

MANDELA BAY DEVELOPMENT AGENCY NPC**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****(Registration Number: 2003/017900/08)**

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MANDELA BAY DEVELOPMENT AGENCY NPC **DIRECTORS' REPORT**

The Directors have pleasure in submitting their report for the entity, which forms part of the audited financial statements of the Non Profit Company for the year ended 30 June 2012.

Establishment

The Nelson Mandela Bay Municipality (NMBM), with the assistance of the Industrial Development Corporation (IDC) established the Mandela Bay Development Agency (the entity) to project manage urban regeneration of the inner metro precinct with a view to promoting economic and tourism development. The original geographical area for which the entity was responsible for included *inter alia*, the Port Elizabeth Central Business District (CBD), Central Hill, the existing harbour, Lower Baakens River Valley and surrounding areas.

In December 2007 the NMBM council resolved that the MBDA's mandate be extended to include the renewal and revitalisation of emerging nodes within the entire Nelson Mandela Bay area with a focus on areas such as Uitenhage etc. In October 2011 Council further resolved that the Helenvale Urban Renewal program (HURP) be transferred from the Special Projects Directorate in the Municipality to the Agency in order to fulfill the program's mandate. It is envisaged that the Agency will also become more involved with other township projects in the near future.

General review

The entity has received conditional grants during the period under review from the NMBM for urban regeneration projects, operational expenses and property, plant and equipment in terms of the budget submitted to them.

Funds were also received from the IDC to conduct certain development and feasibility studies in line with entity's mandate, whilst an arts grant was received from the National Lotteries Board for the purpose of promoting, facilitating and implementing art in the inner city of Port Elizabeth.

Legislation

The entity complied with all the relevant sections of the Companies Act 71 of 2008, the Companies Amendment Act 3 of 2011 and the Local Government: Municipal Finance Management Act 56 of 2003.

Financial results

The financial results are set out in the attached annual financial statements.

Key activities

Existing Projects

During the period under review the entity completed the environmental upgrades for Strand Street Phase 2 and Uitenhage Market Square Phase 2. The Athenaeum Club building renovation was also completed whilst the Kings Beach Phase 2 project was officially launched to the public by the Executive Mayor.

New Projects

During the year under review, construction on the second phase of the environmental upgrade of the Kings Beach Triangle as well as Donkin Reserve Phase 4 projects commenced with the Kings Beach project involving further aesthetic and environmental upgrades whilst the Donkin project will involve the development of an amphitheatre-like area as well as a childrens garden together with further landscaping on this landmark site that is being reinvented for citizens of Nelson Mandela Bay and tourists alike.

The Route 67 public art project funded by the National Lotteries Board arts grant progressed very well with most of the 67 art pieces commissioned being completed or in the final process of completion and this important heritage site has started to become an important tourism product for Nelson Mandela Bay.

MANDELA BAY DEVELOPMENT AGENCY NPC
DIRECTORS' REPORT

Future Projects

The southern beachfront of Kings Beach will undergo environmental upgrading which will include further landscaping and other urban renewal initiatives planned for this key tourist destination on the beachfront of Port Elizabeth.

A grant of EUR 5 million from German Development Bank KfW will be utilised for the HURP violence prevention programme in the form of various social and infrastructure projects planned in Helenvale. Funding agreements are planned to be finalised by August 2012 whereafter an international consultant will be appointed in line with the funding agreement to work with the MBDA as well as local service providers in rolling out the various initiatives making up the project.

A market assessment, project conceptualisation and development modelling exercise for the Belmont Terrace and Bird Street precinct was commissioned and a contractor has been appointed with construction commencing in the new financial period.

The entity will in the new financial period also embark upon the redevelopment of the Tramways Building in the Baakens River Valley with architects and engineers to be appointed to develop design and feasibility studies, and construction planned to commence in early 2013 on this derelict municipal heritage property. The Agency will redevelop the property into its new office headquarters and it is envisaged that the building will be ready for occupation by 2015.

The Directors wish to also to record their concern at the current financial challenges that the Agency's parent municipality is facing in light of the capital and operating budgetary allocations having been reduced significantly for the Agency in both the period under review as well as the ensuing financial year. In this regard the future financial viability of the Agency is in question given that the majority of its funding is sourced from the NMBM and the Board and management will need to revisit this matter in the new year in respect of implementing a funding strategy for the Agency going forward.

Directors and Secretary

The non-executive directors of the company are:

Sakumzi Justice Macozoma (Chairperson)
 Phillip Hugo Gutsche (Deputy Chairperson)
 Daniel Alexander Jordaan
 Lulama Monica Prince
 Wilhela Magda Gie
 Hannah Sadiki
 Alfred Da Costa
 Renganayagee Kisten

Preparer of annual financial statements: Bongani Mduyana (Financial Accountant)

The company secretary is Ashwin Badra Daya whose business and postal addresses are:

Postal Address:

Mandela Bay Development Agency
 P.O. Box 74
 Port Elizabeth
 6000

Business Address:

2nd Floor
 Business Connexion Building
 106 Park Drive
 Central
 Port Elizabeth
 6001

MANDELA BAY DEVELOPMENT AGENCY NPC**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Accumulated Surplus		845 240	790 249
Non Current Liabilities			
Construction Contract Retention Creditors	2	115 633	1 037 369
Current Liabilities			
Trade and Other Payables	3	60 048 142 2 594 591	62 969 939 8 113 361
Provisions	4	27 823	23 851
Unspent Conditional Grants	5	55 810 374	53 771 873
Short term portion of Construction Contract Retention Creditors	2	1 615 354	1 060 854
TOTAL NET ASSETS AND LIABILITIES		61 009 015	64 797 557
ASSETS			
Non-current Assets			
Property, Plant & Equipment	6	845 240 805 002	790 249 721 832
Intangible Assets	7	40 238	68 417
Current Assets			
Inventory	8	60 163 775 46 889	64 007 308 79 454
Trade and Other Receivables	9	4 022 957	5 550 032
Deposits	10	2 100	3 500
Cash and Cash Equivalents	11	56 091 829	58 374 322
TOTAL ASSETS		61 009 015	64 797 557

MANDELA BAY DEVELOPMENT AGENCY NPC**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012**

	NOTES	2012 R	RESTATED 2011 R
Revenue from Exchange Transactions		48 107 066	80 581 646
- NMBM Conditional Grants & Receipts		44 075 020	76 316 522
- National Lotteries Board Receipts	28	4 032 046	4 265 124
Revenue from non Exchange Transactions		18 333 204	17 395 709
- IDC Grants		469 655	2 378 530
- NMBM Conditional Grants & Receipts		15 190 439	11 202 352
- National Lotteries Board Receipts	28	506 547	1 010 570
- Interest Received		2 166 563	2 804 257
TOTAL REVENUE		66 440 270	97 977 355
OTHER INCOME			
Other Income	13	378 016	354 748
TOTAL INCOME		66 818 286	98 332 103
EXPENDITURE		66 763 295	98 283 804
Advertising & Media		70 483	79 082
Audit Fees		358 773	518 944
Bad Debts		10 383	9 682
Bank Charges		5 025	4 694
Capital Projects Cost	28	47 911 878	80 417 866
CBD Facilities		1 503 208	489 358
Cleaning, Safety & Security		27 418	13 393
Cleansing Plan Project		3 253 134	3 227 266
Computer Expenses		11 673	28 890
Consumables		11 570	16 607
Course Fees, Education & Training		94 004	83 434
Depreciation and amortisation	6, 7	161 755	172 175
Donations & Social Responsibility		21 900	48 540
Electricity, Water & Rates		86 689	80 380
Employee Related Costs	14	6 444 244	5 720 475
Entertainment		92 550	59 725
Equipment Lease & Rentals		23 274	16 374
Insurance		72 235	86 854
Interest Paid	16	235 660	163 780
IT Support Costs		112 452	128 529
Legal Fees		423 500	366 042
Meeting Expenses		44 355	58 069
National Lotteries Board Expenses	28, 29	506 547	1 010 570
Office Decor & Fittings		20 090	18 762
Office Relocation Costs		224 323	-
Office Rentals		519 255	521 990
Postage & Courier		19 194	12 052
Printing & Stationery		39 967	44 890
Professional & Consultant Fees		593 460	973 847
Public Relations & Marketing		1 392 408	810 340
Recruitment Costs		80 275	10 949
Refreshments		11 527	15 999
Repairs & Maintenance		40 355	54 040
Security Plan Project		1 250 123	-
Strategic Spatial Framework Studies	30	469 655	2 378 530
Subscriptions		69 749	51 768
Sundry Expenses		81 096	172 598
Telephone & Fax		155 312	126 556
Travel & Accommodation		313 796	290 754
SURPLUS/(DEFICIT) FOR THE YEAR		54 991	48 299

MANDELA BAY DEVELOPMENT AGENCY NPC**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012**

	R	R
	Accumulated Surplus	Total
Balance at 1 July 2010	741 950	741 950
Surplus for the year	48 299	48 299
Balance at 1 July 2011	790 249	790 249
Surplus for the year	54 991	54 991
Balance at 30 June 2012	845 240	845 240

Note: The accumulated surplus of the entity represents revenue relating to grants received for the purchase of property, plant and equipment. The accumulated surplus will increase when new assets are purchased and reduce as these assets are depreciated over their useful lives.

MANDELA BAY DEVELOPMENT AGENCY NPC**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012 R	2011 R
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Gross cash receipts from Nelson Mandela Bay Municipality		75 087 589	111 771 314
Gross cash receipts from IDC, NLB and others		8 109 475	3 000 000
Cash paid to suppliers and employees		87 173 814	101 023 166
<i>Cash generated from / (utilised in) operations</i>	15	(3 976 750)	13 748 148
Interest received		1 928 689	2 804 257
NET CASH FROM OPERATING ACTIVITIES		(2 048 061)	16 552 405
<u>CASH FROM INVESTING ACTIVITIES</u>			
Purchase of property, plant and equipment	6, 7	(234 432)	(220 474)
NET CASH FROM INVESTING ACTIVITIES		(234 432)	(220 474)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(2 282 493)	16 331 931
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		58 374 322	42 042 391
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	56 091 829	58 374 322

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****1.1 REPORTING ENTITY**

Mandela Bay Development Agency is a municipal entity (registered non-profit company) with the Nelson Mandela Bay Municipality (NMBM) as its parent municipality. The entity's registered address is The City Hall, Port Elizabeth. The entity is situated in the Nelson Mandela Bay Municipality of the Eastern Cape Province. The entity has been established by the NMBM with the assistance of the Industrial Development Corporation (IDC) to project manage urban regeneration of the inner metro precinct with a view to promoting economic and tourism development.

1.2 BASIS FOR PRESENTATION**1.2.1 Statement of Compliance**

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practices (GRAP) Financial Reporting Framework as set by the Accounting Standards Board (ASB) and prescribed by the Minister of Finance in Directive 5.

1.2.2 Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention or fair value if stated as such.

1.2.3 Use of Estimates and judgements

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

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

Note 4 – Provisions

Performance bonus provisions are based on employment contract stipulations as well as previous performance bonus payment trends.

Note 6 – Property, Plant & Equipment

The estimated useful lives of all property, plant and equipment were revised as part of the annual assessment process and was based on latest replacement cost.

Note 12 – Amounts due to Funders of Construction Contracts

This represents the total value of unspent conditional grant funding that has been received by the entity and which is reflected as payable to funders of construction contracts and other capital projects.

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)****1.3 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

1.4 GOING CONCERN ASSUMPTION

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

1.5 PROPERTY, PLANT AND EQUIPMENT

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

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

Assets	Useful life in Years
- Computer Equipment	3 - 8
- Computer Software	2
- Office Equipment	5 - 10
- Furniture and Fittings	10
- Motor Vehicles	4 - 5
- Containers	15

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

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Heritage assets refer to works of art that have been acquired or constructed by the entity and are not depreciated, but are assessed at each balance sheet date whether there is an impairment, in which case the entity shall estimate the recoverable amount of the heritage asset.

1.6 INVENTORY

Project Spares are measured at lower of cost and net-realizable value. In general the basis of determining cost is the first-in, first-out method.

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

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

1.7 CONSTRUCTION CONTRACTS

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

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

Where contract costs incurred to date exceed capital grants received, the surplus is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent conditional grants. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)****1.8 FINANCIAL INSTRUMENTS****1.8.1 Investments and other financial assets**

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

The entity had no financial assets at fair value through profit or loss, held to maturity investments or available-for-sale financial assets.

1.8.2 Trade and other Receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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

1.8.3 Impairment of Financial Assets

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

1.8.4 Derecognition of financial assets and liabilities**1.8.4.1 Financial Assets**

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

The rights to receive cash flows from the asset have expired; or the entity retains the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either

(a) the entity has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

1.8.5 Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The entity determines the classification of its financial liabilities at initial recognition

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The entity's financial liabilities include trade and other payables as well as construction contract retention creditors.

1.8.5.1 Construction Contract Retention Creditors

The entity received grant funding from its parent municipality to undertake certain infrastructure development projects. It accounts for costs incurred on construction of these infrastructure development projects using the percentage of completion method which is certified by the consulting engineer.

Retentions payable within 12 months after financial year end is treated as current and any retentions payable over 12 months after financial year end is treated as long term.

1.8.6 Loans and Borrowings

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

Gains and losses are recognised in the income statement when the liabilities are derecognised as well through the amortisation schedule.

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)****1.9 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and with banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Cash in the statement of financial position comprises of cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at fair value.

1.10 PROVISIONS AND CONTINGENCIES

A provision is recognised when the entity has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the estimate of the expenditure required to settle the present obligation at the statement of financial position date.

After their initial recognition contingent liabilities recognised are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised but disclosed in the annual financial statements.

1.10.1 Performance Bonus

Where performance appraisals have not yet been performed at year-end, a performance bonus provision is made based on the employment contract stipulations as well as previous performance bonus payment trends.

1.11 REVENUE RECOGNITION**1.11.1 Revenue from Exchange Transactions**

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)****1.11 REVENUE RECOGNITION (continued)****1.11.1 Revenue from Exchange Transactions (continued)**

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion.

When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest

Interest is recognised on a time-apportioned basis, in surplus or deficit.

1.11.2 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)****1.12 VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amount of Value Added Tax except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of trade and other receivables or trade and other payables in the statement of financial position.

1.13 UNSPENT CONDITIONAL GRANTS

Unutilised project funding is reflected on the Statement of Financial Position as a Current Liability - Unspent Conditional Grants. The cash received is invested until it is utilised.

1.14 COMPARATIVE INFORMATION**1.14.1 Current year comparatives :**

Budgeted amounts have been included in the annual financial statements for the current year only.

1.14.2 Prior year comparatives :

When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. (Refer to note 29 for the impact of the correction of a prior period error on the prior year comparatives).

1.15 TAXATION

The entity has received a tax exemption certificate from South African Revenue Services.

1.16 OPERATING LEASES

Operating leases do not transfer to the entity substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

1.17 RETIREMENT BENEFITS

The policy of the company is to provide retirement benefits for all its employees. The company has a defined contribution plan. Current contributions to the retirement benefit plan operated for employees are charged against the income in the period to which they relate.

1.18 STATEMENTS IN ISSUE BUT NOT YET ADOPTED

The following standards of GRAP in issue have not yet been adopted. Management has not yet had an opportunity to consider the potential impact of adoption of these standards.

Standard of GRAP	Effective Date
GRAP 18 Segment Reporting	No effective date gazetted to date
GRAP 20 Related party disclosures	No effective date gazetted to date
GRAP 25 Employee Benefits	No effective date gazetted to date
GRAP 105 Transfers of Functions Between Entities Under Common Control	No effective date gazetted to date
GRAP 106 Transfers of Functions Between Entities Not Under Common Control	No effective date gazetted to date
GRAP 107 Mergers	No effective date gazetted to date

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

	2012 R	2011 R
2 CONSTRUCTION CONTRACT RETENTION CREDITORS		
Rand Civils - Strand Street Phase 1	-	434 631
Rand Civils - Strand Street Phase 2	513 290	928 530
Cypress - Uitenhage Market Square Phase 1	256 045	215 612
Cypress - Uitenhage Market Square Phase 2	239 321	244 522
Penny Farthing - Whites Road Cliff Stabilisation Project	-	106 016
GVK Siyazama - Atheneum Club Refurbishment	78 169	60 073
Trenchless Technologies - GMA 2 Sewer Rehabilitation	215 545	108 839
Mawethu Civils - Kings Beach Triangle Upgrade Phase 1	312 984	-
Mawethu Civils - Kings Beach Triangle Upgrade Phase 2A	61 319	-
Ngelethu Construction - Donkin Reserve Upgrade Phase 4	54 314	-
	<u>1 730 987</u>	<u>2 098 223</u>
Less: Short term portion transferred to Current Liabilities	<u>(1 615 354)</u>	<u>(1 060 854)</u>
	<u>115 633</u>	<u>1 037 369</u>

Construction contract retention creditors relate to retentions held in projects in line with accepted construction accounting principles. Such retentions are payable 3 to 12 months after official sign off of the project, and are non-interest bearing.

3 TRADE AND OTHER PAYABLES

Trade Creditors	662 959	6 164 819
PAYE	86 650	79 975
UIF	4 003	3 936
Audit fees	122 045	178 978
Staff leave	196 102	201 757
Performance Bonuses	360 348	265 727
13th Cheque	75 449	73 357
Provident Fund	59 499	54 077
Accruals	1 027 536	1 090 735
	<u>2 594 591</u>	<u>8 113 361</u>

Trade and other payables are non-interest bearing and are normally settled within 30 days of receipt of invoice.

4 PROVISIONS**Performance bonuses**

Balance at beginning of year	-	306 547
Additions	-	-
Expenditure incurred	-	(306 547)
Balance at end of year	<u>-</u>	<u>-</u>

Performance bonuses are paid in July of each year to senior management in line with their performance agreements as concluded with the entity.

Workmen's Compensation

Balance at beginning of year	23 851	40 162
Additions	27 823	23 851
Adjustment for underprovision	(6 621)	(11 931)
Expenditure incurred	(17 230)	(28 231)
Balance at end of year	<u>27 823</u>	<u>23 851</u>
TOTAL	<u>27 823</u>	<u>23 851</u>

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

	2012 R	2011 R
5 UNSPENT CONDITIONAL GRANTS	55 810 374	53 771 873
IDC	425 499	895 154
Opening Balance	895 154	273 684
Amount Received	-	3 000 000
Recognised as Revenue	(469 655)	(2 378 530)
National Lotteries Board	2 068 183	6 606 776
Opening Balance	6 606 776	11 882 470
Amount Received	-	-
Capital expenditure portion of grant recognised as Revenue	(4 032 046)	(4 265 124)
Operating expenditure portion of grant recognised as Revenue	(506 547)	(1 010 570)
NMBM	53 316 692	46 269 943
Opening Balance	46 269 943	67 558 688
Grants for the year	66 312 208	65 860 380
Capital project expenditure portion of grant recognised as Exchange Revenue	(44 075 020)	(75 946 773)
Operating and capital expenditure portion of grant recognised as Non-Exchange Revenue	(15 190 439)	(11 202 352)
Interest Received	2 166 563	2 804 257
Sundry Income	378 016	354 748
Property Plant & Equipment	(234 432)	(220 474)
Operating expenses	(17 500 586)	(14 140 883)
Made up as follows:	55 810 374 *	53 771 873
Committed Capital Projects in progress - Contract Creditors (refer to note 12)	43 693 377	42 429 224
Other (Operating grants, interest received, sundry income etc)	9 623 315	3 840 719
IDC Grant	425 499	895 154
National Lotteries Board Grant	2 068 183	6 606 776

* The Agency's capital projects typically are multi-year in nature and span over 24 to 36 months with the first year normally starting slowly due to the complexities around planning, legislative compliance (EIA/Heritage), public participation, design, masterplanning and tender document preparation phases. The Unspent Conditional Grants total at 30 June 2012 comprised of:

Project Name	Unspent Grants at 30 June 2012	Project Status
Redevelopment of Tramways Building	R 14,636,250	Tender to be advertised in November 2012 and construction planned to commence in January 2013.
Belmont Terrace/Bird Street Upgrade	R 14,263,170	Construction in progress and planned to be completed by March 2013.
Donkin Phases 3 & 4 Upgrade	R 8,222,321	Construction in progress and planned to be completed by June 2013.
Kings Beach Phases 1 & 2A Upgrades	R 3,307,780	Construction in progress and planned to be completed by June 2013.
Inner City Arts Project (NLB)	R 2,068,183	Project in progress and planned to be completed by June 2013.
SSIF Studies	R 1,830,345	Mermaids precinct study in progress and planned to be completed by March 2013. Savings rolled over to 2012/13.
Uitenhage Market Square/Baakens Street Circle Artpiece	R 1,000,000	Community consultations and art competition to be actioned in 2012/13.
Interest and Sundry Income	R 2,544,578	Savings rolled over into 2012/2013 financial year
Rugby Sevens Income	R 2,631,757	Accrued for and physically received in 2012/13 financial year.
Balance of HURP operating budget	R 588,361	Savings rolled over into 2012/2013 financial year
Other capital project cost savings	R 1,603,302	Savings rolled over into 2012/2013 financial year
Other operating cost savings	R 3,114,327	Savings rolled over into 2012/2013 financial year

MANDELA BAY DEVELOPMENT AGENCY NPC

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

6 PROPERTY, PLANT AND EQUIPMENT

2012
R

	Cost			Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal		Closing Balance
Computer Equipment	552 009	114 717	-34 782	631 944	374 226	54 240	-29 489	398 977	232 967
Office Equipment	59 504	42 153	-	101 657	36 328	6 723	-	43 051	58 606
Furniture & Fittings	447 117	14 162	-33 408	427 871	220 934	36 923	-21 015	236 842	191 029
Motor Vehicles	166 746	-	-	166 746	79 168	28 506	-	107 674	59 072
Containers	45 120	17 000	-	62 120	3 008	2 784	-	5 792	56 328
Heritage Assets	165 000	42 000	-	207 000	-	-	-	-	207 000
	1 435 496	230 032	-68 190	1 597 338	713 664	129 176	-50 504	792 336	805 002

2011
R

	Cost			Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal		Closing Balance
Computer Equipment	536 018	15 991	-	552 009	307 106	67 120	-	374 226	177 783
Office Equipment	59 504	-	-	59 504	28 034	8 294	-	36 328	23 176
Furniture & Fittings	444 081	3 036	-	447 117	184 417	36 517	-	220 934	226 183
Motor Vehicles	136 053	30 693	-	166 746	52 424	26 744	-	79 168	87 578
Containers	45 120	-	-	45 120	602	2 406	-	3 008	42 112
Heritage Assets	-	165 000	-	165 000	-	-	-	-	165 000
	1 220 776	214 720	-	1 435 496	572 583	141 081	-	713 664	721 832

NOTE

No item of Property, Plant and Equipment has been pledged as security for liabilities.

7 INTANGIBLE ASSETS

2012
R

	Cost			Accumulated Amortisation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal		Closing Balance
Computer Software	148 969	4 400	-	153 369	80 552	32 579	-	113 131	40 238
	148 969	4 400	-	153 369	80 552	32 579	-	113 131	40 238

2011
R

	Cost			Accumulated Amortisation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal		Closing Balance
Computer Software	143 215	5 754	-	148 969	49 458	31 094	-	80 552	68 417
	143 215	5 754	-	148 969	49 458	31 094	-	80 552	68 417

8 INVENTORY

Craft Inventory
Project Spares

2012
R

-
46 889
46 889

2011
R

11 815
67 639
79 454

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

	2012 R	2011 R
9 TRADE AND OTHER RECEIVABLES		
Trade Debtors	3 335 115	3 040 195
Provision for Bad debts	(17 880)	(9 690)
Interest Receivable	237 874	170 059
Sundry Debtors	41 520	13 922
VAT	426 328	2 335 546
	<u>4 022 957</u>	<u>5 550 032</u>
Trade debtors: Ageing		
Current (0 - 30 days)	3 309 090	4 125
31 - 60 days	4 170	3 825
61 - 90 days	3 975	3 030
91 + days	17 880	3 029 215
	<u>3 335 115</u>	<u>3 040 195</u>
NOTE		
<i>Interest receivable, sundry debtors and VAT have not been aged as they are all current.</i>		
10 DEPOSITS		
Telkom	2 100	2 100
Africorp Parking Bay and Remote Controls	-	1 400
	<u>2 100</u>	<u>3 500</u>
11 CASH AND CASH EQUIVALENTS		
<i>The entity has the following bank accounts</i>		
<u>Current Account (Primary Account)</u>		
First National Bank, Govan Mbeki Avenue, Port Elizabeth Account Number - 62244870748		
Cashbook balance at beginning of year	345 065	143 990
Cashbook balance at end of the year	<u>111 945</u>	<u>345 065</u>
Bank statement balance at beginning of the year	345 065	143 990
Bank statement balance at end of the year	<u>111 945</u>	<u>345 065</u>
<i>Call Account Deposits</i>		
Rand Merchant Bank, Port Elizabeth Account Number - X021906134		
Cashbook balance at beginning of year	58 029 257	41 898 401
Cashbook balance at end of the year	<u>55 979 884</u>	<u>58 029 257</u>
Bank statement balance at beginning of the year	58 029 257	41 898 401
Bank statement balance at end of the year	<u>55 979 884</u>	<u>58 029 257</u>
<i>Which are disclosed in the Statement of Financial Position as follows:-</i>		
Cash and Cash Equivalents	56 091 829	58 374 322
Current Account (Primary Account)	111 945	345 065
Call Account Deposits	55 979 884	58 029 257
<i>All amounts of Cash and Cash Equivalents are available for use by the entity.</i>		
12 AMOUNTS DUE TO FUNDERS OF CONSTRUCTION CONTRACTS		
Cumulative Construction costs incurred	(104 742 869)	(124 687 879)
Cumulative Advances received	148 436 246	167 117 103
Amounts due to funders of construction contracts	<u>43 693 377</u>	<u>42 429 224</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)

	2012 R	2011 R
13 OTHER INCOME		
Request for Proposal Document Fees	39 583	26 162
Sundry income	79 548	13 820
Kiosk Rentals	56 579	56 551
NMBM Costs re-imburements	124 217	171 447
Public Toilet Fees	69 894	71 430
Administration Fees	-	15 338
Discount Received	8 195	-
	378 016	354 748
14 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	4 739 655	4 251 280
Employee related costs - Social Contributions	1 236 241	1 095 469
Car allowances	108 000	108 000
Performance bonus provision	360 348	265 726
Total Employee Related Costs	6 444 244	5 720 475
Remuneration of the Chief Executive Officer		
Annual Remuneration including social contributions	1 240 370	1 166 764
Car allowance	60 000	60 000
Performance bonus provision	156 044	122 676
Total	1 456 414	1 349 440
Remuneration of Chief Financial Officer		
Annual Remuneration including social contributions	699 050	658 123
Car allowance	24 000	24 000
Performance bonus provision	101 227	68 212
Total	824 277	750 335
Remuneration of Planning and Development Manager		
Annual Remuneration including social contributions	628 529	591 593
Car allowance	24 000	24 000
Performance bonus provision	65 253	55 403
Total	717 782	670 996
Remuneration Operations Manager		
Annual Remuneration including social contributions	420 263	388 700
Performance bonus provision	37 824	19 435
Total	458 087	408 135
15 CASH GENERATED FROM / (UTILISED IN) OPERATIONS		
Surplus / (Deficit) for the year	54 991	48 299
Depreciation	161 755	172 175
Loss / (Profit) on disposal of property, plant and equipment	17 686	-
Interest Received	(1 928 689)	(2 804 257)
Interest Paid	-	-
Increase / (Decrease) in provisions	3 972	(322 858)
Operating loss before working capital changes:	(1 690 285)	(2 906 641)
(Decrease) / Increase in Trade and other Payables	(5 518 770)	(1 906 922)
Increase / (Decrease) in Unspent Conditional Grants	2 038 501	(25 942 969)
(Decrease) / Increase in Construction Contract Retention Creditors	(367 236)	502 987
Decrease / (Increase) in Inventory	32 565	143 674
Decrease / (Increase) in Trade and other Receivables	1 527 075	43 858 019
Decrease / (Increase) in Deposits Paid	1 400	-
Cash generated from / (utilised in) operations	(3 976 750)	13 748 148

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

	2012 R	2011 R
16 INTEREST PAID		
Interest on present valuing Retention Creditors	195 187	163 780
Interest on fair valuing of Debtors	40 473	-
	<u>235 660</u>	<u>163 780</u>
17 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
17.1 Audit fees		
Opening balance	178 978	-
Current year audit fee	410 756	369 248
Amount paid - current year	(288 711)	(190 270)
Amount paid - previous year	(178 978)	-
Balance unpaid	<u>122 045</u>	<u>178 978</u>
17.2 PAYE and UIF		
Opening balance	83 911	62 292
Current year payroll deductions	1 235 363	1 116 165
Amount paid - current year	(1 144 710)	(1 032 254)
Amount paid - previous year	(83 911)	(62 292)
Balance unpaid	<u>90 653</u>	<u>83 911</u>
17.3 Performance Bonuses		
Opening balance	265 727	306 547
Amount paid	(265 727)	(306 547)
Provisions for the year	360 348	265 727
Balance unpaid	<u>360 348</u>	<u>265 727</u>
17.4 Provident Fund		
Opening balance	54 077	-
Amount paid	(700 159)	(549 202)
Expenditure	705 581	603 279
Balance unpaid	<u>59 499</u>	<u>54 077</u>

The entity 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 16 members belong to the fund.

17.5 Supply Chain Management Policy

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R25 029

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R573 375

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R396 000

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R2 378 448

In accordance with section 36(1)(b) of SCM policy regulations there were deviations from the normal procurement process to the value of R382 801

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

	2012	2011
	R	R
18 VALUE ADDED TAX		
As at 30 June 2012 all VAT returns have been submitted timeously to the South African Revenue Services.		
19 RELATED PARTIES		
19.1 Relations		
Parent Municipality	Nelson Mandela Bay Municipality	
Funder	Industrial Development Corporation	
Funder	National Lotteries Board	
19.2 Related party balances		
Amounts included in Trade and Other Receivables (Trade and Other Payables) regarding related parties		
Nelson Mandela Bay Municipality	3 302 489	3 021 000
<i>These balances have no fixed terms and conditions.</i>		
<i>Refer to note 5 relating to NMBM, IDC and NLB unspent conditional grants.</i>		
20 KEY MANAGEMENT PERSONNEL		
The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly including any director of MBDA:		
Chief Executive Officer:	Pierre Voges	
Chief Financial Officer:	Ashwin Badra Daya	
Planning and Development Manager:	Dorelle Giuliana Esilda Sapere	
Operations Manager:	Mcebisi Ncalu	
Their short term employee benefits are disclosed in note 14.		
21 CONTINGENT LIABILITY		
The entity 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 entity 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 entity was to lose the case, total costs including legal fees are estimated to cost in the region of R350,000.		
22 CONTINGENT ASSETS		
We are not aware of the existence of any contingent assets at the financial year end.		
23 IN-KIND DONATIONS		
No in-kind donations and/or assistance was received during the financial year that would require adjustments to the annual financial statements.		
24 POST BALANCE SHEET EVENTS		
No events post balance sheet date occurred that would require adjustments to the annual financial statements.		

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

	2012 R	2011 R
25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
25.1 UNAUTHORISED EXPENDITURE		
No such expenditure was incurred by the entity.		
25.2 IRREGULAR EXPENDITURE		
Balance at beginning of year	4 467 140	-
Incurred during the year	-	4 467 140
Condoned by National Treasury	-	-
Balance at end of year	<u>4 467 140</u>	<u>4 467 140</u>

The reasons for the irregular expenditure were ratified by the Board during the year and also have to be condoned by National Treasury in terms of Section 170(2) of the Municipal Finance Management Act 56 of 2003.

The Agency will request such condonation in the new year.

25.3 FRUITLESS AND WASTEFUL EXPENDITURE		
Balance at beginning of year	26 548	26 548
Incurred during the year	-	-
Condoned by National Treasury	-	-
Balance at end of year	<u>26 548</u>	<u>26 548</u>

The reasons for the fruitless and wasteful expenditure were ratified by the Board during the year and also have to be condoned by National Treasury in terms of Section 170(2) of the Municipal Finance Management Act 56 of 2003.

The Agency will request such condonation in the new year.

26 OPERATING LEASES

The following are the total minimum future lease payments

	0 - 1 year	1 - 5 years
Office plants rental	21 265	5 380
Public toilets rental	33 319	211 105
Office rental	660 388	1 363 999

NOTE:

The entity is the lessee for all these leases.

	2012 R	2011 R
27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES		
The entity's principal financial liabilities comprise Trade and Other Payables. The entity's financial assets comprise Trade and Other Receivables deposits.		
Classification of Financial Instruments		
Financial Assets		
Loans and Receivables*	59 688 458	61 588 808
Financial Liabilities		
At amortised cost	4 325 581	10 211 584
<i>* Loans and receivable excludes VAT Receivable</i>		

27.1 Interest Rate Risk

The entity's exposure to the risk of changes in market interest rates relates primarily to the entity's positive bank balance. As part of the process of managing the entity's interest rate risk, the entity's income and operating cash flows are substantially independent of changes in the market rates.

Interest Rate Risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on profit before taxation (through the impact on floating rate borrowings). There is no impact on equity.

Cash and cash equivalents	56 091 829	58 374 322
Effect of a 100 basis point movement in the interest rate	(560 918)	(583 743)

27.2 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity mainly transacts with entities who provides grants to fund operations and projects. Trade Receivables at year end consist mainly of the Nelson Mandela Bay Municipality.

27.3 Liquidity RiskLiquidity Risk Management

The entity manages its liquidity risk by ensuring sufficient cash reserves to settle liabilities.

Liquidity Tables

The following table details the entity's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the debt can be required to pay. Tables include both interest and principal cash flows.

30-Jun-12	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Trade and Other Payables	2 594 591	-	-	-
Construction Contract Retention Creditors	-	-	1 615 354	115 633
	<u>2 594 591</u>	<u>-</u>	<u>1 615 354</u>	<u>115 633</u>
30-Jun-11	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Trade and Other Payables	8 113 361	-	-	-
Construction Contract Retention Creditors	-	-	1 060 854	1 037 369
	<u>8 113 361</u>	<u>-</u>	<u>1 060 854</u>	<u>1 037 369</u>

27.4 Foreign Currency Risk

The entity is not exposed to foreign currency risk as all trading is done locally.

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)****28 PRIOR PERIOD ERROR**

During the 2011/12 financial year the entity's management discovered that an amount of R2.0 million relating to the capital portion of the National Lotteries Board expenditure was incorrectly classified as non-capital project expenditure in the 2010/11 financial year and the prior period was adjusted retrospectively.

The effect of the error on the individual line items in the financial statements is as follows:

<i>Statement of Financial Performance</i>	<u>Previously Stated</u> <u>2011</u>	<u>Change</u>	<u>Restated</u> <u>2011</u>
Revenue from Exchange Transactions (National Lotteries Board Receipts)	2 265 124	2 000 000	4 265 124
Revenue from non Exchange Transactions (National Lotteries Board Receipts)	3 010 570	-2 000 000	1 010 570
Capital Project Cost	78 417 866	2 000 000	80 417 866
National Lotteries Board expenses (non-capital)	3 010 570	-2 000 000	1 010 570
Net impact on Statement of financial performance		<u> -</u>	

29 NATIONAL LOTTERIES BOARD EXPENSES

These expenses relate to an arts grant that was awarded to the entity by the National Lotteries Board (NLB).

30 STRATEGIC SPATIAL FRAMEWORK STUDIES

These expenses relate to feasibility and development studies and are predominantly funded by the Industrial Development Corporation (IDC).

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)****NOTE 31 - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)**

	<u>2012</u> <u>ACTUAL</u>	<u>2012</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>VARIANCE</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>%</u>
REVENUE	66 818 286	116 966 976	(50 148 690)	(42.87)
EXPENDITURE				
Advertising & Media	70 483	78 900	8 417	10.67
Audit Fees	358 773	497 500	138 727	27.88
Bad Debts	10 383	12 000	1 617	13.48
Bank Charges	5 025	10 600	5 575	52.59
Capital Projects Cost	47 911 878	90 860 000	42 948 122	47.27
CBD Facilities	1 503 208	1 503 500	292	0.02
Cleaning & Safety	27 418	27 960	542	1.94
Cleansing Plan Project	3 253 134	3 931 124	677 990	17.25
Computer Expenses	11 673	27 500	15 827	57.55
Consumables	11 570	11 680	110	0.94
Course Fees, Education & Training	94 004	100 000	5 996	6.00
Depreciation and amortisation	161 755	164 000	2 245	1.37
Donations & Social Responsibility	21 900	25 000	3 100	12.40
Electricity, Water & Rates	86 689	145 600	58 911	40.46
Employee Related Costs	6 444 244	6 956 712	512 468	7.37
Entertainment	92 550	137 800	45 250	32.84
Equipment Lease & Rentals	23 274	23 300	26	0.11
Insurance	72 235	106 000	33 765	31.85
Interest Paid	235 660	250 000	14 340	5.74
IT Support Costs	112 452	112 500	48	0.04
Legal Fees	423 500	550 000	126 500	23.00
Meeting Expenses	44 355	84 800	40 445	47.69
National Lottery Fund Expenses	506 547	3 382 160	2 875 613	85.02
Office Decor & Fittings	20 090	20 400	310	1.52
Office Relocation Costs	224 323	228 000	3 677	1.61
Office Rentals	519 255	550 000	30 745	5.59
Postage & Courier	19 194	19 600	406	2.07
Printing & Stationery	39 967	79 500	39 533	49.73
Professional & Consultant Fees	593 460	1 000 000	406 540	40.65
Public Relations & Marketing	1 392 408	1 500 000	107 592	7.17
Recruitment Costs	80 275	81 000	725	0.90
Refreshments	11 527	26 500	14 973	56.50
Repairs & Maintenance	40 355	50 000	9 645	19.29
Security Plan Project	1 250 123	1 380 000	129 877	9.41
Strategic Spatial Implementation Framework Studies	469 655	2 300 000	1 830 345	79.58
Subscriptions	69 749	70 040	291	0.42
Sundry Expenses	81 096	83 500	2 404	2.88
Telephone & Fax	155 312	155 800	488	0.31
Travel & Accommodation	313 796	424 000	110 204	25.99
Total Expenditure	66 763 295	116 966 976	50 203 681	42.92
NET SURPLUS/(DEFICIT) FOR THE YEAR	54 991	-	54 991	

MANDELA BAY DEVELOPMENT AGENCY NPC**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (continued)****NOTE 31 - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT)**

	2012 Actual Cost R	2012 Budget Cost R	Variance R	Variance %
Computer Equipment	114 717	150 000	35 283	23.52
Computer Software	4 400	25 000	20 600	82.40
Office Equipment	42 153	50 000	7 847	15.69
Furniture & Fittings	14 162	50 000	35 838	71.68
Storage Containers	17 000	40 000	23 000	57.50
Heritage Assets	42 000	50 000	8 000	16.00
Totals	234 432	365 000	130 568	35.77