

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2012

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 106, 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.

T HANI – BA, BED, Masters of Education
Masters of Arts in Development Studies

Acting Municipal Manager

31 August 2012

Date

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2012

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Government
Mayoral Committee	
Executive Mayor	Cllr Zanoxolo Wayile
Councillors	Cllr N.N. Sihlwayi (Deputy Executive Mayor) Cllr M.E. Hermans (Speaker) Cllr F. T. Sibeko (Chief Whip) Cllr A.C.G. Mfunda (Infrastructure and Engineering and Electricity and Energy) Cllr N.S. Magopeni (Corporate Services) Cllr W. Jikeka (Safety and Security) Cllr T.B. Mafana (Constituency Services) Cllr T. H. Ngcolomba (Economic Development, Tourism and Agriculture) Cllr B. Lobishe (Sport, Recreation, Arts and Culture) Cllr P.M. Ndlovu (Public Health) Cllr F. Desi (Human Settlements) Cllr B. Naran (Budget and Treasury)
Accounting Officer (Acting Municipal Manager)	Themba Hani
Chief Financial Officer (CFO) - Acting	Selwyn Thys
Chief Operating Officer (COO)	Dr Israel Tsatsire
Chief of Staff	Bheza Ntshona
Executive Directors	Tembisa Nompandana (Acting - Corporate Services) Zolile Siswana (Economic Development and Recreational services) Dr Elizabeth Chabula-Nxiweni (Public Health) Koslin Naicker (Acting - Housing and Land) Peter Nielson (Acting - Electricity and Energy) Walter Shaidi (Acting - Infrastructure and Engineering) Henning Hansen (Acting - Strategic Programmes Unit) Shane Brown (Acting - Safety and Security)
Registered Office	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001

Business Address	1 st Floor City Hall
	Govan Mbeki Avenue
	Port Elizabeth
	6001
Postal Address	P O Box 116
	Port Elizabeth
	6000
Bankers	Standard Bank of South Africa
Auditors	Auditor-General (SA)
Physical Address of Auditors	Walmer Park House
	16 th Avenue
	Walmer
	6070
Postal Address of Auditors	P O Box 210917
	The Fig Tree (Port Elizabeth)
	6033

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2012**

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1. BASIS OF PRESENTATION

The Annual Financial Statements are prepared on the accrual basis of accounting and the transactions, assets and liabilities included in the financial statements are measured at cost unless otherwise stated.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These Annual Financial Statements have been prepared in accordance with the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's Annual Financial Statements, unless explicitly stated. The effects on the comparative year of changes in accounting policies are disclosed in Note 40.

2. PRESENTATION CURRENCY

These Annual Financial Statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These Annual Financial Statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget):

Budgeted amounts have been included in the Annual Financial Statements for the current and previous financial years. Refer to the Statement of Financial Performance.

4.2 Prior year comparatives:

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified and restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassifications and restatements are disclosed in Note 40 to the Annual Financial Statements.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

STANDARDS

The following approved Standards of GRAP have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. The Municipality has not early-adopted any new Standards but has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework.

Standard number	Standard name	Effective date (if applicable)
GRAP 1 (revised)	Presentation of Financial Statements	1 April 2013
GRAP 3 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (revised)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (revised)	Inventories	1 April 2013
GRAP 13 (revised)	Leases	1 April 2013
GRAP 16 (revised)	Investment Property	1 April 2013
GRAP 17 (revised)	Property, Plant and Equipment	1 April 2013
GRAP 18	Segment Reporting	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 21	Impairment of Non-cash-generating Assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	1 April 2012
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 25	Employee Benefits	No effective date
GRAP 26	Impairment of Cash-generating Assets	1 April 2012
GRAP 103	Heritage Assets	1 April 2012
GRAP 104	Financial Instruments	1 April 2012
GRAP 105	Transfer of Functions Between Entities under Common Control	No effective date
GRAP 106	Transfer of Functions Between Entities not under Common Control	No effective date
GRAP 107	Mergers	No effective date

GRAP 18 - Segment Reporting

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related Party Disclosures

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. It is expected that adoption of this standard will result in additional disclosures. The standard does not have an effective date.

GRAP 21 – Impairment of Non-Cash Generating Assets

This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to impair non-cash generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

The Municipality has considered the principles set by this standard in developing its general asset impairment policy and therefore does not expect any significant changes in how assets will be accounted for or disclosed when the standard becomes effective.

GRAP 23 – Revenue from Non-Exchange Transactions

This standard becomes effective for years beginning on or after 1 April 2012 and will only be formally adopted on that date. It determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay. Most of the grants received by the Municipality are conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met and therefore it is not expected to have a significant impact on the financial statements when it becomes effective.

GRAP 24 – Presentation of Budget Information in the Annual Financial Statements

This standard becomes effective for years beginning on or after 1 April 2012. It determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided in terms of the interim guidance on minimum budget information from the Accountant General's Office.

GRAP 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 26 – Impairment of cash-generating assets

This standard becomes effective for years beginning on or after 1 April 2012 and will not be early adopted. It determines the requirements and provides additional guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard requires a similar treatment to that currently required by IAS 36, the principles of which have already been incorporated into the accounting policies of the Municipality in the prior year. As a result, the impact of this standard becoming effective is expected to be limited.

GRAP 103 – Heritage Assets

This standard becomes effective for periods beginning on or after 1 April 2012 and has not been early adopted. It determines requirements for accounting for heritage assets. Heritage assets are defined as assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. The Municipality currently recognises all its heritage assets at cost and includes heritage assets with property, plant and equipment other than library books meeting the definition of heritage assets. Such heritage library books have not been recognised to date. The key impact of GRAP 103 will therefore only be changes in disclosures.

GRAP 104 – Financial Instruments

This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. The key principles established by this standard have already been utilised to develop appropriate accounting policies for accounting for financial instruments and therefore it is not expected to have a significant impact on the financial statements when it becomes effective (refer accounting policy Note 12). This standard becomes effective for periods beginning on or after 1 April 2012.

GRAP 105 – Transfer of Function between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However, the impact on the Municipality's financial statements is not expected to be significant because the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not have an effective date.

GRAP 106 – Transfer of Function between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. The key principles established by this standard have been utilised to develop an appropriate accounting policy for transfers of functions for entities not under common control and therefore it is not expected to have a significant impact on the financial statements when it becomes effective. This standard does not have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities and is unlikely to have an impact on the financial statements of the Municipality in the near future. This standard does not have an effective date.

INTERPRETATIONS

The following interpretations have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. These interpretations are expected to have an insignificant impact on the financial statements since they generally reflect the interpretation and principles already established under GRAP.

Standard number	Standard name	Effective date (if applicable)
IGRAP7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	Effective date of GRAP 25 (once determined)
IGRAP11	Consolidation - Special Purpose Entities	Effective date of GRAP 105/106/107 (once determined)
IGRAP12	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Effective date of GRAP 105/106/107 (once determined)
IGRAP 16	Intangible Assets – Website Costs	1 April 2013

6. SIGNIFICANT JUDGEMENTS

In the process of electing the Municipality's accounting policies management has made the follow significant judgements:

Policies not covered by Directive 5

In respect of accounting standards for material transactions, events or conditions not covered by Directive 5: Determining the GRAP Reporting Framework, the Municipality has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3.

Financial Instruments

In the prior year, the Municipality 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.

Employee Benefits

For consistency and comparability, the Municipality has elected to construct a policy note based on IAS 19 Employee Benefits because in prior years the policy was based on IAS 19 Employee Benefits.

Impairment of Assets

The Municipality has elected to continue applying IAS 36 Impairment of Assets with respect to impairment of cash generating assets.

The Municipality has elected to continue applying IPSAS 21 Impairment of Non-Cash Generating Assets with respect to impairment of non-cash generating assets.

Non-exchange revenue

The Municipality has used the key principles established by GAMAP 9 and GRAP 9 to develop an appropriate accounting policy for accounting for non-exchange revenue.

Transfer of function between Entities not under common control

The Municipality has elected to formulate an accounting policy based on GRAP 106, which has been approved but does not have an effective date. The key reason for the opting to use the GRAP 106 standard is because:

- The Municipality will be required to apply GRAP 106 in the future.
- The Municipality has not entered into similar transactions in the past.
- The treatment will therefore be consistent when the GRAP standard becomes effective.

Other key judgements

Provisions and contingent liabilities

Management judgement is required when disclosing and measuring provisions and contingent liabilities. Provisions have been discounted where the effect of discounting is material using actuarial valuations. Refer to Note 11 of the accounting policy notes to the Annual Financial Statements.

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties.

GRAP 5 Borrowing Costs

The Municipality has determined that it is inappropriate to capitalise borrowing costs, as it is unable to establish a clear link between borrowing costs and numerous individual assets falling within the broader range of specific capital projects. The Municipality is able to link borrowings to the specific capital projects. Refer to Note 20 of the accounting policy notes to the Annual Financial Statements.

Management's Going Concern Assessment

Management considered the following matters relating to the Going Concern:

On 22 June 2012, the Council adopted the 2012/13 to 2014/15 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three-year period.

The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash backing status before Council ultimately approves it. Furthermore, strict daily cash management processes are embedded in the Municipality's Operations' to manage and monitor all actual cash flows in terms of the cash flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be implemented.

The Municipality developed a Financial Recovery Plan to address the cash flow challenges experienced at the beginning of the 2010/11 financial year. This plan has resulted in the Municipality improving its cash and cash equivalents position from a projected R 59,9 million in 2010/11 to R 1.12 billion as at the end of June 2012. The Municipality secured a bank overdraft of R 450 million to cover short-term cash shortfalls, if required – to date this facility has not been used.

Because the Municipality has the power to levy fees, tariffs and charges, it will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned, into account, Management has prepared the Annual Financial Statements on the Going Concern basis.

7. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In the process of preparing the Municipality's Annual Financial Statements, management has made the following key estimates and assumptions:

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5.50% (2011: 5.00%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.04% (2011: 11.14%).

- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 2.38% (2011: 4.09%).

Provision for Rehabilitation of Swartkops River

The provision is in relation to the Municipality's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of a wetland beside the Swartkops River, which was present valued at a rate of 11.04% (2011 11.00%).

Pension and other post-employment benefits

The cost of defined benefit pension plans, other post employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For key assumptions, refer Note 47 of the Annual Financial Statements.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Note 15 of the accounting policy notes to the Annual Financial Statements.

Heritage Assets

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

8. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

9. RESERVES

The Municipality maintains various internal reserves in terms of specific requirements.

Capital Replacement Reserve (CRR) – Internal reserve administered within the Accumulated Surplus for control purposes.

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

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

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that support the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Municipality.
- The CRR may only be utilised to finance purchasing items of property, plant and equipment, investment property and intangible assets and may not be used for the maintenance of these items.
- Whenever the CRR is utilised, the CRR is reduced by an amount equal to the cost price of the asset and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement Changes in Net Assets, to the CRR, if it is cash backed.

Capitalisation Reserve (CR) – Internal reserve administered within the Accumulated Surplus for control purposes.

With the implementation of GAMAP, the balance on certain funds created in terms of the various Provincial Ordinances applicable at the time that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a CR instead of the accumulated surplus/ (deficit) in terms of a directive (Circular no. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that transfers from this reserve to the accumulated surplus / (deficit) offset the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment.

When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/ (deficit).

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

Donations and Public Contributions Reserve – Internal reserve administered within the Accumulated Surplus for control purposes.

When items of property, plant and equipment, investment property and intangible assets are financed from public contributions and donations, a transfer is made from the accumulated surplus/ (deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment investment property and intangible assets are depreciated or amortised, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment, investment property and intangible assets financed from donations and public contributions.

When an item of property, plant and equipment, investment property and intangible assets is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

Self - Insurance Reserve – Internal reserve administered within the Accumulated Surplus for control purposes.

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

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

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

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

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

Compensation for Occupational Injuries and Diseases (COID) Reserve

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

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

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

Government Grant Reserve – Internal reserve administered within the Accumulated Surplus for control purposes.

When items of property, plant and equipment, investment property and intangible assets are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular no. 18) issued by National Treasury. When such items of property, plant and equipment, investment property and intangible assets are depreciated or amortised, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government funded items of property, plant and equipment, investment property and intangible assets are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment, investment property and intangible assets financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

10. EMPLOYEE BENEFITS

Remuneration to employees is recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Leave pay accrual

The liability is based on the total amount of leave days due to the employees at reporting date and on the total remuneration package of the employees.

Gratuity Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained. The gratuity is payable by Council to wage earners who joined the Municipality before 1988. The Council decided to make gratuity payments to these employees upon retirement. The amount payable is based on the individual employee wage rate and the number of years in service until the employee joined a pension fund. The Municipality adjusts this amount annually based on the average interest earned on investments.

Provision for Performance Bonuses

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

Long service awards

Employees who have completed 25 years unbroken service are entitled to receive a once-off cash award not exceeding R2,500. The cash award is included in the employee's salary in the month of the service anniversary.

Retirement benefits

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Municipality operates three defined benefit pension plans, all of which require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Independent Actuaries conduct actuarial valuations on a regular basis for each plan.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred.

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of or changes to a pension plan, past service costs are recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (further detail is available in Note 47), less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the Municipality nor can they be paid directly to the Municipality.

Fair value is based on market price information and in the case of quoted securities; it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. It should be noted that there are currently no plan assets.

Medical Aid: Continued Members

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

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred. Independent Actuaries conduct actuarial valuations on a regular basis for each plan.

11. PROVISIONS

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits or service potential 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 shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where applicable, the risk of the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that there will be an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision will be reversed.

Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the

expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - The business or part of a business concerned; the principal locations affected.
 - The location, function, and approximate number of employees who will be compensated for terminating their services.
 - The expenditures that will be undertaken.
 - When the plan will be implemented.
- b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

12. FINANCIAL INSTRUMENTS

Initial Recognition

The Municipality recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Municipality becomes a party to the contractual provisions of the instrument.

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

The Municipality will evaluate the terms of the financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities, financial assets or residual interests.

Initial Measurement

When a financial asset or financial liability is recognised initially, the Municipality shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example where interest free credit is granted or where credit is granted at a below market rate of interest.

Subsequent Measurement

Subsequent to initial recognition, financial assets and financial liabilities at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value.
 - Derivatives.

- Combined instruments that are designated at fair value i.e. an instrument that includes a derivative and a non-derivative host contract.
 - Instruments held for trading.
 - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
 - An investment in a residual interest for which fair value can be measured reliably.
 - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.
- b) Financial instruments at amortised cost.
Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the Municipality designates at fair value at initial recognition or are held for trading.
- c) Financial instruments at cost.
Investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The Municipality assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Concessionary loans

An entity first assesses whether the substance of a concessionary loan meets the definition of a financial instrument. On initial recognition, an entity analyses a concessionary loan into its component parts and accounts for each component separately. An entity accounts for that part of a concessionary loan that is:

- a) A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- b) Non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Derecognition

A financial asset or the specifically identified cash flows of an asset are derecognised, when:

- a) The cash flows from the asset expire, are settled or waived;
- b) Significant risks and rewards are transferred to another party; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit.

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

Offsetting

The Municipality does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Impairments

All financial assets measured at amortised cost, or cost are subject to an impairment review. The Municipality shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For financial assets held at amortised cost:

The Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in surplus or deficit.

For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Such impairment losses shall not be reversed.

Policies relating to specific financial instruments

Investments at amortised cost

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

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

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

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

Investments at fair value

Investments, which represent listed investments in equity for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

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

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment.

For amounts due from trade receivables carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced with an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised in the income statement.

Other debtors are assessed on annual basis for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for doubtful debts based on past default experience of all outstanding amounts at year-end.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the Council. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

13. PROPERTY, PLANT AND EQUIPMENT

Initial recognition and measurement

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes and are expected to be used during more than one year.

Items of property, plant and equipment are recognised when it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a similar asset, the acquired asset is initially measured at the carry value of the asset given up.

Where an item of property, plant and equipment is acquired in exchange for a dissimilar asset, the acquired is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The Municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus residual values are determined to be nil other than for motor vehicles.

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively if appropriate.

The annual depreciation rates are based on the following average asset useful lives:

Land & Buildings	Useful Life Range in Years
Buildings	15 - 50
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
Roads, Sidewalks & Stormwater Networks	5 – 100
Beach Developments	30 – 50
Electricity Reticulation & Supply	10 – 80
Sewerage Mains & Purification Works	15 – 80
Waste Disposal Facilities	20 -100
Water Supply & Reticulation	10 – 50
Dams & Treatment Works	25 – 100
Other Assets	Useful Life Range in Years
Bins & Containers	10
Emergency & Medical Equipment	15
Vehicles & Plant	4 - 30
Office Furniture & Fittings	3 - 10
Landfill Sites	50
Security Systems	5 - 15
Tip Sites	30
Computer Hardware	4 - 8
Community Assets	Useful Life Range in Years
Libraries	15 - 50
Fire Stations	15 - 50
Library Books	10
Cemeteries	15 - 50
Clinics	15 - 50
Community Centres	15 - 50
Public Conveniences	15 - 50
Swimming Pools	15 - 50
Recreational Facilities	15 - 50
Selling & Letting Schemes	15 - 50

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Impairments

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives, as reflected in the table below:

Heritage Sites	Useful Life Range in Years
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life

14. INTANGIBLE ASSETS

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- a) The Municipality intends to complete the intangible asset for use or sale.
- b) It is technically feasible to complete the intangible asset.
- c) The Municipality has the resources to complete the project.
- d) It is probable that the municipality will receive future economic benefits or service potential.

- e) The ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carry value of the asset given up.

Where an intangible is acquired in exchange for a dissimilar asset, the acquired is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset given up.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Statement of Financial Performance in the expense category consistent with the function of the intangible asset. During the period of development, the asset is tested for impairment annually.

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

Intangible	Useful Life Range in Years
Computer Software	3 – 5
Website Development	3 – 5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Impairments

The Municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an

item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INVESTMENT PROPERTY

Initial recognition and measurement

Investment property includes property (land or a building or part of a building or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The costs of day-to-day servicing of investment properties are recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment. Land is not depreciated. Investment properties are written down as a result of impairment, where considered necessary.

Depreciation

Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment Property	Useful Life Range in Years
Investment Property <ul style="list-style-type: none"> ○ Land ○ Other 	Indefinite Life 15 - 50

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

Fair Value

The assumptions for determining the fair value of the Investment property is set out in Note 12 of the Annual Financial Statements.

Impairments

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the use of the asset and all gains or losses are recognised in the Statement of Financial Performance.

16. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

17. INVENTORIES

Initial recognition and measurement

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the first-in, first-out (FIFO) method.

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

A provision is maintained in lieu of obsolete inventory. The level of the provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The cost of water purchased and not yet sold as reflected in the statement of financial position comprises the purchase price and other costs attributable to the acquisition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

18. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Municipality estimates the asset's recoverable amount.

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

risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality makes an estimate of the assets or cash-generating unit's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

19. REVENUE

Revenue is only recognised once all of the following criteria have been satisfied:

- a) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Municipality has an obligation in terms of legislation to collect all revenue and as such, the Municipality does not consider the collectability of the revenue on initial recognition. The Municipality will assess collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss will be recognised as an expense.

Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Service charges relating to electricity, water and sewerage are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

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

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

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff. Tariffs are determined per category of property usage and are levied monthly based on the costs of providing the refuse removal service.

Interest is recognised on a time proportion basis, which takes into account the effective yield on the investment.

Rental income arising on investment properties, facilities and equipment is accounted for on a straight-line basis over the lease term on ongoing leases.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated to the fund concerned
- Interest earned on unutilised conditional grants is allocated to the creditor, if grant conditions indicate that interest is payable to the funder.

Dividends are recognised on the date that the Municipality's right to receive payment is established.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

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

Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions.

Revenue from non-exchange transactions arise when the Municipality either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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

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

Fines are recognised when it is probable that future economic benefits will flow to the Municipality, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue in the invoicing period.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, a creditor (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality.

Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until it is utilised.

The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue when the asset is recognised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

21. LEASES

The Municipality as Lessee

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

Operating leases are those leases that do not fall within the scope of the above definition. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005, in accordance with the transitional requirements of IGRAP 3.

The Municipality as Lessor

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

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed 1 January 2005 in accordance with the transitional requirements of IGRAP3.

22. FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded are expensed.

Transactions in foreign currency are accounted for at the spot rate of the exchange ruling on the date of the transaction.

Gains and losses arising on the translation are dealt with in the Statement of Financial Performance in the year in which they occur.

23. VALUE ADDED TAX (VAT)

The Municipality accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year in which it is incurred.

25. IRREGULAR EXPENDITURE

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

26. FRUITLESS AND WASTEFUL EXPENDITURE

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

27. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance when it meets the definition of an asset.

28. EXPENDITURE

Expenses are recognised once all of the following criteria have been satisfied:

- a) There is a probable decrease in economic benefits or service potential in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets other than those relating to distributions to owners.
- b) The amount of expenditure can be measured reliably.

Expenses are measured at the same value at which the assets have been depleted or liabilities incurred.

Grants, transfers and donations

Grants, transfers and donations made are recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that the grant, transfer or donation is conditional.

The asset is transferred to the Statement of Financial Performance as and when the conditions attached to the grant are met.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor

29. TRANSFER OF FUNCTION BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The Municipality uses the acquisition method in accounting for transactions relating to transfers of function, between entities not under common control.

Applying the acquisition method requires:

- a) Identifying the acquirer.
- b) Determining the acquisition date.
- c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- d) Recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which control is transferred from the acquiree to the acquirer.

Municipality as the acquirer:

At acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree shall be recognised if:

- a) The assets taken on and the liabilities assumed meets the definitions of an asset and liability as set out in the Framework for the Preparation and Presentation of Financial Statements.
- b) These assets and liabilities relate to the binding agreement between the parties to the transaction and may not relate to separate transactions.

Assets and liabilities not previously recognised by the acquiree will be recognised if these assets and liabilities now meet the recognition criteria (for example internal generated intangible assets not previously recognised).

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Municipality as the acquiree:

At acquisition date, the acquiree will derecognise the identifiable assets and liabilities transferred.

The acquiree shall recognise the difference between the consideration received and the carry value of the assets and liabilities transferred in the Statement of Financial Performance at acquisition date.

30. EVENTS AFTER THE REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Actual 2012 R	Restated 2011 R
NET ASSETS AND LIABILITIES			
Net Assets		9 533 942 676	8 958 482 333
Housing Development Fund	1	109 731 779	109 548 848
Capital Replacement Reserve		9 839 140	43 265 218
Government Grant Reserve		4 284 621 126	3 612 943 369
Capitalisation Reserve		941 965 957	1 098 718 030
Donations and Public Contributions Reserves		287 278 933	291 926 303
Self-Insurance Reserve		47 627 488	31 262 728
COVID Reserve	2	15 135 948	12 810 819
Accumulated Surplus		3 837 742 305	3 758 007 018
Non-current Liabilities		3 187 436 477	3 125 879 887
Long-term Liabilities	3	1 745 093 905	1 841 851 020
Employee Benefit Provisions	4	1 198 985 058	1 093 186 350
Non-current Provisions	4	243 357 514	190 842 517
Current Liabilities		2 217 577 192	1 835 295 606
Consumer Deposits	7	85 223 921	111 125 316
Current Employee Benefit Provisions	5	41 261 913	46 564 046
Current Provisions	5	62 185 088	56 026 649
Creditors - Exchange Transactions	8	1 422 611 798	1 245 451 482
Unspent Conditional Grants and Receipts	9	509 011 716	284 073 440
VAT Suspense	18	0	0
Current Portion of Long-term Liabilities	3	97 282 756	92 054 673
Total Net Assets and Liabilities		14 938 956 345	13 919 657 826
ASSETS			
Non-current Assets		12 796 166 807	12 497 811 637
Property, Plant and Equipment (PPE)	10	12 300 445 506	11 927 381 771
Intangible Assets	11	273 990 072	437 201 687
Investment Property	12	180 026 219	71 754 337
Investments	13	20 000	20 000
Long-term Receivables - Exchange Transactions	14	31 123 382	43 397 618
Long-term Receivables - Non-exchange Transactions	14	10 561 628	18 056 224
Current Assets		2 142 789 538	1 421 846 189
Inventory	15	108 265 474	107 976 304
Consumer Debtors - Exchange Transactions	16	513 079 252	467 123 321
Consumer Debtors - Non-exchange Transactions	16	9 557 885	14 757 294
Other Debtors	17	340 890 338	361 766 081
VAT	18	10 980 294	19 367 529
VAT Suspense	18	39 586 022	22 057 527
Current Portion of Long-term Receivables	14	5 216	12 984
Short-term Investments	19	1 462 854	1 127 728
Short-term Investment Deposits	19	987 219 306	296 992 369
Bank Balances and Cash	20	131 742 897	130 665 052
Total Assets		14 938 956 345	13 919 657 826

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

Budget			Actual	Actual Restated	
2012 R	2011 R		2012 R	2011 R	
REVENUE					
961 565 450	862 386 550	Property Rates	21	945 269 750	838 854 652
3 540 253 340	3 003 748 380	Service Charges	22	3 486 226 590	3 122 757 998
28 000 000	19 999 830	Interest earned - External Investments		57 627 904	16 447 283
81 993 130	80 000 310	Interest earned - Outstanding Debtors		121 372 906	113 346 560
24 119 170	30 014 510	Fines		25 655 526	23 736 347
7 399 120	6 980 280	Licences and Permits		9 019 407	8 152 731
1 234 094 120	1 914 257 000	Government Grants and Subsidies	24	2 143 823 390	1 474 667 536
18 430 530	18 107 330	Rental of Facilities and Equipment		15 507 608	17 640 531
1 402 100	1 472 100	Income for Agency Services		1 396 728	1 611 022
656 207 140	245 111 270	Other Income	25	698 356 817	771 389 042
0	0	Gains on the Disposal of Property, Plant and Equipment	35.9	0	1 698 397
6 553 464 100	6 182 077 560	Total Revenue		7 504 256 626	6 390 302 099
EXPENDITURE					
1 849 568 560	1 699 042 890	Employee Related Costs	26	1 843 376 611	1 887 335 157
51 083 540	49 552 560	Remuneration of Councillors	27	49 740 474	45 053 304
282 151 180	129 489 230	Bad Debts	28	257 135 798	522 476 947
3 947 300	3 723 860	Collection Costs		3 123 269	2 952 196
194 460 680	238 538 730	Contracted Services		187 015 822	145 022 314
720 156 280	735 954 000	Depreciation - Property, Plant and Equipment	48	669 577 336	435 072 746
0	0	Depreciation - Investment Property	50	87 829 277	2 638 502
0	0	Amortisation	49	5 387 956	85 932 413
0	0	Impairment	35.7	109 210 754	42 183 558
468 403 910	425 820 000	Repairs and Maintenance		443 093 292	415 589 292
215 161 950	180 796 180	Finance Charges Paid	29	203 559 968	178 495 853
1 944 128 330	1 532 704 480	Bulk Purchases	30	1 972 352 719	1 567 047 258
370 961 180	546 102 060	Grants and Subsidies Paid	31	295 809 287	230 539 220
835 264 930	494 266 580	General Expenses		784 152 751	731 053 651
0	0	Loss on Foreign Exchange Transaction	23	0	0
0	0	Loss on Disposal of Property Plant and Equipment	35.8	17 430 969	5 056 521
6 935 287 840	6 035 990 570	Total Expenditure		6 928 796 283	6 296 448 932
(381 823 740)	146 086 990	Surplus for the year		575 460 343	93 853 167
DISCONTINUED OPERATIONS					
		Surplus / (Deficit) from Discontinued Operations	46.2	(9 969 828)	(88 637 744)
		Surplus for the year from continued operations		585 430 171.00	182 490 911.00
Refer to Note 52 of the Financial Statements for explanation of variations					

NELSON MANDELA BAY MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	<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
Balance at 01 July 2010	109 363 610	221 153 074	1 255 629 800	3 551 977 740	340 865 271	103 748 367	11 786 995	3 270 105 773	8 864 630 630
Surplus/(Deficit) for the year								(40 411 548)	(40 411 548)
Restatements (Refer Note 40.1 and 40.11)								134 264 715	134 264 715
Transfer to CRR		341 779 003						(341 779 003)	0
Interest Received								0	0
PPE purchased		(519 666 859)		505 613 574	17 011 591			(2 958 306)	0
Contribution to the Reserve						(83 135 913)		83 135 913	0
Capital Grants used to purchase PPE								0	0
Donated/contributed PPE								0	0
Contribution to the Reserves						21 810 605	4 266 379	(26 076 984)	0
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			(155 854 211)	(443 336 448)	(65 193 677)			664 382 872	(1 464)
Additional Depreciation Reversal								0	0
Asset Disposals			(1 057 559)	(1 311 497)	(756 882)			3 125 938	0
Balance at 30 June 2011	109 548 848	43 265 218	1 098 718 030	3 612 943 369	291 926 303	31 262 728	12 810 819	3 758 007 018	8 958 482 333
Opening Balance - 01 July 2011	109 548 848	43 265 218	1 098 718 030	3 612 943 369	291 926 303	31 262 728	12 810 819	3 758 007 018	8 958 482 333
Surplus/(deficit) for the year								575 460 343	575 460 343
Transfer to CRR		121 055 119						(121 055 119)	0
Interest Received								0	0
PPE purchased		(154 481 197)		925 523 552	12 310 662			(783 353 017)	0
Contribution to the Reserve								0	0
Capital Grants used to purchase PPE								0	0
Donated/contributed PPE								0	0
Contribution to the Reserves						20 684 296	4 605 500	(25 289 796)	0
Claims processed						(4 319 536)	(2 280 371)	6 599 907	0
Transfer to Housing Development Fund	182 931							(182 931)	0
Offsetting of Depreciation	0		(156 146 485)	(212 436 025)	(16 977 240)			385 559 750	0
Asset Disposals			(605 588)	(41 409 770)	19 208			41 996 150	0
Balance at 30 June 2012	109 731 779	9 839 140	941 965 957	4 284 621 126	287 278 933	47 627 488	15 135 948	3 837 742 305	9 533 942 676

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2012 R	Restated 2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		7 529 593 598	7 193 430 891
Cash paid to suppliers and employees		(5 533 887 736)	(6 095 385 354)
Cash generated from operations	32	1 995 705 862	1 098 045 537
Interest received		179 000 810	129 793 843
Interest paid	29	(203 559 968)	(177 976 189)
NET CASH FLOWS FROM OPERATING ACTIVITIES		1 971 146 704	1 049 863 191
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE		(1 059 996 532)	(1 546 461 066)
Disposal of PPE		(75 508)	2 250 472
Purchase of Intangible assets		(17 693 179)	(104 895 465)
Disposal of Intangible assets		(16 135 237)	0
Purchase of Investment Property		(113 735 349)	(3 106 185)
Disposal of Investment Property		75 511	0
(Increase)/Decrease in Long-term Receivables		19 776 600	19 095 712
(Increase)/Decrease in Long-term Investments		0	0
(Increase)/Decrease in Short-term investments		0	0
NET CASH FLOW FROM INVESTING ACTIVITIES		(1 187 783 694)	(1 633 116 532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase of Non-current Liabilities (external loan funding)	34	0	470 000 000
Repayment of Non-current Liabilities (external loan funding)	34	(92 058 228)	(88 858 738)
NET CASH FLOW FROM FINANCING ACTIVITIES		(92 058 228)	381 141 262
NET CHANGE IN CASH AND CASH EQUIVALENTS		691 304 782	(202 112 079)
Cash and cash equivalents at the beginning of the year		427 657 421	629 769 500
Cash and cash equivalents at the end of the year	33	1 118 962 203	427 657 421

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	Restated 2011 R
1. Housing Development Fund		
Housing Revolving Fund	108 605 509	108 605 509
Housing Reserves	1 126 270	943 339
Total Housing Development Fund	109 731 779	109 548 848

Housing Revolving Fund

Balance at the beginning of the year	108 605 509	108 605 509
Contributions received	0	0
Interest received	0	0
Balance at the end of the year	108 605 509	108 605 509

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	160 631	127 445
Replacement and Renewals	965 639	815 894
Balance at the end of the year	1 126 270	943 339

Community Facilities

Balance at the beginning of the year	127 445	93 917
Contribution for the year	33 186	33 528
Balance at the end of the year	160 631	127 445

Replacement and Renewals

Balance at the beginning of the year	815 894	664 184
Contribution for the year	149 745	151 710
Restated Balance at beginning of year	965 639	815 894

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	Restated 2011 R
2. COID Reserve		
Balance at the beginning of the year	12 810 819	11 786 995
Premiums received	4 605 500	4 266 379
Expenditure funded during the year	(2 280 371)	(3 242 555)
Balance at the end of the year	15 135 948	12 810 819

Refer to Restatement Note 40.17

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

3. LONG-TERM LIABILITIES

Financial Liabilities:

Development Bank of Southern Africa	514 529 130	545 721 884
Amalgamated Banks of South Africa	165 000 000	195 000 000
Rand Merchant Bank	461 120 133	470 000 000
Nedbank	690 805 326	712 790 933
Total External Loans	1 831 454 589	1 923 512 817

Brookes Bequest	10 922 072	10 392 876
Total Long-term Liabilities	1 842 376 661	1 933 905 693

Less : Current portion transferred to current liabilities

Development Bank of Southern Africa (DBSA)	34 471 081	31 192 754
Amalgamated Banks of South Africa (ABSA)	30 000 000	30 000 000
Rand Merchant Bank	8 557 067	8 879 867
Nedbank	24 254 608	21 982 052
	97 282 756	92 054 673
	1 745 093 905	1 841 851 020

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

No loans are secured.

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 R24 244 664 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 R6 948 090 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 R21 985 607 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. An amount of R8 879 867 was repaid during the financial year.

BROOKES BEQUEST

Brookes bequest represents a long-term creditor. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The funds may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 6.31% per annum.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	Restated 2011 R
4. EMPLOYEE BENEFIT PROVISIONS		
Gratuity Provision	22 699 302	16 443 361
Post Retirement Benefits	1 176 285 756	1 076 742 989
Total Non-Current Provisions	1 198 985 058	1 093 186 350
Gratuity Provision		
This provision is in respect of the long-term liability relating to gratuities payable to employees that were not previously members of a pension fund.		
Balance at beginning of year	16 443 361	17 102 091
Contributions to Provision	6 255 941	(658 730)
Transfer to Current Employee Benefit Provisions	0	0
Balance at end of year	22 699 302	16 443 361
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 198 144 0000 and R17 298 493 respectively.		
Refer to Note 47 for full reconciliation.		
Balance at beginning of year	1 076 742 989	843 747 647
Contributions to Provision	99 542 767	232 995 342
Transfer to Current Employee Benefit Provisions	0	0
Balance at end of year	1 176 285 756	1 076 742 989
4 NON-CURRENT PROVISIONS		
Rehabilitation of Landfill sites	228 683 373	176 258 146
Rehabilitation of Swartkops River	14 674 141	14 584 371
Total Non-current Provisions	243 357 514	190 842 517
Rehabilitation of landfill sites		
In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R136 251 473 for the Arlington Tip site, R27 032 145 for the Koedoeskloof Tip site and R65 399 755 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 2014 (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 5.5%. The projected amounts are discounted to the present value at the long term Treasury Bond rate of 2.38%, for Arlington and at an average borrowing cost of 11.04% 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.		
Balance at beginning of year	176 258 146	130 977 042
Contributions to Provision	52 425 227	45 281 104
Transfer to Current Provisions	0	0
Balance at end of year	228 683 373	176 258 146
Rehabilitation of Swartkops River		
Balance at beginning of year	14 584 371	14 879 629
Contributions to Provision	89 770	(295 258)
Expenditure incurred	0	0
Transfer to Current Provisions	0	0
Balance at end of year	14 674 141	14 584 371

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	Restated 2011 R
5 EMPLOYEE BENEFITS AND PROVISIONS		
5.1 CURRENT EMPLOYEE BENEFIT PROVISIONS		
Gratuity Provision	3 113 012	3 210 426
Post Retirement Benefits	33 210 809	39 155 737
Performance Bonus Provision	4 938 092	4 197 883
Total Current Provisions	41 261 913	46 564 046
Gratuity Provision		
This provision is in respect of the short-term liability relating to gratuities payable to employees that were not previously members of a pension fund.		
Balance at beginning of year	3 210 426	1 726 022
Contributions to Provision	2 467 475	4 511 390
Expenditure incurred	(2 564 889)	(3 026 986)
Balance at end of year	3 113 012	3 210 426
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.		
Balance at beginning of year	39 155 737	36 886 421
Contributions to Provision	36 183 273	44 016 444
Expenditure incurred	-42 128 201	(41 747 128)
Transferred from Employee Benefit Provisions	0	0
Balance at end of year	33 210 809	39 155 737
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.		
Balance at beginning of year	4 197 883	4 462 555
Contributions to Provision	740 209	161 578
Expenditure incurred	0	(426 250)
Balance at end of year	4 938 092	4 197 883
5.2 CURRENT PROVISIONS		
Provision for Litigation and Claims	62 185 088	56 026 649
Total Current Provisions	62 185 088	56 026 649
Provision for Litigation and Claims		
The provision is in respect of probable claims against the NMBM, pending the outcome of court decisions - See note 45.		
Balance at the beginning of the year	56 026 649	5 305 146
Provision utilised	(876 829)	(4 385 171)
Contributions to Provision	7 035 268	55 106 674
Balance at end of year	62 185 088	56 026 649
6 DERIVATIVE FINANCIAL INSTRUMENTS		
NMBM has not entered into any derivative financial instruments contracts.		
7 CONSUMER DEPOSITS		
Electricity and Water	84 167 088	110 519 542
Interest Paid	1 056 833	605 774
	85 223 921	111 125 316
Guarantees held in lieu of Electricity and Water Deposits	3 998 903	3 998 903
Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.		
8 CREDITORS		
Trade creditors	1 003 701 361	896 170 901
Payments Received in Advance	62 084 480	60 459 848
Staff leave	185 756 838	163 225 602
Other Creditors	49 664 085	43 941 090
Retentions	121 291 850	80 647 762
Operating Leases	113 184	1 006 279
Total Creditors	1 422 611 798	1 245 451 482
Refer to Restatement Note 40.13		
Financial liabilities:		
Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R121 291 850 , which could be settled within the next 12 months.		
No creditors are secured		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8. CREDITORS (Continued)

2012
R

Restated 2011
R

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)	8 629 785	10 443 898
Health Subsidies (See Note 24.2)	36 267	1 240 134
Equitable Share (See Note 24.3)	0	0
Financial Management Grant (See Note 24.4)	0	0
Library Carnegie Corporation Grant (See Note 24.5)	0	0
SMME - Development (See note 24.6)	0	192 500
Project Consolidate (See Note 24.7)	0	0
Disaster Management Grant (See Note 24.8)	0	0
Municipal Infrastructure Grant (See Note 24.9)	0	1 494 413
Ploughing Fields (See Note 24.10)	0	0
Project Generation (DEAET) (See Note 24.11)	0	0
Amphitheatre (UDDI) (See Note 24.12)	3 773 525	3 773 525
NT- Accreditation of Municipalities (See Note 24.13)	5 597 678	5 465 028
2010 Soccer World Cup Stadium (See Note 24.15)	0	0
Walmer Youth Development Project (See Note 24.16)	0	53 623
Public Transport Infrastructure Grant (See Note 24.19)	390 614 778	168 904 002
DME Subsidy on Connection (See Note 24.20)	0	0
Energy - Special Projects (See Note 24.22)	0	35 948 515
EU Sector Policy Support Policy (See Note 24.21)	285 782	2 763 365
Other Grants (See Note 24.23)	94 468 861	29 825 540
National Lotteries Grant (See Note 24.25)	5 605 040	5 605 040
Water Demand Management Grant (See Note 24.26)	0	0
Neighbourhood Partnership Development Grant (See Note 24.27)	0	18 363 857
Total Unspent Conditional Grants and Receipts	509 011 716	284 073 440

Refer Restatement Note no. 40.14

10 PROPERTY, PLANT AND EQUIPMENT (PPE)

As at 30 June 2012

	R	R	R
	Cost	Accumulated Depreciation	Carrying Value
Land & Buildings	2 242 767 947	99 581 585	2 143 186 362
Infrastructure Assets	9 667 517 021	3 077 388 855	6 590 128 166
Community Assets	3 161 987 820	340 764 419	2 821 223 401
Heritage Assets	167 778 055	0	167 778 055
Other Assets	1 047 764 939	469 635 417	578 129 522
	16 287 815 782	3 987 370 276	12 300 445 506

Refer Restatement Note no. 40.20

No assets were pledged as security

Refer to Note 48 for reconciliation.

As at 30 June 2011

	Cost	Accumulated Depreciation	Carrying Value
Land & Buildings	2 301 428 223	99 759 674	2 201 668 549
Infrastructure Assets	8 784 653 278	2 638 041 853	6 146 611 425
Community Assets	3 107 340 795	237 225 634	2 870 115 161
Heritage Assets	126 473 698	0	126 473 698
Other Assets	938 584 276	356 071 338	582 512 938
	15 258 480 270	3 331 098 499	11 927 381 771

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11 INTANGIBLE ASSETS

As at 30 June 2012

Computer Software

	R	R	R
	Cost	Accumulated Amortisation	Carrying Value
Computer Software	453 076 034	179 085 962	273 990 072
	453 076 034	179 085 962	273 990 072

No assets were pledged as security

Refer to Note 49 for reconciliation.

As at 30 June 2011

Computer Software

	Cost	Accumulated Amortisation	Carrying Value
Computer Software	530 686 955	93 485 268	437 201 687
	530 686 955	93 485 268	437 201 687

12 INVESTMENT PROPERTY

As at 30 June 2012

Land & Buildings

	Cost	Accumulated Depreciation	Carrying Value
Land & Buildings	212 608 094	32 581 875	180 026 219
	212 608 094	32 581 875	180 026 219

Refer Restatement Note no. 40.26

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2011

Land & Buildings

	Cost	Accumulated Depreciation	Carrying Value
Land & Buildings	82 225 785	10 471 448	71 754 337
	82 225 785	10 471 448	71 754 337

Description of Investment Property:

Nelson Mandela Bay Logistics Park
Kings Beach
Springs Resort
Telkom Park
Mc Arthur Bath
Willows Resort
Beachview Resort
Van Stadens Resort
St Georges Park Resort
Motherwell Depot
Africa Timbers in Korsten
Algoa Bus depot
Mercado centre
Wells estate and Fresh Produce Market
Incinerator and Gas works
Something Good

Market Value of Investment Property

	2012 R	2011 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
Motherwell Depot	15 000 000	0
Africa Timbers in Korsten	1 990 000	0
Algoa Bus depot	26 000	0
Mercado centre	25 172 506	0
Wells estate and Fresh Produce Market	34 460 000	0
Incinerator and Gas works	26 730 000	0
Something Good	4 730 000	0
	560 083 506	451 975 000

Additional Disclosure:

The NMBM applies the Cost Model

The Market Value was determined by professional valuers of the NMBM who are experts in this field as at 30 June 2012:

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.

Rental revenue included in surplus for following Investment Property:

	2012 R	Restated 2011 R
Beachview resort	240 000	240 000
Van Stadens Resort	240 000	240 000
Direct Operating expenses that generated rental revenue	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	Restated 2011 R
13. INVESTMENTS		
Investment in Uitenhage (UITESCO)	<u>20 000</u>	<u>20 000</u>
<p>The NMBM 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.</p>		
14 LONG-TERM RECEIVABLES		
Loan - UITESCO	17 905 515	17 905 515
Sporting and Other Bodies	5 536	18 498
Other Debtors	50 315	50 315
Consumer Debtors	23 728 860	43 492 498
Rate and General	10 561 628	18 056 224
Electricity	3 111 655	6 450 759
Water	5 588 143	10 251 422
Refuse	1 536 603	3 203 374
Sewerage	2 917 657	5 500 221
Insurance	13 174	30 498
	<u>41 690 226</u>	<u>61 466 826</u>
Less current portion:		
Sporting and Other Bodies	5 216	12 984
Current Portion of Long-term Receivables	<u>5 216</u>	<u>12 984</u>
Long-term Receivables	<u>41 685 010</u>	<u>61 453 842</u>
Long-term Receivables - Exchange Transactions	31 123 382	43 397 618
Long-term Receivables - Non-exchange Transactions	10 561 628	18 056 224
	<u>41 685 010</u>	<u>61 453 842</u>

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.

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%.

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 NMBM has determined that it is impracticable to calculate the fair value of this loan as there are 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	Restated 2011 R
15 INVENTORY		
Raw Materials	110 231 286	111 629 832
Finished Goods	112 331	102 328
Water Finished Goods - at cost (refer to note 30 for cost of inventory sold)	92 044 156	93 380 480
Consumable Goods	6 208 369	6 689 064
	11 866 430	11 457 960
Less: Provision for Obsolete Inventory	(1 965 812)	(3 653 528)
	<u>108 265 474</u>	<u>107 976 304</u>

No inventory was pledged as security

Refer to Restatement Note 40.18

	R	R	R
	Gross Balances	Provision for Doubtful Debts	Net Balance
16 CONSUMER DEBTORS			
As at 30 June 2012			
Service Debtors	1 781 307 671	(1 265 688 701)	515 618 970
Rates and General	427 097 667	(417 539 782)	9 557 885
Electricity	693 168 594	(236 552 694)	456 615 900
Water	393 358 672	(355 378 386)	37 980 286
Refuse	114 620 094	(114 620 094)	0
Sanitation	153 062 644	(141 597 745)	11 464 899
House Rentals	16 155 441	(9 137 274)	7 018 167
Total	<u>1 797 463 112</u>	<u>(1 274 825 975)</u>	<u>522 637 137</u>
Consumer debtors are made up as follows:			
Consumer debtors - Non-exchange Transactions			9 557 885
Consumer debtors - Exchange Transactions			513 079 252
			<u>522 637 137</u>

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.

	Gross Balances	Provision for Doubtful Debts	Net Balance
As at 30 June 2011			
Service Debtors	1 716 139 566	(1 241 843 913)	474 295 653
Rates and General	447 373 510	(432 616 216)	14 757 294
Electricity	523 778 785	(186 673 091)	337 105 694
Water	487 995 000	(382 528 650)	105 466 350
Refuse	101 406 761	(104 505 822)	(3 099 061)
Sanitation	155 585 510	(135 520 134)	20 065 376
House Rentals	16 031 564	(8 446 602)	7 584 962
Total	<u>1 732 171 130</u>	<u>(1 250 290 515)</u>	<u>481 880 615</u>
Refer Restatement note no. 40.15			
Consumer debtors are made up as follows:			
Consumer debtors - Non-exchange Transactions			14 757 294
Consumer debtors - Exchange Transactions			467 123 321
			<u>481 880 615</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. CONSUMER DEBTORS (Continued)	2012 R	Restated 2011 R
<u>Rates and General: Ageing</u>		
Current (0-30 days)	32 178 581	33 477 926
31 - 60 Days	21 088 740	21 074 990
61 - 90 Days	12 808 485	16 136 687
Over 90 Days	361 021 861	376 683 907
Total	427 097 667	447 373 510
<u>Electricity: Ageing</u>		
Current (0-30 days)	443 423 892	360 651 956
31 - 60 Days	76 902 243	28 506 239
61 - 90 Days	44 013 491	3 129 372
Over 90 Days	128 828 968	131 491 218
Total	693 168 594	523 778 785
<u>Water: Ageing</u>		
Current (0-30 days)	78 124 581	153 894 266
31 - 60 Days	26 042 980	39 034 695
61 - 90 Days	16 538 635	20 673 548
Over 90 Days	272 652 476	274 392 491
Total	393 358 672	487 995 000
<u>Refuse: Ageing</u>		
Current (0-30 days)	18 429 801	17 429 531
31 - 60 Days	5 397 760	4 386 828
61 - 90 Days	3 829 954	2 616 843
Over 90 Days	86 962 579	76 973 559
Total	114 620 094	101 406 761
<u>Sanitation: Ageing</u>		
Current (0-30 days)	30 041 813	42 083 475
31 - 60 Days	10 233 522	8 471 349
61 - 90 Days	6 335 336	3 954 031
Over 90 Days	106 451 973	101 076 655
Total	153 062 644	155 585 510
<u>Housing Rentals: Ageing</u>		
Current (0-30 days)	542 429	2 129 385
31 - 60 Days	431 294	482 191
61 - 90 Days	491 209	387 500
Over 90 Days	14 690 509	13 032 488
Total	16 155 441	16 031 564

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. CONSUMER DEBTORS (Continued)

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2012			
Current (0-30 days)	213 672 396	362 966 545	9 524 179
31 - 60 Days	95 200 102	29 436 641	6 630 015
61 - 90 Days	55 768 671	16 598 290	3 122 653
Over 90 Days	747 348 953	226 106 957	31 087 710
Gross Consumer Debtors by Customer classification	1 111 990 122	635 108 433	50 364 557
Gross Consumer Debtors			1 797 463 112
Less: Provision for Doubtful Debts			(1 274 825 975)
Net Consumer Debtors for the year ended 30 June 2012			522 637 137

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2011			
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
Gross Consumer Debtors by Customer classification	1 198 612 291	504 539 097	29 019 742
Gross Consumer Debtors			1 732 171 130
Less: Provision for Doubtful Debts			(1 250 290 515)
Net Consumer Debtors for the year ended 30 June 2011			481 880 615

Reconciliation of the Provision for Doubtful Debts

	2012 R	Restated 2011 R
Balance at beginning of year	1 250 290 516	759 979 578
Contributions to Provision	275 688 199	604 368 825
	1 525 978 715	1 364 348 403
Bad debts written off against Provision	(251 152 740)	(114 057 887)
Balance at end of year	1 274 825 975	1 250 290 516

Financial Assets have been classified as loans and receivables
The consumer debtors are billed interest at 15.5% on overdue accounts.

Consumer Debtors not past due nor impaired therefore not provided for as doubtful debts:

	2012 R	Restated 2011 R
Neither past due nor impaired		
Current (0-30 days)	522 637 137	481 880 615

Consumer Debtors provided for as doubtful debts

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)	1 274 825 975	1 250 290 516
Impairment (Refer to note 35.7)	109 210 754	42 183 558
Total Provided for as doubtful	1 384 036 729	1 292 474 074

17 OTHER DEBTORS

Government Grants and Subsidies	249 493 349	223 570 013
Interest on External Investments	5 089 074	2 383 777
Operating lease accruals	121 085	194 282
External Debtors	33 466 681	93 252 401
Entities	56 283 273	45 907 413
	344 453 462	365 307 886
Less: Provision for doubtful debts	(3 563 124)	(3 541 805)
Balance at end of year	340 890 338	361 766 081

Refer to Restatement Note 40.19

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18. VAT

VAT refund

Refer to Restatement Note 40.16

VAT Suspense

	2012 R	Restated 2011 R
VAT refund	10 980 294	19 367 529
VAT Suspense	39 586 022	22 057 527

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.
 The VAT Suspense account is used to record VAT on revenue and expenses incurred but for which no payment has been received or paid.

Refer to Restatement Note 40.12

19 SHORT-TERM INVESTMENTS & INVESTMENT DEPOSITS**DEPOSITS**

ABSA Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2012: 0% (2011: 0%) during the current audit period.

	0	0
--	---	---

FNB Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2012: 0% (2011: 0%) during the current audit period.

	0	0
--	---	---

Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2012: 5.45% (2011: 4.87 %) during the current audit period.

	470 607 152	125 607 152
--	-------------	-------------

Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2012: 5.45% (2011: 4.87%) during the current audit period.

	470 500 000	125 500 000
--	-------------	-------------

Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2012: 5.47% (2011: 4.87%) during the current audit period.

	46 112 154	45 885 217
--	------------	------------

	987 219 306	296 992 369
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FINANCIAL INSTRUMENTS - INVESTMENTS

Fixed Deposits

	0	0
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Sanlam Shares

	1 462 854	1 127 728
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	1 462 854	1 127 728
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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 NMBM is the holder of 40 919 shares in Sanlam Ltd at no value, of which the market value at 30 June 2012 was R1 462 854 (2011: R 1 127 728) determined on the open market share price at 30 June 2012. The shares were awarded to the NMBM 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 R97 282 756 (2011: R92 054 673) are ring-fenced and attributable to repaying long-term loans.

20 BANK BALANCES AND CASH

The NMBM 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

Cash Book balance at beginning of the year

	130 665 052	124 361 433
--	-------------	-------------

Cash Book balance at end of the year

	131 742 897	130 665 052
--	-------------	-------------

Bank Balance at beginning of the year

	151 095 273	106 582 656
--	-------------	-------------

Bank Balance at end of the year

	125 695 962	151 095 273
--	-------------	-------------

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

Bank balances and cash

	131 742 897	130 665 052
--	-------------	-------------

Bank guarantees held with Standard Bank:

Fleet Management Card

	300 000	300 000
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Performance Management Card

	55 000	55 000
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

21 PROPERTY RATES	2012 R	Restated 2011 R
<u>Actual</u>		
Residential	463 365 418	416 967 783
Commercial	323 021 320	284 416 965
State	71 738 075	57 886 222
Other	87 144 937	79 583 682
	<u>945 269 750</u>	<u>838 854 652</u>

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

<u>Valuations</u>	R'000	R'000
Residential	78 909 581	78 714 545
Commercial	26 954 918	26 608 461
State	4 931 521	5 014 763
Other	15 556 423	15 485 067
	<u>126 352 443</u>	<u>125 822 836</u>

22 SERVICE CHARGES

Sale of Electricity	2 762 170 225	2 185 508 319
Sale of Water	328 393 470	569 882 875
Service delivery - sale of inventory	<u>3 090 563 695</u>	<u>2 755 391 194</u>
Refuse Removal	137 620 184	120 674 829
Sewerage and Sanitation charges	258 042 711	246 691 975
Service delivery - sale of service	<u>395 662 895</u>	<u>367 366 804</u>
	<u>3 486 226 590</u>	<u>3 122 757 998</u>

These amounts are reflected excluding VAT.

23 FOREIGN EXCHANGE TRANSACTIONS

Loss on foreign exchange transactions	<u>0</u>	<u>0</u>
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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
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	Restated 2011
	R	R
24 GOVERNMENT GRANTS AND SUBSIDIES		
PHB Subsidies (See Note 24.1)	325 878 474	240 153 800
Health Subsidies (See Note 24.2)	151 985 478	46 330 492
Equitable Share Allocation (See Note 24.3)	656 653 000	602 882 820
Finance Management Grant (See Note 24.4)	1 179 867	872 325
Library Services - Carnegie Corporation Grant (See Note 24.5)	0	0
SMME - Development (See Note 24.6)	0	0
Project Consolidate (See Note 24.7)	0	0
Disaster Management Grant (See Note 24.8)	0	0
Municipal Infrastructure Grant (See Note 24.9)	1 563 380	1 372 368
Ploughing Fields (See Note 24.10)	0	0
Project Generation (DEAET) (See Note 24.11)	0	0
Amphitheatre - Uitenhage - UDDI (See Note 24.12)	0	0
National Treasury - Accreditation of Municipalities (See Note 24.13)	4 867 349	2 251 638
Fuel Levy (See Note 24.14)	0	0
2010 Soccer World Cup Stadium (See Note 24.15)	0	11 682 959
Walmer Youth Development Project (See Note 24.16)	0	0
HIV / AIDS Columbia University Project (See Note 24.17)	1 532 339	4 613 207
Provincial Government Grants (See Note 24.18)	5 747 000	4 500 000
Public Transport Infrastructure Grant (See Note 24.19)	16 425 609	5 147 135
DME Subsidy on Connections (See Note 24.20)	0	0
EU Sector Policy Support Project (See Note 24.21)	2 546 040	11 014 801
Energy-Special Projects (See Note 24.22)	40 380 734	7 995 549
Other Grants (See Note 24.23)	9 540 568	16 333 717
Government Grant Revenue (See Note 24.24)	925 523 552	500 977 507
National Lotteries Grant (See Note 24.25)	0	10 665 937
Water Demand Management Grant (See Note 24.26)	0	7 873 281
Neighbourhood Partnership Development Grant (See Note 24.27)	0	0
Refer to Restatement Note 40.10	2 143 823 390	1 474 667 536

24.1 PHB Subsidies

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

Balance at beginning of year	10 443 898	46 948 386
Current year receipts	306 243 705	310 688 751
Funding of Operating Projects	0	(68 336 935)
Transferred to Other Income	0	0
Debtor raised	178 334 636	161 874 778
Conditions met - Transferred to revenue	(324 517 676)	(240 153 800)
Reversal of prior year accrual	(161 874 778)	(200 577 282)
Conditions still to be met - transferred to liabilities	8 629 785	10 443 898

24.2 Health Subsidies

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

Balance at beginning of year	1 240 134	422 560
Current year receipts	94 714 454	50 139 336
Funding of Operating Projects	0	0
Debtor raised	59 009 543	2 942 386
Conditions met - Transferred to revenue	(151 985 478)	(46 330 492)
Reversal of prior year accrual	(2 942 386)	(5 933 656)
Conditions still to be met - transferred to liabilities	36 267	1 240 134

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2012 R	Restated 2011 R
24.3 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Balance unspent at beginning of year	0	0
Current year receipts	656 653 000	602 882 820
Conditions met - Transferred to revenue	(656 653 000)	(602 882 820)
Conditions still to be met - transferred to liabilities	0	0
24.4 Finance Management Grant		
This grant is used in the financial reform project under the guidance of National Treasury.		
Balance unspent at beginning of year	0	0
Current year receipts	1 250 000	1 000 000
Funding of Capital Projects	0	(127 675)
Conditions met - Transferred to Other Income - VAT portion	(70 133)	(70 133)
Conditions met - Transferred to revenue	(1 179 867)	(872 325)
Conditions still to be met - transferred to liabilities	0	0
24.5 Library Services - Carnegie Corporation Grant		
This Grant is used in the provision of books and services in the NMBM's libraries.		
Balance unspent at beginning of year	0	841 621
Current year receipts	0	0
Interest received	0	23 012
Grant paid back to National Treasury - Interest portion	0	(864 633)
Conditions still to be met - transferred to liabilities	0	0
24.6 SMME - Development		
This Subsidy is used for the development of Small businesses in the Metropolitan Area.		
Balance unspent at beginning of year	192 500	192 500
Current year receipts	0	0
Funding of Capital Projects	0	0
Conditions met - Transferred to revenue	(192 500)	0
Conditions still to be met - transferred to liabilities	0	192 500

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)

2012
R

Restated 2011
R

24.7 Project Consolidate

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

Balance unspent at beginning of year	0	84 492
Current year receipts	0	0
Funding of Capital Projects	0	0
Transferred to Other Income	0	(84 492)
Conditions still to be met - transferred to liabilities	0	0

24.8 Disaster Management Grant

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

Balance unspent at beginning of year	0	0
Current year receipts	0	0
Debtor Raised	0	0
Conditions met - Transferred to revenue	0	0
Funding of Capital Projects	0	0
Reversal of prior year accrual	0	(3 076 717)
Debt impaired	0	3 076 717
Conditions still to be met - transferred to liabilities	0	0

24.9 Municipal Infrastructure Grant

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

Balance unspent at beginning of year	1 494 413	496 772
Current year receipts		182 532 000
Funding of Capital Projects	68 967	(180 161 991)
Conditions met - Transferred to revenue	(1 563 380)	(1 372 368)
Conditions still to be met - transferred to liabilities	0	1 494 413

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2012 R	Restated 2011 R
24.10 Ploughing Fields		
This Grant is used to promote Economic development.		
Balance unspent at beginning of year	0	26 545
Current year receipts	0	0
Funding of Capital Projects	0	0
Transferred to Other Income	0	(26 545)
Conditions still to be met - transferred to liabilities	0	0
24.11 Project Generation(DEAET)		
This Grant is used to promote Economic development.		
Balance unspent at beginning of year	0	7 016 230
Current year receipts	0	0
Funding of Capital Projects	0	0
Transferred to Other Income	0	(7 016 230)
Conditions still to be met - transferred to liabilities	0	0
24.12 Amphitheatre - Uitenhage - UDDI		
This Grant is used to promote Economic development in the Uitenhage and Despatch Development Initiative.		
Balance unspent at beginning of year	3 773 525	3 815 178
Current year receipts	0	0
Interest transferred to Other Income	0	(41 653)
Conditions met - Transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	3 773 525	3 773 525
24.13 National Treasury - Accreditation of Municipalities		
This Grant is used for capacity building of employees in the NMBM's Housing and Land Directorate.		
Balance unspent at beginning of year	5 465 028	3 716 666
Current year receipts	4 999 999	4 000 000
Funding of Capital Projects	0	0
Conditions met - Transferred to revenue	(4 867 349)	(2 251 638)
Conditions still to be met - transferred to liabilities	5 597 678	5 465 028
24.14 Fuel Levy		
This Grant is to compensate for loss of revenue due to the abolishment of RSC Levies and therefore replaces the RSC Levies Replacement Grant		
Balance unspent at beginning of year	0	0
Current year receipts	0	391 668 000
Funding of Capital Projects	0	0
Conditions met - Transferred to Other Income	0	(391 668 000)
Conditions still to be met - transferred to liabilities	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2012 R	Restated 2011 R
24.15 2010 Soccer World Cup Stadium		
This Grant is used to fund the building of the 2010 Soccer World Cup Stadium.		
Balance unspent at beginning of year	0	33 988 642
Current year receipts	0	2 658 193
Funding of Capital Projects	0	(24 963 876)
Conditions met - Transferred to revenue	0	(11 682 959)
Conditions still to be met - transferred to liabilities	0	0
24.16 Walmer Youth Development Project		
This Grant is used for Youth Development.		
Balance unspent at beginning of year	53 623	53 623
Current year receipts	0	0
Funding of Capital Projects	0	0
Conditions met - Transferred to Other Income	(53 623)	0
Conditions still to be met - transferred to liabilities	0	53 623
24.17 HIV/AIDS Columbia University Project		
This Grant is used for HIV / AIDS projects.		
Balance unspent at beginning of year	0	0
Current year receipts	2 563 433	3 582 113
Funding of Operating Projects	0	0
Debtor's accrual raised	0	1 031 094
Conditions met - Transferred to revenue	(1 532 339)	(4 613 207)
Reversal of prior year accrual	(1 031 094)	0
Conditions still to be met - transferred to liabilities	0	0
24.18 Provincial Government Grants		
This grant is received from the Provincial Government and used to subsidise Libraries.		
Balance at beginning of year	0	0
Current year receipts	0	4 500 000
Funding of Capital Projects	0	0
Conditions met - Transferred to revenue	0	(4 500 000)
Conditions still to be met - transferred to liabilities	0	0
24.19 Public Transport Infrastructure Grant		
This Grant is received from National Treasury for upgrading of infrastructure to support the 2010 World Cup Stadium.		
Balance unspent at beginning of year	168 904 002	0
Current year receipts	320 000 000	428 333 000
Funding of Capital Expenditure	(71 953 033)	(108 644 114)
Debtor Raised	0	0
Reversal of prior year accrual	0	(130 338 781)
Conditions met - Transferred to Other Income - VAT portion	(9 910 582)	(15 298 968)
Conditions met - Transferred to revenue	(16 425 609)	(5 147 135)
Conditions still to be met - transferred to liabilities	390 614 778	168 904 002

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2012 R	Restated 2011 R
24.20 DME Subsidy on Electricity Connections		
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	0
Current year receipts	25 000 000	20 000 000
Funding of Capital Projects	(25 000 000)	(19 085 177)
Debtor Raised	0	0
Reversal of prior year accrual	0	(914 823)
Conditions still to be met - transferred to liabilities	0	0
24.21 EU Sector Policy Support Project		
This Grant is received from the European Union to fund various authorised developmental projects.		
Balance unspent at beginning of year	2 763 365	24 292 923
Current year receipts	0	0
Funding of Capital Projects	0	(10 577 306)
Conditions met - Transferred to revenue	(2 546 040)	(11 014 801)
Transferred to Other Income	0	(580 075)
Interest allocated	68 457	642 624
Conditions still to be met - transferred to liabilities	285 782	2 763 365
24.22 Energy Efficiency & Demand Side Management		
This Grant is used to fund Energy Efficient Electricity Projects		
Balance unspent at beginning of year	35 948 515	20 063 441
Current year receipts	10 000 000	25 000 000
Funding of Capital Projects	0	0
Conditions met - Transferred to Other Income - VAT portion	(5 567 781)	(1 119 377)
Conditions met - Transferred to revenue	(40 380 734)	(7 995 549)
Conditions still to be met - transferred to liabilities	0	35 948 515
24.23 Other Grants		
These are grants received by the NMBM for various purposes.		
Balance unspent at beginning of year	29 825 540	63 016 132
Current year receipts	468 277 034	30 784 296
Funding of Capital Projects	(290 427 555)	(20 506 628)
Funding of Operating Projects	(27 847 158)	(65 698 435)
Transferred to Other Income	0	0
Debtor raised	0	75 818 432
Reversal of prior year accrual	(75 818 432)	(75 441 380)
Debt impaired	0	38 186 840
Conditions met - Transferred to revenue	(9 540 568)	(16 333 717)
Conditions still to be met - transferred to liabilities	94 468 861	29 825 540
24.24 Government Grant Revenue		
Funding of Capital Projects	925 523 552	500 977 507
Conditions met - Transferred to revenue	(925 523 552)	(500 977 507)
Conditions still to be met - transferred to liabilities	0	0
24.25 National Lotteries Grant		
This grant is used to fund Art and Culture programmes		
Balance unspent at beginning of year	5 605 040	0
Current year receipts	0	18 948 694
Funding of Operating Projects	0	0
Conditions met - Transferred to revenue	0	(10 665 937)
Debtor raised	0	0
Reversal of prior year accrual	0	(2 677 717)
Conditions still to be met - transferred to liabilities	5 605 040	5 605 040
24.26 Water Demand Management Grant		
This grant is used to fund Water Demand Management initiatives		
Balance unspent at beginning of year	0	0
Current year receipts	0	12 729 092
Funding of Capital Projects	0	(2 257 438)
Debtor raised	0	2 000 000
Reversal of prior year accrual	0	(4 598 373)
Conditions met - Transferred to revenue	0	(7 873 281)
Conditions still to be met - transferred to liabilities	0	0
24.27 Neighbourhood Partnership development Grant		
This grant is used for the urban renewal of townships		
Balance unspent at beginning of year	18 363 857	0
Current year receipts	15 000 000	68 697 115
Funding of Capital Projects	(33 010 999)	(42 899 924)
Debtor raised	0	0
Reversal of prior year accrual	0	(7 433 334)
Conditions met - Transferred to revenue	(352 858)	0
Conditions still to be met - transferred to liabilities	0	18 363 857
25 OTHER INCOME	R	R
Sale of Land	1 003 637	4 195 812
Fees and Charges	106 786 450	153 255 414
Grave Income	4 230 090	3 106 028
Public Contributions and Donations Revenue	12 310 663	17 011 591
Fuel Levy	419 132 000	391 668 000
Insurance Claims	0	176 578
Government Grants - VAT recognised	96 124 688	21 807 716
Other Income	58 769 289	180 167 903
	698 356 817	771 389 042
Refer to Restatement Note 40.4		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26 EMPLOYEE RELATED COSTS

	2012	Restated 2011
	R	R
Employee related costs - Salaries and Wages	1 157 219 445	1 104 612 412
Employee related costs - Contributions for UIF, pensions and medical aids	442 550 156	561 835 072
Travel, motor car, accommodation, subsistence and other allowances	112 265 845	97 186 647
Housing benefits and allowances	8 046 417	8 265 888
Overtime payouts	74 037 655	72 263 953
Performance bonus	19 655 932	16 578 835
Long-service Awards	29 601 161	26 592 350
	1 843 376 611	1 887 335 157
Refer Restatement Note 40.3		
Remuneration of the Municipal Manager - G Richards		
Annual Remuneration	0	349 988
Performance Bonuses	0	0
Car allowance	0	32 000
UIF, Medical, Pension Funds etc.	0	499
Total	0	382 487
Remuneration of the Acting Municipal Manager - E Ntoba		
Annual Remuneration	348 734	1 119 516
Performance Bonuses	0	0
Car allowance	0	0
UIF, Medical, Pension Funds etc.	0	1 497
Total	348 734	1 121 013
Remuneration of the Acting Municipal Manager - T Hani		
Annual Remuneration	250 903	0
Performance Bonuses	0	0
Car allowance	0	0
UIF, Medical, Pension Funds etc.	0	0
Total	250 903	0
Remuneration of the Chief Financial Officer		
Annual Remuneration	657 989	779 616
Performance Bonuses	0	0
Car allowance	106 400	159 600
UIF, Medical, Pension Funds etc.	7 118	139 844
Total	771 507	1 079 060
Remuneration of the Chief Operating Officer		
Annual Remuneration	997 134	788 292
Performance Bonuses	0	0
Car allowance	144 000	144 000
UIF, Medical, Pension Funds etc.	10 790	132 974
Total	1 151 924	1 065 266
Remuneration of the Chief of Staff		
Annual Remuneration	1 109 601	964 788
Performance Bonuses	0	0
Car allowance	0	0
UIF, Medical, Pension Funds etc.	11 401	51 318
Total	1 121 002	1 016 106
Remuneration of Individual Executive Directors		
Corporate Services		
Annual Remuneration	911 189	920 088
Performance Bonus	0	0
Car Allowance	110 000	120 000
UIF, Medical, Pension Funds etc.	11 765	1 497
	1 032 954	1 041 585
Economic Development and Recreational Services		
Annual Remuneration	1 042 629	773 052
Performance Bonus	0	0
Car Allowance	120 000	120 000
UIF, Medical, Pension Funds etc.	1 497	100 432
	1 164 126	993 484

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

26 EMPLOYEE RELATED COSTS (Continued)	2012 R	Restated 2011 R
Public Health		
Annual Remuneration	983 328	921 211
Performance Bonus	0	0
Car Allowance	120 000	120 000
UIF, Medical, Pension Funds etc.	12 291	1 497
	1 115 619	1 042 708
Human Settlements		
Annual Remuneration	0	344 112
Performance Bonus	0	0
Car Allowance	0	40 000
UIF, Medical, Pension Funds etc.	0	14 499
	0	398 611
Infrastructure and Engineering		
Annual Remuneration	0	829 717
Performance Bonus	0	0
Car Allowance	0	121 000
UIF, Medical, Pension Funds etc.	0	1 497
	0	952 214
Strategic Programmes Unit		
Annual Remuneration	910 721	842 088
Performance Bonus	0	0
Car Allowance	120 000	120 000
UIF, Medical, Pension Funds etc.	78 000	79 557
	1 108 721	1 041 645
2010 FIFA World Cup South Africa		
Annual Remuneration	537 446	887 196
Performance Bonus	0	0
Car Allowance	70 000	120 000
UIF, Medical, Pension Funds etc.	873	101 901
	608 319	1 109 097

The Chief financial officer position has been vacant since 1 March 2012.
The Corporate Services Executive Director position has been vacant since 1 June 2012.
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 1 April 2010.
The Infrastructure and Engineering Executive Director position has been vacant since 1 June 2011.

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

27 REMUNERATION OF COUNCILLORS	2012 R	Restated 2011 R
Mayor's Remuneration	1 022 469	938 624
Deputy Mayor's Remuneration	810 623	773 051
Speaker's Remuneration	804 712	702 264
Councillors' Remuneration	45 589 914	41 257 179
Telephone Allowances	1 512 756	1 382 186
	49 740 474	45 053 304

In-kind Benefits

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

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

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

28 BAD DEBTS

Bad debts consists of the following:

Bad debts expense

Bad debts previously provided for

Bad debts incurred in current year - not provided for

251 152 844	119 609 305
251 152 844	114 057 887
0	5 551 418

Net Contribution to doubtful debts

Contribution to doubtful debts (inclusive of VAT)

Less: VAT portion

Contribution to doubtful debts (excluding VAT)

Less: Bad debts previously provided for

5 982 954	402 867 642
275 688 199	604 368 824
18 573 823	75 061 837
257 114 376	529 306 987
251 152 844	114 057 887
5 961 532	415 249 100
21 422	(508 404)
0	11 873 054

Add: Bad debts - levies debtors

Less: Bad debts now funded from the provision

Refer to Restatement Note 40.5

257 135 798	522 476 947
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29 FINANCE CHARGES

Interest on External Loans

Interest on Government Grants and Creditors

199 871 149	174 719 874
3 688 819	3 775 979

Refer to Restatement Note 40.6

203 559 968	178 495 853
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30 BULK PURCHASES

Electricity

Water

1 915 652 397	1 511 442 010
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56 700 322	55 605 248
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Refer to Restatement Note 40.8

1 972 352 719	1 567 047 258
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31 GRANTS AND SUBSIDIES PAID

Grants in aid

Grants to Entities

Grants to Individuals

Grants to Other Organisations

5 647 331	7 116 663
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19 014 533	(57 064 031)
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254 913 288	265 134 163
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16 234 135	15 352 425
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Refer to Restatement Note 40.25

295 809 287	230 539 220
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	Restated 2011
	R	R
32 CASH GENERATED FROM OPERATIONS		
Surplus for the year	575 460 343	93 853 167
Adjustment for:-		
Investment income	(179 000 810)	(129 793 843)
Contribution to bad debts provision	(24 556 779)	(525 323 832)
Contribution for Obsolete inventory	1 687 716	(20 320)
Gain on disposal of PPE	0	(1 698 397)
Loss on disposal of PPE	17 430 969	5 056 521
Depreciation - Property, plant and equipment	669 577 336	440 305 242
Depreciation - Investment Property	5 387 956	2 638 502
Amortisation	87 829 277	85 932 413
Interest paid	204 089 164	177 629 732
Contribution to provisions - non-current	158 313 705	277 322 459
Contribution to provisions - current	46 426 225	103 796 086
(Decrease) in non-current provisions	(45 569 919)	(49 585 535)
Unrealised gain to Sanlam shares	(335 126)	(192 319)
Impairment of PPE	109 210 754	920 000
Operating Surplus before working capital changes	1 625 950 811	480 839 876
(Increase)/Decrease in Inventory	(1 976 886)	20 104 468
(Increase)/Decrease in debtors	(16 221 062)	678 942 815
(Increase)/Decrease in other debtors	20 897 062	126 620 008
(Increase)/Decrease in VAT	(9 141 260)	52 724 193
(Decrease)/Increase in Unspent conditional grants and receipts	224 938 276	95 516 077
Increase in Creditors	151 258 921	(356 701 900)
	1 995 705 862	1 098 045 537
33 CASH AND CASH EQUIVALENTS		
Short-term Investment Deposits	987 219 306	296 992 369
Bank balances and cash	131 742 897	130 665 052
Total Cash and Cash Equivalents	1 118 962 203	427 657 421
34 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	0	470 000 000
Loans repaid	(92 058 228)	(88 858 738)
	(92 058 228)	381 141 262
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
35.1 Contributions to organised local government		
Opening balance	0	0
Council subscriptions	9 999 846	9 498 601
Amount paid - current year	(9 999 846)	(9 498 601)
Balance unpaid (included in creditors)	0	0
35.2 Audit Fees		
Opening balance	0	0
Current year audit fee	8 485 865	8 873 609
Amount paid - current year	(8 485 865)	(8 873 609)
Amount paid - previous year	0	0
Balance unpaid (included in creditors)	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2012 R	Restated 2011 R
35.3 VAT		
VAT inputs and VAT output are shown in note 18. All VAT returns have been submitted by the due date throughout the year.		
35.4 PAYE and UIF		
Opening balance	16 496 636	15 854 281
Current year payroll deductions	221 320 903	212 846 209
Amount paid - current year	(204 146 826)	(196 349 573)
Amount paid - previous year	(16 496 636)	(15 854 281)
Balance unpaid (included in creditors)	17 174 077	16 496 636
35.5 Pension and Medical Aid Deductions		
Opening balance	0	0
Current year payroll deductions and Council Contributions	436 387 852	392 705 517
Amount paid - current year	(436 387 852)	(392 705 517)
Balance unpaid (included in creditors)	0	0
35.6 Skills Development Levy		
Opening balance	1 028 486	907 083
Current year payroll deductions	13 222 798	11 892 060
Amount paid - current year	(12 040 250)	(10 863 574)
Amount paid - previous year	(1 028 486)	(907 083)
Balance unpaid (included in creditors)	1 182 548	1 028 486
OTHER ADDITIONAL DISCLOSURES:		
35.7 Impairment		
Impairment of Land due to a decrease in the valuation as per the general valuation roll	109 210 754	42 183 558
R93 075 517 relates to the "new billing system" which has now been impaired as no future service potential is foreseen.		
35.8 Loss on disposal of Property, plant and equipment		
Loss on disposal of property, plant and equipment	17 430 969	5 056 521
35.9 Gain on disposal of Property, plant and equipment		
Gain on disposal of property, plant and equipment	0	1 698 397
35.10 Water losses		
The NMBM suffered water losses of 25,434 megalitres (27,8%) amounting to R167,8 million (2011: 22,961 megalitres (26,2%) amounting to R135,9 million) during the year. Various water demand management interventions are being implemented to curb water losses.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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:

30 June 2012

	R <u>Total</u>	R <u>Outstanding less than 90 days</u>	R <u>Outstanding more than 90 days</u>
Councillor J A Arends	5	5	0
Councillor X S Banga	183	183	0
Councillor V G Dyantyi	622	622	0
Councillor T M Herbst	191	190	1
Councillor T M Jacobs	574	574	0
Councillor Z W Jodwana	692	232	460
Councillor L Y Kwitsana	238	238	0
Councillor P Lose	1 615	168	1 447
Councillor M S Madlavu	122	119	3
Councillor M C Mtanga	192	192	0
Councillor G Rautenbach	1	1	0
Councillor L B Stemele	947	145	802
Councillor L Troon	1 570	1 515	55
Councillor Z G Wayile	234	234	0
	7 186	4 418	2 768

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

30 June 2011

	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
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 Ngonyama	8	8	0
Councillor L B Stemele	752	130	622
Councillor N R Tontsi	1 122	1 122	0
	4 881	3 269	1 612

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2012 R	Restated 2011 R
36.2 List of Entities and related transactions		
Solely-controlled entities		
The following entity are solely controlled by the NMBM and have received the following grants:		
1. Nelson Mandela Bay Development Agency (excluding VAT)	<u>63 680 444</u>	<u>19 952 872</u>

Section 57 Employees (See note 26)

Other Organisations

The Organisations have received the following grants/ payments:

1. Uitenhage Despatch Development Initiative	4 593 200	4 333 199
2. Nelson Mandela Bay Tourism	11 561 870	10 907 420
3. UITESCO	0	1 196 429
Grants/ payments to Other Organisations	<u>16 155 070</u>	<u>16 437 048</u>

The only related party loan in the current and prior year is 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	
			2012	2011
J Sigonyela	Umziwoxolo Construction CC	Spouse is a member of the CC	138 430	111 562
E Boezio	Nursing Wise CC	Spouse is a member of the CC	15 561 501	11 512 844

Mr E Boezio retired during the 2012 financial year

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.

13 434 500 10 949 822

36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2011/12 financial year are detailed as follows in terms of section 36 (1) (a) of the Supply Chain Management Policy:

	2012		2011	
	No. of Tenders	Payments made	No. of Tenders	Payments made
(i) In an emergency;	1	143 400	0	0
(ii) If such goods or services are produced or available from a single provider only;	0	0	6	4 333 004
(iii) For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;	0	0	5	6 123 893
(iv) Acquisition of animals for zoos and/ or nature and game reserves; or	0	0	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	67	337 229 157	141	247 511 408
36 (1) (b) - Ratify any minor breaches of the procurement processes.	1	30 122		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
37 CAPITAL COMMITMENTS		
Approved and contracted for	768 031 275	262 246 029
Infrastructure	725 807 385	227 501 874
Community	42 223 890	34 744 155
Other	0	0
Approved but not yet contracted for	566 761 093	0
Infrastructure	557 248 850	0
Community	9 512 243	0
Total	1 334 792 368	262 246 029
This expenditure will be financed from:		
Capital Replacement Reserve	0	4 821 048
Grants and Subsidies	0	45 115 718
External Finance Fund	0	135 347 155
RSC Levies	333 698 092	2 653 866
Urban Settlements Development Grant (USDG)	1 001 094 276	74 308 242
Consolidated Municipal Infrastructure Programme	0	0
Total	1 334 792 368	262 246 029
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (See Note 3)	1 831 454 589	1 923 512 817
Used to Finance property, plant and equipment - at cost	1 831 454 589	1 923 512 817
Sub-total	0	0
Cash set aside for the repayment of long-term liabilities (See Note 3)	97 282 756	92 054 673
39 FINANCIAL RISK MANAGEMENT		
Interest rate risk		
The NMBM is not exposed to interest rate risk on its financial liabilities. All of the NMBM'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 NMBM invests its surplus funds in fixed interest rate deposits with banks for fixed terms not exceeding one year.		
Liquidity risk		
The liquidity risk is the risk that the NMBM is not able to settle its obligations. The NMBM manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. The NMBM has secured standby credit facilities in the form of an overdraft facility with its 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 NMBMs 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 NMBM can be required to pay. The table includes both estimated interest and principal cash flows.		
Trade payables		
1-3 months	1 065 899 025	957 637 028
> 3 months	121 291 850	80 647 762
Other payables		
1-3 months	185 756 838	163 225 602
> 3 months	49 664 085	43 941 090
Long term borrowings		
< 12 months	97 282 756	92 054 673
> 12 months	1 745 093 905	1 841 851 020
Credit risk		
The 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.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Restated 2011
R

40 RESTATED PRIOR YEAR COMPARATIVES

Consists of the following:

Changes due to Accounting Standards and National Treasury Circulars:

Increase in other Income	413 475 715
Decrease in Government Grants and Subsidies	-391 668 000
Increase in finance charges	-866 121
Decrease in General Expenses	1 762 872

22 704 466

Prior Period Errors:

Net effect of prior period errors - see details below

111 560 249

Net effect on surplus

134 264 715

Statement of Financial Performance

40.1 Deficit for the year

Balance as per audited financial statements

(40 411 548)

Net effect on surplus

134 264 715

General expenses (Refer 40.2)	-5 443 139
Employee Related Costs (Refer 40.3)	26 223
Other Income (Refer 40.4)	413 477 180
Bad Debts (Refer 40.5)	31 788 155
Finance Charges (Refer 40.6)	-866 121
Repairs and Maintenance (Refer 40.7)	48 408
Bulk Purchases (Refer 40.8)	8 039 552
Contracted Services (Refer 40.9)	-750 876
Government Grants and Subsidies (Refer 40.10)	-394 304 066
Depreciation (Refer 40.21)	5 232 496
Grants and Subsidies paid (Refer 40.25)	77 016 903

93 853 167

Restated surplus for 2010/11

40.2 General Expenses

Balance as per Audited financial statements

725 610 513

Transfer from Bulk Purchases	8 039 552
Transfer from Inventory	6 703 482
Transfer to Contracted Services	-750 876
Transfer to Creditors	-282 580
Transfer from Finance charges and Creditors	-1 762 872
Transfer to Property, plant and equipment	-6 503 567

731 053 652

Expenditure in the amount of R8 039 552 was incorrectly allocated to Bulk Purchases.

Expenditure in the amount of R6 703 482 was incorrectly double accounted for.

Expenditure in the amount of R750 876 was incorrectly linked to General Expenses.

Expenditure in the amount of R282 580 was incorrectly accrued.

Fair Value adjustment in terms of GRAP 104 affecting both Finance charges and Creditors in the amount of R1 762 872

Library books previously expensed now capitalised in the amount of R6 503 567

40.3 Employee Related Costs

Balance as per Audited financial statements

1 887 361 380

Transfer to Other Debtors

-26 224

1 887 335 156

Expenditure in the amount of R26 224 relating to overpayment of salaries have now been accrued.

40.4 Other Income

Balance as per Audited financial statements

357 911 862

Transfer from Government Grants and Subsidies	391 668 000
Transfer from Unspent Government Grants	16 418 344
Transfer from Other Debtors	5 389 371
Transfer from Donations and Public Contributions	1 465

771 389 042

Fuel levy in the amount of R391 668 000 has been recategorised to Other Income from Government Grants and Subsidies, in terms of National Treasury Circular 58.

VAT in the amount of R16 418 344 and R5 389 371 has now been funded from the Unspent Government Grant and recognised as Other Income, in terms of National Treasury Circular 48.

Depreciation for Property, plant and equipment in the amount of R10 036 120 was incorrectly stated due to the calculation done by the Auditor General.

40.5 Bad Debts

Balance as per Audited financial statements

554 265 102

Transfer from Consumer Debtors

-31 788 154

522 476 948

The provision for bad debts has been re-calculated, based on a more scientific approach for the calculation.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2011 R
40.6 Finance Charges	
Balance as per Audited financial statements	177 629 732
Transfer from General Expenses	866 121
	<u>178 495 853</u>
The interest portion in the amount of R866 121 was calculated based on the Fair Value adjustment in terms of GRAP 104.	
40.7 Repairs and Maintenance	
Balance as per Audited financial statements	415 637 700
Transfer from Creditors	-48 409
	<u>415 589 291</u>
Expenditure in the amount of R48 409 was incorrectly accrued.	
40.8 Bulk Purchases	
Balance as per Audited financial statements	1 575 086 810
Transfer to General Expenses	-8 039 552
	<u>1 567 047 258</u>
Expenditure in the amount of R8 039 552 was incorrectly allocated to Bulk Purchases.	
40.9 Contracted Services	
Balance as per Audited financial statements	144 271 438
Transfer from General Expenses	750 876
	<u>145 022 314</u>
Expenditure in the amount of R750 876 was incorrectly allocated to General Expenses.	
40.10 Government Grants and Subsidies	
Balance as per Audited financial statements	1 868 971 603
Transfer to Other Income	-391 668 000
Transfer to Other Debtors	-4 636 067
Transfer from Other Debtors	2 000 000
	<u>1 474 667 536</u>
Fuel levy in the amount of R391 668 000 has been recategorised to Other Income from Government Grants and Subsidies in terms of National Treasury Circular 58.	
Grant Income in the amount of R4 636 067, has now been reversed as the related expenditure should have been funded from the Equitable Share.	
Expenditure in the amount of R2 000 000 has now been funded from the Water Demand Management Grant received in the 2011/12 financial year relating to expenditure incurred in the 2010/11 financial year.	
<u>Statement of Financial Position</u>	
40.11 Accumulated Surplus	
Closing Balance as per audited financial statements	3 607 569 279
Increase in Surplus (Refer to Note 40.1)	134 264 715
Transfer from Unspent Government Grants	1 220 279
Transfer to Other Debtors	-32 092 817
Transfer to COID	-1 038 200
Transfer to Government Grant Reserve	-9 704 213
Transfer from Property, plant and equipment	57 787 974
Restated Closing Balance	<u>3 758 007 017</u>
VAT in the amount of R1 220 279 has been funded from the Unspent Government Grant and recognised as Other Income, in terms of National Treasury Circular 48 relating to the 2009/10 financial year.	
Grant Income in the amount of R32 092 817, has now been reversed as the related expenditure should have been funded from the Equitable Share, relating to the 2009/10 financial year.	
Contributions to the COID fund in the amount of R1 038 200 was not previously recorded.	
Depreciation on Property, plant and equipment was incorrectly reflected due to the calculation done by the Auditor General, resulting in an overstatement of R9 704 213.	
Library books has now been capitalised in the amount of R59 487 916	
40.12 Vat suspense	
Balance as per Audited financial statements	28 235 674
Transfer from General Expenses	-38 681
Transfer from Repairs and Maintenance	-6 091
Transfer from Bad Debts	-3 724 195
Transfer from VAT accrual	-2 409 180
	<u>22 057 527</u>
VAT in the amounts of R38 681 and R6 091 respectively, was incorrectly accrued on Expenditure in the amounts of R282 580 and R48 409.	
VAT in the amount of R3 724 195 relating to the provision for bad debts has been re-calculated based on a more scientific approach for the calculation.	
VAT on deposit appropriations in the amount of R2 409 180 has been reversed.	

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Restated 2011
R

40.13 Creditors

Balance as per Audited financial statements	1 246 360 104
Transfer from General Expenses	-321 261
Transfer from General Expenses	-896 750
Transfer from Repairs and Maintenance	-54 499
Transfer from Other Debtors	363 889

1 245 451 483

Expenditure in the amount of R321 261 was incorrectly accrued.

The interest portion in the amount of R896 750 was calculated, based on the Fair Value adjustment in terms of GRAP 104.

Expenditure in the amount of R54 499 was incorrectly accrued.

Expenditure in the amount of R363 889, relates to fringe benefit taxation on housing provided for certain employees.

40.14 Unspent Government Grants

Balance as per Audited financial statements	301 712 064
Transfer to Other Income	-16 418 344
Transfer to Accumulated Surplus	-1 220 279

284 073 441

VAT in the amount of R16 418 344 has now been funded from the Unspent Government Grant and recognised as Other Income, in terms of National Treasury Circular 48.

VAT in the amount of R1 220 279 has been funded from the Unspent Government Grant and recognised as Other Income, in terms of National Treasury Circular 48 relating to the 2009/10 financial year.

40.15 Consumer debtors

Balance as per Audited financial statements	446 368 265
Transfer from Bad Debts	35 512 349

481 880 614

The provision for bad debts has been re-calculated, based on a more scientific approach for the calculation.

40.16 VAT accrual

Balance as per Audited financial statements	16 958 349
Transfer from VAT suspense	2 409 180

19 367 529

VAT on deposit appropriations in the amount of R2 409 180 has been reversed.

40.17 COID

Balance as per Audited financial statements	11 772 619
Transfer from Accumulated Surplus	1 038 200

12 810 819

Contributions to the COID fund in the amount of R1 038 200 not previously recorded.

40.18 Inventory

Balance as per Audited financial statements	114 679 786
Transfer to General Expenses	-6 703 481

107 976 305

Expenditure in the amount of R6 703 481 was incorrectly double accounted for.

40.19 Other Debtors

Balance as per Audited financial statements	390 715 481
Transfer from Creditors	363 889
Transfer from Employee Related Costs	26 224
Transfer from Other Income	5 389 371
Transfer to Government Grants and Subsidies	-4 636 067
Transfer to Accumulated Surplus	-32 092 817
Transfer from Government Grants and Subsidies	2 000 000

361 766 081

Expenditure in the amount of R363 889, relates to fringe benefit taxation on housing provided for certain employees.

Expenditure in the amount of R26 224 relating to overpayment of salaries, has now been accrued.

VAT in the amount of R5 389 371 has now been funded from the Unspent Government Grant and recognised as Other Income, in terms of National Treasury Circular 48.

Grant Income in the amounts of R4 636 067 and R32 092 817 respectively, has been reversed as the related expenditure should have been funded from Equitable Share allocation.

Expenditure in the amount of R2 000 000 has now been funded from the Water Demand Management Grant received in 2011/12 financial year, relating to expenditure incurred in the 2010/11 financial year.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Restated 2011
R

40.20 Property, plant and equipment	
Balance as per Audited financial statements	11 788 094 237
Transfer to Depreciation	10 036 120
Transfer from Grants and Subsidies paid	77 016 903
Transfer from Accumulated Surplus	59 487 917
Transfer to Investment Property and Intangible Assets	-7 253 406
	<u>11 927 381 771</u>

Accumulated Depreciation on Property, plant and equipment in the amount of R10 036 120 was incorrectly reflected, due to the calculation done by the Auditor - General.

Work in progress relating to capital assets in the amount of R77 016 903 constructed by MBDA, has now been accounted for under Property, plant and equipment

Library books has now been capitalised in the amount of R59 487 916

Property, plant and equipment in the amount of R6 730 021 and R523 385 have been transferred to Intangible Assets and Investment Property respectively.

40.21 Depreciation	
Balance as per Audited financial statements	528 876 157
Transfer from Property, plant and equipment	-10 036 120
Transfer from Property, plant and equipment	4 803 624
	<u>523 643 661</u>

Depreciation on Property, plant and equipment in the amount of R10 036 120, was incorrectly reflected due to the calculation done by the Auditor-General.

40.22 Capitalisation Reserve	
Balance as per Audited financial statements	1 105 583 042
Transfer to Government Grant Reserve	-6 865 012
	<u>1 098 718 030</u>

Depreciation on Property, plant and equipment was incorrectly reflected, due to the calculation done by the Auditor General and therefore resulted in an overstatement of R6 865 012

40.23 Donations and Public Contributions	
Balance as per Audited financial statements	292 020 459
Transfer to Government Grant Reserve	-92 691
Transfer to Other Income	-1 465
	<u>291 926 303</u>

Depreciation on Property, plant and equipment was incorrectly reflected, due to the calculation done by the Auditor General and therefore resulted in an overstatement of R94 156

40.24 Government Grant Reserve	
Balance as per Audited financial statements	3 596 281 453
Transfer from various reserves	16 661 916
	<u>3 612 943 369</u>

Depreciation on Property, plant and equipment was incorrectly reflected, due to the calculation done by the Auditor General and therefore resulted in an understatement of R16 661 916

40.25 Grants and Subsidies paid	
Balance as per Audited financial statements	307 556 124
Transfer to Property, plant and equipment	-77 016 903
	<u>230 539 221</u>

Work in progress relating to capital assets in the amount of R77 016 903, constructed by MBDA, has now been accounted for under Property, plant and equipment

40.26 Investment Property	
Balance as per Audited financial statements	71 230 952
Transfer from Property, plant and equipment	523 385
	<u>71 754 337</u>

Property, plant and equipment in the amount of R523 385 has been reclassified as Investment Property

40.27 Intangible Assets	
Balance as per Audited financial statements	430 471 666
Transfer from Property, plant and equipment	6 730 021
	<u>437 201 687</u>

Property, plant and equipment in the amount of R6 730 021 has been reclassified as Investment Property

41 CAPITALISATION OF LIBRARY BOOKS

Certain library books, which qualify as heritage assets, have not been recognised. The value of these books must still be determined. Library books are brought into account for the first time in the current financial year. The financial statements have been retrospectively adjusted. Cost has been determined with reference to the average cost of books within the same category.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

42 CHANGE IN ACCOUNTING ESTIMATE

2012 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.

2011 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.

**43 OPERATING LEASE COMMITMENTS
NMBM as Lessee**

R

R

Future minimum lease payments under non-cancellable operating leases:

Buildings

Payable within one year
Payable within two to five years
Payable after 5 years

1 070 491

10 996 184

1 011 706

9 925 693

58 785

1 070 491

0

0

Photocopier, fax machines and other equipment

Payable within one year
Payable within two to five years
Payable after 5 years

6 642 383

6 207 193

3 617 031

2 971 166

3 025 352

3 236 027

0

0

7 712 874

17 203 377

NMBM as Lessor

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

Land

Receivable within one year
Receivable within two to five years
Receivable after 5 years

15 720 000

16 200 000

480 000

480 000

1 920 000

1 920 000

13 320 000

13 800 000

Buildings

Receivable within one year
Receivable within two to five years
Receivable after 5 years

34 759 144

36 929 935

1 944 351

2 214 937

4 991 169

6 236 412

27 823 624

28 478 586

50 479 144

53 129 935

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2012	Restated 2011
	R	R
Opening Balance	148 433 511	85 324 378
Incurred during the year	47 439 409	64 831 557
Approved by Council	0	0
Transfer to receivables for recovery	0	(1 700 000)
Recoveries	(8 772)	(22 424)
Closing Balance	195 864 148	148 433 511

Incident/ Disciplinary steps / Criminal Proceedings

44.1 Unauthorized Expenditure

1 Unauthorized requisitioning of stock

Printer cartridges (held as stock items in municipal stores) to the value of approximately R1.938 million have been withdrawn on the basis of fraudulently completed requisitions. This amount was charged to the operating budget resulting in 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. A guilty verdict was obtained. Sanction will be given on 1 February 2012. No recoveries made as no property registered by the accused. 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.

2 Irregular expenditure incurred regarding the provision of catering services at the funeral of the late P. Ngingi

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 instalments are being deducted from the relevant employee salary and credited to vote 1474 - 5716.

Recovered

(8 772) (13 158)

Total

(8 772) (13 158)

44.2 Irregular Expenditure

1 Breach of the Supply Chain Management policy

The Supply Chain Management policy was not followed in procurement of services. The Official was disciplined and received a final written warning. The Expenditure was not processed and as such the amount disclosed was removed.

2 Theft of Municipal goods through irregular amendments to requisitions

Municipal officials altered requisitions after submission to the Stores and Purchasing Section. The case was reported to the SA Police for further investigation (refer CAS 12/10/2008). The criminal trial was postponed till 12 February 2012, but not completed. It continued on 4 to 6 June 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. Causes: An internal syndicate managed to override the internal control procedures and checking. There was a lack of supervision and control. Defense attorney passed away. Legal Aid will appoint another defense attorney. Provisionally remanded to 7 August for a Legal Aid attorney to be appointed. 30 more witnesses to lead. Case in progress.

3 Alleged irregularities in creditors and Supply Chain Management

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. Causes: 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. The Commercial Crime Unit (Hawks) and Asset Forfeiture Unit is co-operating. The process is diarized for the end of June 2012. (Case No. Humewood 850/2010)

4 Irregular payment to contractor

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.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012	Restated 2011
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)	R	R
44.2 Irregular Expenditure (Continued)		
5 Unauthorized changes to supplier banking details 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.		
6 Manipulation of overtime claims 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. Causes: Internal control - procedures and process deficiencies were identified and addressed, including inadequate supervisory checking and authorization. Recovered		(9 266)
7 Theft of Council Income An Agency Official misappropriated Council's cash takings. The Agency Official has been dismissed and the entity has agreed to reimburse Council. 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.		
8 Irregular expenditure as a result of tender irregularities 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. The relevant official resigned at the commencement of the disciplinary process. The AMM was advised to institute a civil recovery process.		
9 Irregular expenditure as a result of tender irregularities A supplier was paid for work allegedly performed for Council, whereas the Supply Chain Management Policy and regulations were not followed. The investigation uncovered inflated invoices and misrepresentation by the contractor, including fronting. This now renders the total amount claimed as irregular. The total amount paid is irregular, whilst R 8.1 Million is fruitless and wasteful. The full amount is, therefore disclosed as irregular. SAPS case 51/2/2012 opened. Causes: Inadequate contract management in the acquisition, work supervision and payment phases resulting in possible unauthorized and fruitless expenditure.		568 364
10 Irregular expenditure as a result of an irregular increase in contract value. 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 report is subject to review.		4 208 259
11 Irregular expenditure as a result of fronting. 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 payments to an approximate value of almost R 30 Million was made to the CC to date (November 2011). The CC was a front, resulting in the financial gain to him and his other business. The case was reported to the SAPS, case number: Humewood CAS 549/08/2011. Contract with CC cancelled by Council.	12 039 965	12 910 740
12 Fraud - Irregular payments made to a service provider for services rendered to Facilities Management. 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
13 Breach of the Supply Chain Management policy 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. 30 August 2012: Condoned by Council		
14 Breach of the Supply Chain Management policy 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)	

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)	R	R
44.2 Irregular Expenditure (Continued)		
15 Breach of the Supply Chain Management policy 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. 30 August 2012: R576 435 Condoned by Council		
16 Breach of the Supply Chain Management policy 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.		
17 Breach of the Supply Chain Management policy 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.		
18 Breach of the Supply Chain Management policy 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
19 Breach of the Supply Chain Management policy 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. 30 August 2012: R12 415 Condoned by Council		
20 Breach of the Supply Chain Management policy 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. 30 August 2012: R1 020 Condoned by Council		
21 Breach of the Supply Chain Management policy 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.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	Restated 2011
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)	R	R
44.2 Irregular Expenditure (Continued)		
22 Breach of the Supply Chain Management policy 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. 30 August 2012: Condoned by Council		
23 Breach of the Supply Chain Management policy A breach occurred relating to computer repairs (3 invoices) where services were rendered prior to the authorisation of the respective requisitions.		4 110
24 Breach of the Supply Chain Management policy 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. 30 August 2012: Condoned by Council		
25 Breach of the Supply Chain Management policy 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. 30 August 2012: Condoned by Council		1 406
26 Breach of the Supply Chain Management policy 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. 30 August 2012: Condoned by Council		1 447
27 Breach of the Supply Chain Management policy A breach occurred with respect to the procurement of certain goods and services via the informal tendering process whereby orders were split to avoid formal tendering processes.	0	2 120 234
28 Breach of the Supply Chain Management policy 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.	0	6 444 758
29 Breach of the Supply Chain Management policy 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.	18 454 673	23 068 206
30 Breach of the Supply Chain Management policy 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.	10 778 867	5 815 284
31 Beachview Resort Expenditure was incurred relating to a grant made for the upgrading of the Beachview Resort, which was not approved by council.	0	0
32 Irregular expenditure incurred due to fronting, collusive trading, cover quoting and splitting of invoices A Forensic investigation, completed recently, revealed that a senior official procured the services of a number of service providers and paid for the same in an irregular manner. He had a business interest in some of the service providers that included Events Companies. The investigation also established that Council paid for goods and services acquired for personal gain by the official.	0	265 460
33 Breach of the Supply Chain Management policy Several breaches occurred in the Electricity & Energy Directorate for the lease of photocopier machine and charges for copies made. In this instance, the breach arose because the Directorate had an annual standing order with said suppliers. However, these standing orders have been cancelled and the Directorate procured the services without submitting authorised requisitions to the CFO. The AMM reviewed the deviation and concluded that whilst the process was in contravention of paragraph 6.4 of the Policy, no fruitless and wasteful and unauthorised expenditure was incurred. It was recommended that no action be taken against the official concerned.	13 646	
34 Breach of the Supply Chain Management policy The Office of the Speaker incurred costs on behalf of the Council with respect to setting up the Election Centre at the Stadium and other related costs. The invoice and requisition were only completed and submitted after the event.		115 331

The AMM reviewed the deviation and concluded that whilst the process was in contravention of paragraph 6.4 of the Policy, no fruitless and wasteful and unauthorised expenditure was incurred as the Council required the services and there was no loss to Council.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012	Restated 2011
	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2 Irregular Expenditure (Continued)		
35 Breach of the Supply Chain Management policy		
Several breaches occurred in the Communication Sub-directorate for the procurement of the following services, namely: Videography and photography of an x-ray unit in Motherwell, the Mayor's 100-day programme and the President's visit at Nangoza Jebe Hall, distribution of flyers, video footage of the mayor, branded caps for youth day, photography and sound hire for the 2010 Host City branding and cold drinks for a media briefing. The requisition was completed after the event.	63 619	
For the items relating to the videography and photography: The AMM reviewed the deviation and concluded that whilst the process was in contravention of paragraph 6.4 of the Policy, no fruitless and wasteful and unauthorised expenditure was incurred as the Council required the services and there was no loss to Council. For the remaining items, the buyers were verbally reprimanded for approving the transactions without orders and requisitions.		
36 Breach of Supply Chain Management policy		219 680
The 2010 Fifa World Cup Directorate (since closed) breached the SCM policy in two instances due to lack of understanding of the SCM process and due to the full World Cup schedule. The Nangoza Jebe Hall and related services were procured for a World Cup Volunteer induction program and for a World Cup Volunteer gratitude function without the appropriate authorisations in place.		
The AMM concluded that in both instances the expenses were unauthorised as tender procedures were not followed. However, he concluded that the expenditure was not fruitless and wasteful or made in vain. In addition, there was sufficient budgetary provision and the Municipality suffered no loss.		
37 Breach of Supply Chain Management policy		89 720
The 2010 Fifa World Cup Directorate (since closed) entered into a contract with Green Room Designs to provide virtual tours for the NMBM and NMBT websites. The contract was for a value less than R200,000 and debited to the said Directorate's vote. In June 2011, unpaid invoices were identified. The budget has been overspent and the standing contract could not be used to pay these invoices. Budget & Treasury Directorate identified certain savings within their vote and a new requisition and order was completed for these invoices. The date of the requisition was after the event and invoices.		
The AMM concluded that no action was required because the problem had been resolved and would not recur because the Directorate no longer existed.		
38 Breach of Supply Chain Management policy		5 517 451
Revenue Management Sub-directorate incurred irregular expenditure in the period 1 April 2011 to 30 June 2011 when service providers continued to render services with valid contracts in respect of contracts that expired on 31 March 2011 prior to the approval of a deviation to re-appoint the service providers retrospectively.		
39 Breach of Supply Chain Management policy	36 000	
The Human Settlements Directorate obtained an order and procured the services of a catering company for a housing launch held on 11 February 2011. However, when payment was processed it was discovered that the appointed caterer was not on the approved service provider list. A deviation was requested to effect payment from the AMM.		
The AMM signed the deviation in December 2011. No recovery was required from the respective officials, however the Executive Director: Human Settlements was requested to caution the relevant officials to exercise vigilance when authorising requisitions.		
40 Breach of the Supply Chain Management policy		
Several instances with respect to transactions with Steiner Hygiene Services were noted where services were performed after the contract had expired.		
41 Breach of the Supply Chain Management policy	841	
The Infrastructure & Engineering Directorate procured the services of Atlas Security for monitoring of premises. The requisition was completed after the event.		
42 Breach of the Supply Chain Management policy		
Services and goods were procured for the Freedom Day 2009 celebrations but the required Supply Chain Management procedures were not followed. The requisition was completed after the event.		
Total	41 356 100	61 482 400

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	Restated 2011
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)	R	R
44.3 Fruitless and Wasteful Expenditure		
1 Cyber Fraud		
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 and criminal charging of the suspects is eminent. Steps have been taken to recover Council's full loss. It had been reported that the Criminal case is close to completion and it probable that Council will recover the entire loss. 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.		
2 Ekard sales		
Ekard sales totalling R500 000 have not been disclosed in the operating budget for 2006/2007 as the income was either collected and not banked, or was not received at all. The case was reported to the SA Police for further investigation (refer CAS 547/01/2007). The services of a suspect contract employee was terminated. Causes: Manipulation of reconciliation figures, fairly well concealed. Inadequate supervisory control was identified.		
3 Allegations of exorbitant payment for emptying of digester tanks in Colchester		
Allegations that emptying of digester tanks for the low cost housing development section in Colchester were emptied at an unrealistic cost to the municipality. It was alleged that the tender process was not followed and that the contractor charged for work not performed. A final independent on -site assessment is pending to determine the veracity and extent of the over expenditure. 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.		
4 Alleged wasteful expenditure incurred with respect to the Mausoleums built at Red Location Museum		
The Mausoleums built at the Red Location Museum were not utilized for four years after completion of the project. The final report was issued on 2 September 2011. The Hawks are reconsidering the merits of this case which was closed previously.		
5 Alleged wasteful expenditure incurred on GA Soccer Challenge		
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. Causes: The Contract was not specific in terms of the allocation of funds and accounting of expenditure.		
6 Unauthorized changes to supplier banking details		
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.		
7 Wasted expenditure as a result of failed international music event		
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. Causes: The company was unable to fulfill its obligations in terms of its agreement with the council. It has subsequently been established that neither the close corporation nor the sole member has any assets of which can be attached to recover.		
Transferred to receivables as recoverable High Court ruling 15 March 2011		(1 700 000)
8 Wasted expenditure as a result of the premature signing of a letter		
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. Disciplinary process has commenced, if implicated official is found to be negligent then recovery process will commence.	509 335	404 189
9 Suspended Officials		
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.	2 644 306	3 913 993
10 Suspended Officials		
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.	0	0

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012	Restated 2011
	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
11 Fruitless expenditure: Contract employee falsifying pay slips		
A contract worker employed at Human Resources, Harrower Rd forged a salary advise which was presented to a Financial Service Provider in order to obtain a loan in the amount of R15 000.00. The official further submitted forged salary advices to various Financial Institutions and Financial Service Providers in order to obtain credit. The tertiary certificate which was submitted by the official at the time when he registered as an unemployed graduate, has been forged. The services of the official has subsequently been terminated on 14 February 2012. The total salary payments for the period May 2011 to February 2012 is deemed fruitless and wasteful expenditure.	33 546	6 462
12 Fruitless and wasteful expenditure: Signboards Legal costs		
Outdoor advertising boards: A tender process was initiated, prior to the promulgation of the relevant by-laws. A Senior official issued authorized a company to put in foundations and erect and install billboards, despite such authority vested in another Directorate. The erection of the billboards continued contrary to advice and warnings by inter alia, the Acting Director Legal Services. The erection process commenced and continued without the necessary building plans being approved, which implied that the erection was unlawful. Despite notices to the said company to stop the work, it continued. An advertising company launched interdict proceeding against the NMBM and the High Court passed judgement on 21 December 2010. The NMBM incurred legal costs, which could have been avoided if reasonable care was taken		724 513
13 Wasted expenditure as result of termination of contract		
A parking contract was entered into with a service provider. Due to the Municipality failing to comply with the obligations in the agreement, the service provider terminated the agreement on 5 June 2011 and instituted recourse against Council. To date R 1.3 million has been paid by Council as award is being paid off.	2 800 000	
14 Re-advertisement of tender notice in three newspapers		
The original tender process was flawed as an official contacted the preferred suppliers prior to the tender process being completed. The tender had to be re-advertised.	11 122	
15 Tender rescinded and second lowest tenderer awarded		
The Infrastructure & Engineering Directorate failed to appoint the successful tenderer within the validity period necessitating the awarding of the original tender to the second lowest tenderer. The amount of the wasted expenditure is the difference in the bid value between the lowest and the second lowest tenderer. The AMM concluded that no municipal official was responsible and no recovery was recommended.		
16 Construction of netball court in Cannonville		
A netball court was constructed in the Cannonville area without consultation with the community. The netball court was not well located so that it could be shared by adjoining Colchester community, which need such facility.	85 000	
Total	6 083 309	3 349 157

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	Restated 2011 R
45a CONTINGENT LIABILITIES		
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).		
Possible Contingent liabilities:		
1 Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to:	356 089	433 559
2 Linton Projects The claim arises out of a dispute surrounding the sale of Council owned land. FINALISED	0	0
3 Swartkops Seesout The claim arises out of an alleged Sewer spillage into the salt pans.	7 157 829	7 157 829
4 Amadisi Construction 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. FINALISED	0	10 342 465
5 S E Van Zyl 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.	85 000	85 000
6 H E Davids 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.	241 680	241 680
7 B W Morgan The claim arises out of injuries sustained in an alleged fall into an open manhole.	61 608	61 608
8 M. Smith The claim arises from the Municipality allegedly burying (plaintiffs' father) after it was exhumed for DNA testing.	400 000	400 000
9 J. Ruiters The claim arises as a result of municipal vehicle being involved in an accident with the plaintiff's vehicle.	45 000	45 000
10 E Barnard The claim arises from an alleged fall over an indentation formed on a pavement.	0	20 000
11 C Swarts The claim arises from an alleged fall into a sewerage hole.	0	15 000
12 C Du Plessis 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.	50 000	50 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45(a) CONTINGENT LIABILITIES - (continued)	2012 R	Restated 2011 R
<p>13 Mlungisi Nelson Kulati The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.</p>	10 458	10 458
<p>14 A Humphreys 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.</p>	10 000	10 000
<p>15 The Minister Of Correctional Services The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.</p>	17 421	17 421
<p>16 Imperial car rental The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.</p>	82 830	82 830
<p>17 Sala Pension Fund i.r.o. G.P. Mnyaka 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. SETTLED</p>	0	0
<p>18 Sala Pension Fund i.r.o. S.E. Makhanda 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. SETTLED</p>	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45(a) CONTINGENT LIABILITIES - (continued)	2012 R	Restated 2011 R
19 Mayberry The claim arises as a result of non-compliance with contract specifications relating to the construction of roads. SETTLED	0	0
20 Dumisa Design and Advertising 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	57 651
21 Grundlingh The claim arises as a result of alleged non-compliance with the conditions of subdivision pertaining to roads. SETTLED	0	0
22 Nothalaza 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.	197 871	0
23 A du Plessis The claim arises from injuries sustained in an alleged fall into a hole in the road. FINALISED	0	0
24 JM Meiring The claim arises from damages to property as a result of an electrical overload. FINALISED	0	26 996
25 E. Haasbroek The claim arises as a result of damages caused to the plaintiff's property by a burst water pipe. FINALISED	0	0
26 T. Meyer 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. FINALISED	0	0
27 A. Von Werkhoven 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. FINALISED	0	0
28 C. Laubscher The claim arises from damages in respect of bodily injuries sustained by the plaintiff, whilst walking she stepped and fell into an open manhole.	0	30 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45(a) CONTINGENT LIABILITIES - (continued)	2012 R	Restated 2011 R
29 West South House CC The claim arises from damages caused by a burst water pipe resulting in extensive damage to the plaintiff's private property.	60 000	0
30 Algoa Bus Company 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.	162 497	137 497
31 Telkom 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. FINALISED	0	8 442
32 Telkom 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. FINALISED	0	8 510
33 Telkom 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. FINALISED	0	0
34 Telkom 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. FINALISED	0	0
35 Telkom 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	24 774
36 Telkom 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. FINALISED	0	12 079
37 E.V. Botha The claim arises from alleged damages to property as a result of an electrical overload.	0	15 355

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

45(a) CONTINGENT LIABILITIES - (continued)	2012 R	Restated 2011 R
38 E.Uithaler The claim arises from labour related matter.	0	0
39 Various Other contingent liabilities		
1. The claim arises from an eviction of four tenants with regards to land usage.	48 000	48 000
2. TP Construction The claim arises from an arbitration and high court application for removal of arbitrator. FINALISED	0	0
3. Kops The claim is in respect of an Arbitration at SALGBC.	0	0
4. E Benekane The claim relates to an alleged return of title deeds.	20 000	20 000
5. Choari The claim arises due to ownership of land dispute.	10 000	10 000
6. Telkom The claim arises due to a damaged underground cable. FINALISED	0	11 207
7. MK Vincent This relates to a claim against NMBM. FINALISED	0	0
8. C Van Rooyen This relates to a claim against NMBM.	50 000	50 000
9. NR Jacobs This relates to a claim against NMBM. FINALISED	0	0
10. L Salaze This relates to a claim against NMBM.	0	30 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45(a) CONTINGENT LIABILITIES - (continued)	2012 R	Restated 2011 R
11. W Van Wyk This relates to a claim against NMBM.	0	0
12. G Mostert This relates to a claim against NMBM.	18 000	18 000
13. Sec 57 employees Matter set down for private arbitration on 09 September with regards to a claim against NMBM.	0	0
14. IMATU i.t.o Bubb Unfair labour practice referral to SALGBC.	0	0
15. Keron Frayne Wevers This relates to a claim against NMBM.	17 301	0
40 AMF The claim arises as a result of an alleged breach of contract.	2 000 000	2 000 000
41 E Chedress This claim arises from an alleged unlawful arrest and detention for a drunken driving charge.	110 000	30 000
42 KL Gadu This claim arises from the Plaintiff's injuries due to a motor vehicle collision in which she was a passenger. The vehicle she was travelling was driven by an employee of the NMBM acting within the course and scope of his duties.	401 355	381 355
43 EE Swanepoel 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.	474 286	0
44 TT Jegels The claim arises from the death of the plaintiffs baby at West End clinic allegedly due to negligence.	207 000	207 000
45 Telkom Materials damages to Telkom underground cables. FINALISED	0	6 092
46 Telkom Materials damages to Telkom underground cables. FINALISED	0	47 725
47 S Fretwell This claim arises as a result of the plaintiff tripping over a portion of a telephone cord.	100 000	100 000
48 ZA Sokutu 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	50 000
49 L Valentine 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	50 000
50 R Penrose The claim arises from alleged damage to property by opening of Chelsea water reservoirs.	86 897	86 897
51 G. Volstruis 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.	50 850	50 000

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

45(a) CONTINGENT LIABILITIES - (continued)	2012 R	Restated 2011 R
52 D. F. Mathee 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	80 000
53 M.N. Qwabe 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	8 000
54 E. Gouveia 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	7 000
55 D. Adams 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	53 000
56 R.S. Smith 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	6 000
57 X.C. Zimemo 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	80 000
58 MJ Strydom The claim arises out of injuries sustained in an alleged fall into an open manhole.	75 000	75 000
59 TA Vikiva 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	200 000
60 Z.L. Boucher The claim arises out of injuries sustained in alleged fall into an open fire hydrant.	100 000	100 000
61 M I Strydom The claim arises due to an uncovered drain.	75 000	75 000
62 E October The claim arises due to an uncovered drain.	90 000	90 000
63 MTN The claim arises as a result of an alleged short payment to the service provider since 2006.	11 086 055	11 086 055
64 SIMMARK INVESTMENTS CC ETC. NMBM are jointly sued due to a building that burnt down in Govan Mbeki avenue because the fire could not be extinguished or contained. MATTER DISMISSED	0	74 572 455
65 L Young This claim arises from an alleged unlawful arrest.	100 000	100 000
66 M. Schmidt The claim arises from an unlawful assaulted by a traffic officer who was acting within the course and scope of his employment.	108 000	50 000
67 S.S. Sani 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.	105 728	50 000
68 Ratepayers Association of the NMBM The Ratepayers Association launched an application to set aside Council's resolution of 28 June 2011 adopting a water tariff for the 2011/2012 financial year.	0	0
69 B.I Miskey This claim arises from a dispute by the Plaintiff against NMBM for alleged denial by the NMBM of the use and enjoyment of his properties in Despatch as well as repayment by the NMBM of damages.	29 725	0
70 Gqomo This claim arises from unfair dismissal	0	0
71 B Ferreira This claim arises from alleged assault of the Plaintiff by a Traffic Officer.	101 800	0
72 E.Ferreira This claim arises from municipal vehicle bought at an auction which do not have an engine number, the SAPS confiscated the engine.	6 500	0
73 M Felix The claim arises from an ex-employee of the municipality, he claims that he was unlawfully shot by another employee.	800 000	0
74 BE Heynsen	100 000	0

This claim arising from the conduct of traffic officers in effecting an arrest.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

45(a) CONTINGENT LIABILITIES - (continued)	2012 R	Restated 2011 R
75 M Heynsen This claim arises from the conduct of traffic officers in effecting an arrest.	100 000	0
76 Craig Anderson This claim arises from an alleged flooding incident.	56 753	0
77 H Jagger This claim arises from bodily injuries as a result of negligent discharge of a firearm by a traffic officer	270 490	0
78 Clover SA (Pty) Ltd This claim against the NMBM is for the alleged loss of profit and increased cost of working and other consequential losses flowing from the alleged breach by the NMBM of its duty of care to ensure continuous and consistent water supply	2 814 008	0
79 ME Tyandela This claim arises from damages suffered by the Plaintiff when his car collided with the NMBM's car and the alleged cause of collision is negligence on the part of the driver of the Municipal vehicle	52 550	0
80 PG Smith The plaintiff Smith is suing the municipality for the death of his wife and Rochelle Smith in an accident where her car was swept away by the surging waters.	536 600	0
81 G Joseph The plaintiff is suing the municipality for the death of her son who died when the motor vehicle driven by Charmaine Smith was swept away by the surging waters.	528 680	0
82 A L Gqiba This claim arises from a collision between the Plaintiff's vehicle and a vehicle driven by a municipal employee.	112 002	0
83 K Nelson The claim arises as a result of a substation exploding.	965 780	0
84 B E Mkavu The claim arises from discharge of a firearm	0	0
85 A Mvakela This claim arises from the minor child who allegedly fell into an uncovered drain	60 000	0
86 K A Mtlalana This claim arises from a collision between the Plaintiff's vehicle and a vehicle driven by a municipal employee.	19 177	0
87 M I Herbert O Flathery This claim arises from injuries sustained by the Plaintiff as a result of an alleged fell	203 793	0
88 L K Kalebe This claim arises from an arrest on charges of a warrant by a traffic officer.	100 000	0
89 W.Pretorius The claim arises from injuries sustained by the Plaintiff as a result of an alleged fell into an uncovered manhole.	60 000	0
90 J Hanabe The claim arises from injuries sustained by the Plaintiff that allegedly fallen down from an embankment.	300 000	0
91 NE Magenge The plaintiff sustained injuries as a result of an alleged fall.	355 267	0
92 N P Kelele The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge.	980 000	0
93 EE Plaatjies This claim arises from injuries sustained by the Plaintiff who allegedly fell whilst attempting to cross a flooded street.	300 000	0
94 L T Mpathi This claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch.	351 000	0
95 V.W Matolo This claim arises from injuries sustained by the Plaintiff who allegedly fell into an uncovered manhole.	79 203	0
96 Jef & Cherry industrial This claim arises from the Plaintiff who hired certain machines to different directorates and for which no payment was allegedly..	629 685	0
97 M P Langson This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	50 000	0
98 D Visser This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	50 723	0
99 Usen Obot	80 000	0

This claim arises from the Plaintiff that alleged staff of Red Location Museum apparently stated that his work should not have been exhibited as he was of Nigerian descent.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

45(a) CONTINGENT LIABILITIES - (continued)	2012 R	Restated 2011 R
100 L F Cosa The plaintiff's minor stepped into a partially covered or uncovered drain and allegedly got injured resulting in the claim.	103 953	0
101 Transnet Limited A collision between a Transnet vehicle and Municipal vehicle, allegedly caused by the municipal employee.	33 447	0
102 RL Nel The claim arises from the Plaintiff's late mother who allegedly fell into a ditch and sustained injuries.	10 000	0
103 D L Beetgee The claim arises from the Plaintiff who allegedly slipped and fell onto building rubble and sustained injuries.	300 000	0
104 VWSA The claim arises for a MVA which was allegedly caused by a municipal vehicle.	47 022	0
105 Campson Trading The claim arises from the breach of session agreement.	139 945	0
106 Intsimbi Industrial & Manufacturing CC Flagt Electricity & Intsimbi Flagt Joint Venture An application calling upon the Municipality as to why the interim order should not be made a final order, that the Municipality be interdicted from the proceeding to consider or award tenders for contract No SCM109/2011-2012 that closed on 10 November 2011.	0	0
107 Tryzone Fourteen(Pty) The claim arises from a dispute, relating to rates and service charges levied by the Municipality.	1 000 000	0
108 L R Kalabe The claim arises from the Plaintiff alleging that he was wrongfully and unlawfully arrested for traffic violations.	120 000	0
109 Borbet SA (Pty) Ltd and four others Borbet SA (Pty) Ltd launched an objection to declare the resolution of Council on 28 June 2011 to adopt the 2011/2012 budget was unlawful and accordingly of no force and effect.	0	0
110 V. Matroos The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	62 385	0
111 Winston Malgas The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	62 660	0
112 Gaai The plaintiff is suing the Municipality for the death of her son who drowned when he allegedly fell into a hole excavated by the Municipality which was filled with water.	316 000	0
113 Harmse The Plaintiff is suing the municipality for injuries sustained when he allegedly fell into an open drain.	265 375	0
114 KA Mtalana The claim is for damages caused by a MVA which was allegedly caused by the Municipality vehicle.	19 177	0
115 MI Herbert O' Flathery The plaintiff allegedly tripped and fell, which was allegedly caused by the municipalities negligence	203 793	0
116 J & C Sampson This is a claim against the Municipality and SAPS for alleged failure to display any prominent warnings signs on the flooded road the Plaintiff was travelling. 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	0
TOTAL CONTINGENT LIABILITIES	37 990 899	109 122 940

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

45(b) PROVISION FOR LITIGATION AND CLAIMS	2012 R	Restated 2011 R
<u>Detail of Provision raised in Note 5</u>		
1 J & C Sampson 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 travelling. 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.	0	350 000
2 N. Grundling This claim arises from an alleged assault and defamation by a municipal employee.	30 000	30 000
3 V. Matroos The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	0	62 385
4 RL Judd The claim arises out of injuries sustained in alleged fall over a raised and cracked portion of a sidewalk. SETTLED	0	0
5 Hasty-Tasty Frozen Foods The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	25 000	25 000
6 B Mdyogolo The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	100 000	100 000
7 VE Manyane The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	15 000	15 000
8 Winston Malgas The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	0	62 660
9 Telkom The claim arises as a result of damage allegedly caused to Telkom's underground cables. FINALISED	0	15 660
10 HS Prinsloo The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle. SETTLED	0	0
11 Z.L. Bouwer The claim arises out of injuries sustained in alleged fall into an open fire hydrant.	0	0
12 M.C. Kobese The claim arises out of injuries sustained in an alleged fall into an open fire hydrant.	16 500	70 000
13 E. Hills The claim arises out of injuries sustained in an alleged fall into an open manhole.	262 133	200 000
14 E. Lottering 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. SETTLED	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)	2012 R	Restated 2011 R
15 R. Parker 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
16 M. Schmidt The claim arises from an unlawful assaulted by a traffic officer who was acting within the course and scope of his employment.	0	0
17 H.W. Terblanche 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	6 270
18 P. Ryan The claim arises from an unlawful and wrongful arrested and detention by municipal officers who were acting within the course & scope of their employment. SETTLED	0	0
19 G. Du preez The claim arises from damages iro of bodily injuries sustained by the plaintiff, when she stepped & fell into an open manhole.	20 000	20 000
20 D. Jita 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
21 D. F. Mathee 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	0
22 M.N. Qwabe 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	0
23 K. Westraad 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	8 000
24 G. Volstruis 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	0
25 E. Gouveia 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	0
26 D. Adams 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	0
27 R.S. Smith 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	0
28 Tommy Lamont 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.	2 000 000	2 000 000
29 Blue Horizon Bay This represents an opinion furnished on possible claims arising out of flood damages to property and expropriation of land.	4 000 000	4 000 000
30 SALA The claim arises as a result of the SALA Pension Fund instituting legal action against the NMBM for increased contributions.	22 000 000	22 000 000
31 Hendricks 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	3 541 600
32 E.Uithaler The claim arises from labour related matter.	200 000	200 000
33 Algoa Bus The claim arises as result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	82 353	33 132

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)	2012 R	Restated 2011 R
34 A du Plessis The claim arises from injuries sustained in an alleged fall into a hole in the road. SETTLED	0	35 145
35 Heck 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	1 200 000
36 P R Smit The claim arises as the plaintiff alleges that she has tripped over 2 metal spikes whilst walking on Municipality property.	339 871	339 871
37 DM Jackson 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	1 000 000
38 ZW Kona This claim arises from an alleged unlawful arrest and assault.	100 000	150 000
39 HM Williams 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	32 479
40 R Makasi The claim arises out of injuries sustained in an alleged fall into a drain which cover was missing.	55 000	30 000
41 W Van Wyk This claim arises from an alleged unlawful arrest and detention.	20 000	20 000
42 NG Mkonto The claim arises out of injuries sustained in an alleged fall when stepped on a defective drain cover. FINALISED	0	50 000
43 D Pook The claim arises out of injuries sustained in an alleged fall on a pavement.	499 000	145 000
44 Botha The claim arises due to power failure.	0	30 000
45 Scott Family Trust The claim arises due to unauthorised construction on ERF 4176.	100 000	100 000
46 LS Hurter The claim arises due to an uncovered drain.	15 000	15 000
47 N Cenga The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	342 138	32 280
48 Whitebooi The plaintiff is claiming for damages in respect of injuries sustained by him, when he was allegedly assaulted by two traffic officers	50 000	100 000
49 Cape Joint Pension Fund 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	11 000 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)	2012 R	Restated 2011 R
50 Various other cases:		
1. R Williams The claim arises out of the electrocution of her son on an NMBM substation.	250 000	250 000
2. Sebati The claim arises in respect of a sale of property. FINALISED	0	25 000
3. Dompas Media Production The claim arises from a cancellation of a contract due to breach by owner.	1 400 000	1 400 000
4. W Keyzer The claim arises due to defamation of character.	100 000	100 000
5. Esterhuizen The claim arises from an alleged wrongful arrest.	250 000	250 000
6. Axpix The claim arises due to alleged monies owing to a supplier.	2 349 950	2 349 950
7. WK Construction WK Construction seeks in a letter to join the NMBM as Magistrates court action involves a third party claim.	25 000	25 000
8. Julies Claim arises in respect of injuries suffered from alleged electrocution.	3 700 000	3 700 000
9. Seth Homes This matter relates to a high court contractual claim.	15 000	15 000
10. Mckenzie The claim arises due to defamation of character.	450 000	450 000
11. NC Nxopo The claim arises due to an alleged assault.	300 000	300 000
12. Beldon t/a Beltek Construction This relates to a claim against NMBM.	17 000	17 000
13. T.S.A Krog Claim arises due to water damage from burst pipe.	35 217	35 217
51 West South House CC The claim arises from damages caused by a burst water pipe resulting in extensive damage to the plaintiff's private property.	0	60 000
52 L Salaze This relates to a claim against NMBM.	18 000	0
53 Delicious Monster The claim arises from an alleged unlawful use of land.	170 000	0
54 F Norris The claim arises from damages incurred by the Plaintiff due to a collision allegedly caused by a pothole.	13 545	0
55 J W Nortje The claim arises from damages incurred by the Plaintiff due to a motor vehicle collision between himself and Mr Sontshi being an employee of the NMMB, whilst on duty.	10 140	0
56 P J Booyen The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	20 000	0
57 C W Bouman The claim arises from claims that the Plaintiff was allegedly unlawfully and wrongfully assaulted by unknown member/s of the municipal traffic department.	100 000	0
58 N C Teteni The claim arises from injuries sustained by the Plaintiff allegedly slipping and falling due to excessive water and/or mud caused by a continually running public tap.	50 000	0
59 B V Tozo The claim arises from injuries sustained by the Plaintiff's minor child allegedly falling into a ditch excavated by the NMBM.	100 000	0
60 S Baskiti The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	100 000	0
61 C Baartjies The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open man hole.	500 000	0
62 A A Swartz The claim arises as a result of injuries sustained by a minor who allegedly fell from hoisted cables.	100 000	0
63 Z M Marwana The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open drain.	261 000	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	Restated 2011 R
45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)		
64 Uitenhage Housing Investigation High court Application to declare Deeds of Sale invalid was successfully finalised.	100 000	0
65 E. Potgieter This relates to a claim that was finalised on 24 April 2007, awaiting judgement.	95 523	0
66 L. Kamnga The claim arises as a result of unjuries sustained by the Plaintiff falling into an alleged open ditch	240 000	0
67 P.M. Mabodla The claim arises as a result of unjuries sustained by the Plaintiff falling into an alleged open drain.	180 000	0
68 Micromatica 570 (Pty) Ltd T/A Lexingtons Civil and Plant Plaintiff instituted a claim for services rendered in respect of the Arlington waste disposal Site and damages as a result of the Municipality's alleged unlawful cancellation of the contract.	1 509 229	0
69 Mathew Goniwe The claim arises as a result of High court eviction proceedings.	800 000	0
70 M.S. Zicwele This claim arise arises as a result of allegedly negligent driving by municipal official.	28 000	0
71 P.N. Mcwetyana The claim arises from the electroction of the minor child of the Plaintiff.	96 500	0
72 M. Gerber This claim arises from damages to property and bodily injury as a result of the Plaintiff driving into a pot hole.	42 399	0
73 C. Momberg This claim arises from injuries sustained by the plaintiff as a result of a collusion with a municipal vehicle	500 000	0
74 G. Skene The claim is a result of the Plaintiff's property property being damaged by a municipal vehicle	40 626	0
75 D. Jacobs The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	250 000	0
76 E Gerber The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	350 000	0
77 S. Tyali The claim arises as a result of injuries sustained by the Plaintiff's minor who allegedly fallen into an open drain.	250 000	0
78 C. Jonathan The claim arises from damage to the Plaintiffs motor vehicle as a result of a pot hole in the road	6 725	0
79 S. Mahlathi This claim arises from injuries sustained by the plaintiff as a result of a collusion with a municipal vehicle	18 891	0
80 B.W. Dixon This claim arises from injuries sustained by the plaintiff as a result of a collusion with a municipal vehicle	29 112	0
81 E Barnard The claim arises from an alleged fall over an indentation formed on a pavement.	40 000	0
82 C Swarts The claim arises from injuries sustained by the Plaintiff from an alleged fall into a manhole.	15 000	0
83 C. Laubscher The claim arises from injuries sustained by the plaintiff, whilst walking she allegedly stepped and fell into an open manhole.	30 000	0
84 E.V. Botha The claim arises from alleged damages to property as a result of an electrical surge.	15 355	0
85 JP Van Dyk This claim arises as a result of an alleged unlawful arrest and detention of the plaintiff.	30 000	0
86 S Cooper The claim arises as a result of a lamp pole which allegedly fell on the head of the plaintiff.	60 000	0
87 Rashied Johannes This relates to a claim against NMBM.	50 500	0
88 Eastern Cape Motors This relates to a claim against NMBM.	14 512	0

TOTAL PROVISION REFER NOTE 5

62 185 088

56 026 649

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 contained certain findings and recommendations, which was considered and adopted by Council on 8 December 2011. The recommendations as approved by Council is in the process of being implemented.

46.2 Transfer of Functions

Health Services discontinued

The operations of the Health Services, namely Clinics, Community Services and Prime Health Care, were discontinued during the year and transferred to the Provincial Administration Eastern Cape on 01 July 2012. As per the agreement the transfer of function was suppose to be 01 January 2012, but the actual services and employees was only transferred as from 01 July 2012. The discontinuation of Health Services is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority.

	2012	2011
	R	R
Revenue	151 467 027.28	47 830 555.69
Government grants and subsidies	148 960 191.98	43 606 961.00
Conditional grants - National government	2 506 835.30	4 223 594.69
Expenses	225 298 963.96	195 978 732.94
Employee related costs	135 597 885.45	107 848 615.39
Depreciation	3 794 835.60	3 391 676.92
Repairs and Maintenance	1 599 343.49	3 673 638.67
Finance charges	570 482.57	0.00
Contracted services	3 017 759.87	3 508 696.29
General expenses	6 879 193.90	8 679 160.72
Service charges costs - internal	1 537 872.72	2 701 324.98
Internal charges paid	72 301 590.36	66 175 619.97
Other income:	63 902 937.36	59 510 433.52
Licences and permits	7 261.30	
Rental of facilities and equipment		112 195.80
General	943.86	8 333.34
Fees and charges	2 282.12	9 987.23
Internal charges received	63 892 450.08	59 379 917.15
Loss on disposal of PPE	40 828.55	0.00
Profit / Loss	-9 969 827.87	-88 637 743.73

Assets to be disposed of are as follows:

	2012	2011
	R	R
Assets		
Property - Clinics	14 331 521.41	15 105 024.59
Motor vehicles	4 494 122.85	6 395 134.26
Equipment and office furniture	3 609 352.92	7 193 318.26

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
47. Information on Post Retirement Benefits

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 173.609 million (2011: R 159.084 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 26.67% (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 the NMBM (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 R17,298 million, of which R15,115 million relates to the non-current portion. It is expected that approximately 7.5% 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
 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

	30/06/2012	30/06/2013	30/06/2014
Opening Accrued Liability	18 176 726	17 298 493	16 292 977
Current-service Cost	0	0	
Interest Cost	1 305 504	1 236 299	
Benefit Payments	(2 183 737)	(2 241 815)	
Total Annual Expense	(878 233)	(1 005 516)	
Actuarial Loss / (Gain)			
Closing Accrued Liability	17 298 493	16 292 977	
Analysis of accrued liability			
Category			Total
Total Past Service liability			17 298 493
Value of assets			0
Unfunded liability / (asset)			17 298 493

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 30/06/2012
Fair Value of Plan Assets	0
Accrued Liability	17 298 493
Unfunded Accrued Liability	17 298 493
Unrecognised Transitional Liability	0
Unrecognised Actuarial Gains/(Losses)	0
Unrecognised Past Service Costs	0
Miscellaneous Item	0
Net Liability in Statement of Financial Position	17 298 493

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
 47. Information on Post Retirement Benefits (continued)

Reconciling and Projecting the Unfunded Accrued Liability

	Year ending 30/06/2012
Unfunded Accrued Liability	
Opening Balance	18 176 726
Current Service Cost	0
Interest Cost	1 305 504
Expected Return on Plan Assets	0
Actuarial (Gain)/Loss	0
Past Service Cost	0
Effect of Curtailment/Settlement	0
Expected Employer Benefit Payments	(2 183 737)
Employer Prefunding Contributions	0
Closing Balance	17 298 493
Projected Accrued Liability	17 298 493

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 assumptions	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 2012	
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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
 47. Information on Post Retirement Benefits (continued)

Sensitivity of valuation results to changes in main assumptions

Assumption and change	Test	Liability	% change
Sensitivity Analysis on the Unfunded Accrued Liability			
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	
Sensitivity Analysis on the Interest Cost for the year ending 30/06/2011			
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	
Sensitivity Analysis on the Interest Cost for the year ending 30/06/2012			
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 periods

Comparison with Previous Valuation

Introduction

The most recent valuation of the Municipality's Unfunded ex-Gratia Liability was undertaken as at 30 June 2011. 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
47. Information on Post Retirement Benefits (continued)

Actuarial Gains and Losses

Actuarial (Gain)/Loss	2 613 591
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 NMBM 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 198.144 million as at 30 June 2012 (2011: R1 097.722 million). Provision for R1 198.144 million has been made (non-current R1 176.286 million, current R36.182 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
Sensitivity Analysis on the Accrued Liability (R millions)						
Central Assumptions		603.168	494.554	1 097.722		
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	1 136.469	4%	38.75
Average retirement age	-1 yr	649.953	494.554	1 144.507	4%	46.79
Withdrawal Rate	-50%	647.297	494.554	1 141.851	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
Total	8 006

Past and Future Changes in the Accrued Liability

	Year ending 30/06/2012	Year ending 30/06/2013
Opening Accrued Liability	1 097.722	1 198.144
Current-service Cost	42.778	46.000
Interest Cost	94.616	102.000
Benefit Payments	(36.972)	(39.669)
Total Annual Expense	100.422	108.331
Actuarial Loss / (Gain)		
Closing Accrued Liability	1 198.144	1 306.475

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

Category of Members	2011/06/30
In-service members	603.168
Continuation members	494.554
Total liability	1 097.722
Value of assets	0.000
Unfunded liability	1 097.722

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
 47. Information on Post Retirement Benefits (continued)

Current Service and Interest Costs

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

Reconciliation of opening and closing plan assets fair values

Not applicable as there are no plan assets.

Reconciling and Projecting the Unfunded Accrued Liability (Rand Millions)

Unfunded Accrued Liability	Year ending 30/06/2011	Year ending 30/06/2012
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	0.000	0.000
Actuarial (Gain)/Loss	64.187	0.000
Past-service Cost	0.000	0.000
Effect of Curtailment/Settlement	0.000	0.000
Expected Employer Benefit Payments	(34.839)	(36.972)
Employer Prefunding Contributions	0.000	0.000
Closing Balance	1 097.722	1 198.144
Projected Accrued Liability	1 033.535	1 198.144

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 30/06/2012
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	0.000	0.000
Actuarial (Gain)/loss Recognised in P&L	147.872	0.000
Past-service Cost Recognised	0.000	0.000
Effect of Curtailment/Settlement	0.000	0.000
Net Periodic Cost Recognised in P&L	268.288	137.394
Expected Employer Benefit Payments	(34.839)	(36.972)
Employer Prefunding Contributions	0.000	0.000
Actuarial (Gain)/Loss Recognised outside P&L	0.000	0.000
Closing Balance	1 097.722	1 198.144

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
 47. Information on Post Retirement Benefits (continued)

Principal assumptions used as at the Statement of Financial Position date

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 some contribution rate tables are income-dependent. A replacement ratio of 75% was assumed.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
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
Sensitivity Analysis on the Accrued Liability (R millions)					
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%
Sensitivity Analysis on the Current-service and interest Costs for the year ending 30/06/2011					
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%
Sensitivity Analysis on the Current-service and interest Costs for the year ending 30/06/2012					
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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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	2011/06/30
Present value of accrued liability	746	706	734	948	1 098
Fair value of plan asset	626	0	0	0	0
Surplus / (Deficit)	(120)	(706)	(734)	(948)	(1 098)

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)	(60)	155	(32)
Assets: Gain / (Loss)	0	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

48. PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
Restated Carry Value 1 July 2011						
Cost	2 319 227 901	8 725 151 903	3 039 442 907	133 002 500	914 743 515	15 131 568 726
Transfers/Adjustments	(16 356 294)	(17 515 528)	4 707 636	(6 528 802)	37 283 604	1 590 516
Re-statement Cost	3 283 366	45 891 138	64 313 291	27 297 264	2 837 229	143 622 288
Disposal/Impairment	(920 000)		(1 101 188)		(13 442 843)	(15 464 031)
Re-statement Depreciation			(4 803 625)			(4 803 625)
Accumulated Depreciation	(99 759 674)	(2 640 879 082)	(232 422 009)		(356 071 338)	(3 329 132 103)
	2 205 475 299	6 112 648 431	2 870 136 912	153 770 962	585 350 167	11 927 381 771
Movement during year ended 30 June 2012						
Acquisition	69 390 363	900 180 484	54 791 413	3 197 368	44 166 405	1 071 726 033
Capital Under Construction	-	13 809 024		6 777 679		20 586 703
Cost Adjustments	(115 340 389)		866 536	4 032 046	63 607 226	(46 834 581)
Impairment	(16 517 000)					(16 517 000)
Depreciation Adjustment	16 030 981	(30)	715 978		(2 228 552)	14 518 377
Depreciation	(15 852 892)	(436 509 743)	(104 554 336)		(112 660 365)	(669 577 336)
	(62 288 937)	477 479 735	(48 180 409)	14 007 093	(7 115 286)	373 902 196
Carry Value of Disposals during year ended 30 June 2012						
Cost			(1 032 675)		(1 430 197)	(2 462 872)
Depreciation			299 673		1 324 838	1 624 411
	-	-	(733 102)	-	(105 359)	(838 461)
Carrying Values at 30 June 2012	2 143 186 362	6 590 128 166	2 821 223 401	167 778 055	578 129 522	12 300 445 506
Summary - Carrying Values at 30 June 2011						
Summary - Cost	2 242 767 947	9 667 517 021	3 161 987 820	167 778 055	1 047 764 939	16 287 815 782
Summary - Accumulated Depreciation	(99 581 585)	(3 077 388 855)	(340 764 419)	-	(469 635 417)	(3 987 370 276)
	2 143 186 362	6 590 128 166	2 821 223 401	167 778 055	578 129 522	12 300 445 506

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
Carry Value 1 July 2010						
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)
	2 144 826 102	5 275 673 161	2 726 257 548	111 082 716	564 026 076	10 821 865 603
Movement during year ended 30 June 2011						
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	(13 072 928)	28 375 610	64 217 203	20 768 462	40 120 833	140 409 180
Impairment	(920 000)					(920 000)
Depreciation Adjustment	2 857 619	451 291	(1 779 415)	(696)	(1 059 929)	468 870
Depreciation	(14 089 444)	(221 210 489)	(94 605 164)	696	(110 400 841)	(440 305 242)
	60 649 197	836 975 270	144 329 321	42 688 246	26 482 730	1 111 124 764
Carry Value of Disposals during year ended 30 June 2011						
Cost			(1 101 188)		(13 442 843)	(14 544 031)
Depreciation			651 231		8 284 204	8 935 435
	-	-	(449 957)	-	(5 158 639)	(5 608 596)
Carrying Values at 30 June 2011	2 205 475 299	6 112 648 431	2 870 136 912	153 770 962	585 350 167	11 927 381 771
Summary - Carrying Values at 30 June 2011						
Summary - Cost	2 305 234 973	8 753 527 513	3 102 558 921	153 770 962	941 421 505	15 256 513 874
Summary - Accumulated Depreciation	(99 759 674)	(2 640 879 082)	(232 422 009)	-	(356 071 338)	(3 329 132 103)
	2 205 475 299	6 112 648 431	2 870 136 912	153 770 962	585 350 167	11 927 381 771

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
 49. INTANGIBLE ASSETS RECONCILIATION

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2011	
Cost	528 709 436
Transfers/Adjustments	1 977 519
Restatement - Amortisation	6 730 021
Disposal	
Accumulated Amortisation	(100 215 289)
	437 201 687
Movement during year ended 30 June 2012	
Acquisition	25 437 093
Adjustment	(9 972 497)
Amortisation	(85 600 694)
	(70 136 098)
Carry Value of Disposals during year ended 30 June 2012	
Cost	(93 075 517)
Amortisation	
	(93 075 517)
Carrying Values at 30 June 2012	273 990 072
Summary - Carrying Values at 30 June 2012	
Summary - Cost	453 076 034
Summary - Accumulated Amortisation	(179 085 962)
	273 990 072

Reconciliation of Carrying Value	Intangible Assets
Carry Value 1 July 2010	
Cost	425 791 490
Transfers/Adjustments	-
Disposal	-
Accumulated Amortisation	(14 282 876)
	411 508 614
Movement during year ended 30 June 2011	
Acquisition	102 917 946
Adjustment	8 707 540
Amortisation	(85 932 413)
	25 693 073
Carry Value of Disposals during year ended 30 June 2011	
Cost	
Amortisation	-
	-
Carrying Values at 30 June 2011	437 201 687
Summary - Carrying Values at 30 June 2011	
Summary - Cost	530 686 955
Summary - Accumulated Amortisation	(93 485 268)
	437 201 687

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Reconciliation of Carrying Value	Property
Restated Carry Value 1 July 2011	
Cost	81 702 400
Transfers/Adjustments	
Restatement	523 385
Disposal	
Accumulated Depreciation	(10 471 448)
	71 754 337
Movement during year ended 30 June 2012	
Acquisition	705 188
Transfers/Adjustments	115 877 502
Capital Under Construction	13 899 619
Depreciation Adjustment	(16 746 960)
Depreciation	(5 387 956)
	108 347 393
Carry Value of Disposals during year ended 30 June 2012	
Cost	(100 000)
Depreciation	24 489
	(75 511)
Carrying Values at 30 June 2012	180 026 219
Summary - Carrying Values at 30 June 2012	
Summary - Cost	212 608 094
Summary - Accumulated Depreciation	(32 581 875)
	180 026 219

Carry Value 1 July 2010	
Cost	1 869 399 138
Transfers/Adjustments	(1 790 802 923)
Disposal	-
Accumulated Depreciation	(7 832 946)
	70 763 269
Movement during year ended 30 June 2011	
Acquisition	3 106 185
Transfers/Adjustments	523 385
Depreciation Adjustment	-
Depreciation	(2 638 502)
	991 068
Carry Value of Disposals during year ended 30 June 2011	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2011	71 754 337
Summary - Carrying Values at 30 June 2011	
Summary - Cost	82 225 785
Summary - Accumulated Depreciation	(10 471 448)
	71 754 337

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

51. FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: Loans and receivables

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

	2012			2011		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
ASSETS						
Property, Plant and Equipment		12 300 445 506	12 300 445 506		11 927 381 771	11 927 381 771
Intangible Assets		273 990 072	273 990 072		437 201 687	437 201 687
Investment Property		180 026 219	180 026 219		71 754 337	71 754 337
Investments	20 000		20 000	20 000		20 000
Long-term Receivables - Exchange Transactions	31 123 382		31 123 382	43 397 618		43 397 618
Long-term Receivables - Non-exchange Transactions	10 561 628		10 561 628	18 056 224		18 056 224
Inventory		108 265 474	108 265 474		107 976 304	107 976 304
Consumer debtors - Exchange Transactions	513 079 252		513 079 252	467 123 321		467 123 321
Consumer debtors - Non-exchange Transactions	9 557 885		9 557 885	14 757 294		14 757 294
Other Debtors	340 890 338		340 890 338	361 766 081		361 766 081
VAT		10 980 294	10 980 294		19 367 529	19 367 529
VAT Suspense		39 586 022	39 586 022		22 057 527	22 057 527
Current portion of long-term receivables	5 216		5 216	12 984		12 984
Short-term investment deposits (excluding Sanlam Shares)	987 219 306		987 219 306	296 992 369		296 992 369
Bank balances and cash	131 742 897		131 742 897	130 665 052		130 665 052
	2 024 199 904	12 913 293 587	14 937 493 491	1 332 790 943	12 585 739 155	13 918 530 098

	2012			2011		
	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
LIABILITIES						
Long-term Liabilities	1 745 093 905		1 745 093 905	1 841 851 020		1 841 851 020
Employee Benefit Provisions		1 198 985 058	1 198 985 058		1 093 186 350	1 093 186 350
Non-current Provisions		243 357 514	243 357 514		190 842 517	190 842 517
Consumer deposits	85 223 921		85 223 921	111 125 316		111 125 316
Current Employee Benefit Provisions		41 261 913	41 261 913		46 564 046	46 564 046
Current Provisions		62 185 088	62 185 088		56 026 649	56 026 649
Creditors	1 422 611 798		1 422 611 798	1 245 451 482		1 245 451 482
Unspent Conditional Grants and Receipts	509 011 716		509 011 716	284 073 440		284 073 440
VAT Suspense		0	0		0	0
Current Portion of Long-term Liabilities	97 282 756		97 282 756	92 054 673		92 054 673
	3 859 224 097	1 545 789 573	5 363 751 756	3 574 555 931	1 386 619 562	4 914 611 447

Net Assets		9 533 942 676	9 533 942 676		8 958 482 333	8 958 482 333
Available for sale financial asset - Sanlam Shares	1 462 854		1 462 854	1 127 728		935 409
	(1 833 561 337)	1 833 561 336	(0)	(2 240 637 260)	2 240 637 260	0

	2012	2011
Loans and receivables at amortised cost		
Opening balance	1 332 790 943	1 827 674 776
Net other movements	691 408 961	(494 883 833)
Closing balance	2 024 199 904	1 332 790 943
Financial liabilities at amortised cost		
Opening balance	3 574 555 931	3 472 628 074
Net other movements	284 668 166	101 927 857
Closing balance	3 859 224 097	3 574 555 931

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

52. ACTUAL VERSUS ADJUSTMENTS BUDGET (REVENUE AND EXPENDITURE)	2012 Actual	2012 Adjustments Budget	2012 Variance	2012 Variance (%)	Explanations of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	945 269 750	961 565 450	(16 295 700)	-1.69%	
Service charges	3 486 226 590	3 540 253 340	(54 026 750)	-1.53%	
Interest earned - external investments	57 627 904	28 000 000	29 627 904	105.81%	Due to a significant increase in the investment portfolio, the interest earned increased.
Interest earned - outstanding debtors	121 372 906	81 993 130	39 379 776	48.03%	Due an escalation in outstanding debtors, interest earned increased.
Fines	25 655 526	24 119 170	1 536 356	6.37%	
Licences and Permits	9 019 407	7 399 120	1 620 287	21.90%	Due to the ad hoc nature of this income source, accurate income projections are not possible.
Government grants and subsidies	2 143 823 390	1 234 094 120	909 729 270	73.72%	Due to a change in the Accounting practices.
Rental of Facilities and equipment	15 507 608	18 430 530	(2 922 922)	-15.86%	Due to the ad hoc nature of this income source, accurate income projections are not possible.
Income for Agency Services	1 396 728	1 402 100	(5 372)	-0.38%	
Other income	698 356 817	656 207 140	42 149 677	6.42%	
Gains on disposal of property, plant and equipment	0	0	0	100.00%	No PPE disposals initially anticipated.
Total Revenue	7 504 256 626	6 553 464 100	950 792 526		
EXPENDITURE					
Employee related costs	1 843 376 611	1 849 568 560	(6 191 949)	-0.33%	
Remuneration of Councillors	49 740 474	51 083 540	(1 343 066)	-2.63%	
Bad debts	257 135 798	282 151 180	(25 015 382)	-8.87%	
Collection costs	3 123 269	3 947 300	(824 031)	-20.88%	Costs incurred less than anticipated
Contracted Services	187 015 822	194 460 680	(7 444 858)	-3.83%	
Depreciation - Property, plant & Equipment	669 577 336	720 156 280	(50 578 944)	-7.02%	
Depreciation - Investment Property	87 829 277	0	87 829 277	100.00%	
Amortisation	5 387 956	0	5 387 956	100.00%	
Impairment	109 210 754	0	109 210 754	100.00%	Impairment mainly relates to the new billing system as no future service potential is foreseen.
Repairs and maintenance	443 093 292	468 403 910	(25 310 618)	-5.40%	
Finance charges	203 559 968	215 161 950	(11 601 982)	-5.39%	
Bulk purchases	1 972 352 719	1 944 128 330	28 224 389	1.45%	
Grants and subsidies paid	295 809 287	370 961 180	(75 151 893)	-20.26%	Due to expenditure relating to the MBDA that has now been capitalised.
General expenses	784 152 751	835 264 930	(51 112 179)	-6.12%	
Loss on disposal of PPE	17 430 969	0	17 430 969	100.00%	During the compilation of the Budget it was uncertain as to which assets the Municipality would dispose off.
Total Expenditure	6 928 796 283	6 935 287 840	(6 491 557)		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

53. ACTUAL VERSUS ADJUSTMENTS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT)	2012 Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	292 477 360	275 380 917	17 096 443	6	The new IPTS road construction projects were put on hold due to no progress being made with the IPTS negotiations with the relevant stakeholders
Human Settlements	121 415 260	75 374 295	46 040 965	38	Late award of contracts attributed to the under performance
Economic Development & Recreational Services	61 317 800	32 772 468	28 545 332	47	Late award of contracts attributed to the under performance
Safety & Security	4 809 000	4 792 251	16 749	0	
Budget & Treasury	27 865 000	24 405 103	3 459 897	12	Delay of appointment of contractors due to litigation which contributed to under performance
Public Health	48 706 000	38 825 926	9 880 074	20	Late award of contracts attributed to the under performance
Corporate Services	36 339 200	35 668 830	670 370	2	
Sanitation Service	102 284 300	102 473 991	(189 691)	0	
Water Service	368 221 940	374 365 785	(6 143 845)	0	
Special Projects & Programmes	34 679 620	25 499 780	9 179 840	26	Late award of contracts attributed to the under performance
Chief Operating Officer	12 000 000	11 449 241	550 759	5	
Electricity & Energy	86 000 000	90 593 063	(4 593 063)	-5	
	1 196 115 480	1 091 601 650	104 513 830	9	

NOTE 54																	
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 201																	
	COST									ACCUMULATED DEPRECIATION							Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	
Land & Buildings																	
Buildings	489 040 944	3 283 366	492 324 310	(67 914 389)	66 303 643			490 713 564	99 759 674		99 759 674	(16 030 981)	15 852 892		99 581 585	391 131 979	
Land	1 812 910 663		1 812 910 663	(47 426 000)	3 086 720			16 517 000	1 752 054 383		-	-			-	1 752 054 383	
	2 301 951 607	3 283 366	2 305 234 973	(115 340 389)	69 390 363	-	-	16 517 000	2 242 767 947	-	99 759 674	-16 030 981	15 852 892	-	99 581 585	2 143 186 362	
Infrastructure Assets																	
Roads, Sidewalks & Storm	3 959 933 549	45 891 138	4 005 824 687		272 335 234	13 809 024		4 291 968 945	1 110 181 738	78 100	1 110 259 838	30	190 905 578		1 301 165 446	2 990 803 499	
Beach Developments	46 351 211		46 351 211		833 261			47 184 472	6 565 313		6 565 313	-	1 060 957		7 626 270	39 558 202	
Electricity Reticulation & S	2 022 528 386		2 022 528 386		86 853 889			2 109 382 275	584 559 117	(314 274)	584 559 117		59 423 621		643 982 738	1 465 399 537	
Fencing	19 017 095		19 017 095		2 203 007			21 220 102	10 324 526	(72 558)	10 251 968		1 960 734		12 212 702	9 007 400	
Sewerage Mains & Purific	1 339 416 265		1 339 416 265		97 963 895			1 437 380 160	568 256 273		568 256 273	-	43 718 859		611 975 132	825 405 028	
Waste Disposal Facilities	18 113 060		18 113 060		-			18 113 060	645 833		645 833	-	92 669		738 502	17 374 558	
Water Supply & Reticulati	858 638 897		858 638 897		125 227 726			983 866 623	289 956 777	(160 138)	289 796 639		126 548 865		416 345 504	567 521 119	
Dams & Treatment Works	443 637 912		443 637 912		314 763 472			758 401 384	70 544 101		70 544 101	-	12 798 460		83 342 561	675 058 823	
	8 707 636 375	45 891 138	8 753 527 513	-	900 180 484	13 809 024	-	9 667 517 021	2 641 347 952	-468 870	2 640 879 082	30	436 509 743	-	3 077 388 855	6 590 128 166	
Community Assets																	
Libraries	29 213 803		29 213 803		1 352 381			30 566 184	6 950 618		6 950 618	-	1 005 877		7 956 495	22 609 689	
Library Books		64 291 541	64 291 541		6 266 665			70 558 206	-	4 803 625	4 803 625	-	4 737 220		9 540 845	61 017 361	
Fire Stations	48 644 201		48 644 201		627 316			49 271 517	8 077 207		8 077 207	-	1 512 930		9 590 137	39 681 380	
Cemeteries	39 945 257		39 945 257		1 893 776			41 839 033	3 740 368		3 740 368	-	1 427 675		5 168 043	36 670 990	
Clinics	101 529 417		101 529 417		3 527 774		458 643	104 598 548	14 666 292		14 666 292	-	3 476 505	53 814	18 088 983	86 509 565	
Community Centres	151 463 333		151 463 333	1 752 832	16 204 909			169 421 074	31 093 704		31 093 704	473 741	5 984 848		37 552 293	131 868 781	
Public Conveniences	5 365 128	21 750	5 386 878	154 250	-			5 541 128	2 155 546		2 155 546	-	212 166		2 367 712	3 173 416	
Swimming Pools	80 396 132		80 396 132		1 649 508			82 045 640	8 800 980		8 800 980	-	2 504 083		11 305 063	70 740 577	
Recreational Facilities	2 506 511 041		2 506 511 041	4 214 015	23 269 084			2 533 994 140	126 786 467		126 786 467		81 528 491		208 314 958	2 325 679 182	
Selling & Letting Schemes	79 980 943		79 980 943	(5 254 561)	-		574 032	74 152 350	30 150 827		30 150 827	(1 189 719)	2 164 541	245 759	30 879 890	43 272 460	
	3 043 049 255	64 313 291	3 107 362 546	866 536	54 791 413	-	1 032 675	3 161 987 820	232 422 009	4 803 625	237 225 634	-715 978	104 554 336	299 573	340 764 419	2 821 223 401	
Heritage Assets																	
Heritage Buildings	112 885 531		112 885 531		3 000 513			115 886 044			-				-	115 886 044	
Memorials & Statues	3 318 953	25 032 140	28 351 093			6 777 679		35 128 772			-				-	35 128 772	
Art Works	10 269 214	2 265 124	12 534 338	4 032 046	196 855			16 763 239			-				-	16 763 239	
	126 473 698	27 297 264	153 770 962	4 032 046	3 197 368	6 777 679	-	167 778 055	-	-	-	-	-	-	-	167 778 055	
Other Assets																	
Bins & Containers	3 540 956		3 540 956		122 500			3 663 456	726 221		726 221	-	376 371		1 102 592	2 560 864	
Vehicles & Plant	445 356 525		445 356 525		9 215 438		8 267	454 563 696	179 957 379	-2 837 229	177 120 150	(31)	58 455 746	8 197	235 567 668	218 996 028	
Office Furniture & Fittings	202 991 849		202 991 849	1 209 502	6 799 549		1 140 839	209 860 061	138 997 876		138 997 876	-	29 251 840	1 038 241	167 211 475	42 648 586	
Air Monitoring Facilities	-		-		73 124			73 124			-		2 465		2 465	70 659	
Security Systems	-		-	9 972 497	-			9 972 497			-	2 228 583	2 020 152		4 248 735	5 723 762	
Tip Sites	212 265 983		212 265 983	52 425 227	21 017 363			285 708 573	15 179 591		15 179 591	-	7 405 527		22 585 118	263 123 455	
Computer Hardware	74 428 963		74 428 963		6 938 431		281 092	81 086 302	21 210 271		21 210 271	-	15 148 264	278 400	36 080 135	45 006 167	
	938 584 276	-	938 584 276	63 607 226	44 166 405		1 430 197	1 044 927 710	356 071 338	-2 837 229	353 234 109	2 228 552	112 660 365	1 324 838	466 798 188	578 129 522	
	15 117 695 211	140 785 059	15 258 480 270	(46 834 581)	1 071 726 033	20 586 703	2 462 872	16 517 000	16 284 978 553	3 329 600 973	1 497 526	3 331 098 499	-14 518 377	669 577 336	1 624 411	3 984 533 047	12 300 445 506

NOTE 54 (CONTINUED)																	
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 201																	
	COST									ACCUMULATED AMORTISATION							
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	Carrying Value
Intangible																	
Computer Software	530 686 955		530 686 955	(9 972 497)	25 437 093	-	93 075 517		453 076 034	100 215 289	-6 730 021	93 485 268	(2 228 583)	87 829 277	-	179 085 962	273 990 072
APPENDIX B																	
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 201																	
	COST									ACCUMULATED DEPRECIATION							
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Closing Balance	Carrying Value
Investment Property																	
Land & Buildings	81 702 400	523 385	82 225 785	115 877 502	705 188	13 899 619	100 000		212 608 094	10 471 448		10 471 448	16 746 960	5 387 956	24 489	32 581 875	180 026 219

Appendix A

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011		2011		2012	2012	2012	2012
Actual	Income	Actual	Surplus/ (Deficit)	Income	Actual	Actual	Surplus/ (Deficit)
		Expenditure			Expenditure	Expenditure	
93 261 583		292 918 388	(199 656 805)	Executive and Council	6 219 411	284 919 066	(278 699 655)
1 660 727 868		437 895 706	1 222 832 162	Finance and Admin	1 856 188 403	1 004 667 038	851 521 365
58 848 375		153 951 812	(95 103 437)	Health	156 327 999	168 065 006	(11 737 007)
263 367 937		453 731 353	(190 363 416)	Housing and Land	426 118 002	535 523 631	(109 405 629)
43 030 787		377 679 095	(334 648 308)	Safety and Security	45 222 648	392 347 483	(347 124 835)
64 212 224		184 781 887	(120 569 663)	Recreation and Cultural Services	32 296 752	183 420 462	(151 123 710)
24 322 258		452 655 319	(428 333 061)	Environmental Services	10 702 838	272 539 082	(261 836 244)
201 612 062		283 704 263	(82 092 201)	Waste Management	244 493 849	297 963 468	(53 469 619)
351 490 308		359 565 798	(8 075 490)	Infrastructure and Engineering	282 399 641	292 494 426	(10 094 785)
791 140 630		758 050 980	33 089 650	Water	861 128 981	521 005 325	340 123 656
2 355 888 305		2 064 766 577	291 121 728	Electricity and Energy	2 936 567 854	2 505 498 991	431 068 863
104 369 129		112 775 673	(8 406 544)	Economic Development, Tourism and Agriculture	152 267 024	103 497 323	48 769 701
1 978 930		10 518 655	(8 539 725)	Market	67 259	10 797 025	(10 729 766)
376 051 703		353 453 426	22 598 277	Sanitation	494 255 965	356 057 957	138 198 008
<u>6 390 302 099</u>		<u>6 296 448 932</u>	<u>93 853 167</u>	Total	<u>7 504 256 626</u>	<u>6 928 796 283</u>	<u>575 460 343</u>

Appendix B
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2012

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	1 250 000				1 250 000	137 553	238 737	296 162	577 548	1 250 000	N / A	Yes
National Electrification Programme	DME	20 000 000	5 000 000			25 000 000	7 781 902	6 517 097	2 115 001	8 586 000	25 000 000	N / A	Yes
Municipal Infrastructure Grant/Urban Settlement Dev Grant	DPLG	167 542 000	167 542 000	167 542 000		502 626 000	38 116 038	105 977 962	118 101 164	240 430 836	502 626 000	N / A	Yes
Transport or PTIS	NT	117 000 000	103 000 000	120 000 000		340 000 000	2 373 900	4 581 100	23 496 136	88 132 669	118 583 805	N / A	Yes
Neighbourhood Development Partnership Grant	NT	13 200 000		1 800 000		15 000 000	3 098 641	1 241 359	9 431 754	16 114 784	29 886 538	N / A	Yes
Neighbourhood Development Grant - Technical Assistance	NT	-		1 343 364	-	1 343 364	-	-	-	-	-	N / A	Yes
Energy Efficiency & Demand Side Management Grant	NT	-	-	10 000 000		10 000 000	2 163 429	3 932 835	4 810 611	35 772 366	46 679 241	N / A	Yes
Municipal Drought Relief Grant	MDRG	320 000 000	130 000 000			450 000 000	59 908 578	83 667 568	69 609 538	176 464 192	389 649 876	N / A	Yes