

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

**For the year ended**

**30 June 2011**

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 237, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.

  
E NTOBA – BDE B PROC, LLM

Acting Municipal Manager

30 September 2011

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2011	2010	2011	2010
		R	R	R	R
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net Assets</b>		<b>8 797 535 836</b>	<b>8 906 065 056</b>	<b>8 797 303 646</b>	<b>8 837 715 194</b>
Housing Development Fund	1	109 548 848	109 363 610	109 548 848	109 363 610
Capital Replacement Reserve		43 265 218	221 153 074	43 265 218	221 153 074
Government Grant Reserve		3 596 281 453	3 551 977 740	3 596 281 453	3 551 977 740
Capitalisation Reserve		1 105 583 042	1 255 629 800	1 105 583 042	1 255 629 800
Donations and Public Contributions Reserves		292 020 459	340 865 271	292 020 459	340 865 271
Self-Insurance Reserve		31 262 728	103 748 367	31 262 728	103 748 367
COID Reserve	2	11 772 619	11 786 995	11 772 619	11 786 995
Accumulated Surplus		3 607 801 469	3 311 540 199	3 607 569 279	3 243 190 337
<b>Non-current liabilities</b>		<b>3 126 917 256</b>	<b>2 467 722 107</b>	<b>3 125 879 887</b>	<b>2 466 493 642</b>
Long-term Liabilities	3	1 842 888 389	1 461 015 698	1 841 851 020	1 459 787 233
Employee Benefit Provisions	4	1 093 186 350	860 849 738	1 093 186 350	860 849 738
Non-current Provisions	4	190 842 517	145 856 671	190 842 517	145 856 671
<b>Current Liabilities</b>		<b>1 867 521 848</b>	<b>2 035 884 538</b>	<b>1 853 842 852</b>	<b>2 061 220 985</b>
Consumer deposits	7	111 125 316	79 849 533	111 125 316	79 849 533
Current Employee Benefit Provisions	5	46 853 624	43 421 707	46 564 046	43 074 998
Current Provisions	5	56 026 649	5 305 146	56 026 649	5 305 146
Creditors under exchange transactions	8	1 251 186 738	1 596 131 706	1 246 360 104	1 634 337 787
Unspent Conditional Grants and Receipts	9	309 213 994	218 352 142	301 712 064	206 195 988
VAT Suspense	18	0	0	0	0
Current Portion of Long-term Liabilities	3	93 115 527	92 824 304	92 054 673	92 457 533
<b>Total Net Assets and Liabilities</b>		<b>13 791 974 940</b>	<b>13 409 671 701</b>	<b>13 777 026 385</b>	<b>13 365 429 821</b>
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>12 351 502 885</b>	<b>11 385 477 605</b>	<b>12 351 270 697</b>	<b>11 384 686 434</b>
Property, Plant and Equipment	10	11 788 816 069	10 822 513 796	11 788 094 237	10 821 865 603
Intangible Assets	11	430 540 083	411 602 371	430 471 666	411 508 614
Investment Property	12	71 230 952	70 763 269	71 230 952	70 763 269
Investments	13	0	0	0	0
Investment in Associate	13	(538 061)	69 221	20 000	20 000
Long-term Receivables - Exchange Transactions	14	43 397 618	40 028 568	43 397 618	40 028 568
Long-term Receivables - Non-exchange Transactions	14	18 056 224	40 500 380	18 056 224	40 500 380
<b>Current Assets</b>		<b>1 440 472 055</b>	<b>2 024 194 096</b>	<b>1 425 755 688</b>	<b>1 980 743 387</b>
Inventory	15	114 759 240	134 987 062	114 679 786	134 763 934
Consumer debtors - Exchange Transactions	16	421 338 022	509 581 901	421 338 022	509 581 901
Consumer debtors - Non-exchange Transactions	16	25 030 243	89 905 892	25 030 243	89 905 892
Other Debtors	17	344 642 524	517 916 541	390 715 481	517 834 945
VAT	18	19 293 895	56 664 969	16 958 349	55 561 376
VAT Suspense	18	28 235 674	42 356 840	28 235 674	42 356 840
Current portion of long-term receivables	14	12 984	33 590	12 984	33 590
Short-term investments	19	1 127 728	935 409	1 127 728	935 409
Short-term investment deposits	19	296 992 369	505 408 067	296 992 369	505 408 067
Bank balances and cash	20	189 039 376	166 403 825	130 665 052	124 361 433
<b>Total Assets</b>		<b>13 791 974 940</b>	<b>13 409 671 701</b>	<b>13 777 026 385</b>	<b>13 365 429 821</b>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	ECONOMIC ENTITY		MUNICIPALITY		
	Actual	Actual	Actual	Actual	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R	
<b>REVENUE</b>					
Property rates	21	838 854 652	756 499 194	838 854 652	756 499 194
Service Charges	22	3 122 677 618	2 549 064 398	3 122 757 998	2 549 174 774
Interest earned - external investments		19 251 540	65 323 178	16 447 283	61 759 998
Interest earned - outstanding debtors		113 346 560	82 762 356	113 346 560	82 762 356
Fines		23 736 347	23 415 331	23 736 347	23 415 331
Licences and Permits		8 152 731	8 242 413	8 152 731	8 242 413
Government Grants and Subsidies		1 803 791 445	2 395 942 529	1 868 971 603	2 448 467 630
Rental of facilities and equipment	24	17 640 531	15 545 171	17 640 531	15 545 171
Income for agency services		1 611 022	1 219 757	1 611 022	1 219 757
Other Income	25	363 370 857	266 150 097	357 911 862	265 160 646
Gains on the disposal of property, plant and equipment	35.10	1 698 397	0	1 698 397	0
<b>Total Revenue</b>		<b>6 314 131 700</b>	<b>6 164 164 424</b>	<b>6 371 128 986</b>	<b>6 212 247 269</b>
<b>EXPENDITURE</b>					
Employee related costs	26	1 893 081 855	1 629 721 414	1 887 361 380	1 624 443 694
Remuneration of Councillors	27	45 053 304	44 885 796	45 053 304	44 885 796
Bad debts	28	554 274 784	419 469 579	554 265 102	419 466 568
Collection costs		2 952 196	2 757 759	2 952 196	2 757 759
Contracted services		144 271 438	147 764 911	144 271 438	147 764 911
Depreciation - Property, plant and equipment	48	440 446 323	520 702 828	440 305 242	520 558 558
Depreciation - Investment Property	50	2 638 502	7 832 946	2 638 502	7 832 946
Amortisation	49	85 963 507	8 836 587	85 932 413	8 817 455
Impairment	35.8	42 183 558	9 259 253	42 183 558	9 259 253
Repairs and Maintenance		415 691 740	408 118 482	415 637 700	408 103 781
Finance charges Paid	29	177 629 732	113 366 882	177 629 732	113 314 547
Bulk purchases	30	1 575 086 810	1 237 381 154	1 575 086 810	1 237 381 154
Grants and subsidies paid	31	296 230 864	283 058 979	307 556 123	364 570 786
General Expenses		741 492 503	815 635 473	725 610 513	805 381 339
Loss on Foreign Exchange Transaction	23	0	3 973 498	0	3 973 498
Loss on disposal of Property Plant and Equipment	35.9	5 056 521	2 932 733	5 056 521	2 932 733
Share of loss in Associate	36	607 283	725 524	0	0
<b>Total Expenditure</b>		<b>6 422 660 920</b>	<b>5 656 423 798</b>	<b>6 411 540 534</b>	<b>5 721 444 778</b>
(Deficit)/ Surplus for the year		(108 529 220)	507 740 626	(40 411 548)	490 802 491
Taxation		0	0	0	0
<b>(Deficit)/ Surplus after taxation for the year</b>		<b>(108 529 220)</b>	<b>507 740 626</b>	<b>(40 411 548)</b>	<b>490 802 491</b>

**NELSON MANDELA BAY MUNICIPALITY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

<u>ECONOMIC ENTITY</u>	<u>Housing</u>	<u>Capital</u>	<u>Capitilisation</u>	<u>Government</u>	<u>Donations and</u>	<u>Self-Insurance</u>	<u>COID Reserve</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Development</u>	<u>Replacement</u>	<u>Reserve</u>	<u>Grant Reserve</u>	<u>Public</u>	<u>Reserve</u>		<u>Surplus/</u>	
	<u>Fund</u>	<u>Reserve</u>	<u>Reserve</u>		<u>Contributions</u>			<u>(Deficit)</u>	
	R	R	R	R	R	R	R	R	R
<b>Balance at 01 July 2009</b>	<b>108 491 927</b>	<b>287 654 634</b>	<b>1 426 584 295</b>	<b>2 824 788 038</b>	<b>206 087 934</b>	<b>90 492 535</b>	<b>10 561 305</b>	<b>3 443 663 762</b>	<b>8 398 324 430</b>
Surplus for the year								466 286 647	466 286 647
Restatements (Refer Note 40.1 and 40.7)								41 453 979	41 453 979
Transfer to CRR		346 323 860						(346 323 860)	0
Interest Received	688 038	63 826 240						(64 514 278)	0
Property, plant and equipment purchased		(476 651 660)						476 651 660	0
Contribution to fund								0	0
Capital Grants used to purchase PPE				961 930 995				(961 930 995)	0
Donated/contributed PPE					94 452 237			(94 452 237)	0
Contribution to Insurance Reserve						18 455 276	3 851 044	(22 306 320)	0
Insurance claims processed						(5 199 444)	(2 625 354)	7 824 798	0
Transfer from Housing Development Fund	183 645							(183 645)	0
Offsetting of depreciation			(170 238 287)	(234 654 143)	40 325 716			364 566 714	0
Additional Depreciation Reversal								0	0
Asset Disposals			(716 208)	(87 150)	(616)			803 974	0
<b>Balance at 30 June 2010</b>	<b>109 363 610</b>	<b>221 153 074</b>	<b>1 255 629 800</b>	<b>3 551 977 740</b>	<b>340 865 271</b>	<b>103 748 367</b>	<b>11 786 995</b>	<b>3 311 540 199</b>	<b>8 906 065 056</b>
<b>Opening Balance - 01 July 2010</b>	<b>109 363 610</b>	<b>221 153 074</b>	<b>1 255 629 800</b>	<b>3 551 977 740</b>	<b>340 865 271</b>	<b>103 748 367</b>	<b>11 786 995</b>	<b>3 311 540 199</b>	<b>8 906 065 056</b>
Deficit for the year								(108 529 220)	(108 529 220)
Transfer to CRR		341 779 003						(341 779 003)	0
Interest Received								0	0
Property, plant and equipment purchased		(519 666 859)		505 613 574	17 011 591			(2 958 306)	0
Contribution to Reserve						(83 135 913)		83 135 913	0
Capital Grants used to purchase PPE								0	0
Donated/contributed PPE								0	0
Contribution to Insurance Reserve						21 810 605	3 228 179	(25 038 784)	0
Insurance claims processed						(11 160 331)	(3 242 555)	14 402 886	0
Transfer to Housing Development Fund	185 238							(185 238)	0
Offsetting of depreciation			(148 989 199)	(459 998 364)	(65 099 521)			674 087 084	0
Additional Depreciation Reversal								0	0
Asset Disposals			(1 057 559)	(1 311 497)	(756 882)			3 125 938	0
<b>Balance at 30 June 2011</b>	<b>109 548 848</b>	<b>43 265 218</b>	<b>1 105 583 042</b>	<b>3 596 281 453</b>	<b>292 020 459</b>	<b>31 262 728</b>	<b>11 772 619</b>	<b>3 607 801 469</b>	<b>8 797 535 836</b>

**NELSON MANDELA BAY MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

	<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>COVID Reserve</u>	<u>Accumulated Surplus</u>	<u>Total</u>
	R	R	R	R	R	R	R	R	R
<b>Balance at 01 July 2009</b>	<b>108 491 927</b>	<b>287 654 634</b>	<b>1 426 584 295</b>	<b>2 824 788 038</b>	<b>206 087 934</b>	<b>90 492 535</b>	<b>10 561 305</b>	<b>3 392 252 035</b>	<b>8 346 912 703</b>
Surplus for the year								449 431 521	449 431 521
Restatements (Refer Note 40.1 and 40.7)								41 370 970	41 370 970
Transfer to CRR		346 323 860						(346 323 860)	0
Interest Received	688 038	63 826 240						(64 514 278)	0
Property, plant and equipment purchased		(476 651 660)						476 651 660	0
Contribution to Reserve								0	0
Capital Grants used to purchase PPE				961 930 995				(961 930 995)	0
Donated/contributed PPE					94 452 237			(94 452 237)	0
Contribution to Insurance Reserve						18 455 276	3 851 044	(22 306 320)	0
Insurance claims processed						(5 199 444)	(2 625 354)	7 824 798	0
Transfer to Housing Development Fund	183 645							(183 645)	0
Offsetting of depreciation			(170 238 287)	(234 654 143)	40 325 716			364 566 714	0
Additional Depreciation Reversal								0	0
Asset Disposals			(716 208)	(87 150)	(616)			803 974	0
<b>Balance at 30 June 2010</b>	<b>109 363 610</b>	<b>221 153 074</b>	<b>1 255 629 800</b>	<b>3 551 977 740</b>	<b>340 865 271</b>	<b>103 748 367</b>	<b>11 786 995</b>	<b>3 243 190 337</b>	<b>8 837 715 194</b>
<b>Opening Balance - 01 July 2010</b>	<b>109 363 610</b>	<b>221 153 074</b>	<b>1 255 629 800</b>	<b>3 551 977 740</b>	<b>340 865 271</b>	<b>103 748 367</b>	<b>11 786 995</b>	<b>3 243 190 337</b>	<b>8 837 715 194</b>
Deficit for the year								(40 411 548)	(40 411 548)
Transfer to CRR		341 779 003						(341 779 003)	0
Interest Received								0	0
Property, plant and equipment purchased		(519 666 859)		505 613 574	17 011 591			(2 958 306)	0
Contribution to Reserve						(83 135 913)		83 135 913	0
Capital Grants used to purchase PPE								0	0
Donated/contributed PPE								0	0
Contribution to Insurance Reserve						21 810 605	3 228 179	(25 038 784)	0
Insurance claims processed						(11 160 331)	(3 242 555)	14 402 886	0
Transfer to Housing Development Fund	185 238							(185 238)	0
Offsetting of depreciation			(148 989 199)	(459 998 364)	(65 099 521)			674 087 084	0
Additional Depreciation Reversal								0	0
Asset Disposals			(1 057 559)	(1 311 497)	(756 882)			3 125 938	0
<b>Balance at 30 June 2011</b>	<b>109 548 848</b>	<b>43 265 218</b>	<b>1 105 583 042</b>	<b>3 596 281 453</b>	<b>292 020 459</b>	<b>31 262 728</b>	<b>11 772 619</b>	<b>3 607 569 279</b>	<b>8 797 303 646</b>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011**

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual 2011 R	Restated 2010 R	Actual 2011 R	Restated 2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from ratepayers, government and other		7 173 906 672	5 165 421 736	7 193 430 891	5 206 637 715
Cash paid to suppliers and employees		(6 196 186 605)	(4 188 246 621)	(6 229 650 069)	(4 222 583 581)
<b>Cash generated from operations</b>	32	<b>977 720 067</b>	<b>977 175 115</b>	<b>963 780 822</b>	<b>984 054 134</b>
Interest received		132 598 100	148 085 534	129 793 843	144 522 353
Interest paid	29	(177 110 068)	(112 778 828)	(177 110 068)	(112 726 493)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>933 208 099</b>	<b>1 012 481 821</b>	<b>916 464 597</b>	<b>1 015 849 994</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of Property, plant and equipment		(1 413 277 192)	(2 294 680 787)	(1 413 062 472)	(2 294 539 087)
Disposal of Property, plant and equipment		2 250 472	0	2 250 472	0
Purchase of Intangible assets		(104 901 220)	(95 457 210)	(104 895 465)	(95 352 498)
Purchase of Investment Property		(3 106 185)	(3 677 604)	(3 106 185)	(3 677 604)
Decrease in Non-current receivables		19 095 712	14 056 917	19 095 712	14 056 917
Decrease in Non-current investments		0	707 079	0	707 079
(Increase) in short term investments		-	(707 079)	-	(707 079)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(1 499 938 413)</b>	<b>(2 379 758 684)</b>	<b>(1 499 717 938)</b>	<b>(2 379 512 272)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Increase/(Decrease) in Long term loans (External)	34	469 808 905	1 164 615 776	470 000 000	1 165 000 000
Repayment of Long term loans	34	(88 858 738)	(51 828 168)	(88 858 738)	(51 828 168)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>380 950 167</b>	<b>1 112 787 608</b>	<b>381 141 262</b>	<b>1 113 171 832</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(185 780 147)</b>	<b>(254 489 255)</b>	<b>(202 112 079)</b>	<b>(250 490 446)</b>
Cash and cash equivalents at the beginning of the year		671 811 892	926 301 147	629 769 500	880 259 946
Cash and cash equivalents at the end of the year	33	<b>486 031 745</b>	<b>671 811 892</b>	<b>427 657 421</b>	<b>629 769 500</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>1. Housing Development Fund</b>				
Housing Revolving Fund	108 605 509	108 605 509	108 605 509	108 605 509
Housing Reserves	943 339	758 101	943 339	758 101
<b>Total Housing Development Fund</b>	<b>109 548 848</b>	<b>109 363 610</b>	<b>109 548 848</b>	<b>109 363 610</b>

**Housing Revolving Fund**

<b>Balance at the beginning of the year</b>	<b>108 605 509</b>	<b>107 917 471</b>	<b>108 605 509</b>	<b>107 917 471</b>
Contributions received	0	0	0	0
Interest received	0	688 038	0	688 038
<b>Balance at the end of the year</b>	<b>108 605 509</b>	<b>108 605 509</b>	<b>108 605 509</b>	<b>108 605 509</b>

The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.

**HOUSING RESERVES**

Community Facilities	127 445	93 917	127 445	93 917
Replacement and Renewals	815 894	664 184	815 894	664 184
<b>Balance at the end of the year</b>	<b>943 339</b>	<b>758 101</b>	<b>943 339</b>	<b>758 101</b>

**Community Facilities**

<b>Balance at the beginning of the year</b>	<b>93 917</b>	<b>64 342</b>	<b>93 917</b>	<b>64 342</b>
Contribution for the year	33 528	29 575	33 528	29 575
<b>Balance at the end of the year</b>	<b>127 445</b>	<b>93 917</b>	<b>127 445</b>	<b>93 917</b>

**Replacement and Renewals**

<b>Balance at the beginning of the year</b>	<b>664 184</b>	<b>510 114</b>	<b>664 184</b>	<b>510 114</b>
Contribution for the year	151 710	154 070	151 710	154 070
<b>Restated Balance at beginning of year</b>	<b>815 894</b>	<b>664 184</b>	<b>815 894</b>	<b>664 184</b>

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>2. COID Reserve</b>				
Balance at the beginning of the year	11 786 995	10 561 305	11 786 995	10 561 305
Premiums received	3 228 179	3 851 044	3 228 179	3 851 044
Expenditure funded during the year	-3 242 555	-2 625 354	-3 242 555	-2 625 354
<b>Balance at the end of the year</b>	<b>11 772 619</b>	<b>11 786 995</b>	<b>11 772 619</b>	<b>11 786 995</b>

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.

**3. LONG-TERM LIABILITIES**

**Financial Liabilities:**

Local Registered Stock Loans	0	1 184 917	0	1 184 917
Development Bank of Southern Africa	545 721 884	571 186 637	545 721 884	571 186 637
Amalgamated Banks of South Africa	195 000 000	225 000 000	195 000 000	225 000 000
Rand Merchant Bank	470 000 000	0	470 000 000	0
Nedbank	712 790 933	745 000 000	712 790 933	745 000 000
<b>External Loans</b>	<b>1 923 512 817</b>	<b>1 542 371 554</b>	<b>1 923 512 817</b>	<b>1 542 371 554</b>
Construction Contract Retention	2 098 223	1 595 236	0	0
Brookes Bequest	10 392 876	9 873 212	10 392 876	9 873 212
<b>Total Long-term Liabilities</b>	<b>1 936 003 916</b>	<b>1 553 840 002</b>	<b>1 933 905 693</b>	<b>1 552 244 766</b>
<b>Less : Current portion transferred to current liabilities</b>	<b>93 115 527</b>	<b>92 824 304</b>	<b>92 054 673</b>	<b>92 457 533</b>
Local Registered Stock Loans	0	1 184 917	0	1 184 917
Development Bank of Southern Africa (DBSA)	31 192 754	29 063 549	31 192 754	29 063 549
Amalgamated Banks of South Africa (ABSA)	30 000 000	30 000 000	30 000 000	30 000 000
Rand Merchant Bank	8 879 867	0	8 879 867	0
Nedbank	21 982 052	32 209 067	21 982 052	32 209 067
Construction Contract Retention	1 060 854	366 771	0	0
	<b>1 842 888 389</b>	<b>1 461 015 698</b>	<b>1 841 851 020</b>	<b>1 459 787 233</b>

The Financial liabilities are measured at amortised cost taking into account relevant interest rates.

No loans are secured.

**LOCAL REGISTERED STOCK**

Bear interest at a rate of 16.90% (2010: 16.90%) per annum and was settled in the current year.

**ABSA**

The loan was taken up during the 2007/08 financial year and is repayable over 10 years in 20 half-year instalments, by 31 December 2017, at a fixed interest rate of 11.85% per annum. The loan was used to finance various electricity reticulation projects. An amount of R30 000 000 was repaid during the financial year.

**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, by 30 September 2015, 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. An amount of R22 148 533 was repaid during the financial year.

A further loan of R420 000 000 was taken up during the 2008/09 financial year and is repayable over 20 years in 38 half yearly instalments of R27 651 367, by 30 September 2029, at a fixed interest rate of 11.62% per annum with a final payment of R27 651 367. The loan was used for various capital projects. An amount of R3 316 221 was repaid during the financial year.

**NEDBANK**

The loan of R745 000 000 was taken up during the 2009/10 financial year and is repayable over 15 years in 30 half yearly instalments of R52 372 749, by 31 January 2025, at a fixed interest rate of 11.7% per annum. The loan was used for various capital projects. An amount of R32 209 067 was repaid during the financial year.

**RAND MERCHANT BANK**

The loan of R470 000 000 was taken up during the 2010/11 financial year and is repayable over 20 years in 40 half yearly instalments of R27 779 027, by 30 May 2031, at a fixed interest rate of 10.24% per annum. The loan was used for various capital projects. No repayments were made during the financial year.

**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. The fund bears interest at an average of 5.26% per annum.

**CONSTRUCTION CONTRACT RETENTION**

Construction contract retention creditors relate to retentions held in projects in line with accepted construction accounting principles. Such retentions are payable 12 months after official sign off of the project, and are non-interest bearing



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	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>4. EMPLOYEE BENEFITS PROVISION</b>				
Gratuity Provision	16 443 361	17 102 091	16 443 361	17 102 091
Post Retirement Benefits	1 076 742 989	843 747 647	1 076 742 989	843 747 647
<b>Total Non-Current Provisions</b>	<b>1 093 186 350</b>	<b>860 849 738</b>	<b>1 093 186 350</b>	<b>860 849 738</b>

**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.

<b>Balance at beginning of year</b>	<b>17 102 091</b>	<b>16 956 048</b>	<b>17 102 091</b>	<b>16 956 048</b>
Contributions to provision	-658 730	146 043	-658 730	146 043
Transfer of current portion current (to) / from current liabilities	0	0	0	0
<b>Balance at end of year</b>	<b>16 443 361</b>	<b>17 102 091</b>	<b>16 443 361</b>	<b>17 102 091</b>

**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 R1 097 722 000 and R18 176 726 respectively. The current portions in the aforementioned amounts are R36 972 000 and R2 183 737 respectively.

Refer to Note 47 for full reconciliation

<b>Balance at beginning of year</b>	<b>843 747 647</b>	<b>722 136 169</b>	<b>843 747 647</b>	<b>722 136 169</b>
Contributions to provision	232 995 342	121 611 478	232 995 342	121 611 478
Transfer of current portion to current liabilities	0	0	0	0
<b>Balance at end of year</b>	<b>1 076 742 989</b>	<b>843 747 647</b>	<b>1 076 742 989</b>	<b>843 747 647</b>

**4 NON-CURRENT PROVISIONS**

Rehabilitation of Landfill sites	176 258 146	130 977 042	176 258 146	130 977 042
REhabilitation of Swartkops River	14 584 371	14 879 629	14 584 371	14 879 629
<b>Total Non-Current Provisions</b>	<b>190 842 517</b>	<b>145 856 671</b>	<b>190 842 517</b>	<b>145 856 671</b>

**Rehabilitation of landfill sites**

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R74 180 414 for the Arlington Tip site, R27 849 450 for the Koedoeskloof Tip site and R65 450 952 for the Ibhayi Tip site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2033 (Arlington) and 2016 (Koedoeskloof). Squatters are currently occupying the Ibhayi Landfill site that is already closed as a tip site. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. For Arlington and Koedoeskloof landfill sites, the cost factors as determined have been applied and projected at an inflation rate of 5%. The projected amounts are discounted to the present value at the long term Treasury Bond rate of 4.09%, for Arlington and at an average borrowing cost of 11.14% for Koedoeskloof. The determined cost to rehabilitate Ibhayi landfill site represents the present value, which was determined using the prior year valuation, adjusted for inflation.

<b>Balance at beginning of year</b>	<b>130 977 042</b>	<b>97 702 755</b>	<b>130 977 042</b>	<b>97 702 755</b>
Contributions to provision	45 281 104	33 274 287	45 281 104	33 274 287
Expenditure incurred	0	0	0	0
<b>Balance at end of year</b>	<b>176 258 146</b>	<b>130 977 042</b>	<b>176 258 146</b>	<b>130 977 042</b>

**Rehabilitation of Swartkops River**

<b>Balance at beginning of year</b>	<b>14 879 629</b>	<b>0</b>	<b>14 879 629</b>	<b>0</b>
Contributions to provision	-295 258	14 879 629	-295 258	14 879 629
Expenditure incurred	0	0	0	0
Transfer of current portion to current liabilities	0	0	0	0
<b>Balance at end of year</b>	<b>14 584 371</b>	<b>14 879 629</b>	<b>14 584 371</b>	<b>14 879 629</b>

The provision is in relation to the Municipality's obligation to address the environmental pollution of the Swartkops River.

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	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>5 EMPLOYEE BENEFITS AND PROVISIONS</b>				
<b>5.1 CURRENT EMPLOYEE BENEFIT PROVISIONS</b>				
Gratuity Provision	3 210 426	1 726 022	3 210 426	1 726 022
Post Retirement Benefits	39 155 737	36 886 421	39 155 737	36 886 421
Performance bonus provision	4 463 610	4 769 102	4 197 883	4 462 555
Provision for Workmen's Compensation	23 851	40 162	0	0
<b>Total Current Provisions</b>	<b>46 853 624</b>	<b>43 421 707</b>	<b>46 564 046</b>	<b>43 074 998</b>

**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.

<b>Balance at beginning of year</b>	<b>1 726 022</b>	<b>2 120 179</b>	<b>1 726 022</b>	<b>2 120 179</b>
Contributions to provision	4 511 390	2 610 684	4 511 390	2 610 684
Expenditure incurred	-3 026 986	-3 004 841	-3 026 986	-3 004 841
<b>Balance at end of year</b>	<b>3 210 426</b>	<b>1 726 022</b>	<b>3 210 426</b>	<b>1 726 022</b>

**Post Retirement Benefits**

Refer to Note 47 for full reconciliation

The provision is in respect of the short-term liabilities attributable to ill-health retirements and medical aid contributions and ex-gratia pensions.

<b>Balance at beginning of year</b>	<b>36 886 421</b>	<b>33 083 110</b>	<b>36 886 421</b>	<b>33 083 110</b>
Contributions to provision	44 016 444	0	44 016 444	0
Expenditure incurred	-41 747 128	-33 083 110	-41 747 128	-33 083 110
Transferred from Non-current provision	0	36 886 421	0	36 886 421
<b>Balance at end of year</b>	<b>39 155 737</b>	<b>36 886 421</b>	<b>39 155 737</b>	<b>36 886 421</b>

**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 all-inclusive remuneration package paid as per regulation 32(1) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.

For Mandela Bay Development Agency, performance bonuses are paid in July of each year to senior management in line with the Agency's Executive Performance Management policy

<b>Balance at beginning of year</b>	<b>4 769 102</b>	<b>3 073 056</b>	<b>4 462 555</b>	<b>2 863 559</b>
Contributions to provision	427 305	1 905 543	161 578	1 598 996
Expenditure incurred	-732 797	-209 497	-426 250	0
<b>Balance at end of year</b>	<b>4 463 610</b>	<b>4 769 102</b>	<b>4 197 883</b>	<b>4 462 555</b>

**Provision for Workmens Compensation**

<b>Balance at beginning of year</b>	<b>40 162</b>	<b>0</b>	<b>0</b>	<b>0</b>
Contributions to provision	23 851	40 162	0	0
Adjustment for underprovision	-11 931	0	0	0
Expenditure incurred	-28 231	0	0	0
<b>Balance at end of year</b>	<b>23 851</b>	<b>40 162</b>	<b>0</b>	<b>0</b>

**5.2 CURRENT PROVISIONS**

Provision for litigation and claims	56 026 649	5 305 146	56 026 649	5 305 146
<b>Total Current Provisions</b>	<b>56 026 649</b>	<b>5 305 146</b>	<b>56 026 649</b>	<b>5 305 146</b>

**Provision for litigation and claims**

The provision is in respect of probable claims against the Municipality, pending the outcome of court decisions - See note 45.

<b>Balance at the beginning of the year</b>	<b>5 305 146</b>	<b>5 330 940</b>	<b>5 305 146</b>	<b>5 330 940</b>
Provision utilised	-4 385 171	-694 999	-4 385 171	-694 999
Contributions to provision	55 106 674	669 205	55 106 674	669 205
<b>Balance at end of year</b>	<b>56 026 649</b>	<b>5 305 146</b>	<b>56 026 649</b>	<b>5 305 146</b>

**6 DERIVATIVE FINANCIAL INSTRUMENTS**

NMBM has not entered into any derivative financial instruments contracts.

**7 CONSUMER DEPOSITS**

Electricity and Water	110 519 542	79 282 136	110 519 542	79 282 136
Interest Paid	605 774	567 397	605 774	567 397
	<b>111 125 316</b>	<b>79 849 533</b>	<b>111 125 316</b>	<b>79 849 533</b>

Guarantees held in lieu of Electricity and Water Deposits  
Consumer deposits bear interest and is only refunded once the consumer's account is closed.

**8 CREDITORS**

Trade creditors	903 244 342	1 247 024 329	897 079 523	1 285 920 147
Payments Received in Advance	60 459 848	56 563 908	60 459 848	56 563 908
Staff leave	163 427 359	132 761 935	163 225 602	132 599 656
Other creditors	42 401 148	57 922 358	43 941 090	57 394 900
Retentions	80 647 762	100 747 361	80 647 762	100 747 361
Operating leases	1 006 279	1 111 815	1 006 279	1 111 815
<b>Total Creditors</b>	<b>1 251 186 738</b>	<b>1 596 131 706</b>	<b>1 246 360 104</b>	<b>1 634 337 787</b>

Refer to Restatement Note 40.9

**Financial liabilities:**

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R80 647 762, which could be settled within the next 12 months.

No creditors are secured

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	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R

8. CREDITORS (Continued)

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.

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

9.1 Conditional Grants from other spheres of Government

PHB Subsidies (See Note 24.1)	10 443 898	46 948 386	10 443 898	46 948 386
Health Subsidies (See Note 24.2)	1 240 134	422 560	1 240 134	422 560
Equitable Share (See Note 24.3)	0	0	0	0
Financial Management Grant (See Note 24.4)	0	0	0	0
Library - Carnegie Corporation Grant (See Note 24.5)	0	841 621	0	841 621
SMME - Development (See note 24.6)	192 500	192 500	192 500	192 500
Project Consolidate (See Note 24.7)	0	84 492	0	84 492
Disaster Management Grant (See Note 24.8)	0	0	0	0
Municipal Infrastructure Grant (See Note 24.9)	1 494 413	496 772	1 494 413	496 772
Ploughing Fields (See Note 24.10)	0	26 545	0	26 545
Project Generation (DEAET) (See Note 24.11)	0	7 016 230	0	7 016 230
Amphitheatre (UDDI) (See Note 24.12)	3 773 525	3 815 178	3 773 525	3 815 178
NT- Accreditation of Municipalities (See Note 24.13)	5 465 028	3 716 665	5 465 028	3 716 665
2010 Soccer World Cup Stadium (See Note 24.15)	0	33 988 641	0	33 988 641
Walmer Youth Development Project (See Note 24.16)	53 623	53 623	53 623	53 623
Public Transport Infrastructure Grant (See Note 24.19)	184 202 970	0	184 202 970	0
DME Subsidy on Connection (See Note 24.20)	0	0	0	0
Energy - Special Projects (See Note 24.22)	38 288 171	21 283 720	38 288 171	21 283 720
EU Sector Policy Support Policy (See Note 24.21)	2 763 365	24 292 923	2 763 365	24 292 923
Other Grants (See Note 24.23)	37 327 470	75 172 286	29 825 540	63 016 132
National Lotteries Grant (See Note 24.25)	5 605 040	0	5 605 040	0
Water Demand Management Grant (See Note 24.26)	0	0	0	0
Neighbourhood Partnership Development Grant (See Note 24.27)	18 363 857	0	18 363 857	0
<b>Total Unspent Conditional Grants and Receipts</b>	<b>309 213 994</b>	<b>218 352 142</b>	<b>301 712 064</b>	<b>206 195 988</b>

Refer Restatement Note no. 40.10

10 PROPERTY, PLANT AND EQUIPMENT (PPE)

As at 30 June 2011

	R	R	
		Accumulated Depreciation	Carrying Value
<b>Economic Entity</b>	<b>Cost</b>		
Land & Buildings	2 301 951 607	99 759 674	2 202 191 933
Infrastructure Assets	8 707 636 375	2 641 347 952	6 066 288 423
Community Assets	3 043 049 254	232 422 009	2 810 627 245
Heritage Assets	126 638 698	0	126 638 698
Other Assets	939 854 772	356 785 002	583 069 770
	<b>15 119 130 706</b>	<b>3 330 314 637</b>	<b>11 788 816 069</b>

No assets were pledged as security

Refer Note 48 for reconciliation

As at 30 June 2010

	Cost	Accumulated Depreciation		Carrying Value
Land & Buildings	2 233 353 951	88 527 849	2 144 826 102	
Infrastructure Assets	7 695 793 045	2 420 119 884	5 275 673 161	
Community Assets	2 862 946 209	136 688 661	2 726 257 548	
Heritage Assets	111 082 716	0	111 082 716	
Other Assets	818 141 624	253 467 355	564 674 269	
	<b>13 721 317 545</b>	<b>2 898 803 749</b>	<b>10 822 513 796</b>	

As at 30 June 2011

	R	R	
		Accumulated Depreciation	Carrying Value
<b>Municipality</b>	<b>Cost</b>		
Land & Buildings	2 301 951 607	99 759 674	2 202 191 933
Infrastructure Assets	8 707 636 375	2 641 347 952	6 066 288 423
Community Assets	3 043 049 254	232 422 009	2 810 627 245
Heritage Assets	126 473 698	0	126 473 698
Other Assets	938 584 276	356 071 338	582 512 938
	<b>15 117 695 210</b>	<b>3 329 600 973</b>	<b>11 788 094 237</b>

No assets were pledged as security

Refer Note 48 for reconciliation

As at 30 June 2010

	Cost	Accumulated Depreciation		Carrying Value
Land & Buildings	2 233 353 951	88 527 849	2 144 826 102	
Infrastructure Assets	7 695 793 045	2 420 119 884	5 275 673 161	
Community Assets	2 862 946 209	136 688 661	2 726 257 548	
Heritage Assets	111 082 716	0	111 082 716	
Other Assets	816 920 848	252 894 772	564 026 076	
	<b>13 720 096 769</b>	<b>2 898 231 166</b>	<b>10 821 865 603</b>	

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11 INTANGIBLE ASSETS

As at 30 June 2011

	R	R	R
	Cost	Accumulated Amortisation	Carrying Value
Economic Entity			
Computer Software	530 765 924	100 239 841	430 526 083
Website Development	70 000	56 000	14 000
	<u>530 835 924</u>	<u>100 295 841</u>	<u>430 540 083</u>

No assets were pledged as security

Refer Note 49 for reconciliation

As at 30 June 2010

	R	R	R
	Cost	Accumulated Amortisation	Carrying Value
Computer Software	425 864 705	14 290 334	411 574 371
Website Development	70 000	42 000	28 000
	<u>425 934 705</u>	<u>14 332 334</u>	<u>411 602 371</u>

As at 30 June 2011

	R	R	R
	Cost	Accumulated Amortisation	Carrying Value
Municipality			
Computer Software	530 616 955	100 159 289	430 457 666
Website Development	70 000	56 000	14 000
	<u>530 686 955</u>	<u>100 215 289</u>	<u>430 471 666</u>

No assets were pledged as security

Refer Note 49 for reconciliation

As at 30 June 2010

	R	R	R
	Cost	Accumulated Amortisation	Carrying Value
Computer Software	425 721 490	14 240 876	411 480 614
Website Development	70 000	42 000	28 000
	<u>425 791 490</u>	<u>14 282 876</u>	<u>411 508 614</u>

12 INVESTMENT PROPERTY

As at 30 June 2011

	R	R	R
	Cost	Accumulated Depreciation	Carrying Value
Economic Entity			
Land & Buildings	81 702 400	10 471 448	71 230 952
	<u>81 702 400</u>	<u>10 471 448</u>	<u>71 230 952</u>

No assets were pledged as security

Refer Note 50 for reconciliation

As at 30 June 2010

	R	R	R
	Cost	Accumulated Depreciation	Carrying Value
Land & Buildings	78 596 215	7 832 946	70 763 269
	<u>78 596 215</u>	<u>7 832 946</u>	<u>70 763 269</u>

As at 30 June 2011

	R	R	R
	Cost	Accumulated Depreciation	Carrying Value
Municipality			
Land & Buildings	81 702 400	10 471 448	71 230 952
	<u>81 702 400</u>	<u>10 471 448</u>	<u>71 230 952</u>

No assets were pledged as security

Refer Note 50 for reconciliation

As at 30 June 2010

	R	R	R
	Cost	Accumulated Depreciation	Carrying Value
Land & Buildings	78 596 215	7 832 946	70 763 269
	<u>78 596 215</u>	<u>7 832 946</u>	<u>70 763 269</u>

Description of Investment Property:

	2011	2010
	R	R
Nelson Mandela Bay Logistics Park	38 000 000	38 000 000
Kings Beach	35 855 000	35 855 000
Springs Resort	6 190 000	6 190 000
Telkom Park	24 130 000	24 130 000
Mc Arthur Bath	29 145 250	29 145 250
Willows Resort	246 430 000	246 430 000
Beachview Resort	12 300 000	12 300 000
Van Stadens Resort	22 740 000	22 740 000
St Georges Park Resort	37 184 750	37 184 750
<b>Market Value of Investment Property</b>	<u><b>451 975 000</b></u>	<u><b>451 975 000</b></u>

Additional Disclosure:

The Municipality applies the Cost Model

The Market Value was determined by professional valuers of the Municipality who are experts in this field as at 30 June 2011:

The depreciated replacement cost method of valuation was applied in determining the valuation of the property. This method of valuation is usually applied to properties that do not often change hands in the open market. The depreciated replacement cost method of valuation is calculated by determining the replacement cost of the improvements, as at the date of the valuation, less a depreciation factor which comprises physical deterioration, functional obsolescence and location deterioration. The value of land is determined by means of comparable sales of similar properties in the area. The two values are added together to arrive at the valuation of the property.

	Economic Entity		Municipality	
	2011	Restated 2010	2011	Restated 2010
	R	R	R	R
<b>Rental revenue included in surplus for following Investment Property:</b>				
Beachview resort	240 000	240 000	240 000	240 000
Van Stadens Resort	240 000	240 000	240 000	240 000
<b>Direct Operating expenses that generated rental revenue</b>			0	0

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	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>13. INVESTMENTS</b>				
<b>Investment in Associate</b>				
Investment in Uitenhage (UITESCO)	-538 061	69 221	20 000	20 000

The Municipality holds a 33% share in UITESCO. The UITESCO shares are measured at fair value. Fair value is determined based on the net asset value of UITESCO.

**14 LONG-TERM RECEIVABLES**

Loan - UITESCO	17 905 515	17 905 515	17 905 515	17 905 515
Sporting and Other Bodies	18 498	39 457	18 498	39 457
Car Loans	0	14 024	0	14 024
Other Debtors	50 315	50 315	50 315	50 315
<b>Consumer Debtors</b>	<b>43 492 498</b>	<b>62 553 227</b>	<b>43 492 498</b>	<b>62 553 227</b>
Rate and General	18 056 224	40 500 380	18 056 224	40 500 380
Electricity	6 450 759	3 645 218	6 450 759	3 645 218
Water	10 251 422	10 021 910	10 251 422	10 021 910
Refuse	3 203 374	2 783 110	3 203 374	2 783 110
Sewerage	5 500 221	5 602 609	5 500 221	5 602 609
Insurance	30 498	0	30 498	0
<b>Long-term receivables</b>	<b>61 466 826</b>	<b>80 562 538</b>	<b>61 466 826</b>	<b>80 562 538</b>
<b>CURRENT RECEIVABLES</b>				
Sporting and Other Bodies	12 984	19 566	12 984	19 566
Car Loans	0	14 024	0	14 024
<b>Current Portion of Long-term receivables</b>	<b>12 984</b>	<b>33 590</b>	<b>12 984</b>	<b>33 590</b>
<b>Non-current Receivables</b>	<b>61 453 842</b>	<b>80 528 948</b>	<b>61 453 842</b>	<b>80 528 948</b>
Long-term Receivables - Exchange Transactions	43 397 618	40 028 568	43 397 618	40 028 568
Long-term Receivables - Non-exchange Transactions	18 056 224	40 500 380	18 056 224	40 500 380
	<b>61 453 842</b>	<b>80 528 948</b>	<b>61 453 842</b>	<b>80 528 948</b>

No collateral is held for receivables

In the event of defaults on arrangements, the consumers may enter into a fresh arrangement upon making certain down payments.

**CAR LOANS**

**Financial Assets - 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. The South African Revenue Service's official rate has also been taken into account and the difference between the interest rates has been treated as a Fringe Benefit for the relevant employees and they are taxed accordingly.

**LONG-TERM RECEIVABLES - CONSUMER DEBTORS**

**Financial Assets - Receivables:**

Consumer Debtors have a fixed repayment term per individual consumer and interest is calculated on monthly basis at 15.5% and are therefore considered to be fairly valued.

**LOAN - UITESCO**

This loan was granted to UITESCO by the erstwhile Uitenhage Town Council in order to fund infrastructure for the provision of electricity for the consumers. This loan bears no interest and is repayable upon dissolution of UITESCO. The loan is measured at cost as the Municipality has determined that it is impracticable to calculate the fair value of this loan as there is no fixed terms of repayment.

**CONSUMER DEBTORS**

The current portion is disclosed in note 16 - Consumer Debtors.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>15 INVENTORY</b>	<b>118 412 768</b>	<b>138 660 910</b>	<b>118 333 314</b>	<b>138 437 782</b>
Raw Materials	102 328	139 817	102 328	139 817
Finished Goods	93 380 480	118 588 114	93 380 480	118 588 114
Water Finished Goods - at cost (refer to note 30 for cost of inventory sold)	6 689 064	6 126 701	6 689 064	6 126 701
Consumable Goods	18 240 896	13 806 278	18 161 442	13 583 150
Less: Provision for Obsolete Inventory	-3 653 528	-3 673 848	-3 653 528	-3 673 848
	<b>114 759 240</b>	<b>134 987 062</b>	<b>114 679 786</b>	<b>134 763 934</b>

No inventory was pledged as security

**16 CONSUMER DEBTORS**

	R	R	R
	Gross Balances	Provision for Doubtful Debts	Net Balance
<b>As at 30 June 2011</b>			
<b>Economic Entity and Municipality</b>			
<b>Service Debtors</b>	<b>1 716 139 566</b>	<b>-1 270 343 157</b>	<b>445 796 409</b>
Rates and General	447 373 510	-422 343 267	25 030 243
Electricity	523 778 785	-277 729 664	246 049 121
Water	487 995 000	-354 280 585	133 714 415
Refuse	101 406 761	-84 916 573	16 490 188
Sanitation	155 585 510	-131 073 068	24 512 442
House Rentals	16 031 564	-15 459 708	571 856
<b>Total</b>	<b>1 732 171 130</b>	<b>-1 285 802 865</b>	<b>446 368 265</b>

**Consumer debtors are made up as follows:**

Consumer debtors - Non-exchange Transactions	25 030 243
Consumer debtors - Exchange Transactions	421 338 022
	<b>446 368 265</b>

**Doubtful Debts Provision**

Refer to Accounting Policy Note 12.

No consumer debtors were held as collateral.

In the event of defaults services are disconnected until such time that the outstanding debt has been paid or an arrangement entered into.

**As at 30 June 2010**

	Gross Balances	Provision for Doubtful Debts	Net Balance
<b>Economic Entity and Municipality</b>			
<b>Service Debtors</b>	<b>1 346 281 647.00</b>	<b>-748 685 655</b>	<b>597 595 992</b>
Rates and General	445 228 055	-355 322 163	89 905 892
Electricity	376 120 413	-107 036 555	269 083 858
Water	312 342 800	-145 113 813	167 228 987
Refuse	83 969 425	-58 487 221	25 482 204
Sanitation	128 621 154	-82 725 903	45 895 251
House Rentals	13 185 724	-11 293 923	1 891 801
<b>Total</b>	<b>1 359 467 371</b>	<b>-759 979 578</b>	<b>599 487 793</b>

Refer Restatement note no. 40.11

**Consumer debtors are made up as follows:**

Consumer debtors - Non-exchange Transactions	89 905 892
Consumer debtors - Exchange Transactions	509 581 901
	<b>599 487 793</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
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16. CONSUMER DEBTORS (Continued)	Municipality	
	2011 R	Restated 2010 R
<b>Economic Entity and Municipality</b>		
<b><u>Rates and General: Ageing</u></b>		
Current (0-30 days)	33 477 926	71 876 929
31 - 60 Days	21 074 990	18 321 974
61 - 90 Days	16 136 687	15 400 704
Over 90 Days	376 683 907	339 628 448
<b>Total</b>	<b>447 373 510</b>	<b>445 228 055</b>
<b><u>Electricity: Ageing</u></b>		
Current (0-30 days)	360 651 956	232 717 857
31 - 60 Days	28 506 239	24 809 053
61 - 90 Days	3 129 372	7 405 779
Over 90 Days	131 491 216	111 187 724
<b>Total</b>	<b>523 778 785</b>	<b>376 120 413</b>
<b><u>Water: Ageing</u></b>		
Current (0-30 days)	153 894 266	112 733 674
31 - 60 Days	39 034 695	29 082 609
61 - 90 Days	20 673 548	19 784 596
Over 90 Days	274 392 491	150 741 721
<b>Total</b>	<b>487 995 000</b>	<b>312 342 600</b>
<b><u>Refuse: Ageing</u></b>		
Current (0-30 days)	17 429 531	16 900 185
31 - 60 Days	4 386 828	3 490 530
61 - 90 Days	2 616 843	2 823 196
Over 90 Days	76 973 559	60 755 514
<b>Total</b>	<b>101 406 761</b>	<b>83 969 425</b>
<b><u>Sanitation: Ageing</u></b>		
Current (0-30 days)	42 083 475	27 946 883
31 - 60 Days	8 471 349	9 269 988
61 - 90 Days	3 954 031	5 470 044
Over 90 Days	101 076 655	85 934 239
<b>Total</b>	<b>155 585 510</b>	<b>128 621 154</b>
<b><u>Housing Rentals: Ageing</u></b>		
Current (0-30 days)	2 129 385	700 454
31 - 60 Days	482 191	395 946
61 - 90 Days	387 500	357 392
Over 90 Days	13 032 488	11 731 932
<b>Total</b>	<b>16 031 564</b>	<b>13 185 724</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

16. CONSUMER DEBTORS (Continued)

Summary of Debtors by Customer Classification

Economic Entity and Municipality	R		
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
<b>30 June 2011</b>			
Current (0-30 days)	365 394 690	239 192 531	5 079 318
31 - 60 Days	62 848 919	36 099 247	3 008 127
61 - 90 Days	19 552 083	26 165 212	1 180 685
Over 90 Days	750 816 599	203 082 107	19 751 612
<b>Gross Consumer Debtors by Customer classification</b>	<b>1 198 612 291</b>	<b>504 539 097</b>	<b>29 019 742</b>
Gross Consumer Debtors			1 732 171 130
Less: Provision for Doubtful Debts			-1 285 802 865
<b>Net Consumer Debtors for the year ended 30 June 2011</b>			<b>446 368 265</b>

Summary of Debtors by Customer Classification

Economic Entity and Municipality	R		
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
<b>30 June 2010</b>			
Current (0-30 days)	384 715 883	74 857 799	5 013 902
31 - 60 Days	55 887 520	7 343 608	28 619 272
61 - 90 Days	6 300 105	32 604 945	4 144 759
Over 90 Days	608 246 170	114 533 791	37 199 617
<b>Gross Consumer Debtors by Customer classification</b>	<b>1 055 149 678</b>	<b>229 340 143</b>	<b>74 977 550</b>
Gross Consumer Debtors			1 359 467 371
Less: Provision for Doubtful Debts			-759 979 578
<b>Net Consumer Debtors for the year ended 30 June 2010</b>			<b>599 487 793</b>

Reconciliation of the doubtful debts provision	Municipality	
	2011 R	Restated 2010 R
<b>Balance at beginning of year</b>	<b>759 979 578</b>	<b>500 470 062</b>
Contributions to provision	639 881 174	449 741 301
	1 399 860 752	950 211 363
Bad debts written off against provision	-114 057 887	-190 231 785
<b>Balance at end of year</b>	<b>1 285 802 865</b>	<b>759 979 578</b>

**Financial Assets have been classified as loans and receivables**

The consumer debtors are billed interest at 15.5% on overdue accounts.

**Trade and Other receivables past due but not provided for as doubtful debts**

Trade and other receivables which were less than 3 months past due were not considered to be provided for as doubtful debts in the 2010 financial year. At 30 June 2011 R0 (2010: R134 900 208) were past due but not provided for.

Neither past due nor impaired	Economic Entity and Municipality	
	2011 R	Restated 2010 R
Current (0-30 days)	446 368 265	464 587 584
<b>The ageing of amounts past due but not provided for is as follows:</b>		
1 month past due	0	91 850 400
2 months past due	0	43 049 809
3 months past due	0	0
	<b>446 368 265</b>	<b>599 487 793</b>

**Trade and other receivables provided for as doubtful debts**

As of 30 June 2011, trade and other receivables of R1 327 986 423, (2010: R769 238 831) were impaired and provided for.

**The ageing of these receivables is as follows:**

Provision (based on the collection of outstanding debts)	<b>1 285 802 865</b>	<b>759 979 578</b>
Impairment	<b>42 183 558</b>	<b>9 259 253</b>

17 OTHER DEBTORS

Government Grants and Subsidies	252 909 525	429 993 622	252 909 525	429 993 622
Interest on External Investments	2 553 836	7 993 828	2 383 777	7 917 941
Operating lease accruals	194 282	240 327	194 282	240 327
External Debtors	92 536 376	83 739 714	92 862 289	83 733 264
Entities	0	0	45 907 413	0
	<b>348 194 019</b>	<b>521 967 491</b>	<b>394 257 286</b>	<b>521 885 154</b>
Less: Provision for doubtful debts	-3 551 495	-4 050 950	-3 541 805	-4 050 209
<b>Balance at end of year</b>	<b>344 642 524</b>	<b>517 916 541</b>	<b>390 715 481</b>	<b>517 834 945</b>

Amounts due from Government and external debtors are normally settled within 30 days and bears no interest



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18. VAT	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
VAT refund	19 293 895	56 664 969	16 958 349	55 561 376
Refer to Restatement Note 40.14				
VAT Suspense	28 235 674	42 356 840	28 235 674	42 356 840

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

Refer to Restatement Note 40.8

19 SHORT-TERM INVESTMENTS & INVESTMENT DESPOSITS

DEPOSITS

	Economic Entity and Municipality	
ABSA Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2011: 0% (2010: 6.60%) during the current audit period.	0	75 000 000
FNB Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2011: 0% (2010: 6.60%) during the current audit period.	0	75 000 000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2011: 4.87% (2010: 6.50%) during the current audit period.	125 607 152	108 051 155
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2011: 4.87% (2010: 6.40%) during the current audit period.	125 500 000	146 500 000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2011: 4.87% (2010: 7.40%) during the current audit period.	45 885 217	100 856 912
	<b>296 992 369</b>	<b>505 408 067</b>

FINANCIAL INSTRUMENTS - INVESTMENTS

Sanlam Shares	1 127 728	935 409
	<b>298 120 097</b>	<b>506 343 476</b>

No Investments were pledged as security

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 2011 was R 1 127 728 (2010: R 935 409) determined on the open market share price at 30 June 2011. The shares were awarded to the municipality as the beneficiary of an insurance endowment policy, which matured during October 1998.

All deposits are invested in call accounts with all of the above banks as per the above-mentioned interest rate options. Short-term investment deposits form part of cash and cash equivalents for purposes of the cash flow statement.

Short-term Investment Deposits amounting to R92 054 673 (2010: R92 457 533) 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. 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	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
Cash Book balance at beginning of the year	124 361 433	95 383 202	124 361 433	95 383 202
Cash Book balance at end of the year	130 665 052	124 361 433	130 665 052	124 361 433
Bank Balance at beginning of the year	106 582 656	84 097 789	106 582 656	84 097 789
Bank Balance at end of the year	151 095 273	106 582 656	151 095 273	106 582 656

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

Bank balances and cash	<b>130 665 052</b>	<b>124 361 433</b>	<b>130 665 052</b>	<b>124 361 433</b>
Bank guarantees held with Standard Bank:	300 000	300 000	300 000	300 000
Fleet Management Card	55 000	55 000	55 000	55 000
Performance Management Card				

Mandela Bay Development Agency

Current Account (Primary Account)

Standard Bank of SA Limited, Rink Street, Port Elizabeth  
Account Number - 080308503

Cashbook balance at beginning of year	0	491 274
Cashbook balance at end of the year	0	0
Bank statement balance at beginning of the year	0	491 274
Bank statement balance at end of the year	0	0

First National Bank, Govan Mbeki Avenue, Port Elizabeth  
Account Number - 62244870748

Cashbook balance at beginning of year	143 990	0
Cashbook balance at end of the year	345 066	143 990
Bank statement balance at beginning of the year	143 990	0
Bank statement balance at end of the year	345 066	143 990

Short Term Investments

Standard Bank of SA Limited, Rink Street, Port Elizabeth  
Account Number - 08846132

Cash Account Deposits		
Cashbook balance at beginning of year	0	45 549 740
Cashbook balance at end of the year	0	0
Bank statement balance at beginning of the year	0	45 549 740
Bank statement balance at end of the year	0	0

First National Bank, Govan Mbeki Avenue, Port Elizabeth  
Account Number - 62244870748

Cash Account Deposits		
Cashbook balance at beginning of year	41 898 402	0
Cashbook balance at end of the year	58 029 258	41 898 402
Bank statement balance at beginning of the year	41 898 402	0
Bank statement balance at end of the year	58 029 258	41 898 402

Disclosed in the financials as follows:

Cash and cash equivalents	58 374 324	42 042 392
Current Account (Primary Account)	345 066	143 990
Call Account Deposits	58 029 258	41 898 402
Consolidated Cash Book balance at end of the year	<b>189 039 376</b>	<b>166 403 825</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
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21 PROPERTY RATES	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>Actual</b>				
Residential	416 967 783	388 217 097	416 967 783	388 217 097
Commercial	284 416 965	239 256 869	284 416 965	239 256 869
State	57 886 222	52 349 359	57 886 222	52 349 359
Other	79 583 682	76 675 869	79 583 682	76 675 869
	<b>838 854 652</b>	<b>756 499 194</b>	<b>838 854 652</b>	<b>756 499 194</b>

Other includes farms, smallholdings, municipal public service infrastructure and vacant properties.  
These amounts are reflected excluding VAT.

Valuations	R000's		R000's	
	2011	Restated 2010	2011	Restated 2010
Residential	78 714 545	77 198 019	78 714 545	77 198 019
Commercial	26 608 461	21 264 818	26 608 461	21 264 818
State	5 014 763	4 920 052	5 014 763	4 920 052
Other	15 485 067	10 985 821	15 485 067	10 985 821
	<b>125 822 836</b>	<b>114 368 710</b>	<b>125 822 836</b>	<b>114 368 710</b>

22 SERVICE CHARGES

Sale of Electricity	2 185 427 939	1 807 640 119	2 185 508 319	1 807 750 495
Sale of Water	569 882 875	407 917 745	569 882 875	407 917 745
<b>Service delivery - sale of inventory</b>	<b>2 755 310 814</b>	<b>2 215 557 864</b>	<b>2 755 391 194</b>	<b>2 215 668 240</b>
Refuse Removal	120 674 829	105 486 372	120 674 829	105 486 372
Sewerage and Sanitation charges	246 691 975	228 020 162	246 691 975	228 020 162
<b>Service delivery - sale of service</b>	<b>367 366 804</b>	<b>333 506 534</b>	<b>367 366 804</b>	<b>333 506 534</b>
	<b>3 122 677 618</b>	<b>2 549 064 398</b>	<b>3 122 757 998</b>	<b>2 549 174 774</b>

These amounts are reflected excluding VAT.  
Refer Restatement note 40.3

23 FOREIGN EXCHANGE TRANSACTIONS

Loss on foreign exchange transactions	<b>0</b>	<b>3 973 498</b>	<b>0</b>	<b>3 973 498</b>
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The loss on foreign exchange is attributable to the fluctuation in foreign exchange rates when comparing the spot rate as per the contract with the ruling foreign exchange rate on the date of settlement of the payments.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
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	Economic Entity		Municipality	
	2011	Restated 2010	2011	Restated 2010
	R	R	R	R
<b>24 GOVERNMENT GRANTS AND SUBSIDIES</b>				
PHB Subsidies (See Note 24.1)	240 153 800	376 649 544	240 153 800	376 649 544
Health Subsidies (See Note 24.2)	46 330 492	84 013 292	46 330 492	84 013 292
Equitable Share Allocation (See Note 24.3)	602 882 820	466 834 967	602 882 820	466 834 967
Finance Management Grant (See Note 24.4)	872 325	1 187 678	872 325	1 187 678
Library Services - Carnegie Corporation Grant (See Note 24.5)	0	0	0	0
SMME - Development (See Note 24.6)	0	0	0	0
Project Consolidate (See Note 24.7)	0	0	0	0
Disaster Management Grant (See Note 24.8)	0	3 118 886	0	3 118 886
Municipal Infrastructure Grant (See Note 24.9)	1 372 368	1 805 117	1 372 368	1 805 117
Ploughing Fields (See Note 24.10)	0	0	0	0
Project Generation (DEAET) (See Note 24.11)	0	0	0	0
Amphitheatre - Uitenhage - UDDI (See Note 24.12)	0	0	0	0
National Treasury - Accreditation of Municipalities (See Note 24.13)	2 251 638	4 317 715	2 251 638	4 317 715
Fuel Levy (See Note 24.14)	391 668 000	360 042 000	391 668 000	360 042 000
2010 Soccer World Cup Stadium (See Note 24.15)	11 682 959	63 306 673	11 682 959	63 306 673
Walmer Youth Development Project (See Note 24.16)	0	0	0	0
HIV / AIDS Columbia University Project (See Note 24.17)	4 613 207	3 423 470	4 613 207	3 423 470
Provincial Government Grants (See Note 24.18)	4 500 000	3 500 000	4 500 000	3 500 000
Public Transport Infrastructure Grant (See Note 24.19)	5 147 135	31 217 743	5 147 135	31 217 743
DME Subsidy on Connections (See Note 24.20)	0	0	0	0
EU Sector Policy Support Project (See Note 24.21)	11 014 801	16 132 336	11 014 801	16 132 336
Energy-Special Projects (See Note 24.22)	7 995 549	8 716 280	7 995 549	8 716 280
Other Grants (See Note 24.23)	18 712 247	13 955 671	16 333 717	10 129 369
Government Grant Revenue (See Note 24.24)	438 054 886	937 372 914	505 613 574	993 724 317
National Lotteries Grant (See Note 24.25)	10 665 937	2 677 717	10 665 937	2 677 717
Water Demand Management Grant (See Note 24.26)	5 873 281	17 670 526	5 873 281	17 670 526
Neighbourhood Development Partnership Grant (See Note 24.27)	0	0	0	0
	<b>1 803 791 445</b>	<b>2 395 942 529</b>	<b>1 868 971 603</b>	<b>2 448 467 630</b>

**24.1 PHB Subsidies**

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

<b>Balance at beginning of year</b>	<b>46 948 386</b>	<b>51 264 646</b>	<b>46 948 386</b>	<b>51 264 646</b>
Current year receipts	310 688 751	152 325 617	310 688 751	152 325 617
Funding of Operating Projects/ transferred to Other Income	-68 336 935	19 430 386	-68 336 935	19 430 386
Debtor raised	161 874 778	200 577 282	161 874 778	200 577 282
Conditions met - transferred to revenue	-240 153 800	-376 649 544	-240 153 800	-376 649 544
Reversal of prior year accrual - payment received	-200 577 282	0	-200 577 282	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>10 443 898</b>	<b>46 948 386</b>	<b>10 443 898</b>	<b>46 948 386</b>

**24.2 Health Subsidies**

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

<b>Balance at beginning of year</b>	<b>422 560</b>	<b>0</b>	<b>422 560</b>	<b>0</b>
Current year receipts	50 139 336	102 244 824	50 139 336	102 244 824
Funding of Operating Projects	0	-23 742 628	0	-23 742 628
Debtor raised	2 942 386	5 933 656	2 942 386	5 933 656
Conditions met - transferred to revenue	-46 330 492	-84 013 292	-46 330 492	-84 013 292
Reversal of prior year accrual	-5 933 656	0	-5 933 656	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>1 240 134</b>	<b>422 560</b>	<b>1 240 134</b>	<b>422 560</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>24.3 Equitable Share</b>				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.				
<b>Balance unspent at beginning of year</b>	0	0	0	0
Current year receipts	602 882 820	466 834 967	602 882 820	466 834 967
Funding of Capital Projects				
Conditions met - transferred to revenue	-602 882 820	-466 834 967	-602 882 820	-466 834 967
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>24.4 Finance Management Grant</b>				
This grant is used in the financial reform project under the guidance of National Treasury.				
<b>Balance unspent at beginning of year</b>	0	437 677	0	437 677
Current year receipts	1 000 000	750 000	1 000 000	750 000
Funding of Capital Projects				
Conditions met - transferred to revenue	-127 675	-1 187 677	-127 675	-1 187 677
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>24.5 Library Services - Carnegie Corporation Grant</b>				
This Grant is used in the provision of books and services in the municipality's libraries.				
<b>Balance unspent at beginning of year</b>	841 621	791 422	841 621	791 422
Current year receipts		50 199		50 199
Interest received	23 012	0	23 012	0
Grant paid back to National Treasury - interest portion	-864 633	0	-864 633	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>841 621</b>	<b>0</b>	<b>841 621</b>
<b>24.6 SMME - Development</b>				
This Subsidy is used for the development of Small businesses in the Metropolitan Area.				
<b>Balance unspent at beginning of year</b>	192 500	192 500	192 500	192 500
Current year receipts	0	0	0	0
Funding of Capital Projects	0	0	0	0
Conditions met - transferred to revenue	0	0	0	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>192 500</b>	<b>192 500</b>	<b>192 500</b>	<b>192 500</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>24.7 Project Consolidate</b>				
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.				
<b>Balance unspent at beginning of year</b>	<b>84 492</b>	<b>84 492</b>	<b>84 492</b>	<b>84 492</b>
Current year receipts	0	0	0	0
Funding of Capital Projects	0	0	0	0
Transferred to Other Income	-84 492	0	-84 492	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>84 492</b>	<b>0</b>	<b>84 492</b>
<b>24.8 Disaster Management Grant</b>				
This Grant is used to provide aid to those in need when disasters arise in the metropolitan area.				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>42 169</b>	<b>0</b>	<b>42 169</b>
Current year receipts	0	0	0	0
Debtor Raised	0	3 076 717	0	3 076 717
Conditions met - transferred to revenue	0	-3 118 886	0	-3 118 886
Funding of Capital Projects	0	0	0	0
Reversal of prior year accrual	-3 076 717	0	-3 076 717	0
Debt impaired	3 076 717	0	3 076 717	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>24.9 Municipal Infrastructure Grant</b>				
This Grant is used for the provision of Infrastructure in the metropolitan area.				
<b>Balance unspent at beginning of year</b>	<b>496 772</b>	<b>86 688 636</b>	<b>496 772</b>	<b>86 688 636</b>
Current year receipts	182 532 000	156 016 000	182 532 000	156 016 000
Funding of Capital Projects	-180 161 991	-240 402 747	-180 161 991	-240 402 747
Conditions met - transferred to revenue	-1 372 368	-1 805 117	-1 372 368	-1 805 117
<b>Conditions still to be met - transferred to liabilities</b>	<b>1 494 413</b>	<b>496 772</b>	<b>1 494 413</b>	<b>496 772</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>24.10 Ploughing Fields</b>				
This Grant is used to promote Economic development.				
<b>Balance unspent at beginning of year</b>	<b>26 545</b>	<b>26 545</b>	<b>26 545</b>	<b>26 545</b>
Current year receipts	0	0	0	0
Funding of Capital Projects	0	0	0	0
Transferred to Other Income	-26 545	0	-26 545	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>26 545</b>	<b>0</b>	<b>26 545</b>
<b>24.11 Project Generation(DEAET)</b>				
This Grant is used to promote Economic development.				
<b>Balance unspent at beginning of year</b>	<b>7 016 230</b>	<b>7 028 263</b>	<b>7 016 230</b>	<b>7 028 263</b>
Current year receipts	0	-12 033	0	-12 033
Funding of Capital Projects	0	0	0	0
Transferred to Other Income	-7 016 230	0	-7 016 230	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>7 016 230</b>	<b>0</b>	<b>7 016 230</b>
<b>24.12 Amphitheatre - Uitenhage - UDDI</b>				
This Grant is used to promote Economic development in the Uitenhage and Despatch Development Initiative.				
<b>Balance unspent at beginning of year</b>	<b>3 815 178</b>	<b>41 652</b>	<b>3 815 178</b>	<b>41 652</b>
Current year receipts	0	3 773 526	0	3 773 526
Interest transferred to Other Income	-41 653	0	-41 653	0
Conditions met - transferred to revenue	0	0	0	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>3 773 525</b>	<b>3 815 178</b>	<b>3 773 525</b>	<b>3 815 178</b>
<b>24.13 National Treasury - Accreditation of Municipalities</b>				
This Grant is used for capacity building of employees in the municipality's Housing and Land Directorate.				
<b>Balance unspent at beginning of year</b>	<b>3 716 666</b>	<b>4 198 406</b>	<b>3 716 666</b>	<b>4 198 406</b>
Current year receipts	4 000 000	3 835 975	4 000 000	3 835 975
Funding of Capital Projects	0	0	0	0
Conditions met - transferred to revenue	-2 251 638	-4 317 715	-2 251 638	-4 317 715
<b>Conditions still to be met - transferred to liabilities</b>	<b>5 465 028</b>	<b>3 716 666</b>	<b>5 465 028</b>	<b>3 716 666</b>
<b>24.14 Fuel Levy</b>				
This Grant is to compensate for loss of revenue due to the abolishment of RSC Levies and therefore replaces the RSC Levies Replacement Grant				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	391 668 000	360 042 000	391 668 000	360 042 000
Funding of Capital Projects	0	0	0	0
Conditions met - transferred to revenue	-391 668 000	-360 042 000	-391 668 000	-360 042 000
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>24.15 2010 Soccer World Cup Stadium</b>				
This Grant is used to fund the building of the 2010 Soccer World Cup Stadium.				
<b>Balance unspent at beginning of year</b>	<b>33 988 642</b>	<b>49 307 271</b>	<b>33 988 642</b>	<b>49 307 271</b>
Current year receipts	2 658 193	175 763 744	2 658 193	175 763 744
Funding of Capital Projects	-24 963 875	-127 775 700	-24 963 875	-127 775 700
Conditions met - transferred to revenue	-11 682 959	-63 306 673	-11 682 959	-63 306 673
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>33 988 642</b>	<b>0</b>	<b>33 988 642</b>
<b>24.16 Walmer Youth Development Project</b>				
This Grant is used for Youth Development.				
<b>Balance unspent at beginning of year</b>	<b>53 623</b>	<b>53 623</b>	<b>53 623</b>	<b>53 623</b>
Current year receipts	0	0	0	0
Funding of Capital Projects	0	0	0	0
Conditions met - transferred to revenue	0	0	0	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>53 623</b>	<b>53 623</b>	<b>53 623</b>	<b>53 623</b>
<b>24.17 HIV/AIDS Columbia University Project</b>				
This Grant is used for HIV / AIDS projects.				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	3 582 113	4 183 044	3 582 113	4 183 044
Funding of Operating Projects	0	-759 574	0	-759 574
Debtor's accrual raised	1 031 094	0	1 031 094	0
Conditions met - transferred to revenue	-4 613 207	-3 423 470	-4 613 207	-3 423 470
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>24.18 Provincial Government Grants</b>				
This grant is received from the Provincial Government and used to subsidise Libraries.				
<b>Balance at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	4 500 000	3 500 000	4 500 000	3 500 000
Funding of Capital Projects	0	0	0	0
Conditions met - transferred to revenue	-4 500 000	-3 500 000	-4 500 000	-3 500 000
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>24.19 Public Transport Infrastructure Grant</b>				
This Grant is received from National Treasury for upgrading of infrastructure to support the 2010 World Cup Stadium.				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>318 167 967</b>	<b>0</b>	<b>318 167 967</b>
Current year receipts	428 333 000	109 551 949	428 333 000	109 551 949
Funding of Capital Expenditure	-108 644 114	-526 840 954	-108 644 114	-526 840 954
Debtor Raised	0	130 338 781	0	130 338 781
Reversal of prior year accrual - payment received	-130 338 781	0	-130 338 781	0
Conditions met - transferred to revenue	-5 147 135	-31 217 743	-5 147 135	-31 217 743
<b>Conditions still to be met - transferred to liabilities</b>	<b>184 202 970</b>	<b>0</b>	<b>184 202 970</b>	<b>0</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>24.20 DME Subsidy on Electricity Connections</b>				
This Grant is used to fund electricity connections and upon application also the upgrade of the Electricity infrastructure in order to install these electricity connections.				
Balance unspent at beginning of year	0	5 976 651	0	5 976 651
Current year receipts	20 000 000	0	20 000 000	0
Funding of Capital Projects	-19 085 177	-6 891 474	-19 085 177	-6 891 474
Debtor Raised	0	914 823	0	914 823
Reversal of prior year Debtor - payment received	-914 823	0	-914 823	0
Conditions still to be met - transferred to liabilities	0	0	0	0
<b>24.21 EU Sector Policy Support Project</b>				
This Grant is received from the European Union to fund various authorised developmental projects.				
Balance unspent at beginning of year	24 292 923	38 175 634	24 292 923	38 175 634
Current year receipts	0	2 249 625	0	2 249 625
Funding of Capital Projects	-10 577 306	0	-10 577 306	0
Conditions met - transferred to revenue	-11 014 801	-16 132 336	-11 014 801	-16 132 336
Transferred to Other Income	-580 075	0	-580 075	0
Interest allocated	642 624	0	642 624	0
Conditions still to be met - transferred to liabilities	2 763 365	24 292 923	2 763 365	24 292 923
<b>24.22 Energy Efficiency &amp; Demand Side Management</b>				
This Grant is used to fund Energy Efficient Electricity Projects				
Balance unspent at beginning of year	21 283 720	0	21 283 720	0
Current year receipts	25 000 000	30 000 000	25 000 000	30 000 000
Funding of Capital Projects	0	0	0	0
Conditions met - transferred to revenue	-7 995 549	-8 716 280	-7 995 549	-8 716 280
Conditions still to be met - transferred to liabilities	38 288 171	21 283 720	38 288 171	21 283 720
<b>24.23 Other Grants</b>				
These are grants received by the municipality for various purposes.				
Balance unspent at beginning of year	75 172 286	80 395 842	63 016 132	78 725 426
Current year receipts	33 784 296	61 724 780	30 784 296	55 528 795
National & Provincial Government Capex Funding	-20 506 628	-16 922 494	-20 506 628	-16 922 494
Funding of Operating Projects/ transferred to Other Income	-70 974 129	-58 810 250	-65 698 435	-66 926 305
Debtor raised	75 818 432	75 441 380	75 818 432	75 441 380
Reversal of prior year debtor	-75 441 380	-52 701 301	-75 441 380	-52 701 301
Debt impaired	38 186 840	0	38 186 840	0
Conditions met - transferred to revenue	-18 712 247	-13 955 671	-16 333 717	-10 129 369
Conditions still to be met - transferred to liabilities	37 327 470	75 172 286	29 825 540	63 016 132
<b>24.24 Government Grant Revenue</b>				
Funding of Capital Projects	438 054 886	937 372 914	505 613 574	993 724 317
Conditions met - transferred to revenue	-438 054 886	-937 372 914	-505 613 574	-993 724 317
Conditions still to be met - transferred to liabilities	0	0	0	0
<b>24.25 National Lotteries Grant</b>				
This grant is used to fund Art and Culture programmes				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	18 948 694	0	18 948 694	0
Funding of Operating Projects	0	0	0	0
Conditions met - transferred to revenue	-10 665 937	-2 677 717	-10 665 937	-2 677 717
Debtor raised	0	2 677 717	0	2 677 717
Reversal of prior year accrual - payment received	-2 677 717	0	-2 677 717	0
Conditions still to be met - transferred to liabilities	5 605 040	0	5 605 040	0
<b>24.26 Water Demand Management Grant</b>				
This grant is used to fund Water Demand Management initiatives				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	12 729 092	13 072 153	12 729 092	13 072 153
Funding of Capital Projects	-2 257 438	0	-2 257 438	0
Debtor raised	0	4 598 373	0	4 598 373
Reversal of prior year accrual - payment received	-4 598 373	0	-4 598 373	0
Conditions met - transferred to revenue	-5 873 281	-17 670 526	-5 873 281	-17 670 526
Conditions still to be met - transferred to liabilities	0	0	0	0
<b>24.27 Neighbourhood Development Partnership Grant</b>				
This grant is used for the urban renewal of townships				
Balance unspent at beginning of year	0	4 164 293	0	4 164 293
Current year receipts	68 697 115	31 499 999	68 697 115	31 499 999
Funding of Capital Projects	-42 899 924	-43 097 626	-42 899 924	-43 097 626
Debtor raised	0	7 433 334	0	7 433 334
Reversal of prior year accrual - payment received	-7 433 334	0	-7 433 334	0
Conditions met - transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	18 363 857	0	18 363 857	0
<b>25 OTHER INCOME</b>				
Sale of Land	4 195 812	4 879 992	4 195 812	4 879 992
Fees and Charges	153 255 414	127 770 325	153 255 414	127 770 325
Grave Income	3 106 028	3 470 266	3 106 028	3 470 266
Public Contributions and Donations Revenue	22 287 285	62 658 915	17 011 591	62 658 915
Insurance Claims	176 578	917 373	176 578	917 373
Other Income	180 349 740	66 453 226	180 166 439	65 463 775
	363 370 857	266 150 097	357 911 862	265 160 646
Refer to Restatement Note 40.4				



NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
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26 EMPLOYEE RELATED COSTS	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
Employee related costs - Salaries and Wages	1 109 985 384	1 008 749 571	1 104 638 635	1 003 886 397
Employee related costs - Contributions for UIF, pensions and medical aids	561 835 072	406 375 147	561 835 072	406 375 147
Travel, motor car, accommodation, subsistence and other allowances	97 294 647	77 805 061	97 186 647	77 697 061
Housing benefits and allowances	8 265 888	9 875 463	8 265 888	9 875 463
Overtime payouts	72 263 953	87 600 187	72 263 953	87 600 187
Performance bonus	16 844 561	15 389 829	16 578 835	15 083 283
Long-service Awards	26 592 350	23 926 156	26 592 350	23 926 156
	<b>1 893 081 855</b>	<b>1 629 721 414</b>	<b>1 887 361 380</b>	<b>1 624 443 694</b>
<b>Refer Restatement Note 40.2 ( Reason for restatement disclosed in this note)</b>				
<b>Remuneration of the Municipal Manager</b>				
Annual Remuneration	349 988	1 049 964	349 988	1 049 964
Performance Bonuses	0	0	0	0
Car allowance	32 000	96 000	32 000	96 000
UIF, Medical and Pension Funds etc.	499	1 497	499	1 497
<b>Total</b>	<b>382 487</b>	<b>1 147 461</b>	<b>382 487</b>	<b>1 147 461</b>
<b>Remuneration of the Acting Municipal Manager</b>				
Annual Remuneration	1 119 516	849 000	1 119 516	849 000
Performance Bonuses	0	0	0	0
Car allowance	0	0	0	0
UIF, Medical and Pension Funds etc.	1 497	998	1 497	998
<b>Total</b>	<b>1 121 013</b>	<b>849 998</b>	<b>1 121 013</b>	<b>849 998</b>
<b>Remuneration of the Chief Financial Officer</b>				
Annual Remuneration	779 616	706 371	779 616	706 371
Performance Bonuses	0	0	0	0
Car allowance	159 600	159 600	159 600	159 600
UIF, Medical and Pension Funds etc.	139 844	128 805	139 844	128 805
<b>Total</b>	<b>1 079 060</b>	<b>994 776</b>	<b>1 079 060</b>	<b>994 776</b>
<b>Remuneration of the Chief Operating Officer</b>				
Annual Remuneration	788 292	714 579	788 292	714 579
Performance Bonuses	0	0	0	0
Car allowance	144 000	144 000	144 000	144 000
UIF, Medical and Pension Funds etc.	132 974	134 692	132 974	134 692
<b>Total</b>	<b>1 065 266</b>	<b>993 271</b>	<b>1 065 266</b>	<b>993 271</b>
<b>Remuneration of the Chief of Staff</b>				
Annual Remuneration	964 788	883 500	964 788	883 500
Performance Bonuses	0	0	0	0
Car allowance	0	0	0	0
UIF, Medical and Pension Funds etc.	51 318	76 785	51 318	76 785
<b>Total</b>	<b>1 016 106</b>	<b>960 285</b>	<b>1 016 106</b>	<b>960 285</b>
<b>Remuneration of the Chief Executive Officer - MBDA</b>				
Annual Remuneration	1 166 764	1 075 893	0	0
Performance Bonuses	122 676	136 307	0	0
Car allowance	60 000	60 000	0	0
<b>Total</b>	<b>1 349 440</b>	<b>1 272 200</b>	<b>0</b>	<b>0</b>
<b>Remuneration of the Chief Financial Officer - MBDA</b>				
Annual Remuneration	658 123	607 596	0	0
Performance Bonuses	68 212	78 949	0	0
Car allowance	24 000	24 000	0	0
<b>Total</b>	<b>750 335</b>	<b>710 545</b>	<b>0</b>	<b>0</b>
<b>Remuneration of the Planning and Development Manager - MBDA</b>				
Annual Remuneration	591 593	545 994	0	0
Performance Bonuses	45 403	62 699	0	0
Car allowance	24 000	24 000	0	0
<b>Total</b>	<b>670 996</b>	<b>632 693</b>	<b>0</b>	<b>0</b>
<b>Remuneration of the the Operations Manager - MBDA</b>				
Annual Remuneration	388 700	336 362	0	0
Performance Bonuses	19 435	28 591	0	0
<b>Total</b>	<b>408 135</b>	<b>364 953</b>	<b>0</b>	<b>0</b>
<b>Remuneration of Individual Executive Directors</b>				
<b>Corporate Services</b>				
Annual Remuneration	920 088	838 788	920 088	838 788
Performance Bonus	0	0	0	0
Car Allowance	120 000	120 000	120 000	120 000
UIF, Medical and Pension Funds etc.	1 497	1 497	1 497	1 497
<b>Total</b>	<b>1 041 585</b>	<b>960 285</b>	<b>1 041 585</b>	<b>960 285</b>
<b>Economic Development and Recreational Services</b>				
Annual Remuneration	773 052	727 248	773 052	727 248
Performance Bonus	0	0	0	0
Car Allowance	120 000	96 000	120 000	96 000
UIF, Medical and Pension Funds etc.	100 432	137 035	100 432	137 035
<b>Total</b>	<b>993 484</b>	<b>960 283</b>	<b>993 484</b>	<b>960 283</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
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26 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>Public Health</b>				
Annual Remuneration	921 211	951 439	921 211	951 439
Performance Bonus	0	0	0	0
Car Allowance	120 000	130 880	120 000	130 880
UIF, Medical and Pension Funds etc.	1 497	1 373	1 497	1 373
	<b>1 042 708</b>	<b>1 083 692</b>	<b>1 042 708</b>	<b>1 083 692</b>
<b>Housing and Land</b>				
Annual Remuneration	344 112	938 976	344 112	938 976
Performance Bonus	0	0	0	0
Car Allowance	40 000	120 000	40 000	120 000
UIF, Medical and Pension Funds etc.	14 499	1 497	14 499	1 497
	<b>398 611</b>	<b>1 060 473</b>	<b>398 611</b>	<b>1 060 473</b>
<b>Electricity and Energy</b>				
Annual Remuneration	0	0	0	0
Performance Bonus	0	0	0	0
Car Allowance	0	0	0	0
UIF, Medical and Pension Funds etc.	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Infrastructure and Engineering</b>				
Annual Remuneration	829 717	826 788	829 717	826 788
Performance Bonus	0	0	0	0
Car Allowance	121 000	132 000	121 000	132 000
UIF, Medical and Pension Funds etc.	1 497	1 497	1 497	1 497
	<b>952 214</b>	<b>960 285</b>	<b>952 214</b>	<b>960 285</b>
<b>Strategic Programmes Unit</b>				
Annual Remuneration	842 088	760 788	842 088	760 788
Performance Bonus	0	0	0	0
Car Allowance	120 000	120 000	120 000	120 000
UIF, Medical and Pension Funds etc.	79 557	1 497	79 557	1 497
	<b>1 041 645</b>	<b>882 285</b>	<b>1 041 645</b>	<b>882 285</b>
<b>Safety and Security</b>				
Annual Remuneration	0	637 304	0	637 304
Performance Bonus	0	0	0	0
Car Allowance	0	108 000	0	108 000
UIF, Medical and Pension Funds etc.	0	1 123	0	1 123
	<b>0</b>	<b>746 427</b>	<b>0</b>	<b>746 427</b>
<b>2010 FIFA World Cup South Africa</b>				
Annual Remuneration	887 196	810 606	887 196	810 606
Performance Bonus	0	0	0	0
Car Allowance	120 000	120 000	120 000	120 000
UIF, Medical and Pension Funds etc.	101 901	89 524	101 901	89 524
	<b>1 109 097</b>	<b>1 020 130</b>	<b>1 109 097</b>	<b>1 020 130</b>

The Electricity and Energy Executive Director position has been vacant since 1 November 2008.  
The Safety and Security Executive Director position has been vacant since 01 April 2010.

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	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>27 REMUNERATION OF COUNCILLORS</b>				
Mayor's Remuneration	938 624	922 159	938 624	922 159
Deputy Mayor's Remuneration	773 051	733 956	773 051	733 956
Speaker's Remuneration	702 264	732 416	702 264	732 416
Councillors' Remuneration	41 257 179	41 120 784	41 257 179	41 120 784
Telephone Allowances	1 382 186	1 376 481	1 382 186	1 376 481
	<b>45 053 304</b>	<b>44 885 796</b>	<b>45 053 304</b>	<b>44 885 796</b>
<b><i>In-kind Benefits</i></b>				
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 Councillors' remuneration package; the structure has changed to an all-inclusive package, with the exception of a Telephone Allowance.				
<b>28 BAD DEBTS</b>				
Bad debts consists of the following:				
<b>Bad debts expense</b>	<b>119 618 987</b>	<b>190 231 785</b>	<b>119 609 305</b>	<b>190 231 785</b>
Bad debts previously provided for	114 057 887	190 231 785	114 057 887	190 231 785
Bad debts incurred in current year - not provided for	5 561 100	0	5 551 418	0
<b>Net Contribution to doubtful debts</b>	<b>434 655 797</b>	<b>229 237 794</b>	<b>434 655 797</b>	<b>229 237 794</b>
Contribution to doubtful debts (inclusive of VAT)	639 881 174	449 741 301	639 881 174	449 741 301
Less: VAT portion	78 786 032	33 324 942	78 786 032	33 324 942
Contribution to doubtful debts (excluding VAT)	<b>561 095 142</b>	<b>416 416 359</b>	<b>561 095 142</b>	<b>416 416 359</b>
Less: Bad debts previously provided for	114 057 887	190 231 785	114 057 887	190 231 785
	<b>447 037 255</b>	<b>226 184 574</b>	<b>447 037 255</b>	<b>226 184 574</b>
Less: Bad debts - levies debtors	508 404	3 050 209	508 404	3 050 209
Less: Bad debts now funded from the provision	11 873 054	3 011	11 873 054	0
	<b>554 274 784</b>	<b>419 469 579</b>	<b>554 265 102</b>	<b>419 466 568</b>
<b>29 FINANCE CHARGES</b>				
Interest on External Loans	174 719 874	107 703 963	174 719 874	107 703 963
Interest on Government Grants and Creditors	2 909 858	5 662 919	2 909 858	5 610 584
	<b>177 629 732</b>	<b>113 366 882</b>	<b>177 629 732</b>	<b>113 314 547</b>
Refer to Restatement Note 40.6				
<b>30 BULK PURCHASES</b>				
Electricity	1 519 481 562	1 187 686 089	1 519 481 562	1 187 686 089
Water	55 605 248	49 695 065	55 605 248	49 695 065
	<b>1 575 086 810</b>	<b>1 237 381 154</b>	<b>1 575 086 810</b>	<b>1 237 381 154</b>
<b>31 GRANTS AND SUBSIDIES PAID</b>				
Grants in aid	7 116 663	6 314 144	7 116 663	6 314 144
Grants to Entities	8 579 073	-4 967 093	19 952 872	76 884 700
Grants to Individuals	265 134 163	264 700 858	265 134 163	264 700 858
Grants to Other Organisations	15 400 965	17 011 070	15 352 425	16 671 084
	<b>296 230 864</b>	<b>283 058 979</b>	<b>307 556 123</b>	<b>364 570 786</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>32 CASH GENERATED FROM OPERATIONS</b>				
<b>Surplus for the year</b>	<b>-108 529 220</b>	<b>507 740 626</b>	<b>-40 411 548</b>	<b>490 802 491</b>
<b>Adjustment for:-</b>				
Investment income	-132 598 100	-148 085 534	-129 793 843	-144 522 353
Contribution to bad debts provision	-525 323 832	262 559 725	-525 323 832	262 559 725
Contribution for obsolete inventory	-20 320	-978 791	-20 320	-978 791
Gain on disposal of PPE	-1 698 397	0	-1 698 397	0
Loss on disposal of PPE	5 056 521	2 932 733	5 056 521	2 932 733
Depreciation - Property, plant and equipment	440 446 323	520 702 828	440 305 242	520 558 558
Depreciation - Investment property	2 638 502	7 832 946	2 638 502	7 832 946
Amortisation	85 963 507	8 836 587	85 932 413	8 817 455
Interest paid	177 629 732	113 366 882	177 629 732	113 314 547
Contribution to provisions - non-current	277 322 458	206 797 858	277 322 459	206 797 858
Contribution to provisions - current	104 085 664	42 112 015	103 796 086	42 416 666
(Decrease) in non-current provisions	-49 238 161	-73 878 868	-49 585 535	-74 320 731
Unrealised gain to sanlam shares	-192 319	-228 329	-192 319	-228 329
Impairment of PPE	920 000	0	920 000	0
Share of Loss in Associate	607 283	725 524	0	0
<b>Operating Surplus before working capital changes</b>	<b>277 069 641</b>	<b>1 450 436 202</b>	<b>346 575 161</b>	<b>1 435 982 775</b>
(Increase)/Decrease in inventory	20 248 142	-2 780 005	20 104 468	-2 556 877
(Increase)/Decrease in debtors	678 942 815	8 464 524	678 942 815	8 464 524
(Increase)/Decrease in other debtors	172 774 562	-347 723 058	126 620 008	-346 989 620
(Increase)/Decrease in VAT	51 492 240	-84 383 494	52 724 193	-83 390 822
(Decrease)/Increase in unspent conditional grants and receipts	90 861 852	-427 015 126	95 516 077	-439 171 283
Increase in creditors	-313 669 185	380 176 072	-356 701 900	411 715 437
	<b>977 720 067</b>	<b>977 175 115</b>	<b>963 780 822</b>	<b>984 054 134</b>
<b>33 CASH AND CASH EQUIVALENTS</b>				
Short-term Investment Deposits	296 992 369	505 408 067	296 992 369	505 408 067
Bank balances and cash	189 039 376	166 403 825	130 665 052	124 361 433
<b>Total Cash and Cash Equivalents</b>	<b>486 031 745</b>	<b>671 811 892</b>	<b>427 657 421</b>	<b>629 769 500</b>
<b>34 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)</b>				
Loans raised	469 808 905	1 164 615 776	470 000 000	1 165 000 000
Loans repaid	-88 858 738	-51 828 168	-88 858 738	-51 828 168
	<b>380 950 167</b>	<b>1 112 787 608</b>	<b>381 141 262</b>	<b>1 113 171 832</b>
<b>35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>35.1 Contributions to organised local government</b>				
<b>Opening balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Council subscriptions	9 498 601	13 234 254	9 498 601	13 234 254
Amount paid - current year	-9 498 601	-13 234 254	-9 498 601	-13 234 254
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>35.2 Audit Fees</b>				
<b>Opening balance</b>	<b>0</b>	<b>80 000</b>	<b>0</b>	<b>0</b>
Current year audit fee	9 052 587	6 159 488	8 873 609	6 030 105
Previous year audit fee	446 796	0	0	0
Amount paid - current year	-8 873 609	-6 159 488	-8 873 609	-6 030 105
Amount paid - previous year	-446 796	-70 933	0	0
	0	-9 067	0	0
<b>Balance unpaid (included in creditors)</b>	<b>178 978</b>	<b>0</b>	<b>0</b>	<b>0</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>35.3 VAT</b>				
VAT inputs and VAT output are shown in note 18. All VAT returns have been submitted by the due date throughout the year.				
<b>35.4 PAYE and UIF</b>				
<b>Opening balance</b>	15 916 573	12 474 335	15 854 281	12 402 486
Current year payroll deductions	213 962 374	185 483 662	212 846 209	184 441 853
Amount paid - current year	-197 381 827	-169 567 089	-196 349 573	-168 587 572
Amount paid - previous year	-15 916 573	-12 474 335	-15 854 281	-12 402 486
<b>Balance unpaid (included in creditors)</b>	<b>16 580 547</b>	<b>15 916 573</b>	<b>16 496 636</b>	<b>15 854 281</b>
<b>35.5 Pension and Medical Aid Deductions</b>				
<b>Opening balance</b>	0	0	0	0
Current year payroll deductions and Council Contributions	392 705 517	344 855 079	392 705 517	344 855 079
Amount paid - current year	-392 705 517	-344 855 079	-392 705 517	-344 855 079
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>35.6 Skills Development Levy</b>				
<b>Opening balance</b>	907 083	742 446	907 083	742 446
Current year payroll deductions	11 892 060	10 447 871	11 892 060	10 447 871
Amount paid - current year	-10 863 574	-9 540 788	-10 863 574	-9 540 788
Amount paid - previous year	-907 083	-742 446	-907 083	-742 446
<b>Balance unpaid (included in creditors)</b>	<b>1 028 486</b>	<b>907 083</b>	<b>1 028 486</b>	<b>907 083</b>
<b>35.7 Provident Fund</b>				
<b>Opening balance</b>	0	0	0	0
Amount Paid	-549 202	-470 736	0	0
Expenditure incurred	603 279	470 736	0	0
<b>Balance unpaid (included in creditors)</b>	<b>54 077</b>	<b>0</b>	<b>0</b>	<b>0</b>
The Agency contributes to the Liberty Corporate Selection Group Life Scheme, a defined contribution plan which is required to be actuarially valued. The fund is governed under the Pension Fund Act, 1956 as amended.				
The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 14 members belong to the fund.				
<b>OTHER ADDITIONAL DISCLOSURES:</b>				
<b>35.8 Impairment</b>				
Government Debt in the amount R41 263 558 have been impaired as the debtor was initially raised on the understanding that the Provincial Government would fund 60% of the project costs. Provincial Government has now adopted an approach of entering into a service level agreement with the Municipality for each project, with the result that the 60%/40% funding formula is no longer applicable.				
	42 183 558	9 259 253	42 183 558	9 259 253
Property, plant and equipment in the amount of R920 000 has been impaired as it has been restored to its originally assessed standard of performance.				
<b>35.9 Loss on disposal of Property, plant and equipment</b>				
Loss on disposal of property, plant and equipment	5 056 521	2 932 733	5 056 521	2 932 733
Relates to the disposal of Property, plant and equipment.				
<b>35.10 Gain on disposal of Property, plant and equipment</b>				
Gain on disposal of property, plant and equipment	1 698 397	0	1 698 397	0
The amount of R1 698 397 relates to sale of redundant motor vehicles				
<b>35.11 Self Insurance Reserve</b>				
An independent risk assessment of the self insurance reserve was undertaken to re-asses the value of the fund taking the Municipality's risk exposure into account. This assessment resulted in the reserve balance being adjusted.				
<b>35.12 Water losses</b>				
The Municipality suffered water losses of 22, 961 megalitres (26,2%) amounting to R135,9 million (2010: 27,561 megalitres (29,3%) amounting to R145,5 million) during the year. Various water demand management interventions are being implemented to curb water losses.				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT  
36.1 Councillors' arrear consumer accounts

Councillors had arrear accounts outstanding for more than 90 days as at:	Economic Entity and Municipality		
	R	R	R
	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
30 June 2011			
Councillor X C Bisset	158	33	125
Councillor Z W Jodwana	534	153	381
Councillor R C Kayser	579	264	315
Councillor L Y Kwitsana	124	124	0
Councillor J Lawack	1 054	1 054	0
Councillor P Lose	242	130	112
Councillor S D Madlavu	107	107	0
Councillor M C Mtanga	114	57	57
Councillor T H Ngcolomba	87	87	0
Councillor L S Nkonyama	8	8	0
Councillor L B Stereie	752	130	622
Councillor N R Tontsi	1 122	1 122	0
	<b>4 881</b>	<b>3 269</b>	<b>1 612</b>

Councillors had arrear accounts outstanding for more than 90 days as at:

Councillors had arrear accounts outstanding for more than 90 days as at:	Economic Entity and Municipality		
	R	R	R
	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
30 June 2010			
Councillor I Adams	16	16	0
Councillor H M August	242	232	10
Councillor X S Banga	1 730	1 730	0
Councillor M A Booysen	49	49	0
Councillor R N Captain	1	1	0
Councillor N Du Plessis	12 275	12 275	0
Councillor F V Frans	334	334	0
Councillor P Hermaans	323	323	0
Councillor E Johnson	653	653	0
Councillor SD Madlavu	198	195	3
Councillor M P Makapela	389	389	0
Councillor Z G Makasi	1 578	1 250	328
Councillor M C Makoni	100	100	0
Councillor VR Maqentuka	102	101	1
Councillor ACG Mfunda	494	494	0
Councillor M Mini	334	328	6
Councillor L P Mlonzi	436	428	8
Councillor V E Mzaza	2 496	2 496	0
Councillor TH Ngcolomba	156	156	0
Councillor M Nzotoyi	3 148	3 148	0
Councillor M Odayar	794	794	0
Councillor Z J Seale	616	616	0
Councillor J J F Seymore	2 393	2 393	0
Councillor BB Sibengile	17	4	13
Councillor N N Sihwayi	348	348	0
Councillor NM Sonjuca	349	248	101
Councillor P W Terblanche	81	81	0
Councillor M Von Buchenroder	507	507	0
Councillor ZG Wayile	377	377	0
Councillor BC Williams	228	228	0
	<b>30 764</b>	<b>30 294</b>	<b>470</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>36.2 List of Entities and related transactions</b>				
<b>Solely-controlled entities</b>				
All entities are solely controlled by the municipality and have received the following grants.:				
1. Nelson Mandela Bay Development Agency	8 579 073	-4 967 093	19 952 872	76 884 700
<b>Investment in Associate</b>				
Investment in UITESCO	-538 061	69 221	20 000	20 000
Share of Loss in Associate	607 283	725 524	0	0
Total Assets	23 050 770	24 302 418	0	0
Total Liabilities	24 664 924	24 094 760	0	0
Total Revenue	393 052	284 348	0	0
Total Expenses	2 214 864	2 460 875	0	0
Net loss for the year	-1 821 812	-2 176 527	0	0

**Section 57 Employees (See note 26)**

**Other Organisations**

The Organisations have received the following grants/ payments:

1. Uitenhage Despatch Development Initiative	4 333 199	4 012 220	4 333 199	4 012 220
2. Nelson Mandela Bay Tourism	10 907 420	12 624 330	10 907 420	12 624 330
3. UITESCO	1 196 429	2 489 794	1 196 429	2 489 794
<b>Grants/ payments to Other Organisations</b>	<b>16 437 048</b>	<b>19 136 334</b>	<b>16 437 048</b>	<b>19 136 334</b>

The only related party loan in the current and prior year is the UITESCO loan receivable. (Refer to note 14 for information relating to this loan.)

**36.3 Related party disclosures**

**(Family relations)**

Name of Individual	Name of Company	Interest in Company	Payments made
J Sigonyela	Umziwoxolo Construction CC	Spouse is a member of the CC	111 562
E Boezio	Nursing Wise CC	Spouse is a member of the CC	11 512 844

Contracts were awarded to certain councillors and officials where he/she may have a significant influence over the financial or operating policies of the entity. These transactions were made in the ordinary course of business and therefore no related party transaction exists.

10 949 822

During the 2009/10 Financial year Councillor H Muller was incorrectly disclosed as being involved in a related party transaction with the Municipality.

**36.4 Supply Chain Management Policy**

**1. Nelson Mandela Bay Municipality**

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2010/11 financial year are detailed as follows in terms of section 36 (1) of the Supply Chain Management Policy:

Deviation i.To Supply Chain Management Policy	No. of Tenders	Payments made
(i) In an emergency;	0	0
(ii) If such goods or services are produced or available from a single provider only;	6	4 333 004
(iii) For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;	5	6 123 893
(iv) Acquisition of animals for zoos and/ or nature and game reserves; or	0	0
(v) In any other exceptional cases where all possible options have been explored, and it is still impractical or impossible to follow the official procurement processes	141	247 511 408

**2. Mandela Bay Development Agency**

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R2 539 008

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R42 282

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R2 395 840

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R53 067

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	2011 R	Restated 2010 R
<b>37 CAPITAL COMMITMENTS</b>		
<b>Economic Entity and Municipality</b>		
<b>Approved and contracted for</b>	262 246 029	280 443 861
Infrastructure	227 501 874	266 865 991
Community	34 744 155	12 971 572
Other	0	606 298
<b>Approved but not yet contracted for</b>	0	1 657 995
Infrastructure	0	343 211
Community	0	1 314 784
<b>Total</b>	<b>262 246 029</b>	<b>282 101 856</b>
<b>This expenditure will be financed from:</b>		
Capital Replacement Reserve	4 821 048	130 339 313
Grants and Subsidies	45 115 718	44 704 682
External Finance Fund	135 347 155	34 722 501
RSC Levies	2 653 866	20 244 775
Urban Settlements Development Grant (USDG)	74 308 242	0
Consolidated Municipal Infrastructure Programme	0	52 090 585
<b>Total</b>	<b>262 246 029</b>	<b>282 101 856</b>

38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION Economic Entity and Municipality	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
Long-term liabilities (See Note 3)	1 923 512 817	1 542 371 554	1 923 512 817	1 542 371 554
Used to Finance property, plant and equipment - at cost	1 923 512 817	1 542 371 554	1 923 512 817	1 542 371 554
Sub-total	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash set aside for the repayment of long-term liabilities (See Note 3)</b>	<b>93 115 527</b>	<b>92 824 304</b>	<b>92 054 673</b>	<b>92 457 533</b>

**39 FINANCIAL RISK MANAGEMENT**

**Interest rate risk**

The Nelson Mandela Bay Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest-bearing external loan liabilities, as detailed in Note 3 are fixed interest loans. No interest rate swap agreements have been entered into. The Municipality invests its surplus funds in fixed interest rate deposits with banks for fixed terms not exceeding one year.

**Liquidity risk**

The liquidity risk arises as a result of payment of creditors. The Nelson Mandela Bay Municipality (NMBM) manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. It was accordingly necessary to secure standby credit facilities in the form of an overdraft facility with the NMBM's banker in order to cater for any unexpected temporary shortfall in operating funds. The maximum exposure to liquidity risk is the trade creditors and long term borrowings.

The following table details the Municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Municipality can be required to pay. The table includes both estimated interest and principal cash flows.

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>Trade payables</b>				
1-3 months	964 710 469	1 304 700 052	958 545 650	1 343 595 870
> 3 months	80 647 762	100 747 361	80 647 762	100 747 361
<b>Other payables</b>				
1-3 months	163 427 359	132 761 935	163 225 602	132 599 656
> 3 months	42 401 148	57 922 358	43 941 090	57 394 900
<b>Long term borrowings</b>				
< 12 months	93 115 527	92 824 304	92 054 673	92 457 533
> 12 months	1 842 888 389	1 461 015 698	1 841 851 020	1 459 787 233

**Credit risk**

The Nelson Mandela Bay Municipality (NMBM) manages credit risk in its borrowing and investing activities by dealing with only A-rated financial institutions, and by spreading its exposure over a range of such institutions in accordance with its approved Cash Management and Investments Policy. Credit risk relating to consumer debtors is managed in accordance with NMBM's credit control and debt collection policy. The NMBM's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in Note 16 to the financial statements. The maximum exposure to credit risk is the consumer debtors, which may reduce as a result of non-payment by debtors.

**Fair value interest risk**

The NMBM is exposed to fair value interest rate risk on its external loan liabilities, which are all fixed interest rates. The fair value of financial assets and liabilities are disclosed and compared with their carrying values. See note 51 for fair values of all financial liabilities.

**Currency risk**

The NMBM undertakes certain transactions denominated in foreign currencies, either directly through the import of goods and services, or indirectly through the award of contracts to local importers which are priced in foreign currency. These transactions were mainly for the 2010 Soccer World Cup.



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40 RESTATED PRIOR YEAR COMPARATIVES	Economic Entity	Municipality
<u>Statement of Financial Performance</u>	Restated 2010 R	Restated 2010 R
<b>40.1 Surplus for the year</b>		
Balance as per audited financial statements	466 286 647	449 431 521
<b>Net effect on surplus</b>	<b>41 453 979</b>	<b>41 370 970</b>
General expenses (Refer 40.2)	-58 516 675	-58 516 675
Service Charges (Refer 40.3)	38 093 472	38 093 472
Other Income (Refer 40.4)	23 163 215	23 163 215
Interest earned - outstanding debtors (Refer 40.5)	-23 020 941	-23 020 941
Impairment (Refer 40.12)	17 427 406	17 427 406
Employee Related Costs (Refer 40.15)	11 560 969	11 560 969
Government Grants and Subsidies (Refer 40.16)	83 009	0
Finance Charges (Refer 40.6)	32 663 524	32 663 524
<b>Restated surplus for 2009/10</b>	<b>507 740 626</b>	<b>490 802 491</b>
<b>40.2 General expenses</b>		
<b>Balance as per Audited financial statements</b>	<b>757 118 788</b>	<b>746 864 654</b>
Transfer to Creditors	863 873	863 873
Transfer from Employee Related Costs	10	10
Transfer from Finance Charges	57 652 802	57 652 802
	<b>815 635 473</b>	<b>805 381 339</b>
Invoices in the amount of R226 732 relating to the 2009/10 financial year only presented for payment now		
Certain leases smoothing accruals were corrected in the amount of R637 141 as the contracts were amended.		
Employee Related costs in the amount of R10 was reclassified to General expenses.		
Fair Value adjustments in terms of IAS 39 in the amount of R57 652 802 have been reversed due to change in accounting policy on financial instruments.		
<b>40.3 Service Charges</b>		
<b>Balance as per Audited financial statements</b>	<b>2 510 970 927</b>	<b>2 511 081 303</b>
Transfer from Interest Earned Outstanding debtors	38 093 472	38 093 472
	<b>2 549 064 399</b>	<b>2 549 174 775</b>
Fair Value adjustments in terms of IAS 39 in the amount of R38 093 472 have been reversed due to change in accounting policy on financial instruments.		
<b>40.4 Other Income</b>		
<b>Balance as per Audited financial statements</b>	<b>242 986 881</b>	<b>241 997 430</b>
Transfer from Creditors	26 406 066	26 406 066
Transfer from Vat	-3 242 850	-3 242 850
	<b>266 150 097</b>	<b>265 160 646</b>
Stale cheques in the amount of R26 406 066 have been transferred to Other Income		
Stale cheques in the amount of R26 406 066 have been transferred to Other Income - R3 242 850 is the VAT portion of it		
<b>40.5 Interest Earned - Outstanding Debtors</b>		
<b>Balance as per Audited financial statements</b>	<b>105 783 297</b>	<b>105 783 297</b>
Transfer to Service Charges	-38 093 472	-38 093 472
Transfer from Consumer Debtors	15 072 531	15 072 531
	<b>82 762 356</b>	<b>82 762 356</b>
Fair Value adjustments in terms of IAS 39 in the amount of R38 093 472 and R15 072 531 have been reversed due to change in accounting policy on financial instruments.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity	Municipality
	Restated 2010 R	Restated 2010 R
<b>40.6 Finance Charges</b>		
<b>Balance as per Audited financial statements</b>	<b>146 030 406</b>	<b>145 978 070</b>
Transfer to Creditors	19 391 409	19 391 409
Transfer from Unspent Government Grants	5 597 869	5 597 869
Transfer to General expenses	-57 652 802	-57 652 802
	<u><b>113 366 882</b></u>	<u><b>113 314 546</b></u>

Fair Value adjustments in terms of IAS 39 in the amount of R57 652 802 and R18 977 480 have been reversed due to change in accounting policy on financial instruments.

Interest in the amount of R413 929 (creditors) and R5 597 869 (unspent government grants) was incorrectly reversed as per the adjustment required by the AG, as it relates to Creditors where interest is owing to them.

**Statement of Financial Position**

**40.7 Accumulated Surplus**

<b>Closing Balance as per audited financial statements</b>	<b>3 270 086 220</b>	<b>3 201 819 367</b>
Increase in Surplus (Refer to Note 40.1)	<b>41 453 979</b>	<b>41 370 970</b>
<b>Restated Closing Balance</b>	<u><b>3 311 540 199</b></u>	<u><b>3 243 190 337</b></u>

**40.8 Vat suspense**

<b>Balance as per Audited financial statements</b>	<b>43 950 843</b>	<b>43 950 843</b>
Transfer from Other Income	-3 242 850	-3 242 850
Transfer from Creditors	31 458	31 458
Transfer from VAT accrual	1 617 389	1 617 389
	<u><b>42 356 840</b></u>	<u><b>42 356 840</b></u>

Invoices in the amount of R226 732 relating to 2009/10 financial year have been presented for payment during the latter part of the 2010/11 financial year, with the amount of R31 458 being the VAT portion of the invoices.

Stale cheques in the amount of R26 406 066 have been transferred to Other Income - R3 242 850 is the VAT portion of it

Vat on deposit appropriations in the amount of R1 617 389 have now been transferred to the VAT accrual, so that payment can be made to SARS.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity	Municipality
	Restated 2010 R	Restated 2010 R
<b>40.9 Creditors</b>		
<b>Balance as per Audited financial statements</b>	<b>1 612 559 328</b>	<b>1 650 765 409</b>
Transfer to Other Income	-26 406 066	-26 406 066
Transfer to / from Unspent Government Grants	1 252 674	1 252 674
Transfer from Finance Charges	19 391 409	19 391 409
Transfer from General Expenses	895 330	895 330
Transfer to Employee Related Costs	-11 560 969	-11 560 969
	<u><b>1 596 131 706</b></u>	<u><b>1 634 337 787</b></u>
State cheques in the amount of R26 406 066 have been written off to Other Income		
The total interest reversed as per the adjustment required by the AG was processed to Unspent Grants, where part of the interest in the amount of R1 828 891 was for interest owing to creditors.		
Certain Creditors in the amount of R3 081 565 were incorrectly included in Unspent Government Grants		
Invoices in the amount of R258 190 relating to 2009/10 financial year have only presented for payment now.		
Interest in the amount of R413 929 was incorrectly reversed as per the adjustment required by the AG as it relates to Creditors where interest is owing.		
Fair Value adjustments in terms of IAS 39 in the amount of R18 977 480 have been reversed due to change in accounting policy on financial instruments.		
Certain leases smoothing accruals were corrected in the amount of R637 141 as the contracts were amended.		
Staff leave in the amount of R11 560 969 was overstated due to leave being captured after year end relating to the prior year.		
<b>40.10 Unspent Government Grants</b>		
<b>Balance as per Audited financial statements</b>	<b>214 748 897</b>	<b>201 850 792</b>
Transferred to / from Creditors	-1 252 674	-1 252 674
Transferred from Finance Charges	5 597 869	5 597 869
Movement as per MBDA	-741 950	0
	<u><b>218 352 142</b></u>	<u><b>206 195 987</b></u>
Certain Creditors in the amount of R3 081 565 were incorrectly included in Unspent Government Grants		
The total interest reversed as per the adjustment required by the AG, was processed to Unspent Grants, part of the interest in the amount of R1 828 891 is owing to creditors		
Interest in the amount of R5 597 869 was incorrectly reversed as per the adjustment required by the AG as it relates to Creditors where interest interest is owing.		
The Agency previously used IAS 20 accounting standard for revenue recognition. This has now been replaced by GRAP 11 accounting standard for construction contracts.		
<b>40.11 Consumer debtors</b>		
<b>Balance as per Audited financial statements</b>	<b>584 415 262</b>	<b>584 415 262</b>
Transfer from Interest Earned - Outstanding Debtors	15 072 531	15 072 531
	<u><b>599 487 793</b></u>	<u><b>599 487 793</b></u>
Fair Value adjustments in terms of IAS 39 in the amount of R15 072 531 have been reversed due to change in accounting policy on financial instruments.		
<b>40.12 Impairment</b>		
<b>Balance as per Audited financial statements</b>	<b>26 686 659</b>	<b>26 686 659</b>
Transfer from long-term receivables	-17 427 406	-17 427 406
	<u><b>9 259 253</b></u>	<u><b>9 259 253</b></u>
Fair Value adjustments in terms of IAS 39 in the amount of R17 427 406 have been reversed due to change in accounting policy on financial instruments.		
<b>40.13 Long-term Receivables - Non-exchange transactions</b>		
<b>Balance as per Audited financial statements</b>	<b>23 072 974</b>	<b>23 072 974</b>
Transfer from Impairment	17 427 406	17 427 406
	<u><b>40 500 380</b></u>	<u><b>40 500 380</b></u>
Fair Value adjustments in terms of IAS 39 in the amount of R17 427 406 have been reversed due to change in accounting policy on financial instruments.		
<b>40.14 VAT accrual</b>		
<b>Balance as per Audited financial statements</b>	<b>58 282 358</b>	<b>57 178 765</b>
Transfer from VAT suspense	-1 617 389	-1 617 389
	<u><b>56 664 969</b></u>	<u><b>55 561 376</b></u>
Vat on deposit appropriations in the amount of R1 617 389 have now been transferred to the VAT accrual, so that payment can be made to SARS.		
<b>40.15 Employee Related Costs</b>		
<b>Balance as per Audited financial statements</b>	<b>1 641 282 383</b>	<b>1 636 004 663</b>
Transfer from Creditors	-11 560 969	-11 560 969
	<u><b>1 629 721 414</b></u>	<u><b>1 624 443 694</b></u>
Staff leave in the amount of R11 560 969 was overstated due to leave being captured after year end relating to the prior year.		
<b>40.16 Government Grants and Subsidies</b>		
<b>Balance as per Audited financial statements</b>	<b>2 395 859 520</b>	
NMBM Conditional Grants and Receipts	56 351 403	
Less: Intercompany transaction	-56 351 403	
Movement as per MBDA	83 009	
	<u><b>2 395 942 529</b></u>	
The Agency previously used IAS 20 accounting standard for revenue recognition. This has now been replaced by GRAP 11 accounting standard for construction contracts.		

**41 CHANGE IN ACCOUNTING POLICY**

**1. Nelson Mandela Bay Municipality**

The Municipality has elected to formulate an accounting policy based on GRAP 104, which has been approved but does not have an effective date. The reason for this is that GRAP 104 was written with public sector focus and therefore more relevant to the operations of the Municipality. The impact of this is reflected in notes 40.2, 40.3, 40.5, 40.6, 40.9, 40.11, 40.12 and 40.13

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
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41 CHANGE IN ACCOUNTING POLICY (Continued)

2. Mandela Bay Development Agency

In the current year the entity implemented GRAP 11: Construction contract and GRAP 23 Revenue from non-exchange transactions. This has the effect of recognising revenue and expenses incurred in respect of constructions contracts and non-exchange revenue at gross value while grants received for property, plant & equipment are recognised when the assets are purchased. In prior years the entity applied IAS 20 Government Grants as follows: Capital project expenditure was offset against the expenses incurred while grants received for property, plant & equipment was deferred over the useful life of the assets purchased. The change in the accounting policy was applied retrospectively and these changes resulted in the following adjustments to prior period information:

<i>Statement of Financial Performance</i>	Previously Stated 2010	Change	Restated 2010
Increase in revenue from exchange transactions	0	56 351 403	56 351 403
Increase in revenue from non-exchange transactions	16 038 362	83 009	16 121 371
Increase in Capital project costs	0	-56 351 403	-56 351 403
Net impact on statement of financial performance	<b>16 038 362</b>	<b>83 009</b>	<b>16 121 371</b>

<i>Statement of Financial Performance</i>	Previously Stated	Change	Restated
Accumulated Surplus at 01 July 2009	0	658 941	658 941
Accumulated Surplus at 30 June 2010	0	741 950	-741 950

42 CHANGE IN ACCOUNTING ESTIMATE

2011 Financial year

No change in estimate arose as a result of a condition assessment performed

2010 Financial year

A condition assessment is done annually on property, plant and equipment, which indicates whether the useful lives of the assets have increased or decreased and as a result of this condition assessment some assets useful lives have either increased or decreased and therefore the depreciation charge has now changed.

It is considered impracticable to disclose the amount of the effect of the change in useful lives as the accounting system was set-up to calculate the value of the depreciation taking into account the remaining useful life as if the asset always had the amended useful life. Accordingly the total depreciation/ amortisation expense of R537 208 958 includes depreciation on the current useful lives and the change in useful lives of the assets.

43 OPERATING LEASE COMMITMENTS

NMBM as Lessee

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>Future minimum lease payments under non-cancellable operating leases:</b>				
<b>Buildings</b>	<b>12 180 880</b>	<b>22 253 810</b>	<b>12 180 880</b>	<b>22 253 810</b>
Payable within one year	10 340 143	11 595 821	10 340 143	11 595 821
Payable within two to five years	1 840 737	10 657 989	1 840 737	10 657 989
Payable after 5 years	0	0	0	0
<b>Photocopier, fax machines and other equipment</b>	<b>5 769 741</b>	<b>3 441 978</b>	<b>5 661 950</b>	<b>3 415 832</b>
Payable within one year	2 886 521	1 667 422	2 778 730	1 641 276
Payable within two to five years	2 883 220	1 774 556	2 883 220	1 774 556
Payable after 5 years	0	0	0	0
	<b>17 950 621</b>	<b>25 695 788</b>	<b>17 842 830</b>	<b>25 669 642</b>

NMBM as Lessor

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

	Economic Entity		Municipality	
	2011 R	Restated 2010 R	2011 R	Restated 2010 R
<b>Land</b>	<b>14 880 000</b>	<b>15 360 000</b>	<b>14 880 000</b>	<b>15 360 000</b>
Receivable within one year	480 000	480 000	480 000	480 000
Receivable within two to five years	1 920 000	1 920 000	1 920 000	1 920 000
Receivable after 5 years	12 480 000	12 960 000	12 480 000	12 960 000
<b>Buildings</b>	<b>349 272</b>	<b>620 805</b>	<b>349 272</b>	<b>620 805</b>
Receivable within one year	298 681	271 529	298 681	271 529
Receivable within two to five years	50 550	349 234	50 550	349 234
Receivable after 5 years	41	42	41	42
	<b>15 229 272</b>	<b>15 980 805</b>	<b>15 229 272</b>	<b>15 980 805</b>

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 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	Restated 2010	Prior
	R	R	R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>			
Opening Balance	76 782 540	10 619 517	0
Incurring during the year	63 472 056	66 176 181	10 622 807
Approved by Council/ Board	-26 548		0
Transfer to receivables for recovery	-1 700 000	0	0
Recoveries	-9 266	-13 158	-3 290
<b>Closing Balance</b>	<b>138 518 782</b>	<b>76 782 540</b>	<b>10 619 517</b>
<b>Incident/ Disciplinary steps / Criminal Proceedings</b>			
<b>44.1 Unauthorized Expenditure</b>			
<b>1 Unauthorized requisitioning of stock</b>			1 938 750
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 over expenditure on the vote. The official was summarily suspended and eventually dismissed. The case was reported to the SA Police for further investigation (refer CAS 190/05/2007). Case against the accused heard, but incomplete, postponed until the 8 November 2011. <b>A guilty verdict was obtained. Sanction will be given on 1 February 2012.</b> No recoveries made as no property registered by the accused. <b>Causes: The offender forged the signature of a senior official, with the necessary authority to sign the requisitions. Official noticing the increased demand for cartridges did not follow up on their concerns. The over expenditure on the related budget vote was only detected when a new Treasury Accountant noticed the discrepancy, did a preliminary investigation and reported same to Internal Audit.</b>			
<b>2 Irregular expenditure incurred regarding the provision of catering services at the funeral of the late P. Ngingi</b>			44 350
Municipal Official incurred unauthorized catering services which was irrelevant to council business. Disciplinary action was instituted against the official concerned and he was ordered to repay the amount in question. Regular monthly installments are being deducted from the relevant employee salary and credited to vote 1474 - 5716.			
<b>Recovered</b>		-13 158	-3 290
<b>Total</b>	<b>0</b>	<b>-13 158</b>	<b>1 979 811</b>
<b>44.2 Irregular Expenditure</b>			
<b>1 Breach of the Supply Chain Management policy</b>			
The Supply Chain Management policy was not followed in procurement of services. The Official was disciplined and received a final written warning. <b>The Expenditure was not processed and as such the amount disclosed was removed.</b>			
<b>2 Theft of Municipal goods through irregular amendments to requisitions</b>			101 925
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). <b>The criminal trial was postponed till 12 February 2012. The initial investigation based on a sample revealed R 59 218, but a more comprehensive investigation identified a total of R 101 924.53.</b> <b>Causes:</b> An internal syndicate managed to override the internal control procedures and checking. There was a lack of supervision and control.			
<b>3 Alleged irregularities in creditors and Supply Chain Management</b>			1 500 000
Payments were made for services not rendered and goods received advices signed by officials beyond their scope of authority. A number of officials were dismissed. The criminal case was reported to Commercial Crime Unit. The Asset Forfeiture Unit informed the case against the external supplier was pursued successfully. (Ref. Herald 18/11/10) SAPS criminal case not completed as yet. <b>Causes:</b> An internal syndicate colluded with an external supplier to manipulate documents/information and created the impression that work was executed whilst this was not the case and supplying falsified cover quotations. These officials all formed part of the acquisition and payment chain. Various internal control and procedure deficiencies were identified, which included the authorization of requisition, bypassing steps in the acquisition process. Commercial Crime Unit in process of drafting charge sheet.			
<b>4 Irregular payment to contractor</b>			1 846 690
Irregular payment to contractor for the relocation of families to sites and payment for work not executed. Fronting was involved. The civil litigation process is in progress.			

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	2011	Restated 2010	Prior
	R	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)			
44.2 <u>Irregular Expenditure (Continued)</u>			
5 <b>Unauthorized changes to supplier banking details</b> Supplier details were amended without the appropriate authorization resulting in irregular expenditure. The investigation is completed and the final report will be released in due course.			262 000
6 <b>Manipulation of overtime claims</b> An employee of the Council was found to have manipulated overtime claims resulting in irregular expenditure. The employee has been dismissed and the amount of R 14,444 is in the process of being recovered. <b>Causes: Internal control - procedures and process deficiencies were identified and addressed, including inadequate supervisory checking and authorization.</b>		11 764	2 680
Recovered	-9 266		
7 <b>Theft of Council Income</b> An Agency Official misappropriated Council's cash takings. The Agency Official has been dismissed and the entity has agreed to reimburse Council. <b>The amounts are disclosed net of 10% commission on sales that the agency is entitled to. Causes: The Agency did not bank monies collected regularly and did not maintain a satisfactory record of income in terms of the agreement between NMBM and Agency. The agency agreed to re-refund the loss encountered. SAPS case 82/10/2009 was opened.</b>		28 301	19 013
8 <b>Irregular expenditure as a result of tender irregularities</b> A supplier performed work for Council, however the appointment was not made in terms of the Supply Chain Management Policy and no contract or service level agreement exists between the supplier and Council. Despite recommendations made by Internal Audit, the supplier was paid. The final report was issued. <b>The disciplinary process is pending.</b>		322 000	
9 <b>Irregular expenditure as a result of tender irregularities</b> A supplier was paid for work allegedly performed for Council, whereas the Supply Chain Management Policy and regulations were not followed. <b>Causes: Inadequate contract management in the acquisition, work supervision and payment phases resulting in possible unauthorized and fruitless expenditure.</b>		8 162 948	
10 <b>Irregular expenditure as a result of an irregular increase in contract value.</b> A contractor for a housing tender changed its composition, after the contract award, without informing the Bid Committees. In addition, a subsequent increase amounting to R 3 million was apparently authorized by Housing officials and not submitted to the Municipal Manager for approval. The investigation is in progress to determine whether the whole contract could be considered unauthorized.	4 208 259	42 515 455	
11 <b>Irregular expenditure as a result of fronting.</b> A person registered four employees from another company he owns as members of a CC to comply with the NMBM BEE requirements. The CC was awarded a water and waste disposal contract and <b>payments to an approximate value of almost R 30 Million was made to the CC to date (November 2011).</b> The CC was a front, resulting in the financial gain to him and his other business. <b>The case was reported to the SAPS and the case number is being awaited.</b>	12 910 740	8 034 872	
12 <b>Fraud - Irregular payments made to a service provider for services rendered to Facilities Management.</b> The owner failed to disclose his conflict of interest in his application to register as a supplier on the NMBM Supplier database in that his spouse is in the employment of NMBM. Irregular payments in the amount of R 675,734 were made.	137 527	538 207	
13 <b>Breach of the Supply Chain Management policy</b> Purchase of a global positioning system (GPS) for use for out of town visits by the Public Health Directorate. A single quote was obtained due to time constraints. 27 September 2011: The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.		3 078	
14 <b>Breach of the Supply Chain Management policy</b> Several instances with respect to transactions with Steiner Hygiene Services were noted where services were performed prior to the generation of orders for services rendered in relation to payment made to Steiner Hygiene Services. In this instance, a tender (CSQ0808910) was in place for the period relating to these invoices. 27 September 2011: The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.		31 511	

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	2011	Restated 2010	Prior
	R	R	R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>			
<b>44.2 Irregular Expenditure (Continued)</b>			
<b>15 Breach of the Supply Chain Management policy</b> Several breaches occurred in the Communication Sub-directorate for the procurement of the following services, namely: Mayoral functions, funerals, Mayoral outreach emergencies, Host City publicity and Mayoral office photography.  27 September 2011:The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.		625 482	
<b>16 Breach of the Supply Chain Management policy</b> A contract was in place with the SPCA, Animal Welfare Society and Animal Care for the accommodation of stray animals. Both the SPCA and Animal Care closed down, leaving the Animal Welfare Society as the sole service provider in the Metropolitan area. The AMM approved a deviation from the provision for the SCM policy in order to pay the Animal Welfare Society (Municipal Manager resolution 1527).  27 September 2011:The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.		85 752	
<b>17 Breach of the Supply Chain Management policy</b> Several breaches occurred in the Electricity & Energy Directorate for the procurement of loud hailing on public education, an electricity shutdown emergency, hygiene services, photocopier contract, block urinal and emergency repairs to a stolen water pipe. In most instances, the breach arose either because the service was rendered after the expiry of contracts, invoices were received long after the contract was completed or services were rendered prior to the requisition raised due to emergencies or time constraints.  27 September 2011:The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.		33 522	
<b>18 Breach of the Supply Chain Management policy</b> Several breaches occurred in the Budget & Treasury Directorate relating to instances where services were rendered after the expiry of annual contracts such as hygiene services, money conveyance, maintenance of plants, pest control and rental and maintenance of photocopy machines.  27 September 2011:The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.	3 689	73 360	
<b>19 Breach of the Supply Chain Management policy</b> Prior to the Feather Market Centre (FMC) becoming incorporated into the NMBM, the FMC had an agreement with NFS Hospitality for a computerised booking system. This system was not used effectively and when the employee trained on the system resigned, the new incumbent was not trained on the system. The FMC was obliged to pay the annual license fee for the software. The contract with the supplier has subsequently been cancelled. In addition, the FMC placed an advertisement in the South African conference and Exhibitions Guide. The order was placed in December 2008 long before the incorporation of FMC into the NMBM, however FMC was only invoiced after incorporation.  27 September 2011:The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.		24 579	
<b>20 Breach of the Supply Chain Management policy</b> Several breaches occurred in the Corporate Services Directorate for the procurement of installation of network points, armed response services, repairs to gates/doors for security purposes, hygiene services (potential health risk), pest control and skills training and . In most instances, the breach arose because only one quote was received, the service was rendered after the expiry of contracts or services were rendered prior to the requisition raised due to emergencies, time constraints or changes in processes.  27 September 2011:The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.		455 518	
<b>21 Breach of the Supply Chain Management policy</b> Due to the expansion of the Freedom Day celebrations, additional busses were required on the day. Late notification of the President's arrival and the related time constraints resulted in the rendering the service prior to the authorisation of the requisition.  27 September 2011:The Municipal Public Account Committee (MPAC) concluded that the expenditure was not fruitless and wasteful and that no action be taken against the Officials concerned insofar as the recoverability of the expenditure is concerned.		224 480	

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	2011	Restated 2010	Prior
	R	R	R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>			
<b>44.2 Irregular Expenditure (Continued)</b>			
<b>22 Breach of the Supply Chain Management policy</b> A service provider was required to market and communicate the Integrated Public Transport System (IPTS) to the public prior to 2010 World Cup. A request for tender was advertised but in the evaluation process, it became clear that this process would not enable an appointment prior to the 2010 World Cup. As a result, the current contractor was requested to extend the scope of their work to include printing of maps and brochures, radio interviews, adverts, branding and signage.		1 613 171	
<b>23 Breach of the Supply Chain Management policy</b> A breach occurred relating to computer repairs (3 invoices) where services were rendered prior to the authorisation of the respective requisitions.	4 110		
<b>24 Breach of the Supply Chain Management policy</b> The Communication Sub-directorate purchased memory sticks, CDs and a plasma television plus installation for the launch of the Public Transport Lanes before the official order was placed. The breach occurred due to the late notification of the event and last minute requirements of the event.		11 724	
<b>25 Breach of the Supply Chain Management policy</b> A breach occurred relating to the purchase of books where the books were received prior to the authorisation of the respective requisitions and placement of the order.	1 406		
<b>26 Breach of the Supply Chain Management policy</b> A breach occurred relating to service rendered with respect to the maintenance of plants. The contract was not timeously cancelled resulting in the provision of plant maintenance by the service provider without a valid contract for a period of six month.	1 447	1 447	
<b>27 Breach of the Supply Chain Management policy</b> A breach occurred with respect to the procurement of certain goods and services via the informal tendering process whereby orders were splitted to avoid formal tendering processes.	2 120 234	0	0
<b>28 Breach of the Supply Chain Management policy</b> A breach occurred with respect to the procurement of certain goods and services via the informal tendering process whereby the reasons for not obtaining at least 3 quotations; was not recorded and approved.	8 517 030	0	0
<b>29 Breach of the Supply Chain Management policy</b> A breach occurred as certain contracts were awarded to persons in the service of the state where he/she may have a significant influence over the financial or operating policies of the entity.	23 068 206		
<b>30 Breach of the Supply Chain Management policy</b> A breach occurred as certain contracts were awarded to persons in the service of the state (certain councillors and officials) where he/she may have a significant influence over the financial or operating policies of the entity.	5 815 284		
<b>31 Beachview Resort</b> Expenditure was incurred relating to a grant made for the upgrading of the Beachview Resort, which was not approved by council.	0	0	422 182
<b>32 Breach of the Supply Chain Management policy</b> A breach occurred as a certain tender below R10 million was not advertised for a minimum period of 14 days.	2 394 868		
<b>Total</b>	<b>59 173 535</b>	<b>62 797 170</b>	<b>4 154 490</b>



NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	Restated 2010	Prior
	R	R	R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>			
<b>44.3 Fruitless and Wasteful Expenditure</b>			
<b>1 Cyber Fraud</b>			
Fraudulent electronic funds transfers from the Council's main bank account into numerous illegitimate accounts amounting to R 19,722,000 took place of which all except R 1,759,056 was recovered. The bank has paid Council a further R 629,425 as compensation, which leaves a shortfall of R 1 129 631. Further attempts to defraud the Council were successfully intercepted. The criminal case was reported to the Humewood Police Station (CAS 340/08/2009). The complicated SAPS investigation is progressing well. Steps have been taken to recover Council's full loss. <b>Causes: A syndicate that employed sophisticated techniques, in cyber space, gained unauthorized access to critical information and passwords. Management and the bank have implemented additional protocols to safeguard Council's banking system.</b>		1 129 631	
<b>2 Ekard sales</b>			500 000
Ekard sales totaling 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 a suspect contract employee was terminated. <b>Causes: Manipulation of reconciliation figures, fairly well concealed. Inadequate supervisory control was identified.</b>			
<b>3 Allegations of exorbitant payment for emptying of digester tanks in Colchester</b>			336 015
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. A final independent on -site assessment is pending to determine the veracity and extent of the over expenditure. <b>The total identified for one contract is R 294 000, excluding VAT. Causes- Lack of proper management supervision and poor contract management; Apparent incorrect use of Minor Works tender.</b>			
<b>4 Alleged wasteful expenditure incurred with respect to the Mausoleums built at Red Location Museum</b>			1 409 930
The Mausoleums built at the Red Location Museum were not utilized for four years after completion of the project. The final report <b>was issued on 2 September 2011.</b>			
<b>5 Alleged wasteful expenditure incurred on GA Soccer Challenge</b>			850 000
A grant was paid over for a soccer challenge which failed. The investigation is complete and the final report will be released in due course. <b>Causes: The Contract was not specific in terms of the allocation of funds and accounting of expenditure.</b>			
<b>6 Unauthorized changes to supplier banking details</b>		529 000	
A service provider changed supplier banking details which resulted in wasteful expenditure. The investigation is completed and the final report will be released in due course.			
<b>7 Wasted expenditure as a result of failed international music event</b>		1 700 000	
The Municipality appointed a company which was paid a grant to co-ordinate a large local event. The event failed due to the company not complying with all the terms of the agreement with the council. The high court ruled that the R1.7 million be recovered from the company. <b>Causes: The company was unable to fulfill its obligations in terms of its agreement with the council.</b>			
Transferred to receivables as recoverable High Court ruling 15 March 2011	-1 700 000		
<b>8 Wasted expenditure as a result of the premature signing of a letter.</b>	375 262		
An official signed an acceptance letter for a R90 million contract, prior to the Municipal Manager signing the Bid Adjudication recommendation. The appointment of the contractor was retracted. The contractor is busy with civil litigation against council, resulting in wasted legal costs.			
<b>9 Suspended Officials</b>	3 913 993		
Various officials have been on suspension for more than 3 months. In terms of the South African Local Government Bargaining Council; disciplinary procedure and collective agreement, the period of suspension shall not exceed a period of 3 months			
<b>10 Suspended Officials</b>	0	0	1 383 104
On 19 March 2009 Council resolved that 3 suspended officials in the Human Settlements Directorate be re-instated although the relevant investigations against all of them had not been finalised at that stage.			
<b>11 Interest on VAT payment</b>		20 380	6 168
Interest incurred on late payment of VAT was as a result of a change in the VAT payment system for SARS, resulting in the payment being processed one day later. SARS also levied a VAT penalty of R229,748 but subsequently agreed to waive this penalty after considering an appeal from the Agency.			

Approved by Council/ Board  
**Total**

-26 548		
<b>2 562 707</b>	<b>3 379 011</b>	<b>4 485 217</b>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	Restated 2010	Prior
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>	R	R	R
<b>44.4 Various other alleged irregularities that may have a financial implications are currently under investigation.</b>			

The opening balance and comparative values of fruitless and wasteful, irregular and/or unauthorised has been adjusted to reflect fruitless and wasteful, irregular and/or unauthorised expenditure actually incurred in each financial year. The note has been adjusted to comply with section 125(2)(d)(i) & (ii) of the MFMA, which states that the financial statements of a municipality must disclose:

- (i) any material losses and any material irregular, fruitless & wasteful and unauthorised expenditure that occurred during the financial year, and whether these are recoverable;
- (ii) any criminal or disciplinary steps taken as a result of such losses or irregular, fruitless & wasteful and unauthorised expenditures.

In previous years, the note disclosed the full contract value of the fruitless and wasteful, irregular and/or unauthorised expenditure in the year that the expenditure met the definition of such fruitless and wasteful, irregular and/or unauthorised expenditure.

Opening balance as previously reported	5 784 178
Adjusted opening balance	10 619 517
Incurred during the year as previously reported	23 395 094
Incurred during the year, amended	66 176 181

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	Restated 2010 R
<b>45a CONTINGENT LIABILITIES</b>		
These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters. Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable).		
<b>Possible Contingent liabilities:</b>		
Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to:	433 559	493 260
<b>(a) Linton Projects</b>	0	0
The claim arises out of a dispute surrounding the sale of Council owned land.		
<b>(b) Swartkops Seesout</b>	7 157 829	7 157 829
The claim arises out of an alleged Sewer spillage into the salt pans		
<b>(c) Amadisi Construction</b>	10 342 465	10 342 465
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. On the initial arbitration the NMBM was successful in dismissing the claimants claim. The claimant has not taken further steps in the matter.		
<b>(d) S E Van Zyl</b>	85 000	651 369
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.		
<b>(e) H E Davids</b>	241 680	241 680
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.		
<b>(f) D Pook</b>	0	499 000
The claim arises out of injuries sustained in an alleged fall on a pavement.		
<b>(g) B W Morgan</b>	61 608	61 608
The claim arises out of injuries sustained in an alleged fall into an open manhole.		
<b>(h) M. Smith</b>	400 000	400 000
The claim arises from the Municipality allegedly burying (plaintiffs' father) after it was exhumed for DNA testing.		
<b>(i) J. Ruiters</b>	45 000	45 000
The claim arises as a result of municipal vehicle being involved in an accident with the plaintiff's vehicle.		
<b>(j) E Barnard</b>	20 000	20 000
The claim arises from an alleged fall over an indentation formed on a pavement.		
<b>(k) C Swarts</b>	15 000	15 000
The claim arises from an alleged fall into a sewerage hole.		
<b>(l) C Du Plessis</b>	50 000	50 000
The claim arises as a result of a motor cycle accident allegedly caused by the motor cycle skidding on the loose gravel on the road surface.		

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	Restated 2010 R
<b>45 CONTINGENT LIABILITIES - (continued)</b>		
<b>(m) Tommy Lamont</b> 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.	0	4 500 000
<b>(n) Mlungisi Nelson Kulati</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	10 458	10 458
<b>(o) A Humphreys</b> The claim arises out of injuries sustained by the claimant's minor child arising from the fact that the child allegedly came into contact with an exposed live electrical conductor.	10 000	10 000
<b>(p) N Cenga</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	342 138
<b>(q) The Minister Of Correctional Services</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	17 421	17 421
<b>(r) Imperial car rental</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	82 830	82 830
<b>(s) Sala Pension Fund i.r.o. G.P. Mnyaka</b> This is a claim for monies paid by SALA to the deceased's dependants. It is alleged that the Municipality failed to advise the underwriter timeously of the employee's death and as a result, the underwriter repudiated the dependant's claim.	0	54 148
<b>(t) Sala Pension Fund i.r.o. S.E. Makhanda</b> This is a claim for monies paid by SALA to the deceased dependants. It is alleged that the Municipality failed to advise the underwriter timeously of the employee's death and as a result, the underwriter repudiated the dependant's claim.	0	289 381

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

45a	CONTINGENT LIABILITIES - (continued)	2011 R	Restated 2010 R
(u)	<b>Blue Horizon Bay</b>  This represents an opinion furnished on possible claims arising out of flood damages to property and expropriation of land.	0	4 000 000
(v)	<b>Mayberry</b> The claim arises as a result of non-compliance with contract specifications relating to the construction of roads.	0	992 000
(w)	<b>Dumisa Design and Advertising</b> The claim arises as a result of damages suffered by Dumisa Design and Advertising due to an alleged breach of contract by the Municipality.	57 651	56 651
(x)	<b>Grundlingh</b> The claim arises as a result of alleged non-compliance with the conditions of subdivision pertaining to roads.	0	447 500
(y)	<b>Algoa Bus</b> The claim arises as result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	19 878
(z)	<b>Nothalaza</b> The claim arises as a result of Mr Nothalaza, an NMBM employee, who lost control of a NMBM truck he was driving hitting 2 pedestrians, an electric pole and damaging immovable property situated in Uitenhage.	0	197 871
(aa)	<b>A du Plessis</b> The claim arises from injuries sustained in an alleged fall into a hole in the road.	0	350 000
(bb)	<b>SALA</b>  The claim arises as a result of the SALA Pension Fund instituting legal action against the NMBM for increased contributions.	0	22 000 000
(cc)	<b>Heck</b> The claim arises as a result of a dispute regarding the job description and salary entitlement upon the retirement of the employee.	0	2 000 000
(dd)	<b>Hendricks</b> The claim arises as a result of injuries sustained by a minor child due to an alleged collapse of a jungle-gym on a municipal playground.	0	4 051 600
(ee)	<b>JM Meiring</b> The claim arises from damages to property as a result of an electrical overload	26 996	26 996
(ff)	<b>E. Haasbroek</b> The claim arises as a result of damages caused to the plaintiff's property by a burst water pipe.	0	652 000
(gg)	<b>T. Meyer</b>  The claim arises from damages in respect of bodily injuries allegedly suffered by the Plaintiff's minor child when a metal plate fell from an electrical housing fell onto the minor's left foot.	0	25 000
(hh)	<b>A. Von Werkhoven</b> The claim arises from damages in respect of bodily injuries allegedly sustained by the plaintiff, whilst walking she stepped and fell into an open drain / manhole.	0	15 000
(ii)	<b>C. Laubscher</b> The claim arises from damages in respect of bodily injuries sustained by the plaintiff, whilst walking she stepped and fell into an open manhole.	30 000	30 000

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	Restated 2010 R
<b>45a CONTINGENT LIABILITIES - (continued)</b>		
<b>(jj) West South House CC</b> The claim arises from damages caused by a burst water pipe resulting in extensive damage to the plaintiff's private property.	0	100 000
<b>(kk) P R Smit</b> The claim arises as the plaintiff alleges that she has tripped over 2 metal spikes whilst walking on Municipality property.	0	339 871
<b>(ll) Algoa Bus Company</b> The claim arises from damages allegedly caused to the plaintiff surface of the plaintiff's bus parking yard as a result of a water leak from the Municipality main water supply.	137 497	137 497
<b>(mm) Telkom</b> The claim arises from allegations that an employee or employees under the control of Municipality and who were acting in the course and scope of their employment damaged a underground telecommunication cable.	8 442	8 442
<b>(nn) Telkom</b> The claim arises from allegations that an employee or employees under the control of Municipality and who were acting in the course and scope of their employment damaged a underground telecommunication cable.	8 510	8 510
<b>(oo) Telkom</b> The claim arises from allegations that an employee or employees under the control of Municipality and who were acting in the course and scope of their employment damaged a underground telecommunication cable.	0	4 929
<b>(pp) Telkom</b> The claim arises from allegations that an employee or employees under the control of Municipality and who were acting in the course and scope of their employment damaged a underground telecommunication cable.	0	50 370
<b>(qq) Telkom</b> The claim arises from allegations that an employee or employees under the control of Municipality and who were acting in the course and scope of their employment damaged a underground telecommunication cable.	24 774	24 774
<b>(rr) Telkom</b> The claim arises from allegations that an employee or employees under the control of Municipality and who were acting in the course and scope of their employment damaged a underground telecommunication cable.	12 079	12 079
<b>(ss) E.V. Botha</b> The claim arises from alleged damages to property as a result of an electrical overload.	15 355	15 355

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

45a	CONTINGENT LIABILITIES - (continued)	2011 R	Restated 2010 R
(tt)	<b>E.Uithaler</b> The claim arises from labour related matter.	0	50 000
(uu)	<b>Cape Joint Pension Fund</b> This represents an opinion in relation to a claim by the Cape Joint pension fund against the municipality for increased pension contributions.	0	8 000 000
(vv)	<b>Various Other contingent liabilities</b>		
	1. The claim arises from an eviction of four tenants with regards to land usage	48 000	48 000
	<b>2. TP Construction</b> The claim arises from an arbitration and high court application for removal of arbitrator	0	100 000
	<b>3. R Williams</b> The claim arises out of the electrocution of her son on an NMBM substation	0	150 000
	<b>4. Sebati</b> The claim arises in respect of a sale of property	0	20 000
	<b>5. Dompas Media Production</b> The claim arises from a cancellation of a contract due to breach by owner.	0	400 000
	<b>6. Kops</b> The claim is in respect of an Arbitration at SALGBC	0	90 000
	<b>7. W Keyzer</b> The claim arises due to defamation of character	0	80 000
	<b>8. Esterhuizen</b> The claim arises from an alleged wrongful arrest	0	80 000
	<b>9. E Benekane</b> The claim relates to an alleged return of title deeds	20 000	20 000
	<b>10. Axpix</b> The claim arises due to alleged monies owing to a supplier	0	1 849 950
	<b>11. Choari</b> The claim arises due to ownership of land dispute	10 000	10 000
	<b>12. Telkom</b> The claim arises due to a damaged underground cable	11 207	11 207
	<b>13. MK Vincent</b> This relates to a claim against NMBM	0	567 000
	<b>14. C Van Rooyen</b> This relates to a claim against NMBM	50 000	50 000
	<b>15. NR Jacobs</b> This relates to a claim against NMBM	0	30 000
	<b>16. L Salaze</b> This relates to a claim against NMBM	30 000	30 000



NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	Restated 2010 R
<b>45a CONTINGENT LIABILITIES - (continued)</b>		
<b>17. W Van Wyk</b> This relates to a claim against NMBM	0	30 000
<b>18. G Mostert</b> This relates to a claim against NMBM	18 000	18 000
<b>19. Sec 57 employees</b> Matter set down for private arbitration on 09 September with regards to a claim against NMBM	0	0
<b>20. IMATU i.t.o Bubb</b> Unfair labour practice referral to SALGBC	0	0
<b>(ww) AMF</b> The claim arises as a result of an alleged breach of contract.	2 000 000	0
<b>(xx) E Chedrass</b> This claim arises from an alleged unlawful arrest and detention for a drunken driving charge.	30 000	0
<b>(yy) KL Gadu</b> This claim arises from the Plaintiff's injuries due to a motor vehicle collision in which she was a passenger. The vehicle she was traveling was driven by an employee of the NMBM acting within the course and scope of his duties.	381 355	0
<b>(zz) EE Swanepoel</b> This claim arises from the Plaintiff's injuries suffered due to a dog bite whilst visiting a graveyard. The dog allegedly resides with the caretaker of the graveyard, who is allegedly in the employ of the NMBM.	0	0
<b>(aaa) TT Jegels</b> The claim arises from the death of the plaintiffs baby at West End clinic allegedly due to negligence.	207 000	0
<b>(bbb) Telkom</b> Materials damages to Telkom underground cables	6 092	0
<b>(ccc) Telkom</b> Materials damages to Telkom underground cables	47 725	0
<b>(ddd) S Fretwell</b> This claim arises as a result of the plaintiff tripping over a portion of a telephone cord	100 000	0
<b>(eee) ZA Sokutu</b> The claim arises as a result of a motor vehicle accident, the plaintiff alleging that the municipality driver was the solo cause of the collision	50 000	0
<b>(fff) L Valentine</b> The claim arises as a result of a motor vehicle accident, the plaintiff alleging that the municipality driver was the solo cause of the collision	50 000	0
<b>(ggg) R Penrose</b> The claim arises from alleged damage to property by opening of Chelsea water reservoirs.	86 897	0
<b>(hhh) G. Volstruis</b> The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment.	50 000	0

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	Restated 2010 R
<b>45a CONTINGENT LIABILITIES - (continued)</b>		
(iii) <b>D. F. Mathee</b> The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment.	80 000	0
(jjj) <b>M.N. Qwabe</b> The claim arises as a result of a motor vehicle collision, plaintiff is alleging that the Municipal driver was the sole cause of the collision.	8 000	0
(kkk) <b>E. Gouveia</b> The claim arises as a result of a motor vehicle collision, the plaintiff is alleging that the Municipal driver was the sole cause of the collision.	7 000	0
(lll) <b>D. Adams</b> The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment.	53 000	0
(mmm) <b>R.S. Smith</b> The claim arises as a result of damages to the plaintiff's motor vehicle as a result of a failure by the municipal officials to remove slurry/ tar primer from the road surface on the free way or failing to put warning signs.	6 000	0
(nnn) <b>X.C. Zimemo</b> 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.	80 000	0
(ooo) <b>MJ Strydom</b> The claim arises out of injuries sustained in an alleged fall into an open manhole.	75 000	0
(ppp) <b>TA Vikiva</b> The claim arises as a result of injuries sustained by a minor child due to playing on a merry-go-round belonging to the NMBM.	200 000	0
(qqq) <b>Z.L. Bouwer</b> The claim arises out of injuries sustained in alleged fall into an open fire hydrant.	100 000	0
(rrrr) <b>M I Strydom</b> The claim arises due to an uncovered drain	75 000	0
(ssss) <b>E October</b> The claim arises due to an uncovered drain	90 000	0
(tttt) <b>MTN</b> The claim arises as a result of an alleged short payment to the service provider since 2006.	11 086 055	0
(uuuu) <b>SIMMARK INVESTMENTS CC ETC.</b> NMBM are jointly sued due to a building that burnt down in Govan Mbeki Avenue because the fire could not be extinguished or contained.	74 572 455	0
(vvvv) <b>L Young</b> This claim arises from an alleged unlawful arrest.	100 000	0
(wwww) <b>M. Schmidt</b> The claim arises from an unlawful assaulted by a traffic officer who was acting within the course and scope of his employment.	50 000	0
(xxxx) <b>S.S. Sani</b> The claim arises from damages as a result of personal injuries sustained by the plaintiff when he stepped onto a drain cover and fell into the open drain.	50 000	0
(yyyy) <b>XOLISWA HUDSON</b> The Agency is being sued by Ms Xoliswa Hudson for the loss of income to the value of R156 000. She alleges that her business in Govan Mbeki Avenue lost clientele as a result of offensive odours that escaped from the sewer pipes and manholes that were exposed during the upgrade of the street. Based on the evidence at hand the Agency is confident that it can defend the claim and has instructed its attorneys to notify the defendant of its intention to defend. In the event that the Agency was to lose the case, total costs including legal fees are estimated to cost in the region of R350 000.	156 000	0
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>109 278 940</b>	<b>72 484 067</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

45b PROVISION FOR LITIGATION AND CLAIMS	2011 R	Restated 2010 R
<u>Detail of Provision raised in Note 5</u>		
(a) <b>X.C. Zimemo</b> 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.	0	1 616 000
(b) <b>J &amp; C Sampson</b> This is a claim against the Municipality and Police for alleged failure to display any prominent warnings signs on the flooded road the Plaintiff was traveling. It is alleged that as a result of the Municipality failure, the Plaintiff who was four (4) months pregnant at the time was trapped in the floodwaters and as a result lost her unborn baby.	350 000	300 000
(c) <b>N. Grundling</b> This claim arises from an alleged assault and defamation by a municipal employee.	30 000	30 000
(d) <b>V. Matroos</b> The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	62 385	62 385
(e) <b>RL Judd</b> The claim arises out of injuries sustained in alleged fall over a raised and cracked portion of a sidewalk.	0	100 000
(f) <b>Hasty-Tasty Frozen Foods</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	25 000	15 000
(g) <b>B Mdyogolo</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	100 000	15 000
(h) <b>VE Manyane</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	15 000	15 000
(i) <b>AMF</b> The claim arises as a result of an alleged breach of contract.	0	2 000 000
(j) <b>Winston Malgas</b> The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	62 660	62 660
(k) <b>Telkom</b> The claim arises as a result of damage allegedly caused to Telkom's underground cables.	15 660	15 660
(l) <b>MJ Strydom</b> The claim arises out of injuries sustained in an alleged fall into an open manhole.	0	75 000
(m) <b>TA Vikiva</b> The claim arises as a result of injuries sustained by a minor child due to playing on a merry-go-round belonging to the NMBM.	0	59 837
(n) <b>HS Prinsloo</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	32 399
(o) <b>Z.L. Bouwer</b> The claim arises out of injuries sustained in alleged fall into an open fire hydrant.	0	67 000
(p) <b>M.C. Kobese</b> The claim arises out of injuries sustained in an alleged fall into an open fire hydrant.	70 000	90 000
(q) <b>E. Hills</b> The claim arises out of injuries sustained in an alleged fall into an open manhole.	200 000	200 000
(r) <b>E. Lottering</b> 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.	0	100 000

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2011	Restated 2010
		R	R
<b>45b</b>	<b>PROVISION FOR LITIGATION AND CLAIMS - (continued)</b>		
<b>(s)</b>	<b>R. Parker</b> The claim arises as a result of a motor vehicle collision, the plaintiff is alleging that the Municipal driver was the sole cause of the collision	15 000	15 000
<b>(t)</b>	<b>M. Schmidt</b> The claim arises from an unlawful assaulted by a traffic officer who was acting within the course and scope of his employment.	0	50 000
<b>(u)</b>	<b>H.W. Terblanche</b> The claim arises as a result of a motor vehicle collision, the plaintiff is alleging that the Municipal driver was the sole cause of the collision.	6 270	6 500
<b>(v)</b>	<b>S.S. Sani</b> The claim arises from damages as a result of personal injuries sustained by the plaintiff when he stepped onto a drain cover and fell into the open drain.	0	30 000
<b>(w)</b>	<b>P. Ryan</b> The claim arises from an unlawful and wrongful arrested and detention by municipal officers who were acting within the course & scope of their employment.	0	50 000
<b>(x)</b>	<b>G. Du preez</b> The claim arises from damages iro of bodily injuries sustained by the plaintiff, when she stepped & fell into an open manhole.	20 000	10 000
<b>(y)</b>	<b>D. Jita</b> The claim arises as a result of a motor vehicle collision, the plaintiff is alleging that the municipal driver was the sole cause of the collision.	15 000	15 000
<b>(z)</b>	<b>D. F. Mathee</b> The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment.	0	100 000
<b>(aa)</b>	<b>M.N. Qwabe</b> The claim arises as a result of a motor vehicle collision, plaintiff is alleging that the Municipal driver was the sole cause of the collision.	0	26 455
<b>(bb)</b>	<b>K. Westraad</b> The claim arises as a result of a motor vehicle collision, the plaintiff is alleging that the municipal driver was the sole cause of the collision.	8 000	11 730
<b>(cc)</b>	<b>G. Volstruis</b> The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment.	0	58 850
<b>(dd)</b>	<b>E. Gouveia</b> The claim arises as a result of a motor vehicle collision, the plaintiff is alleging that the Municipal driver was the sole cause of the collision.	0	12 000
<b>(ee)</b>	<b>D. Adams</b> The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment.	0	53 070
<b>(ff)</b>	<b>R.S. Smith</b> The claim arises as a result of damages to the plaintiff's motor vehicle as a result of a failure by the municipal officials to remove slurry/ tar primer from the road surface on the free way or failing to put warning signs.	0	10 600
<b>(gg)</b>	<b>Tommy Lamont</b> 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 cl	2 000 000	0
<b>(hh)</b>	<b>Blue Horizon Bay</b> This represents an opinion furnished on possible claims arising out of flood damages to property and expropriation of land.	4 000 000	0
<b>(ii)</b>	<b>SALA</b> The claim arises as a result of the SALA Pension Fund instituting legal action against the NMBM for increased contributions.	22 000 000	0
<b>(jj)</b>	<b>Hendricks</b> The claim arises as a result of injuries sustained by a minor child due to an alleged collapse of a jungle-gym on a municipal playground.	3 541 600	0
<b>(kk)</b>	<b>E.Uithaler</b> The claim arises from labour related matter.	200 000	0
<b>(ll)</b>	<b>Algoa Bus</b> The claim arises as result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	33 132	0

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	<b>2011</b>	<b>Restated 2010</b>
	<b>R</b>	<b>R</b>
<b>45b PROVISION FOR LITIGATION AND CLAIMS - (continued)</b>		
<b>(mm) A du Plessis</b> The claim arises from injuries sustained in an alleged fall into a hole in the road.	35 145	0
<b>(nn) Heck</b> The claim arises as a result of a dispute regarding the job description and salary entitlement upon the retirement of the employee.	1 200 000	0
<b>(oo) P R Smit</b> The claim arises as the plaintiff alleges that she has tripped over 2 metal spikes whilst walking on Municipality property.	339 871	0
<b>(pp) DM Jackson</b> Claim arising out of damage which occurred as a consequence of fire damage to an electricity pylon which in turn caused damage to the Plaintiff's property.	1 000 000	0
<b>(qq) ZW Kona</b> This claim arises from an alleged unlawful arrest and assault.	150 000	0
<b>(rr) HM Williams</b>  The claim arises as a result of a motor vehicle collision, plaintiff is alleging that the Municipal driver was the sole cause of the collision.	32 479	0
<b>(ss) R Makasi</b> The claim arises out of injuries sustained in an alleged fall into a drain which cover was missing.	30 000	0
<b>(tt) W Van Wyk</b> This claim arises from an alleged unlawful arrest and detention	20 000	0
<b>(uu) NG Mkonto</b> The claim arises out of injuries sustained in an alleged fall when stepped on a defective drain cover	50 000	0
<b>(vv) D Pook</b> The claim arises out of injuries sustained in an alleged fall on a pavement.	145 000	0
<b>(ww) Botha</b> The claim arises due to power failure	30 000	0
<b>(xx) Scott Family Trust</b> The claim arises due to unauthorised construction on ERF 4176	100 000	0
<b>(yy) LS Hurter</b> The claim arises due to an uncovered drain	15 000	0
<b>(zz) N Cenga</b> The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	32 280	0
<b>(aaa) Whitebooi</b>  The plaintiff is claiming for damages in respect of injuries sustained by him, when he was allegedly assaulted by two traffic officers	100 000	0
<b>(bbb) Cape Joint Pension Fund</b> This represents an opinion in relation to a claim by the Cape Joint pension fund against the municipality for increased pension contributions.	11 000 000	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	Restated 2010
	R	R
<b>45b PROVISION FOR LITIGATION AND CLAIMS - (continued)</b>		
<b>(ccc) Various other cases:</b>		
<b>1. R Williams</b> The claim arises out of the electrocution of her son on an NMBM substation	250 000	0
<b>2. Sebati</b> The claim arises in respect of a sale of property	25 000	0
<b>3. Dompas Media Production</b> The claim arises from a cancellation of a contract due to breach by owner.	1 400 000	0
<b>4. W Keyzer</b> The claim arises due to defamation of character	100 000	0
<b>5. Esterhuizen</b> The claim arises from an alleged wrongful arrest	250 000	0
<b>6. Axpix</b> The claim arises due to alleged monies owing to a supplier	2 349 950	0
<b>7. WK Construction</b> WK Construction seeks in a letter to join the NMBM as Magistrates court action involves a third party claim	25 000	0
<b>8. Julies</b> Claim arises in respect of injuries suffered from alleged electrocution	3 700 000	0
<b>9. Seth Homes</b> This matter relates to a high court contractual claim	15 000	0
<b>10. Mckenzie</b> The claim arises due to defamation of character	450 000	0
<b>11. NC Nxopo</b> The claim arises due to an alleged assault	300 000	0
<b>12. Beldon t/a Beltek Construction</b> This relates to a claim against NMBM	17 000	0
<b>13. T.S.A Krog</b> Claim arises due to water damage from burst pipe	35 217	0
<b>(ddd) West South House CC</b> The claim arises from damages caused by a burst water pipe resulting in extensive damage to the plaintiff's private property.	60 000	0
<b>TOTAL PROVISION REFER NOTE 5</b>	<b>56 026 649</b>	<b>5 305 146</b>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**46 SUBSEQUENT EVENTS**

**46.1 Kabuso Report**

Pursuant to a court judgement of 20 October 2011, the Kabuso report was made public.

The Department of Local Government and Traditional Affairs, Eastern Cape appointed KABUSO to conduct a forensic investigation into various matters at the Municipality. The primary purpose being to investigate possible irregular, unauthorised, wasteful and fruitless expenditure relating to the management and implementation of various projects.

In this regard, the report contains certain findings and recommendations, which must still be considered by Council. Upon considering the findings and recommendations, the Council will decide on a course of action to deal with potential recoveries in relation to possible irregular, unauthorised, wasteful and fruitless expenditure.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**  
**47. Information on Post Retirement Benefit:**

**RETIREMENT BENEFIT INFORMATION**

The Nelson Mandela Bay Municipality makes provision for post-retirement benefits to employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contribution of R 159.084 million (2010: R 137.758 million) to the defined benefit and defined contribution structures are expensed as incurred during the year under review.

The Nelson Mandela Bay Municipality has used IAS 19 paragraph 30 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Municipality has therefore accounted for the plan as a defined contribution plan. It is impracticable to disclose as a defined benefit plan because the fund does not determine a separate actuarial valuation per Municipality but does it as a whole for all the Municipalities together.

These schemes are subject to an annual actuarial valuation, as set out hereunder.

**DEFINED BENEFIT SCHEMES**

**CAPE JOINT PENSION FUND**

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 27% (9% by the members and 18% by their councils). The fund was certified by the actuary as being in a sound financial condition as at 30 June 2010. The valuation disclosed an actuarial surplus of R0, and was funded 100% for the Defined Benefit section.

**SALA PENSION FUND**

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 26.6% (7.6% by the members and 19.18% by their councils). This defined benefit plan, is financially sound, and was 96% funded as at 30 June 2010

**DEFINED CONTRIBUTION SCHEMES**

**CAPE RETIREMENT FUND**

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund as being in a sound financial position as at 30 June 2010. The Pensions Account reflected a funding level of 100.3% as at 30 June 2010

**SALA CONTRIBUTION FUND**

The SALA Contribution Fund operates as a defined contribution scheme. The contribution rate paid by the members (8.6%) and their councils (18.07%) is sufficient to fund the benefits accruing from the Fund in the future.

**SOUTH AFRICAN MUNICIPAL WORKERS UNION (SAMWU) NATIONAL PROVIDENT FUND**

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the Fund was performed at 30 June 2005, and certified it as being in a financially sound position. The 30 June 2008 report is not available yet - the Financial Services Board has set an extended deadline of 31 March 2010 for the finalisation of the report. The contribution rate paid by the members (7.5%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in the future. The actuaries of the SAMWU Pension Fund are still awaiting completion of the audit of the Annual Financial Statements of the Fund.

**Post-retirement pension benefits**

An actuarial valuation as at 30 June 2011 has been performed of the Entity's unfunded liability in respect of revenue pension benefits to eligible employees and retirees of the Nelson Mandela Bay Municipality. The unfunded liability in respect of past service has been estimated at R18.177 million, of which R15.993 million relates to the non-current portion. It is expected that approximately 12.01% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.



NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011  
 47. Information on Post Retirement Benefits (continued)

DEFINED BENEFIT AND DEFINED CONTRIBUTION SCHEMES

EX-GRATIA PENSION BENEFITS FUND

General description of the type of plan

The Ex-gratia pension benefits scheme operates as pensions that are being paid from the Council's revenue, that is they are not funded or paid from one of the Employer's formalised pension arrangements. Pensions increase annually each January at the same rate of increase targeted by the Cape Joint Pension Fund, which currently stands at 50% of CPI. The last actuarial valuation was performed at 30 June 2011. The next valuation is due by 30 June 2012

Upon death of a male ex-employee, the widow will receive a continuation of 50% of the original pension, until the widow reaches the age of 60. Widowers of deceased female ex-employees are not paid a pension.

Membership

	Female	Male	Total
Membership 30 June 2011	73	119	192

Reconciliation of opening and closing accrued liability values as well as best estimate of benefits payments expected in the next annual period

	30/06/2011	30/06/2012	30/06/2013	30/06/2014
<b>Opening Accrued Liability</b>	<b>16 361 068</b>	<b>18 176 726</b>	<b>17 298 493</b>	<b>16 292 977</b>
Current-service Cost	0	0	0	
Interest Cost	1 249 488	1 305 504	1 236 299	
Benefit Payments	-2 047 421	-2 183 737	-2 241 815	
Total Annual Expense	-797 933	-878 233	-1 005 516	
Actuarial Loss / (Gain)	2 613 591			
<b>Closing Accrued Liability</b>	<b>18 176 726</b>	<b>17 298 493</b>	<b>16 292 977</b>	

Analysis of accrued liability

Category	Total
Total Past Service liability	18 176 726
Value of assets	0
<b>Unfunded liability / (asset)</b>	<b>18 176 726</b>

Reconciliation of accrued liability and that reflected in the Statement of Financial Position: Expense items recognised in Profit and Loss: Recognition in the Statement Financial Performance.

Statement of Financial Position Figures

Statement of Financial Position	Year ending 30/06/2011	Year ending 30/06/2012
Fair Value of Plan Assets	0	0
Accrued Liability	18 176 726	17 298 493
<b>Unfunded Accrued Liability</b>	<b>18 176 726</b>	<b>17 298 493</b>
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Costs	0	0
Miscellaneous Item	0	0
<b>Net Liability in Statement of Financial Position</b>	<b>18 176 726</b>	<b>17 298 493</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011  
 47. Information on Post Retirement Benefits (continued)

Reconciling and Projecting the Unfunded Accrued Liability

	Year ending 30/06/2011	Year ending 30/06/2012
<b>Unfunded Accrued Liability</b>		
Opening Balance	16 361 068	18 176 726
Current Service Cost	0	0
Interest Cost	1 249 488	1 305 504
Expected Return on Plan Assets	0	0
<b>Actuarial (Gain)/Loss</b>	<b>2 613 591</b>	<b>0</b>
Past Service Cost	0	0
Effect of Curtailment/Settlement	0	0
<b>Expected Employer Benefit Payments</b>	<b>-2 047 421</b>	<b>-2 183 737</b>
Employer Prefunding Contributions	0	0
<b>Closing Balance</b>	<b>18 176 726</b>	<b>17 298 493</b>
<b>Projected Accrued Liability</b>	<b>15 563 135</b>	<b>17 298 493</b>

**Plan asset characteristics, including proportions in each major asset category and expected rates of return**

Not applicable as there are no plan assets

**Principal assumptions used as at the Statement of Financial Position date**

Key financial assumption:	Value p.a.
Discount rate	7.63%
Future inflation rate	5.32%
Pension increase rate	2.66%
Net effective discount rate	4.84%
It was assumed that next salary increase will take place in January 2011	
Key demographic assumptions:	Value
Mortality in Retirement	PA90 Ultimate - 1 year of age
Age of female spouse	4 years younger

**Discount Rate:** IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 7.63% per annum has been used. This rate does not reflect any adjustment for taxation.

**Consumer Price Index (CPI) Inflation Rate:** This assumption is used to calculate the estimated growth in pensions of the eligible retirees. An expected inflation assumption of 5.32% was obtained from the differential between market yields on index-linked bonds (1.72%) consistent with the estimated term of the liability and those of nominal bonds (7.63%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Thus a pension increase rate of 2.66% per annum over the expected term of the liability has been assumed. This assumption reflects a post retirement interest rate of 4.84%.

**Post-retirement discount rate:** The assumption reflects the expectation of future increases to pensions currently in payment.

**Post-retirement Mortality:** PA(90) ultimate table, adjusted down by one year of age.

**Family Profile (retirees):** It has been assumed that in-service husbands will be four years older than their wives.

**Other assumptions:** Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the Employer's ex-gratia pension benefit liability.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011  
 47. Information on Post Retirement Benefits (continued)

Sensitivity of valuation results to changes in main assumption

Assumption and change	Test	Liability	% change
<b>Sensitivity Analysis on the Unfunded Accrued Liability</b>			
Central Assumptions			
Pension Increase Rate	+1%	18 176 726	7%
	-1%	19 506 947	-7%
Post-retirement mortality	-1 yr	16 986 090	3%
		18 744 933	
<b>Sensitivity Analysis on the Interest Cost for the year ending 30/06/2011</b>			
Central Assumptions			
Inflation	+1%	1 249 488	8%
	-1%	1 345 952	-7%
Post-retirement mortality	-1 yr	1 163 144	3%
		1 209 795	
<b>Sensitivity Analysis on the Interest Cost for the year ending 30/06/2012</b>			
Central Assumptions			
Inflation	+1%	1 305 504	8%
	-1%	1 407 031	-7%
Post-retirement mortality	-1 yr	1 214 631	3%
		1 348 871	

Liabilities and experience adjustments for current and previous four annual period

**Comparison with Previous Valuator**

**Introduction**

The most recent valuation of the Municipality's Unfunded ex-Gratia Liability was undertaken as at 30 June 2010. This section compares the figures between the valuation dates and summarises the primary reasons for the changes in the liability since the last valuation.

**Comparison of Vital Statistics**

Comparison of Eligible Retirees

Retirees	30/06/2010	30/06/2011
Number of Pensioners	197	192
Average Annual Pension	R 10 393	R 11 374
Pension Weighted Average Age	67.4	67.9

**Comparison of Valuation Assumptions:**

Category	30/06/2010	30/06/2011
Discount Rate	8.14%	7.63%
Pension Increase Rate	2.58%	2.66%
Post Retirement Interest Rate	5.42%	4.84%
Mortality in Retirement	PA (90) - 1 year	

**Comparison of Liability Results**

	30/06/2010	30/06/2011	Impact
Total Unfunded Liability	16 361 068	18 176 726	11%
Average Liability per Retiree	83 051	94 670	14%

**Reasons for the Movement in the Liability**

The average liability has increased by 11%. The increase is mainly due to the decrease in the net discount rate and an increase in the average annual pension, slightly offset by an increase in the average age. The total liability has increased by 14% (or R1,815,658) due to the above factors, being partially offset by a decrease in the number of pensioners.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**  
**47. Information on Post Retirement Benefits (continued)**

**Actuarial Gains and Losses**

<b>Actuarial (Gain)/Loss</b>	<b>2 613 591</b>
Contribution to Actuarial Gain:	
Basis Changes	719 915
Pension increases higher than assumed	0
Change in the assumed pension policy	0
Change to membership profile, different from assumed	1 893 676

**POST-EMPLOYMENT HEALTH CARE BENEFITS**

The Nelson Mandela Bay Municipality recognises past service of employees and retired employees, and provides for the actuarially determined present value of post retirement medical aid employer contributions on an accrual basis, using the projected unit credit method.

**General description of the type of plan**

The Employer offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income. In-service and continuation members belonging to the LA Health Medical Scheme are entitled to a post-employment Employer subsidy of 70% of their medical contribution payable. In-service and continuation members belonging to any other medical scheme are entitled to a 60% post-employment subsidy. All employees' contributions are capped at a maximum amount of R3,280.58 per principal member. This maximum amount applies to the year beginning 1 July 2011. On the death-in-service or death-in-retirement of an eligible principal member, the surviving dependants will continue to receive the same subsidy percentage. Child dependants are subsidised to age 21.

The total liability in respect of post-retirement health care benefits amounts to R1 097.722 million as at 30 June 2011 (2010: R947.958 million). Provision for R1 097.722 million has been made (non-current R1 060.750 million, current R36.972 million). It is expected that approximately 3.37% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

**Sensitivity analysis on the unfunded accrued liability (R millions)**

Assumption	Change	In-service	Continuation	Total	% change	RM CHANGE
<b>Sensitivity Analysis on the Accrued Liability (R millions)</b>						
Central Assumptions		603.168	494.554	1097.722		
Health care inflation	1%	724.443	551.071	1 275.514	16%	177.79
	-1%	506.500	446.389	952.889	-13%	-144.83
Post-retirement mortality	-1 yr	623.373	513.096	1136.469	4%	38.75
Average retirement age	-1 yr	649.953	494.554	1144.507	4%	46.79
Withdrawal Rate	-50%	647.297	494.554	1141.851	4%	44.13

**The members of medical aid schemes entitled to a post-employment medical scheme subsidy at 30 June were as follows:**

Member category	No. of members
In-service (employee) members	5 171
In-service (employee) non-members	1 383
Continuation (retiree and widow) members	1 452
<b>Total</b>	<b>8 006</b>

**Past and Future Changes in the Accrued Liability**

	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
<b>Opening Accrued Liability</b>	<b>947.958</b>	<b>1 097.722</b>	<b>1 198.144</b>
Current-service Cost	34.670	42.778	46.000
Interest Cost	85.746	94.616	102.000
Benefit Payments	-34.839	-36.972	-39.669
<b>Total Annual Expense</b>	<b>85.577</b>	<b>100.422</b>	<b>108.331</b>
Actuarial Loss / (Gain)	64.187		
<b>Closing Accrued Liability</b>	<b>1 097.722</b>	<b>1 198.144</b>	<b>1 306.475</b>

**The Unfunded Liability in respect of past services (R'million)**

Category of Members	2010/06/30	2010/06/30
In-service members	480.944	603.168
Continuation members	467.014	494.554
<b>Total liability</b>	<b>947.958</b>	<b>1 097.722</b>
Value of assets	0	0
<b>Unfunded liability</b>	<b>947.958</b>	<b>1 097.722</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011  
 47. Information on Post Retirement Benefits (continued)

**Current Service and Interest Costs**

Category of Member	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
In-Service Employees (Current Service Cost)	34.670	42.778	46.000
All Eligible Individuals (Interest Cos)	85.746	94.616	102.000

**Reconciliation of opening and closing plan assets fair value**

Not applicable as there are no plan assets.

**Reconciling and Projecting the Unfunded Accrued Liability (Rand Million):**

Unfunded Accrued Liability	Year ending 30/06/2011	Year ending 30/06/2011
Opening Balance	947.958	1 097.722
Current-service Cost	34.670	42.778
Interest Cost	85.746	94.616
Expected Return on Plan Assets	0	0
<b>Actuarial (Gain)/Loss</b>	<b>64</b>	<b>0</b>
Past-service Cost	0	0
Effect of Curtailment/Settlement	0	0
<b>Expected Employer Benefit Payments</b>	<b>-34.839</b>	<b>-36.972</b>
Employer Prefunding Contribution:	0	0
<b>Closing Balance</b>	<b>1 097.722</b>	<b>1 198.144</b>
<b>Projected Accrued Liability</b>	<b>1 033.535</b>	<b>1 198.144</b>

**Net Liability to reflect in the Statement of Financial Position (Rand Millions)**

Net Liability in Statement of Financial Position	Year ending 30/06/2011	Year ending 30/06/2011
Opening Balance	864.273	1 097.722
Current-service Cost	34.670	42.778
Interest Cost	85.746	94.616
Expected Return on Plan Assets	0	0
Actuarial (Gain)/loss Recognised in P&L	147.872	0
Past-service Cost Recognised	0	0
Effect of Curtailment/Settlement	0	0
<b>Net Periodic Cost Recognised in P&amp;L</b>	<b>268.288</b>	<b>137.394</b>
Expected Employer Benefit Payments	-34.839	-36.972
Employer Prefunding Contributions	0	0
Actuarial (Gain)/Loss Recognised outside P&I	0	0
<b>Closing Balance</b>	<b>1 097.722</b>	<b>1 198.144</b>

**Recognition in a Statement of Financial Performance:**

**Plan asset characteristics, including proportions in each major asset category and expected rates of return**

Not applicable as there are no plan assets

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011  
 47. Information on Post Retirement Benefits (continued)

**Principal assumptions used as at the Statement of Financial Position dat**

Key financial assumptions	Value p.a.
Discount rate	8.62%
Health care inflation rate	7.29%
Net effective discount rate	1.23%
The next contribution rate increase is assumed to occur at 1 January 2012	

  

Key demographic assumptions	Value		
Average retirement age	62		
Continuation of membership at retirement	100%		
Proportion assumed married at retirement	90%		
Proportion of eligible current non-member employees joining the scheme by retirement	50%		
Mortality during employment	SA85-90		
Mortality post-retirement	PA90-1		
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

**Financial Assumptions**

**Discount Rate:** IAS 19 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.62% per annum has been used. This rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2011. This rate does not reflect any adjustment for taxation.

**Health Care Cost Inflation Rate:** This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 7.29% has been assumed. This is 1.75% in excess of expected Consumer Price Index (CPI) inflation over the expected term of the liability, namely 5.54%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.23% which derives from  $(8.62\% - 7.29\%) / 1.0729$ .

The expected inflation assumption of 5.54% was obtained from the differential between index-linked bonds (2.44%) and nominal bonds (8.62%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $(8.62\% - 0.5\% - 2.44\%) / 1.0244$

The next contribution increase was assumed to occur with effect from 1 January 2012

**Replacement ratio:** This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since so contribution rate tables are income-dependent. A replacement ratio of 75% was assumed.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 201**  
**47. Information on Post Retirement Benefits (continued)**

**Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.**

**Pre-retirement Mortality:** SA85-90 ultimate table, adjusted for female lives

**Post-retirement Mortality:** PA(90) ultimate table, adjusted down by one year of age

**Withdrawal from Service:** If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates.

**Average retirement Age:** The normal retirement age of employees is 65. It has been assumed that all in-service members will retire at age 62, which then allows for expected rates of early and ill-health retirement

**Continuation of Membership:** It is assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

**Proportion of current eligible non-members on a medical aid scheme at retirement:**

It has been assumed that 50% of current eligible in-service non-members will be on a medical aid scheme at retirement (should they not exit employment before then).

**Family Profile (retirees):** It is assumed that 90% of in-service members who remain on the Municipality's health care arrangements will be married at retirement. Further, it has been assumed that in-service husbands will be four years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

**Other assumptions**

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the Employer's ex-gratia pension benefit liability. The health care arrangements and subsidy policy will not change

The level of benefits receivable and the contributions payable in respect of such will remain unchanged with the exception of allowing for inflationary adjustments. The current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.

**Sensitivity of valuation results to changes in main assumptions**

Assumption	Change	In-service	Continuation	Total	% change
<b>Sensitivity Analysis on the Accrued Liability (R millions)</b>					
Central Assumptions		603.168	494.554	1 097.722	
Health care inflation	1%	724.443	551.071	1 275.514	16%
	-1%	506.500	446.389	952.889	-13%
Post-retirement mortality	-1 yr	623.373	513.096	1 136.469	4%
Average retirement age	-1 yr	649.953	494.554	1 144.507	4%
Withdrawal Rate	-50%	647.297	494.554	1 141.851	4%
<b>Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2011</b>					
Central Assumptions		34 670 400	85 745 900	120 416 300	
Health care inflation	1%	42 236 400	99 244 500	141 480 900	17%
	-1%	28 734 800	74 692 700	103 427 500	-14%
Post-retirement mortality	-1 yr	35 698 200	88 664 500	124 362 700	3%
Average retirement age	-1 yr	36 285 100	89 261 700	125 546 800	4%
Withdrawal Rate	-50%	38 511 700	88 892 700	127 404 400	6%
<b>Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2012</b>					
Central Assumptions		42 778 100	94 615 900	137 394 000	
Health care inflation	1%	52 332 200	109 940 300	162 272 500	18%
	-1%	35 306 700	82 132 300	117 439 000	15%
Post-retirement mortality	-1 yr	44 169 700	97 955 600	142 125 300	3%
Average retirement age	-1 yr	45 211 800	98 648 500	143 860 300	5%
Withdrawal Rate	-50%	47 914 500	98 419 500	146 334 000	7%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

47. Information on Post Retirement Benefits (continued)

Liabilities and experience adjustments for current and previous four annual periods

History of liabilities and assets (R millions)

	2007/06/30	2008/06/30	2009/06/30	2010/06/30	2010/06/30
Present value of accrued liability	746.025	705.646	734.185	947.958	1097.722
Fair value of plan assets	625.731	0	0	0	0
Surplus / (Deficit)	-120.294	-705.646	-734.185	-947.958	-1097.722

History of experience adjustments: Gains and losses (R millions)

Experience Adjustments	Year Ending 30/06/2007	Year Ending 30/06/2008	Year Ending 30/06/2009	Year Ending 30/06/2010	Year Ending 30/06/2011
Liabilities: (Gain) / Loss	Unknown	-99.406	-59.916	154.539	-31.807
Assets: Gain / (Loss)	0	0	0	0	0



NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

48. PROPERTY, PLANT AND EQUIPMENT RECONCILIATION  
ECONOMIC ENTITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
<b>Carry Value 1 July 2010</b>						
Cost	2 530 647 000	7 625 670 122	794 451 129	102 552 979	821 501 775	11 874 823 005
Transfers/Adjustments	(297 293 049)	70 122 923	2 069 562 227	8 529 737	-	1 850 921 838
Disposal	-	-	(1 067 147)	-	(3 360 151)	(4 427 298)
Accumulated Depreciation	(88 527 849)	(2 420 119 884)	(136 688 661)	-	(253 467 355)	(2 898 803 749)
	<b>2 144 826 102</b>	<b>5 275 673 161</b>	<b>2 726 257 548</b>	<b>111 082 716</b>	<b>564 674 269</b>	<b>10 822 513 796</b>
<b>Movement during year ended 30 June 2011</b>						
Acquisition	85 873 950	1 029 358 858	176 496 697	22 084 784	97 872 387	1 411 686 676
Capital Under Construction	-	-	-	-	-	-
Cost Adjustments	(16 356 294)	(17 515 528)	4 707 536	(6 528 802)	37 283 604	1 590 516
Impairment	(920 000)	-	-	-	-	(920 000)
Depreciation Adjustment	2 857 619	(17 579)	(1 779 415)	(696)	(1 059 929)	-
Depreciation	(14 089 444)	(221 210 489)	(94 605 164)	696	(110 541 922)	(440 446 323)
	<b>57 365 831</b>	<b>790 615 262</b>	<b>84 819 654</b>	<b>15 555 982</b>	<b>23 554 140</b>	<b>971 910 869</b>
<b>Carry Value of Disposals during year ended 30 June 2011</b>						
Cost	-	-	(1 101 188)	-	(13 442 843)	(14 544 031)
Depreciation	-	-	651 231	-	8 284 204	8 935 435
	<b>-</b>	<b>-</b>	<b>(449 957)</b>	<b>-</b>	<b>(5 158 639)</b>	<b>(5 608 596)</b>
<b>Carrying Values at 30 June 2011</b>	<b>2 202 191 933</b>	<b>6 066 288 423</b>	<b>2 810 627 245</b>	<b>126 638 698</b>	<b>583 069 770</b>	<b>11 788 816 069</b>
<b>Summary - Carrying Values at 30 June 2011</b>						
Summary - Cost	2 301 951 607	8 707 636 375	3 043 049 254	126 638 698	939 854 772	15 119 130 706
Summary - Accumulated Depreciation	(99 759 674)	(2 641 347 952)	(232 422 009)	-	(356 785 002)	(3 330 314 637)
	<b>2 202 191 933</b>	<b>6 066 288 423</b>	<b>2 810 627 245</b>	<b>126 638 698</b>	<b>583 069 770</b>	<b>11 788 816 069</b>

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
<b>Carry Value 1 July 2009</b>						
Cost	2 238 483 069	6 130 122 974	594 754 256	70 445 143	636 030 155	9 669 835 597
Transfers/Adjustments	214 493 516	(33 765 785)	(155 773 367)	(4 105 323)	(38 268 706)	(17 419 665)
Disposal	(639 536)	-	(9 886 975)	-	(1 628 286)	(12 154 797)
Accumulated Depreciation	(144 682 570)	(1 900 232 014)	(83 721 783)	-	(250 959 119)	(2 379 595 486)
	<b>2 307 654 479</b>	<b>4 196 125 175</b>	<b>345 372 131</b>	<b>66 339 820</b>	<b>345 174 044</b>	<b>7 260 665 649</b>
<b>Movement during year ended 30 June 2010</b>						
Acquisition	78 309 951	1 529 312 933	358 537 898	36 213 159	225 368 612	2 227 742 553
Capital Under Construction	-	-	6 819 317	-	-	6 819 317
Cost Adjustments	(297 293 049)	70 122 923	2 069 562 227	8 529 737	-	1 850 921 838
Depreciation Adjustment	66 092 382	(6 731 721)	(56 482 337)	2 327 800	-	5 206 124
Depreciation	(9 937 661)	(513 156 149)	3 122 964	(2 327 800)	(3 610 306)	(525 908 952)
	<b>(162 828 377)</b>	<b>1 079 547 986</b>	<b>2 381 560 069</b>	<b>44 742 896</b>	<b>221 758 306</b>	<b>3 564 780 880</b>
<b>Carry Value of Disposals during year ended 30 June 2010</b>						
Cost	-	-	(1 067 147)	-	(3 360 151)	(4 427 298)
Depreciation	-	-	392 495	-	1 102 070	1 494 565
	<b>-</b>	<b>-</b>	<b>(674 652)</b>	<b>-</b>	<b>(2 258 081)</b>	<b>(2 932 733)</b>
<b>Carrying Values at 30 June 2010</b>	<b>2 144 826 102</b>	<b>5 275 673 161</b>	<b>2 726 257 548</b>	<b>111 082 716</b>	<b>564 674 269</b>	<b>10 822 513 796</b>
<b>Summary - Carrying Values at 30 June 2010</b>						
Summary - Cost	2 233 353 951	7 695 793 045	2 862 946 209	111 082 716	818 141 624	13 721 317 545
Summary - Accumulated Depreciation	(88 527 849)	(2 420 119 884)	(136 688 661)	-	(253 467 355)	(2 898 803 749)
	<b>2 144 826 102</b>	<b>5 275 673 161</b>	<b>2 726 257 548</b>	<b>111 082 716</b>	<b>564 674 269</b>	<b>10 822 513 796</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

48. PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (continued)  
MUNICIPALITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
<b>Carry Value 1 July 2010</b>						
Cost	2 530 647 000	7 625 670 122	794 451 129	102 552 979	820 280 999	11 873 602 229
Transfers/Adjustments	(297 293 049)	70 122 923	2 069 562 227	8 529 737	-	1 850 921 838
Disposal	-	-	(1 067 147)	-	(3 360 151)	(4 427 298)
Accumulated Depreciation	(88 527 849)	(2 420 119 884)	(136 688 661)	-	(252 894 772)	(2 898 231 166)
	<b>2 144 826 102</b>	<b>5 275 673 161</b>	<b>2 726 257 548</b>	<b>111 082 716</b>	<b>564 026 076</b>	<b>10 821 865 603</b>
<b>Movement during year ended 30 June 2011</b>						
Acquisition	85 873 950	1 029 358 858	176 496 697	21 919 784	97 822 667	1 411 471 956
Capital Under Construction	-	-	-	-	-	-
Cost Adjustments	(16 356 294)	(17 515 528)	4 707 536	(6 528 802)	37 283 604	1 590 516
Impairment	(920 000)	-	-	-	-	(920 000)
Depreciation Adjustment	2 857 619	(17 579)	(1 779 415)	(696)	(1 059 929)	-
Depreciation	(14 089 444)	(221 210 489)	(94 605 164)	696	(110 400 841)	(440 305 242)
	<b>57 365 831</b>	<b>790 615 262</b>	<b>84 819 654</b>	<b>15 390 982</b>	<b>23 645 501</b>	<b>971 837 230</b>
<b>Carry Value of Disposals during year ended 30 June 2011</b>						
Cost	-	-	(1 101 188)	-	(13 442 843)	(14 544 031)
Depreciation	-	-	651 231	-	8 284 204	8 935 435
	-	-	<b>(449 957)</b>	-	<b>(5 158 639)</b>	<b>(5 608 596)</b>
<b>Carrying Values at 30 June 2011</b>	<b>2 202 191 933</b>	<b>6 066 288 423</b>	<b>2 810 627 245</b>	<b>126 473 698</b>	<b>582 512 938</b>	<b>11 788 094 237</b>
<b>Summary - Carrying Values at 30 June 2011</b>						
Summary - Cost	2 301 951 607	8 707 636 375	3 043 049 254	126 473 698	938 584 276	15 117 695 210
Summary - Accumulated Depreciation	(99 759 674)	(2 641 347 952)	(232 422 009)	-	(356 071 338)	(3 329 600 973)
	<b>2 202 191 933</b>	<b>6 066 288 423</b>	<b>2 810 627 245</b>	<b>126 473 698</b>	<b>582 512 938</b>	<b>11 788 094 237</b>

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
<b>Carry Value 1 July 2009</b>						
Cost	2 238 483 069	6 130 122 974	594 754 256	70 445 143	634 951 079	9 668 756 521
Transfers/Adjustments	214 493 516	(33 765 785)	(155 773 367)	(4 105 323)	(38 268 706)	(17 419 665)
Disposal	(639 536)	-	(9 886 975)	-	(1 628 286)	(12 154 797)
Accumulated Depreciation	(144 682 570)	(1 900 232 014)	(83 721 783)	-	(250 530 806)	(2 379 167 173)
	<b>2 307 654 479</b>	<b>4 196 125 175</b>	<b>345 372 131</b>	<b>66 339 820</b>	<b>344 523 281</b>	<b>7 260 014 886</b>
<b>Movement during year ended 30 June 2010</b>						
Acquisition	78 309 951	1 529 312 933	358 537 898	36 213 159	225 226 912	2 227 600 853
Capital Under Construction	-	-	6 819 317	-	-	6 819 317
Cost Adjustments	(297 293 049)	70 122 923	2 069 562 227	8 529 737	-	1 850 921 838
Depreciation Adjustment	66 092 382	(6 731 721)	(56 482 337)	2 327 800	-	5 206 124
Depreciation	(9 937 661)	(513 156 149)	3 122 964	(2 327 800)	(3 466 036)	(525 764 682)
	<b>(162 828 377)</b>	<b>1 079 547 986</b>	<b>2 381 560 069</b>	<b>44 742 896</b>	<b>221 760 876</b>	<b>3 564 783 450</b>
<b>Carry Value of Disposals during year ended 30 June 2010</b>						
Cost	-	-	(1 067 147)	-	(3 360 151)	(4 427 298)
Depreciation	-	-	392 495	-	1 102 070	1 494 565
	-	-	<b>(674 652)</b>	-	<b>(2 258 081)</b>	<b>(2 932 733)</b>
<b>Carrying Values at 30 June 2010</b>	<b>2 144 826 102</b>	<b>5 275 673 161</b>	<b>2 726 257 548</b>	<b>111 082 716</b>	<b>564 026 076</b>	<b>10 821 865 603</b>
<b>Summary - Carrying Values at 30 June 2010</b>						
Summary - Cost	2 233 353 951	7 695 793 045	2 862 946 209	111 082 716	816 920 848	13 720 096 769
Summary - Accumulated Depreciation	(88 527 849)	(2 420 119 884)	(136 688 661)	-	(252 894 772)	(2 898 231 166)
	<b>2 144 826 102</b>	<b>5 275 673 161</b>	<b>2 726 257 548</b>	<b>111 082 716</b>	<b>564 026 076</b>	<b>10 821 865 603</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

49. INTANGIBLE ASSETS RECONCILIATION

ECONOMIC ENTITY

Reconciliation of Carrying Value	Intangible Assets
<b>Carry Value 1 July 2010</b>	
Cost	425 934 705
Transfers/Adjustments	-
Disposal	-
Accumulated Amortisation	(14 332 334)
	<b>411 602 371</b>
<b>Movement during year ended 30 June 2011</b>	
Acquisition	102 923 700
Adjustment	1 977 519
Amortisation	(85 963 507)
	<b>18 937 712</b>
<b>Carry Value of Disposals during year ended 30 June 2011</b>	
Cost	-
Amortisation	-
	<b>430 540 083</b>
<b>Carrying Values at 30 June 2011</b>	
Summary - Carrying Values at 30 June 2011	
Summary - Cost	530 835 924
Summary - Accumulated Amortisation	(100 295 841)
	<b>430 540 083</b>
<b>Reconciliation of Carrying Value</b>	<b>Intangible Assets</b>
<b>Carry Value 1 July 2009</b>	
Cost	421 501 875
Transfers/Adjustments	(91 024 379)
Disposal	-
Accumulated Amortisation	(5 495 747)
	<b>324 981 749</b>
<b>Movement during year ended 30 June 2010</b>	
Acquisition	95 457 209
Adjustment	-
Amortisation	(8 836 587)
	<b>86 620 622</b>
<b>Carry Value of Disposals during year ended 30 June 2010</b>	
Cost	-
Depreciation	-
	<b>411 602 371</b>
<b>Carrying Values at 30 June 2010</b>	
Summary - Carrying Values at 30 June 2010	
Summary - Cost	425 934 705
Summary - Accumulated Depreciation	(14 332 334)
	<b>411 602 371</b>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

49. INTANGIBLE ASSETS RECONCILIATION (continued)  
MUNICIPALITY

Reconciliation of Carrying Value	Intangible Assets
<b>Carry Value 1 July 2010</b>	
Cost	425 791 490
Transfers/Adjustments	-
Disposal	-
Accumulated Amortisation	(14 282 876)
	<b>411 508 614</b>
<b>Movement during year ended 30 June 2011</b>	
Acquisition	102 917 946
Adjustment	1 977 519
Amortisation	(85 932 413)
	<b>18 963 052</b>
<b>Carry Value of Disposals during year ended 30 June 2011</b>	
Cost	-
Amortisation	-
	<b>430 471 666</b>
<b>Carrying Values at 30 June 2011</b>	
Summary - Carrying Values at 30 June 2011	
Summary - Cost	530 686 955
Summary - Accumulated Amortisation	(100 215 289)
	<b>430 471 666</b>
<b>Reconciliation of Carrying Value</b>	<b>Intangible Assets</b>
<b>Carry Value 1 July 2009</b>	
Cost	421 463 371
Transfers/Adjustments	(91 024 379)
Disposal	-
Accumulated Amortisation	(5 465 421)
	<b>324 973 571</b>
<b>Movement during year ended 30 June 2010</b>	
Acquisition	95 352 498
Adjustment	-
Amortisation	(8 817 455)
	<b>86 535 043</b>
<b>Carry Value of Disposals during year ended 30 June 2010</b>	
Cost	-
Depreciation	-
	<b>411 508 614</b>
<b>Carrying Values at 30 June 2010</b>	
Summary - Carrying Values at 30 June 2010	
Summary - Cost	425 791 490
Summary - Accumulated Depreciation	(14 282 876)
	<b>411 508 614</b>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**50. Investment Property Reconciliation**

**ECONOMIC ENTITY**

Reconciliation of Carrying Value	Investment Property
<b>Carry Value 1 July 2010</b>	
Cost	1 869 399 138
Transfers/Adjustments	(1 790 802 923)
Disposal	-
Accumulated Depreciation	(7 832 946)
	<b>70 763 269</b>
<b>Movement during year ended 30 June 2011</b>	
Acquisition	3 106 185
Transfers/Adjustments	-
Depreciation Adjustment	-
Depreciation	(2 638 502)
	<b>467 683</b>
<b>Carry Value of Disposals during year ended 30 June 2011</b>	
Cost	-
Depreciation	-
	<b>-</b>
<b>Carrying Values at 30 June 2011</b>	<b>71 230 952</b>
<b>Summary - Carrying Values at 30 June 2011</b>	
Summary - Cost	81 702 400
Summary - Accumulated Depreciation	(10 471 448)
	<b>71 230 952</b>

Reconciliation of Carrying Value	Investment Property
<b>Carry Value 1 July 2009</b>	
Cost	1 858 793 920
Transfers/Adjustments	6 927 614
Disposal	-
Accumulated Depreciation	-
	<b>1 865 721 534</b>
<b>Movement during year ended 30 June 2010</b>	
Acquisition	3 677 604
Transfers/Adjustments	(1 790 802 923)
Depreciation Adjustment	(550 524)
Depreciation	(7 282 422)
	<b>(1 794 958 265)</b>
<b>Carry Value of Disposals during year ended 30 June 2010</b>	
Cost	-
Depreciation	-
	<b>-</b>
<b>Carrying Values at 30 June 2010</b>	<b>70 763 269</b>
<b>Summary - Carrying Values at 30 June 2010</b>	
Summary - Cost	78 596 215
Summary - Accumulated Depreciation	(7 832 946)
	<b>70 763 269</b>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**50. Investment Property Reconciliation (continued)**

<b>MUNICIPALITY</b>	
<b>Reconciliation of Carrying Value</b>	<b>Investment Property</b>
<b>Carry Value 1 July 2010</b>	
Cost	1 869 399 138
Transfers/Adjustments	(1 790 802 923)
Disposal	-
Accumulated Depreciation	(7 832 946)
	<b>70 763 269</b>
<b>Movement during year ended 30 June 2011</b>	
Acquisition	3 106 185
Transfers/Adjustments	-
Depreciation Adjustment	-
Depreciation	(2 638 502)
	<b>467 683</b>
<b>Carry Value of Disposals during year ended 30 June 2011</b>	
Cost	-
Depreciation	-
	<b>-</b>
<b>Carrying Values at 30 June 2011</b>	<b>71 230 952</b>
<b>Summary - Carrying Values at 30 June 2011</b>	
Summary - Cost	81 702 400
Summary - Accumulated Depreciation	(10 471 448)
	<b>71 230 952</b>

<b>MUNICIPALITY</b>	
<b>Reconciliation of Carrying Value</b>	<b>Investment Property</b>
<b>Carry Value 1 July 2009</b>	
Cost	1 858 793 920
Transfers/Adjustments	6 927 614
Disposal	-
Accumulated Depreciation	-
	<b>1 865 721 534</b>
<b>Movement during year ended 30 June 2010</b>	
Acquisition	3 677 604
Transfers/Adjustments	(1 790 802 923)
Depreciation Adjustment	(550 524)
Depreciation	(7 282 422)
	<b>(1 794 958 265)</b>
<b>Carry Value of Disposals during year ended 30 June 2010</b>	
Cost	-
Depreciation	-
	<b>-</b>
<b>Carrying Values at 30 June 2010</b>	<b>70 763 269</b>
<b>Summary - Carrying Values at 30 June 2010</b>	
Summary - Cost	78 596 215
Summary - Accumulated Depreciation	(7 832 946)
	<b>70 763 269</b>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 201**

**51. FINANCIAL INSTRUMENTS**

Financial instruments are classified into the following categories:

Financial assets: At amortised cost

Financial liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities are assumed.  
The amounts relating to financial instruments reflected below approximates fair value.

ECONOMIC ENTITY	2011			2010		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
Property, Plant and Equipment		11 788 816 069	11 788 816 069		10 822 513 796	10 822 513 796
Intangible Assets		430 540 083	430 540 083		411 602 371	411 602 371
Investment Property		71 230 952	71 230 952		70 763 269	70 763 269
Investments	0		0	0		0
Investment in Associate	-538 061		-538 061	69 221		69 221
Long-term Receivables - Exchange Transactions	43 397 618		43 397 618	40 028 568		40 028 568
Long-term Receivables - Non-exchange Transactions	18 056 224		18 056 224	40 500 380		40 500 380
Inventory		114 759 240	114 759 240		134 987 062	134 987 062
Consumer debtors - Exchange Transactions	421 338 022		421 338 022	509 581 901		509 581 901
Consumer debtors - Non-exchange Transactions	25 030 243		25 030 243	89 905 892		89 905 892
Other Debtors	344 642 524		344 642 524	517 916 541		517 916 541
VAT		19 293 895	19 293 895		56 664 969	56 664 969
VAT Suspense		28 235 674	28 235 674		42 356 840	42 356 840
Current portion of long-term receivables	12 984		12 984	33 590		33 590
Short-term investment deposits (excluding Sanlam Shares)	296 992 369		296 992 369	505 408 067		505 408 067
Bank balances and cash	189 039 376		189 039 376	166 403 825		166 403 825
	<b>1 337 971 299</b>	<b>12 452 875 913</b>	<b>13 790 847 212</b>	<b>1 869 847 985</b>	<b>11 538 888 307</b>	<b>13 408 736 292</b>

  

LIABILITIES	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
	1 842 888 389		1 842 888 389	1 461 015 698		1 461 015 698
Employee Benefit Provisions	1 093 186 350		1 093 186 350	860 849 738		860 849 738
Non-current Provisions	190 842 517		190 842 517	145 856 671		145 856 671
Consumer deposits	111 125 316		111 125 316	79 849 533		79 849 533
Current Employee Benefit Provisions	46 853 624		46 853 624	43 421 707		43 421 707
Current Provisions	56 026 649		56 026 649	5 305 146		5 305 146
Creditors	1 251 186 738		1 251 186 738	1 596 131 706		1 596 131 706
Unspent Conditional Grants and Receipts	309 213 994		309 213 994	218 352 142		218 352 142
VAT Suspense		0	0		0	0
Current Portion of Long-term Liabilities	93 115 527		93 115 527	92 824 304		92 824 304
	<b>3 607 529 965</b>	<b>1 386 909 140</b>	<b>4 994 439 104</b>	<b>3 448 173 383</b>	<b>1 055 433 262</b>	<b>4 503 606 645</b>

  

Net Assets		8 797 535 836	8 797 535 836		8 906 065 056	8 906 065 056
Available for sale financial asset - Sanlam Shares	1 127 728			935 409		935 409
	<b>-2 268 430 936</b>	<b>2 268 430 936</b>	<b>0</b>	<b>-1 577 389 987</b>	<b>1 577 389 987</b>	<b>0</b>

**2011**

**Loans and receivables at amortised cost**

**Opening balance**

*Net other movements*

**Closing balance**

1 869 847 985

-531 876 686

**1 337 971 299**

**Financial liabilities at amortised cost**

**Opening balance**

*Net other movements*

**Closing balance**

3 448 173 383

159 356 582

**3 607 529 965**

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 201

## 51. FINANCIAL INSTRUMENTS (continued)

MUNICIPALITY	2011			2010		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
Property, Plant and Equipment		11 788 094 237	11 788 094 237		10 821 865 603	10 821 865 603
Intangible Assets		430 471 666	430 471 666		411 508 614	411 508 614
Investment Property		71 230 952	71 230 952		70 763 269	70 763 269
Investments	20 000		20 000	20 000		20 000
Long-term Receivables - Exchange Transactions	43 397 618		43 397 618	40 028 568		40 028 568
Long-term Receivables - Non-exchange Transactions	18 056 224		18 056 224	40 500 380		40 500 380
Inventory		114 679 786	114 679 786		134 763 934	134 763 934
Consumer debtors - Exchange Transactions	421 338 022		421 338 022	509 581 901		509 581 901
Consumer debtors - Non-exchange Transactions	25 030 243		25 030 243	89 905 892		89 905 892
Other Debtors	390 715 481		390 715 481	517 834 945		517 834 945
VAT		16 958 349	16 958 349		55 561 376	55 561 376
VAT Suspense		28 235 674	28 235 674		42 356 840	42 356 840
Current portion of long-term receivables	12 984		12 984	33 590		33 590
Short-term investment deposits (excluding Sanlam Shares)	296 992 369		296 992 369	505 408 067		505 408 067
Bank balances and cash	130 665 052		130 665 052	124 361 433		124 361 433
	<b>1 326 227 993</b>	<b>12 449 670 664</b>	<b>13 775 898 657</b>	<b>1 827 674 776</b>	<b>11 536 819 636</b>	<b>13 364 494 412</b>

LIABILITIES	2011			2010		
	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
Long-term Liabilities	1 841 851 020		1 841 851 020	1 459 787 233		1 459 787 233
Employee Benefit Provisions		1 093 186 350	1 093 186 350		860 849 738	860 849 738
Non-current Provisions		190 842 517	190 842 517		145 856 671	145 856 671
Consumer deposits	111 125 316		111 125 316	79 849 533		79 849 533
Current Employee Benefit Provisions		46 564 046	46 564 046		43 074 998	43 074 998
Current Provisions		56 026 649	56 026 649		5 305 146	5 305 146
Creditors	1 246 360 104		1 246 360 104	1 634 337 787		1 634 337 787
Unspent Conditional Grants and Receipts	301 712 064		301 712 064	206 195 988		206 195 988
VAT Suspense		0	0		0	0
Current Portion of Long-term Liabilities	92 054 673		92 054 673	92 457 533		92 457 533
	<b>3 593 103 178</b>	<b>1 386 619 562</b>	<b>4 933 158 693</b>	<b>3 472 628 074</b>	<b>1 055 086 553</b>	<b>4 484 639 629</b>
Net Assets		8 797 303 646	8 797 303 646		8 837 715 194	8 837 715 194
Available for sale financial asset - Sanlam Shares	1 127 728		1 127 728	935 409		935 409
	<b>-2 265 747 457</b>	<b>2 265 747 457</b>	<b>0</b>	<b>-1 644 017 889</b>	<b>1 644 017 889</b>	<b>0</b>

## Loans and receivables at amortised cost

	2011
Opening balance	1 827 674 776
Net other movements	-501 446 783
Closing balance	<b>1 326 227 993</b>
Financial liabilities at amortised cost	
Opening balance	3 472 628 074
Net other movements	120 475 104
Closing balance	<b>3 593 103 178</b>



NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

ECONOMIC ENTITY

52. ACTUAL VERSUS ADJUSTMENTS BUDGET (REVENUE AND EXPENDITURE)	2011 Actual	2011 Adjustments Budget	2011 Variance	2011 Variance (%)	Explanations of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property rates	838 854 652	862 386 550	-23 531 898	-2.73	
Service charges	3 122 677 618	3 003 668 000	119 009 618	3.96	
Interest earned - external investments	19 251 540	22 804 087	-3 552 547	-15.58	Due to a significant decline in the investment portfolio, the interest earned reduced.
Interest earned - outstanding debtors	113 346 560	80 000 310	33 346 250	41.68	Due to an escalation in outstanding debtors, interest earned increased.
Fines	23 736 347	30 014 510	-6 278 163	-20.92	Due to the ad hoc nature of this income source, accurate income projections are not possible.
Licences and Permits	8 152 731	6 980 280	1 172 451	16.80	Due to the ad hoc nature of this income source, accurate income projections are not possible.
Government grants and subsidies	1 803 791 445	1 916 273 000	-112 481 555	-5.87	
Rental of Facilities and equipment	17 640 531	18 107 330	-466 799	-2.58	
Income for Agency Services	1 611 022	1 472 100	138 922	9.44	
Other income	363 370 857	290 932 992	72 437 865	24.90	Due to the ad hoc nature of this income source, accurate income projections are not possible.
Gains on disposal of property, plant and equipment	1 698 397	0	1 698 397	100.00	No PPE disposals initially anticipated.
<b>Total Revenue</b>	<b>6 314 131 700</b>	<b>6 232 639 159</b>	<b>81 492 541</b>		
<b>EXPENDITURE</b>					
Employee related costs	1 893 081 855	1 705 217 890	187 863 965	11.02	An increase in the past service liability in respect of post retirement benefits relating to ill health and medical aid contributions, largely accounts for the variance.
Remuneration of Councilors	45 053 304	49 552 560	-4 499 256	-9.08	
Bad debts	554 274 784	129 499 230	424 775 554	328.01	Increased provision due to an escalation in outstanding debtors.
Collection costs	2 952 196	3 723 860	-771 664	-20.72	Costs incurred less than anticipated
Contracted Services	144 271 438	238 538 730	-94 267 292	-39.52	Delay in finalising the operational plan for the Integrated Public Transport System.
Depreciation - Property, plant & Equipment	440 446 323	647 524 491	-207 078 168	-31.98	Depreciation less than anticipated due to change in depreciation method
Depreciation - Investment Property	2 638 502	2 638 502	0	100.00	
Amortisation	85 963 507	85 963 507	0	100.00	
Impairment	42 183 558	0	42 183 558	100.00	The debtor was initially raised on the understanding that the Provincial Government would fund 60% of the project costs.
Repairs and maintenance	415 691 740	425 880 000	-10 188 260	-2.39	
Finance charges	177 629 732	180 796 180	-3 166 448	-1.75	
Bulk purchases	1 575 086 810	1 532 704 480	42 382 330	2.77	
Grants and subsidies paid	296 230 864	546 152 060	-249 921 196	-45.76	Due to a change in accounting practices, the ATTP subsidies are now classified as grants.
General expenses	741 492 503	510 644 164	230 848 339	45.21	More funds allocated for Housing Top Structures, than initially anticipated.
Loss on disposal of PPE	5 056 521	0	5 056 521	100.00	During the compilation of the Budget it was uncertain as to which assets the Municipality would dispose off.
Share of loss in Associate	607 283		607 283	100.00	Share of loss in Associate
<b>Total Expenditure</b>	<b>6 422 660 920</b>	<b>6 058 835 654</b>	<b>363 825 266</b>		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## MUNICIPALITY

52. ACTUAL VERSUS ADJUSTMENTS BUDGET (REVENUE AND EXPENDITURE) (continued)	2011 Actual	2011 Adjustments Budget	2011 Variance	2011 Variance (%)	Explanations of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property rates	838 854 652	862 386 550	-23 531 898	-2.73	
Service charges	3 122 757 998	3 003 748 380	119 009 618	3.96	
Interest earned - external investments	16 447 283	19 999 830	-3 552 547	-17.76	Due to a significant decline in the investment portfolio, the interest earned reduced.
Interest earned - outstanding debtors	113 346 560	80 000 310	33 346 250	41.68	Due to an escalation in outstanding debtors, interest earned increased.
Fines	23 736 347	30 014 510	-6 278 163	-20.92	Due to the ad hoc nature of this income source, accurate income projections are not possible.
Licences and Permits	8 152 731	6 980 280	1 172 451	16.80	Due to the ad hoc nature of this income source, accurate income projections are not possible.
Government grants and subsidies	1 868 971 603	1 914 257 000	-45 285 397	-2.37	
Rental of Facilities and equipment	17 640 531	18 107 330	-466 799	-2.58	
Income for Agency Services	1 611 022	1 472 100	138 922	9.44	
Other income	357 911 862	245 111 270	112 800 592	46.02	Due to the ad hoc nature of this income source, accurate income projections are not possible.
Gains on disposal of property, plant and equipment	1 698 397	0	1 698 397	100.00	No PPE disposals initially anticipated.
<b>Total Revenue</b>	<b>6 371 128 986</b>	<b>6 182 077 560</b>	<b>189 051 426</b>		
<b>EXPENDITURE</b>					
Employee related costs	1 887 361 380	1 699 042 890	188 318 490	11.08	An increase in the past service liability in respect of post retirement benefits relating to ill health and medical aid contributions, largely accounts for the variance.
Remuneration of Councilors	45 053 304	49 552 560	-4 499 256	-9.08	
Bad debts	554 265 102	129 489 230	424 775 872	328.04	Increased provision due to an escalation in outstanding debtors.
Collection costs	2 952 196	3 723 860	-771 664	-20.72	Costs incurred less than anticipated
Contracted Services	144 271 438	238 538 730	-94 267 292	-39.52	Delay in finalising the operational plan for the Integrated Public Transport System.
Depreciation - Property, plant & Equipment	440 305 242	647 383 085	-207 077 843	-31.99	Depreciation less than anticipated due to change in depreciation method
Depreciation - Investment Property	2 638 502	2 638 502	0	0.00	
Amortisation	85 932 413	85 932 413	0	0.00	
Impairment	42 183 558	0	42 183 558	100.00	The debtor was initially raised on the understanding that the Provincial Government would fund 60% of the project costs.
Repairs and maintenance	415 637 700	425 820 000	-10 182 300	-2.39	
Finance charges	177 629 732	180 796 180	-3 166 448	-1.75	
Bulk purchases	1 575 086 810	1 532 704 480	42 382 330	2.77	
Grants and subsidies paid	307 556 123	546 102 060	-238 545 937	-43.68	Due to a change in accounting practices, the ATTP subsidies are now classified as grants.
General expenses	725 610 513	494 266 580	231 343 933	46.81	More funds allocated for Housing Top Structures, than initially anticipated.
Loss on disposal of PPE	5 056 521	0	5 056 521	100.00	During the compilation of the Budget it was uncertain as to which assets the Municipality would dispose off.
<b>Total Expenditure</b>	<b>6 411 540 534</b>	<b>6 035 990 570</b>	<b>375 549 964</b>		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

ECONOMIC ENTITY

53. ACTUAL VERSUS ADJUSTMENTS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT)	2010/11 Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	696 129 490	615 477 280	80 652 210	11.59	The new IPTS road construction projects were put on hold due to no progress being made with the IPTS negotiations with the relevant stakeholders
Housing & Land	11 354 610	5 802 698	5 551 912	48.90	The Budget was adjusted to accommodate the Construction of Civil Services for Top Structures funded by Provincial government as projects are approved during the financial year. The projects did not progress as anticipated.
Economic Development & Recreational Services	127 555 120	100 667 974	26 887 146	21.08	The late adjudication of certain contracts have resulted in under-spending. (Zwide Swimming Pool R14 million, Motherwell Cultural Centre R14.5 million)
Safety & Security	15 086 400	15 114 403	(28 003)	0.00	
Budget & Treasury	89 050 000	87 515 690	1 534 310	1.72	
Public Health	77 214 810	72 547 076	4 667 734	6.05	
Corporate Services	42 029 960	35 864 152	6 165 808	14.67	The late adjudication of Brister House Rehabilitation contract of R21.1 million resulted in under-spending
Sanitation Service	113 420 010	113 420 344	(334)	0.00	
Water Service	155 495 700	155 495 704	(4)	0.00	
Municipal Manager	20 000 000	44 928 845	(24 928 845)	-124.64	The Budget was adjusted for the subsequent Construction work that was completed at the Nelson Mandela Bay stadium, which was funded by Government Grants.
Special Projects & Programmes	64 960 310	25 114 018	39 846 292	61.34	The late adjudication of the Helenvale Thusong Service Centre contract in the amount of R38.6 million resulted in under-spending
Chief Operating Officer	11 500 000	13 287 935	(1 787 935)	-15.55	As certain milestones had to be achieved for the delivery of the Integrated Land Information System, spending was incurred in line with the contract value.
Electricity & Energy	202 846 640	186 978 863	15 867 777	7.82	
	<b>1 626 643 050</b>	<b>1 472 214 982</b>	<b>154 428 069</b>	<b>9.49</b>	
<b>Controlled Entities</b>					
Mandela Bay Development Agency	470 000	220 474	249 526	53.09	
	<b>1 627 113 050</b>	<b>1 472 435 456</b>	<b>154 677 595</b>		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

MUNICIPALITY

53. ACTUAL VERSUS ADJUSTMENTS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT) (continued)	2010/11 Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	696 129 490	615 477 280	80 652 210	11.59	The new IPTS road construction projects were put on hold due to no progress being made with the IPTS negotiations with the relevant stakeholders
Housing & Land	11 354 610	5 802 698	5 551 912	48.90	The Budget was adjusted to accommodate the Construction of Civil Services for Top Structures funded by Provincial government as projects are approved during the financial year. The projects did not progress as anticipated.
Economic Development & Recreational Services	127 555 120	100 667 974	26 887 146	21.08	The late adjudication of certain contracts have resulted in under-spending. (Zwide Swimming Pool R14 million, Motherwell Cultural Centre R14.5 million)
Safety & Security	15 086 400	15 114 403	(28 003)	0.00	
Budget & Treasury	89 050 000	87 515 690	1 534 310	1.72	
Public Health	77 214 810	72 547 076	4 667 734	6.05	
Corporate Services	42 029 960	35 864 152	6 165 808	14.67	The late adjudication of Brister House Rehabilitation contract of R21.1 million resulted in under-spending
Sanitation Service	113 420 010	113 420 344	(334)	0.00	
Water Service	155 495 700	155 495 704	(4)	0.00	
Municipal Manager	20 000 000	44 928 845	(24 928 845)	-124.64	The Budget was adjusted for the subsequent Construction work that was completed at the Nelson Mandela Bay stadium, which was funded by Government Grants.
Special Projects & Programmes	64 960 310	25 114 018	39 846 292	61.34	The late adjudication of the Helenvale Thusong Service Centre contract in the amount of R38.6 million resulted in under-spending
Chief Operating Officer	11 500 000	13 287 935	(1 787 935)	-15.55	As certain milestones had to be achieved for the delivery of the Integrated Land Information System, spending was incurred in line with the contract value.
Electricity & Energy	202 846 640	186 978 863	15 867 777	7.82	
	<b>1 626 643 050</b>	<b>1 472 214 982</b>	<b>154 428 069</b>	<b>9.49</b>	



## NOTE 54 (Continued)

## ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 201'

	COST							ACCUMULATED AMORTISATION					Carrying Value
	Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	
<b>Intangible</b>													
Computer Software	425 934 705	1 977 519	102 923 700	-	-		530 835 924	14 332 334		85 963 507	-	100 295 841	430 540 083

## ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 201'

	COST							ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	
<b>Investment Property</b>													
Land & Buildings	78 596 215		3 106 185		-		81 702 400	7 832 946		2 638 502	-	10 471 448	71 230 952
<b>TOTALS</b>	<b>14 225 848 465</b>	<b>3 568 035</b>	<b>1 517 716 561</b>	<b>-</b>	<b>14 544 031</b>	<b>920 000</b>	<b>15 731 669 030</b>	<b>2 920 969 029</b>	<b>-</b>	<b>529 048 332</b>	<b>8 935 435</b>	<b>3 441 081 926</b>	<b>12 290 587 104</b>

**APPENDIX A  
ECONOMIC ENTITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)		2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)
244 043 431	322 204 198	(78 160 767)	Executive and Council	93 261 583	292 918 388	(199 656 805)
1 362 765 257	1 003 859 649	358 905 608	Finance and Admin	1 641 554 755	552 987 308	1 088 567 447
92 749 977	194 708 955	(101 958 978)	Health	58 848 375	153 951 812	(95 103 437)
400 956 191	429 291 587	(28 335 396)	Housing and Land	263 367 937	453 731 353	(190 363 416)
51 426 779	270 446 850	(219 020 071)	Safety and Security	43 030 787	377 679 095	(334 648 308)
41 624 590	134 176 608	(92 552 018)	Recreation and Cultural Services	64 212 224	184 781 887	(120 569 663)
25 486 029	233 156 247	(207 670 218)	Environmental Services	24 322 258	452 655 319	(428 333 061)
188 663 657	439 312 769	(250 649 112)	Waste Management	201 612 062	283 704 263	(82 092 201)
724 663 208	273 778 998	450 884 210	Infrastructure and Engineering	351 490 308	359 565 798	(8 075 490)
638 152 072	522 289 151	115 862 921	Water	791 140 630	758 050 980	33 089 650
1 933 101 991	1 480 635 815	452 466 176	Electricity and Energy	2 355 888 305	2 064 766 577	291 121 728
119 415 160	152 927 396	(33 512 236)	Economic Development, Tourism and Agriculture	104 369 129	112 775 673	(8 406 544)
13 680 927	8 540 800	5 140 127	Market	1 978 930	10 518 655	(8 539 725)
375 518 000	256 115 755	119 402 245	Sanitation	376 051 703	353 453 426	22 598 277
<b>6 212 247 269</b>	<b>5 721 444 778</b>	<b>490 802 491</b>	<b>Total</b>	<b>6 371 128 986</b>	<b>6 411 540 534</b>	<b>(40 411 548)</b>
			<b>Controlled Entities</b>			
72 874 563	72 791 554	83 009	Mandela Bay Development Agency	98 332 103	98 283 804	48 299
<b>72 874 563</b>	<b>72 791 554</b>	<b>83 009</b>	<b>Total Controlled Entities</b>	<b>98 332 103</b>	<b>98 283 804</b>	<b>48 299</b>
-	725 524	(725 524)	Investment in Associate	-	607 283	(607 283)
(120 957 408)	(138 538 058)	17 580 650	Less: Intercompany charges	(155 329 389)	(87 770 701)	(67 558 688)
<b>6 164 164 424</b>	<b>5 656 423 798</b>	<b>507 740 626</b>	<b>Total: Economic Entity before taxation</b>	<b>6 314 131 700</b>	<b>6 422 660 920</b>	<b>(108 529 220)</b>
-	-	-	Taxation	-	-	-
<b>6 164 164 424</b>	<b>5 656 423 798</b>	<b>507 740 626</b>	<b>Total</b>	<b>6 314 131 700</b>	<b>6 422 660 920</b>	<b>(108 529 220)</b>

**APPENDIX B**  
**ECONOMIC ENTITY**  
**DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2011**

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure				Total Spent	Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June			
		Financial Management Grant	NT	1 000 000	-		-	-	1 000 000	126 561			
National Electrification Programme	DME	12 430 000	6 900 000	6 170 000	-5 500 000	20 000 000	2 844 293	7 358 700	1 157 605	8 639 402	20 000 000	N / A	Yes
Municipal Infrastructure Grant	DPLG	60 844 000	60 844 000	60 844 000	-	182 532 000	16 565 564	79 169 732	29 609 061	56 190 002	181 534 359	N / A	Yes
Public Transport Infrastructure Grant	NT	122 000 000	110 000 000	196 309 599	23 401	428 333 000	48 767 403	36 381 085	14 290 723	144 690 819	244 130 030	N / A	Yes
Neighbourhood Development Partnership Grant	NT	21 995 100	7 367 900	-	39 334 115	68 697 115	5 736 265	17 164 414	5 049 101	22 383 477	50 333 257	N / A	Yes
Neighbourhood Development Partnership Grant - Technical Assistance	NT	-	-	1 343 364	-	1 343 364	-	-	-	-	-	N / A	Yes
Energy Efficiency & Demand Side Management Grant	NT	-	-	25 000 000	-	25 000 000	349 123	593 285	528 957	6 524 183	7 995 549	N / A	Yes