Housing benefits and allowances	75 376	62 922
Overtime payments	229 720	177 186
Bonuses (annual and incentive)	126 840	110 241
Other	339	315
Total employee related costs	<u><u>2 049 964</u></u>	<u><u>2 020 502</u></u>
There were no advances to employees.		
Remuneration of the Chief Executive Officer		
Annual remuneration	360 448	339 190
Bonuses (annual and incentive)	52 388	42 998
Contributions to UIF, medical aid and Provident Fund	46 360	45 456
Total	<u><u>459 196</u></u>	<u><u>427 644</u></u>

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
16. REPAIRS AND MAINTENANCE		
Building - internal	104 309	102 504
Computer equipment	-	482
Equipment	120 282	67 938
Maintenance agreements	9 895	38 773
Organ maintenance	13 224	16 453
Vehicles	16 125	3 889
Total repairs and maintenance	<u>263 835</u>	<u>230 039</u>
17. INTEREST PAID		
Interest paid	<u>30 101</u>	<u>490</u>
Total interest paid	<u>30 101</u>	<u>490</u>
18. CONTRACTED SERVICES		
Cleaning	156 472	152 171
Security	121 488	129 359
Total contracted services	<u>277 960</u>	<u>281 530</u>
19. GENERAL EXPENSES		
Cleaning materials	18 963	13 284
Computer consumables	19 922	12 128
Electricity and water	287 495	272 918
Equipment hire	135 336	89 391
Expendable equipment	23 989	29 374
Equipment consumables	23 625	43 732
Laundry	43 076	42 687
Licences	839	839
Locomotion casual	10 921	17 191
Motor vehicle	25 635	22 179
Parking rental	21 582	22 308
Postage, telephone and fax	127 243	146 111
Refuse	43 487	38 990
Sewerage	18 268	20 470
Staff meals	14 863	21 078
Stationery	43 546	41 649
Training and development of staff	20 398	27 456
Transport of staff	48 975	51 000
Travel and subsistence	40 739	39 972
Uniforms	22 172	20 880
Venue decoration	99 598	113 107
Total general expenses	<u>1 090 672</u>	<u>1 086 744</u>

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
20. CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	(897 069)	(387 907)
Adjustment for:-		
Depreciation	847 145	860 174
Interest income	(129 825)	(98 861)
Interest paid	30 101	490
Operating deficit before working capital changes:	(149 648)	373 896
(Increase)/decrease in inventory	(1 731)	(30 825)
(Increase)/decrease in debtors	(108 477)	(50 766)
(Increase)/decrease in other debtors	300	-
Increase/(decrease) in creditors	378 485	236 238
Cash utilised by operations	118 929	528 543
21. CASH AND CASH EQUIVALENTS		
Bank balances and cash comprise cash and short-term deposits held by the company's treasury function. The carrying amount of these assets approximates to their fair value.		
Bank balances and cash	1 231 805	1 104 652
Bank overdraft	-	(28 556)
Total cash and cash equivalents	1 231 805	1 076 096
22. EVENTS AFTER THE REPORTING DATE		
No material fact or circumstance has occurred between the accounting date and the date of this report.		

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

23. RETIREMENT BENEFIT INFORMATION

The company contributes to the Old Mutual Orion Provident Fund, a defined contribution plan. This fund has been registered and governed under the Pension Fund Act, 1956 as amended.

The policy of the company is to provide retirement benefits for all its employees.

The contributions of R 96 453 (2007 : R 89 383) were expensed in the current year.

24. UNAUTHORISED EXPENDITURE

No such expenditure was incurred in the current year.

25. IRREGULAR EXPENDITURE

No such expenditure was incurred in the current year.

26. FRUITLESS AND WASTEFUL EXPENDITURE

No such expenditure was incurred in the current year.

27. CAPITAL COMMITMENTS

No capital expenditure has been authorised nor contracted for.

28. CONTINGENT LIABILITIES AND ASSETS

We are not aware of any pending or threatened litigations, proceedings, hearings or claims or negotiations which may result in significant loss or possible recovery to the entity.

29. IN-KIND DONATIONS AND ASSISTANCE

No in-kind donations or assistance was received in the current year.

30. COMPARISON WITH BUDGET

The comparison of the entity's actual financial performance with that budgeted is set out in Annexures D(1) and D(2).

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
31. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>31.1 Audit fees</u>		
Opening balance	-	-
Current year audit fee	65 165	66 695
Amount paid - current year	(165)	(66 695)
Amount paid - previous years	-	-
	-	-
Balance unpaid (included in Trade and Other Payables)	65 000	-
<u>31.2 VAT</u>		
VAT inputs receivables and VAT outputs payables are shown in note 2. All VAT returns have been submitted by the due date throughout the year.		
<u>31.3 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions	122 360	225 208
Amount paid - current year	(121 152)	(225 208)
Amount paid - previous years	-	-
	-	-
Balance unpaid (included in Trade and Other Payables)	1 208	-

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
31. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
<u>31.3 PAYE and UIF (Continued)</u>		
The PAYE and UIF deducted from the June 2008 payroll were paid over to the parent municipality during July 2008. The balance unpaid at year-end is included in Trade and Other Payables.		
<u>31.4 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	218 813	227 699
Amount paid - current year	(207 698)	(227 699)
Amount paid - previous years	-	-
Balance unpaid (included in Trade and Other Payables)	11 115	-

The medical aid contributions deducted from employees in the June 2008 payroll as well as Council's contributions to pension funds were paid over to the parent municipality during July 2008. The balance unpaid at year-end is included in Trade and Other Payables.

31.5 Non- Compliance with the Municipal Finance Management Act

The company has not performed weekly reconciliation of revenue as required by S97 of the MFMA.

All accounts were not reconciled on a monthly basis as required by S98 of the MFMA.

The company does not have an internal audit unit and audit committee as required by S165 and S166 of the MFMA.

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial liabilities, comprise bank overdraft and trade payables. The main purpose of these financial liabilities is to raise finance for the company's operations. The company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the company's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate management

The interest rate risk is limited due to the fact that the company is actually financed by the Nelson Mandela Bay Metropolitan Municipality by means of grants to cover operating deficits .

The company has an overdraft facility with Standard Bank of South Africa Limited. The interest rate on the overdraft facility is at the prime lending rate. The limit on the short term banking facilities is R 100 000. The Nelson Mandela Bay Metropolitan Municipality has provided security in respect of the overdraft facilities.

Deposits attract interest at a rate that varies according the the prime banking rate. The company manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

Credit risk management

The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note No.6 to the financial statements . There are no significant concentrations of credit risk in the company.

With respect to credit risk arising from the other financial assets of the company, which comprise cash and cash equivalents, the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The company monitors its risk to a shortage of funds by considering the maturity of financial assets and projected cash flows from operations. The company's objective is to maintain a balance between continuity of funding and flexibility through use of bank overdrafts and funding received from its parent municipality.

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign exchange risks

The company does not operate internationally and is thus not exposed to foreign exchange risk arising from various currency exposures.

Fair value

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash, trade receivables and payables and other receivables and payables.

Capital management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

33. RELATED PARTIES

The entity's only related party is its parent municipality the Nelson Mandela Bay Metropolitan Municipality.

Types of related party transactions

Grants are received from the Nelson Mandela Bay Metropolitan Municipality to cover operating deficits of the entity.

The payroll administration is performed by the Nelson Mandela Bay Metropolitan Municipality, the entity reimburses its parent for all payroll costs paid on their behalf.

Material related party transactions and balances

	2008	2007
Transactions	R	R
Grant received	1 099 130	1 055 724
Payroll costs	1 680 298	1 355 792

Balances

Refer to Note 1 for details of related party balances payable.
There was no related party balances receivable at year-end.

Security

The Nelson Mandela Bay Metropolitan Municipality has provided security in respect of the overdraft facilities

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

34. COMMITMENTS UNDER OPERATING LEASES

The company has entered into commercial leases on items of office equipment where it is not in the best interest of the company to purchase these assets. These leases have an average life of between 2 and 5 years with renewal.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2008	2007
	R	R
Within the next year	22 422	16 992
Two to five years	89 688	-

The current year expense relating to the above leases is included in note 19. These leases have no scalation for the entire period of the contract.

35. KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

	2008	2007
	R	R
Total compensation paid to key management personnel		

36. CORRECTION OF ERROR

36.1 VAT out put on Government grants

During the year ended 30 June 2007, the company failed to account for VAT out put on Grant income of R131 179, as a result Government grants income per the annual financial statements was overstated and VAT liability understated by this amount.

This error was corrected as an adjustment to the prior year comparatives.

36.2 Other payables

During the year ended 30 June 2007, the company failed to raise an accrual for the June 2007 wages amounting to R14 349, as a result Employee related costs and Other payables per the annual financial statements were understated by this amount.

This error was corrected as an adjustment to the prior year comparatives.

FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

37. RESTATED PRIOR YEAR COMPARATIVES

37.1 Government grants (Statement of financial performance)

	R
Balance per the prior year audited financial statements at 30 June 2007	1 055 724
Correction of error (Note 36.1)	(131 179)
Restated balance at 30 June 2007	924 545

37.2 VAT (Statement of changes in net assets)

Balance per the prior year audited financial statements at 30 June 2007	55 404
Correction of error (Note 36.1)	131 179
Restated balance at 30 June 2007	186 583

37.3 Employee related costs (Statement of financial performance)

Balance per the prior year audited financial statements at 30 June 2007	1 450 275
Correction of error (Note 36.2)	14 349
Restated balance at 30 June 2007	1 464 624

37.4 Other payables (Statement of changes in net assets)

Balance per the prior year audited financial statements at 30 June 2007	-
Correction of error (Note 36.2)	14 349
Restated balance at 30 June 2007	14 349

APPENDIX A
FEATHER MARKET PROMOTIONS
Trading as FEATHER MARKET CENTRE
(ASSOCIATION INCORPORATED UNDER SECTION 21)
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

Category	Cost:				Accumulated depreciation:				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	
Other assets	19 618 718	62 944	-	19 681 662	(11 166 700)	(847 145)	-	(12 013 845)	7 667 817
Furniture and fittings	306 916	17 631	-	324 547	(231 395)	(24 857)	-	(256 252)	68 295
Office equipment	268 093	5 276	-	273 369	(237 724)	(21 850)	-	(259 574)	13 795
Motor vehicles	246 850	-	-	246 850	(135 768)	(49 369)	-	(185 137)	61 713
Computer software	10 928	-	-	10 928	(10 928)	-	-	(10 928)	-
Computer equipment	66 762	20 897	-	87 659	(66 762)	(2 364)	-	(69 126)	18 533
Audio visual equipment	3 151	-	-	3 151	(3 151)	-	-	(3 151)	-
Leasehold improvements	18 716 018	19 140	-	18 735 158	(10 480 972)	(748 705)	-	(11 229 677)	7 505 481
Total	19 618 718	62 944	-	19 681 662	(11 166 700)	(847 145)	-	(12 013 845)	7 667 817

THIS APPENDIX IS NOT APPLICABLE TO THIS ENTITY

APPENDIX C
FEATHER MARKET PROMOTIONS
 Trading as **FEATHER MARKET CENTRE**
 (ASSOCIATION INCORPORATED UNDER SECTION 21)
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2008			Department	2008		
Revenue	Expenses	Surplus/ (Deficit)		Revenue	Expenses	Surplus/ (Deficit)
R	R	R		R	R	R
			Municipal Council			
			Administration			
			Technical Services			
			Regional Services			
-	-	-	Total	-	-	-

APPENDIX D(1)
FEATHER MARKET PROMOTIONS
Trading as **FEATHER MARKET CENTRE**
(ASSOCIATION INCORPORATED UNDER SECTION 21)
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of significant variances greater than 10% versus budget
Revenue					
Gross profit - bar and catering	1 280 537	1 395 000	(114 463)	-8.21%	N/A
Gross profit - rental of facilities	1 101 277	995 000	106 277	10.68%	The increase from rental was due to large increase in rental of space for events such as exhibitions & concerts.
Government grants	1 099 130	1 099 130	-	0.00%	N/A
Interest earned	129 825	114 792	15 033	13.10%	N/A
Sundry income	422 546	415 000	7 546	1.82%	N/A
Expenditure					
Employee related costs	2 049 964	1 990 580	59 384	2.98%	N/A
Repairs and maintenance	263 835	272 000	(8 165)	-3.00%	N/A
General expenses	2 616 585	1 756 342	860 243	48.98%	Actual expenditure exceeded the budgeted figures mainly due to inflationary increases and increases in expenditure directly associated with the increase in revenue, namely selling and distribution expenses, contracted services and others.
Net deficit	(897 069)	-			

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008****(Registration Number: 2003/017900/08)**

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MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	Notes	2008 R	2007 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Grants & Public Contributions Reserves		606 435	658 489
LIABILITIES			
Non Current Liabilities			
Construction Contract Retention Creditors	2	896 759	632 264
Current Liabilities			
Trade and Other Payables	3	8 113 927	2 569 771
Provisions	4	198 176	318 652
Deferred Income	5	71 328 829	38 310 431
Short term portion of Construction Contract Retention Creditor	2	473 136	63 634
TOTAL NET ASSETS AND LIABILITIES		81 617 262	42 553 241
ASSETS			
Non-current Assets			
Property, Plant & Equipment	6	606 435	658 489
Current Assets			
Construction (Work in Progress)	7	42 954 557	17 246 984
Trade and Other Receivables	8	14 101 941	4 966 071
Deposits	9	5 605	5 605
Cash and Cash Equivalents	10	23 948 724	19 676 092
TOTAL ASSETS		81 617 262	42 553 241

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

	NOTES	ACTUAL 2008 R	ACTUAL 2007 R
REVENUE	11	14 625 449	12 372 511
IDC Grants		1 436 019	2 500 000
NMBM Conditional Grants & Receipts		11 004 462	8 988 389
Interest Received - external investments		2 184 968	884 122
OTHER INCOME			
Other Income	12	108 428	98 974
TOTAL REVENUE		14 733 877	12 471 485
EXPENDITURE		14 785 931	12 410 203
Advertising & Media		318 998	98 684
Audit Fees		105 200	104 435
Bank Charges		3 097	2 027
Cleaning, Safety & Security		6 164	3 335
Computer Expenses		19 896	29 881
Consumables		1 600	3 120
Course Fees, Education & Training		29 038	47 275
Depreciation		113 625	116 918
Donations & Social Responsibility		24 145	20 672
Electricity, Water & Rates		67 452	52 532
Employee Related Costs	13	3 764 705	3 498 036
Entertainment		79 073	54 788
Equipment Lease & Rentals		14 625	5 914
Insurance		42 802	33 006
Interest & Penalties	14	576	47
IT Support Costs		76 848	59 859
Legal Fees		210 885	511 268
Loss on disposal of non current asset		1 494	2 499
Meeting Expenses		44 563	44 379
Office Decor & Fittings		12 403	8 196
Postage & Courier		5 971	6 909
Printing & Stationery		22 033	23 985
Professional & Consultant Fees		198 912	97 525
Public Relations & Marketing		710 227	392 837
Recruitment Costs		6 733	7 676
Refreshments		8 651	7 772
Rentals		385 670	366 698
Repairs & Maintenance		6 259	5 499
Small Assets		3 647	16 923
Subscriptions		21 403	20 302
Sundry Expenses		7 107	5 744
Telephone & Fax		101 176	96 159
Travel & Accommodation		314 099	162 521
Strategic Spatial Implementation Framework		1 436 019	-
Cleansing Plan Project		1 541 290	1 468 348
Security Plan Project		5 054 569	4 809 434
Narrow Gauge Feasibility Study		24 976	225 000
NET (DEFICIT)/SURPLUS FOR THE YEAR		(52 054)	61 282

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	R	R	R
	Grants & Public Contributions Reserve	Accumulated Surplus	Total Net Assets
Restated Balance at 1 July 2007	609 149	402 370	1 011 519
Correction of error (<i>refer to note 25</i>)	-	(402 370)	(402 370)
Net Surplus for the year	-	61 282	61 282
Add back depreciation	(116 918)	116 918	-
Grants used to purchase PPE	178 200	(178 200)	-
Asset disposal	(11 942)	-	(11 942)
	658 489	-	658 489
Net Deficit for the year	-	(52 054)	(52 054)
Add back depreciation	(113 625)	113 625	-
Grants used to purchase PPE	73 217	(73 217)	-
Asset disposal	(11 646)	11 646	-
Balance at 30 June 2008	606 435	-	606 435

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 R
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Cash receipts from government and others		36 442 352	40 058 459
Cash paid to suppliers and employees		<u>(34 291 047)</u>	<u>(25 823 025)</u>
<i>Cash generated from operations</i>	15	2 151 305	14 235 434
Interest received		2 184 968	884 122
Interest paid		(576)	(47)
NET CASH UTILISED FROM OPERATING ACTIVITIES		<u>4 335 697</u>	<u>15 119 509</u>
CASH FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(73 217)	(178 200)
Proceeds on disposal of property, plant and equipment		10 152	9 444
<u>NET CASH UTILISED FROM INVESTING ACTIVITIES</u>		<u>(63 065)</u>	<u>(168 756)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16	<u>4 272 632</u>	<u>14 950 753</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		19 676 092	4 725 339
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>23 948 724</u>	<u>19 676 092</u>

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

	2008 R	2007 R
2 CONSTRUCTION CONTRACT RETENTION CREDITORS		
Rand Civils - GMA 1	718 456	632 264
Rand Civils - GMA 2	386 257	-
Rand Civils - Parliament Street	201 548	-
Trenchless Technologies	63 634	63 634
	<u>1 369 895</u>	<u>695 898</u>
Less: Short term portion transferred to Current Liabilities	<u>(473 136)</u>	<u>(63 634)</u>
	<u>896 759</u>	<u>632 264</u>
3 TRADE AND OTHER PAYABLES		
Trade Creditors	6 051 361	2 084 163
PAYE	59 839	56 082
UIF	2 440	2 391
Audit fees	31 000	23 000
Staff leave	52 756	65 400
Legal fees	27 000	105 000
Annual Bonuses	67 862	32 376
VAT	876 142	-
Sundry Creditors	945 527	201 359
	<u>8 113 927</u>	<u>2 569 771</u>
4 PROVISIONS		
Performance bonuses		
Balance at beginning of year	168 645	126 090
Contributions to Provisions	198 176	168 645
Adjustment for underprovision	-	27 458
Expenditure incurred	(168 645)	(153 548)
Balance at end of year	<u>198 176</u>	<u>168 645</u>
Narrow Gauge Contract		
Balance at beginning of year	150 007	-
Contributions to Provisions	-	150 007
Expenditure incurred	(150 007)	-
Balance at end of year	<u>-</u>	<u>150 007</u>
	<u>198 176</u>	<u>318 652</u>

NOTE:

The Narrow Gauge contract provision is based on estimated percentage of work completed at financial year end which formed the basis of the provision calculation.

5 DEFERRED INCOME**IDC**

Opening Balance
Amount Received
Recognised as Income

71 328 829

1 063 981

-

2 500 000

(1 436 019)

NMBM

Opening Balance
Restated balance as at 1 July 2007
As previously stated Opening Balance
Add: Capital expenditure previously expensed
Adjust for interest received
Adjust for Operational lease straight line

38 310 431**38 310 431**

-

-

-

-

-

Grants for the year

42 958 884

Less: Amount Recognised as income during the year

(11 004 467)

Interest Received

2 184 968

Expenditure on PPE

(73 216)

Depreciation

113 625

Sundry Income

108 428

Operating expenses

(13 338 272)

38 310 431

-

-

2 500 000

(2 500 000)

11 498 420

-

11 498 420

8 849 803

3 259 726

(470 429)

(140 680)

35 800 400

(8 988 389)

884 122

(178 200)

116 918

98 974

(9 910 203)

(Refer to Note 1.11.1)

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)****6 PROPERTY, PLANT AND EQUIPMENT**2008
R

	Cost			Closing Balance	Accumulated Depreciation			Closing Balance	Carrying Value
	Opening Balance	Additions	Disposal		Opening Balance	Depreciation	Disposal		
Computer Equipment	392 297	43 810	(12 340)	423 767	107 732	63 598	(694)	170 636	253 131
Computer Software	40 524	-	(2 020)	38 504	24 547	3 900	(2 020)	26 427	12 077
Office Equipment	41 747	5 744	-	47 491	7 536	5 860	-	13 396	34 095
Furniture & Fittings	360 613	23 663	-	384 276	64 869	31 828	-	96 697	287 579
Motor Cycles	16 053	-	-	16 053	3 995	3 407	-	7 402	8 651
Leasehold Assets	17 192	-	-	17 192	1 258	5 032	-	6 290	10 902
	868 426	73 217	(14 360)	927 283	209 937	113 625	(2 714)	320 848	606 435

2007
R

	Cost			Closing Balance	Accumulated Depreciation			Closing Balance	Carrying Value
	Opening Balance	Additions	Disposal		Opening Balance	Depreciation	Disposal		
Computer Equipment	340 432	90 835	(38 970)	392 297	77 854	61 268	(31 390)	107 732	284 565
Computer Software	21 783	18 741	-	40 524	8 467	16 080	-	24 547	15 977
Office Equipment	34 275	12 091	(4 619)	41 747	2 231	5 562	(257)	7 536	34 211
Furniture & Fittings	321 272	39 341	-	360 613	35 988	28 881	-	64 869	295 744
Motor Cycles	16 053	-	-	16 053	126	3 869	-	3 995	12 058
Leasehold Assets	-	17 192	-	17 192	-	1 258	-	1 258	15 934
	733 815	178 200	(43 589)	868 426	124 666	116 918	(31 647)	209 937	658 489

NOTE

No item of Property, Plant and Equipment has been pledged as security for liabilities.

7 CONSTRUCTION (Work in Progress)2008
R2007
R**Infrastructure - GMA 1 Upgrade**

Balance at beginning of year	14 491 378	2 777 351
Additions	14 431 163	11 714 027
Balance at end of year	<u>28 922 541</u>	<u>14 491 378</u>

Infrastructure - GMA 2 Upgrade

Balance at beginning of year	-	-
Additions	7 224 117	-
Balance at end of year	<u>7 224 117</u>	<u>-</u>

Infrastructure - Sewer Rehabilitation

Balance at beginning of year	2 755 606	-
Additions	34 938	2 755 606
Closing Balance	<u>2 790 544</u>	<u>2 755 606</u>

Infrastructure - Parliament Street Upgrade

Balance at beginning of year	-	-
Additions	4 017 355	-
Balance at end of year	<u>4 017 355</u>	<u>-</u>

Total42 954 55717 246 984**8 TRADE AND OTHER RECEIVABLES**

NMBM - Projects	14 040 055	4 779 141
NMBM - Travel Reimbursement	-	30 734
Vat Refund	-	8 522
Accrued Interest	61 886	147 674
	<u>14 101 941</u>	<u>4 966 071</u>

9 DEPOSITS

Telkom	2 100	2 100
Portnet Rental	2 000	2 000
Africorp Parking Bay and Remote Controls	1 400	1 400
Salaries' Savings Account	105	105
	<u>5 605</u>	<u>5 605</u>

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAI**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

	2008	2007
	R	R
10 CASH AND CASH EQUIVALENTS		
<i>The Municipal Entity has the following bank accounts</i>		
Current Account (Primary Account)		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 080308503		
Cashbook balance at beginning of year	100 469	102 425
Cashbook balance at end of the year	<u>71 266</u>	<u>100 469</u>
Bank statement balance at beginning of the year	100 469	102 425
Bank statement balance at end of the year	<u>71 266</u>	<u>100 469</u>
Savings Account		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 38368193000		
Cashbook balance	126	101
Bank statement balance	<u>126</u>	<u>101</u>
Short Term Investments		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 08846132		
Call Account Deposits		
Cashbook balance at beginning of year	19 575 522	4 622 796
Cashbook balance at end of the year	<u>23 877 332</u>	<u>19 575 522</u>
Bank statement balance at beginning of the year	19 575 522	4 622 796
Bank statement balance at end of the year	<u>23 877 332</u>	<u>19 575 522</u>
Which are disclosed in the Statement of Financial Position as follows:-		
Cash and cash equivalents	23 948 724	19 676 092
Current Account (Primary Account)	71 266	100 469
Call Account Deposits	23 877 332	19 575 522
Savings Account	126	101
NOTE:		
<i>All amounts of Cash and Cash Equivalents are available for use by the Agency.</i>		
11 REVENUE		
IDC Grant	1 436 019	2 500 000
NMBM Conditional Grants & Receipts	11 004 462	8 988 389
Interest Received - external investments	2 184 968	884 122
	<u>14 625 449</u>	<u>12 372 511</u>
12 OTHER INCOME		
Property Conference Attendance Fees	-	80 991
Request for Proposal Deposits	96 596	9 211
Sponsorships	-	8 772
Sundry income	11 832	-
	<u>108 428</u>	<u>98 974</u>
13 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	2 912 584	2 714 086
Employee related costs - Social Contributions	546 945	479 927
Car allowances	107 000	135 378
Performance bonus provision	198 176	168 645
Total Employee Related Costs	<u>3 764 705</u>	<u>3 498 036</u>

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

	2008 R	2007 R
13 EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Chief Executive Officer		
Annual Remuneration including social contributions	854 733	781 351
Car allowance	60 000	60 000
Performance bonus provision	119 598	108 725
Total	1 034 331	950 076
Remuneration of Chief Financial Officer		
Annual Remuneration including social contributions	480 668	435 680
Car allowance	24 000	28 000
Performance bonus provision	65 912	59 920
Total	570 580	523 600
Remuneration of Planning and Development Manager		
Annual Remuneration including social contributions	222 575	350 000
Car allowance	23 000	60 000
Performance bonus provision	12 666	-
Total	258 241	410 000
<i>Remuneration in 2008 for 6 months</i>		
14 INTEREST AND PENALTIES		
Interest on overdraft	576	47
	576	47
15 CASH (UTILISED IN)/GENERATED FROM OPERATIONS		
Net (deficit)/surplus for the year	(52 054)	61 282
Depreciation	113 625	116 918
Investment Income	(2 184 968)	(884 122)
Interest Paid	576	47
Loss on sale of Property Plant and Equipment	1 494	2 499
Operating (loss)/surplus before working capital changes:	(2 121 327)	(703 376)
Increase in Trade and other Payables	5 544 156	190 762
Decrease/Increase in provisions	(120 476)	192 562
Increase in deferred income	33 018 398	26 683 279
Increase in construction contract retention creditors	673 997	695 898
Increase in construction (work in progress)	(25 707 573)	(14 469 633)
(Increase)/decrease in Trade and other Receivables	(9 135 870)	1 659 085
Increase in deposits paid	-	(1 200)
Disposal of PPE	-	(11 943)
Cash generated from operations	2 151 305	14 235 434
16 MOVEMENT IN CASH AND CASH EQUIVALENTS		
Balance at the end of the year	23 948 724	19 676 092
Balance at the beginning of the year	19 676 092	4 725 339
Net increase in cash and cash equivalents	4 272 632	14 950 753
17 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
17.1 Audit fees		
Opening balance	23 000	14 014
Current year audit fee	105 200	38 176
Amount paid - current year	(74 200)	-
Amount paid - previous year	(23 000)	(31 273)
Underprovision - previous year	-	2 083
Balance unpaid	31 000	23 000

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

	2008 R	2007 R
17 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
17.2 PAYE and UIF		
Opening balance	58 473	47 925
Current year payroll deductions	798 340	733 395
Amount paid - current year	(736 061)	(674 922)
Amount paid - previous year	(58 473)	(47 925)
Balance unpaid	<u>62 279</u>	<u>58 473</u>
17.3 Performance Bonuses		
Opening balance	168 645	126 090
Amount paid	(168 645)	(153 548)
Under prior year	-	27 458
Provisions for the year	198 176	168 645
Balance unpaid	<u>198 176</u>	<u>168 645</u>
17.4 VALUE ADDED TAX		

As at 30 June 2008 all VAT returns have been submitted timeously to the South African Revenue Services.

18 RELATED PARTIES**18.1 Relations**

Parent Municipality	Nelson Mandela Bay Municipality
Funder	Industrial Development Corporation
<i>(see also note 2)</i>	

18.2 Related party balances**Amounts included in Trade and Other Receivables (Trade and Other Payables) regarding related parties**

Nelson Mandela Bay Municipality	14 040 055	4 779 141
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These balances have no fixed terms and conditions.

18.3 KEY MANAGEMENT PERSONNEL

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly including any director of MBDA:

Chief Executive Officer: Pierre Voges
 Chief Financial Officer: Ashwin Badra Daya
 Planning and Development Manager: Dorelle Giuliana Esilda Sapere

Their short term employee benefits are disclosed in note 13.

19 CONTINGENT LIABILITY

We are not aware of any pending or threatened litigation, proceedings, hearings, claims or negotiations which may result in significant loss to the Development Agency.

20 CONTINGENT ASSETS

We are not aware of the existence of any contingent assets at the financial year end.

21 IN-KIND DONATIONS

No in-kind donations and/or assistance was received during the financial year that would require adjustments to the annual financial

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

	2008 R	2007 R
22 POST BALANCE SHEET EVENTS		
We are not aware of the occurrence of any events post balance sheet date that would require adjustments to the annual financial statements		
23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
Balance at beginning of year	47	-
Fruitless and wasteful expenditure	3 696	47
Balance at end of year	<u>3 743</u>	<u>47</u>
23.1 Interest and Penalties	576	47
Interest paid on bank account		
23.2 Unauthorised use of Cellphone	3 120	-
Theft of cellphone by an employee, resulting in disciplinary action and subsequent dismissal.		

24 OPERATING LEASES

The following are the total minimum future lease payments

	0 - 1 year	1 - 5 years	more than 5 years
Office accommodation rental	439 151	74 318	-
Warehouse rental	4 975	-	-
Office plants rental	6 307	-	-
Public toilets rental	24 490	35 489	-

NOTE:

The Agency is the lessee.

25 RESTATEMENT OF ERRORS

Financial Performance which is transferred from Deferred Income was incorrect due to the following:

Interest received during 2007 and prior periods were incorrectly omitted in calculating the revenue to be transferred from Deferred Income in 2007 and prior periods and were only included during 2008.

The operating lease for the office premises which has a fixed escalation of 10% per year has not been straight-lined as required by IAS 17.

Statement of Financial Performance (Extract)*Prior to restatement*

Revenue		
Conditional Grants & Receipts	9 764 580	9 860 946
Total Revenue	<u>13 493 995</u>	<u>13 344 042</u>
Rentals expenditure	432 281	355 133
Total Expenditure	<u>14 832 542</u>	<u>12 398 638</u>
Net (Deficit) Surplus for the year	<u>(1 338 547)</u>	<u>945 404</u>

After restatement

Revenue		
Conditional Grants & Receipts	11 004 462	8 988 389
Total Revenue	<u>14 733 876</u>	<u>12 471 485</u>
Rentals expenditure	385 670	366 698
Total Expenditure	<u>14 785 931</u>	<u>12 410 203</u>
Net (Deficit) Surplus for the year	<u>(52 055)</u>	<u>61 282</u>

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

	2008 R	2007 R
25 RESTATEMENT OF ERRORS (continued)		
Statement of Changes in Net Assets (Extract)		
<i>Prior to restatement</i>	-	-
Accumulated surplus at beginning of year	1 286 492	402 370
Net (Deficit) Surplus for the year	(1 338 547)	945 404
Accumulated Surplus at year end	<u>-</u>	<u>1 286 492</u>
<i>After restatement</i>		
Accumulated Surplus at beginning of year	-	402 370
Correction of error	-	(402 370)
Restated balance at 1 July 2007	-	-
Net (Deficit) Surplus for the year	(52 055)	61 282
Accumulated Surplus at year end	<u>-</u>	<u>-</u>
Statement of Financial Position (Extract)		
<i>Prior to restatements</i>		
Trade & other payables	8 041 272	2 417 526
Deferred income	71 401 484	37 176 184
<i>After restatement</i>		
Trade & other payables	8 113 925	2 569 771
Deferred income	71 328 829	38 310 431

APPENDIX A

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**2008
R

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	
Computer Equipment	392 297	43 810	(12 340)	423 767	107 732	63 598	(694)	170 636	253 131
Computer Software	40 524	-	(2 020)	38 504	24 547	3 900	(2 020)	26 427	12 077
Office Equipment	41 747	5 744	-	47 491	7 536	5 860		13 396	34 095
Furniture & Fittings	360 613	23 663	-	384 276	64 869	31 828		96 697	287 579
Motor Cycles	16 053	-	-	16 053	3 995	3 407		7 402	8 651
Leasehold Assets	17 192	-	-	17 192	1 258	5 032		6 290	10 902
	868 426	73 217	(14 360)	927 283	209 937	113 625	(2 714)	320 848	606 435

2007
R

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	
Computer Equipment	340 432	90 835	(38 970)	392 297	77 854	61 268	(31 390)	107 732	284 565
Computer Software	21 783	18 741	-	40 524	8 467	16 080	-	24 547	15 977
Office Equipment	34 275	12 091	(4 619)	41 747	2 231	5 562	(257)	7 536	34 211
Furniture & Fittings	321 272	39 341	-	360 613	35 988	28 881	-	64 869	295 744
Motor Cycles	16 053	-	-	16 053	126	3 869	-	3 995	12 058
Leasehold Assets	-	17 192	-	17 192	-	1 258	-	1 258	15 934
	733 815	178 200	(43 589)	868 426	124 666	116 918	(31 647)	209 937	658 489

APPENDIX B

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008**

	2008 ACTUAL	2008 BUDGET	2008 VARIANCE	2008 VARIANCE
	R	R	R	%
REVENUE	14 733 877	18 141 734	(3 407 857)	(18.78)
EXPENDITURE				
Advertising & Media	318 998	400 000	81 002	20.25
Audit Fees	105 201	155 000	49 799	32.13
Bank Charges	3 094	10 000	6 906	69.06
Cleaning Safety & Security	6 164	6 951	787	11.32
Computer Expenses	19 896	30 000	10 104	33.68
Consumables	1 600	3 000	1 400	46.67
Course Fees Education & Training	29 038	55 000	25 962	47.20
Depreciation	113 627	193 948	80 321	41.41
Donations & Social Responsibility	24 145	25 000	855	3.42
Electricity, Water & Rates	67 452	84 632	17 180	20.30
Employee Related Costs	3 764 705	4 579 296	814 591	17.79
Entertainment	79 073	107 750	28 677	26.61
Equipment Lease & Rentals	14 625	21 035	6 410	30.47
Insurance	42 802	42 852	50	0.12
Interest & Penalties	576	2 500	1 924	76.96
IT Support Costs	76 848	113 765	36 917	32.45
Legal Fees	210 885	607 798	396 913	65.30
Loss on disposal of non current asset	1 494	-	(1 494)	(100.00)
Meeting Expenses	44 563	55 000	10 437	18.98
Office Decor & Fittings	12 403	20 000	7 597	37.99
Postage & Courier	5 971	9 566	3 595	37.58
Printing & Stationery	22 033	28 191	6 158	21.84
Professional & Consultant Fees	198 912	200 000	1 088	0.54
Public Relations & Marketing	710 227	950 000	239 773	25.24
Recruitment Costs	6 733	20 000	13 267	66.34
Refreshments	8 651	10 500	1 849	17.61
Rentals	385 670	510 915	125 245	24.51
Repairs & Maintenance	6 259	10 500	4 241	40.39
Small Assets	3 647	20 000	16 353	81.77
Subscriptions	21 403	30 000	8 597	28.66
Sundry Expenses	7 107	7 560	453	5.99
Telephone & Fax	101 176	106 323	5 147	4.84
Travel & Accommodation	314 099	318 600	4 501	1.41
Strategic Spatial Implementation Framework	1 436 019	2 375 000	938 981	39.54
Cleansing Plan Project	1 541 290	1 600 000	58 710	3.67
Security Plan Project	5 054 569	5 100 000	45 431	0.89
Narrow Gauge Feasibility Study	24 976	25 000	24	0.10
CBD Facilities	-	300 000	300 000	100.00
Total Expenditure	14 785 931	18 135 682	3 349 751	18.47
NET (DEFICIT)/SURPLUS FOR THE YEAR	(52 054)	6 052	(58 106)	

APPENDIX C

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008**

	2008 Actual Cost R	2008 Budget Cost R	Variance R	Variance %
Computer Equipment	43 810	75 000	31 190	41.59
Computer Software	-	25 000	25 000	100.00
Office Equipment	5 744	25 000	19 256	77.02
Furniture & Fittings	23 663	75 000	51 337	68.45
Totals	73 217	200 000	126 783	63.39