

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

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2012	2011	2012	2011
		R	R	R	R
NET ASSETS AND LIABILITIES					
Net Assets					
Accumulated Surplus	1	9 484 060 098	8 920 657 341	9 483 530 665	8 919 975 871
Non-current Liabilities					
		3 184 901 109	3 132 274 591	3 184 785 476	3 131 237 222
Long-term Liabilities	3	1 745 209 538	1 842 888 389	1 745 093 905	1 841 851 020
Employee Benefit Obligation	4	1 211 814 001	1 098 543 685	1 211 814 001	1 098 543 685
Non-current Provisions	4	227 877 570	190 842 517	227 877 570	190 842 517
Current Liabilities					
		2 238 383 038	1 887 634 559	2 234 651 793	1 873 955 563
Consumer Deposits	7	85 223 921	111 125 316	85 223 921	111 125 316
Current Employee Benefit Obligation	5	51 006 417	49 418 513	50 618 246	49 128 935
Current Provisions	5	62 185 089	56 026 649	62 185 089	56 026 649
Creditors - Exchange Transactions	8	1 429 148 031	1 286 373 185	1 429 913 991	1 281 546 551
Unspent Conditional Grants and Receipts	9	511 921 472	291 575 369	509 427 790	284 073 439
Current Portion of Long-term Liabilities	3	98 898 108	93 115 527	97 282 756	92 054 673
Total Net Assets and Liabilities		14 907 344 245	13 940 566 491	14 902 967 934	13 925 168 656
ASSETS					
Non-current Assets					
		12 795 629 377	12 510 856 875	12 795 099 948	12 510 175 405
Property, Plant and Equipment (PPE)	10	12 300 183 649	11 940 467 371	12 299 378 647	11 939 745 539
Intangible Assets	11	274 030 310	437 270 104	273 990 072	437 201 687
Investment Property	12	180 026 219	71 754 337	180 026 219	71 754 337
Investments	13	(295 811)	(88 779)	20 000	20 000
Long-term Receivables - Exchange Transactions	14	31 123 382	43 397 618	31 123 382	43 397 618
Long-term Receivables - Non-exchange Transactions	14	10 561 628	18 056 224	10 561 628	18 056 224
Current Assets					
		2 111 714 868	1 429 709 616	2 107 867 986	1 414 993 251
Inventory	15	108 101 071	108 055 758	108 054 182	107 976 304
Consumer Debtors - Exchange Transactions	16	484 364 698	468 414 403	484 364 698	468 414 403
Consumer Debtors - Non-exchange Transactions	16	0	11 658 233	0	11 658 233
Other Debtors - Exchange Transactions	17	289 071 833	307 500 749	341 789 997	353 573 706
VAT	18	11 255 427	21 703 075	10 829 099	19 367 529
VAT Suspense	18	5 347 975	25 204 943	5 347 975	25 204 943
Current Portion of Long-term Receivables	14	5 216	12 984	5 216	12 984
Short-term Investments	19	1 462 854	1 127 728	1 462 854	1 127 728
Short-term Investment Deposits	19	987 219 306	296 992 369	987 219 306	296 992 369
Bank Balances and Cash	20	224 886 488	189 039 374	168 794 659	130 665 052
Total Assets		14 907 344 245	13 940 566 491	14 902 967 934	13 925 168 656

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

		ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Actual	Actual	Actual
		2012	Restated	2012	Restated
		R	R	R	R
REVENUE					
Property Rates	21	929 516 869	838 854 652	929 516 869	838 854 652
Service Charges	22	3 490 744 057	3 121 529 761	3 490 830 746	3 121 610 141
Interest earned - External Investments		59 059 610	19 251 540	56 893 047	16 447 283
Interest earned - Outstanding Debtors		121 633 915	113 346 560	121 633 915	113 346 560
Fines		25 655 126	23 733 497	25 655 126	23 733 497
Licences and Permits		9 019 407	8 152 731	9 019 407	8 152 731
Government Grants and Subsidies	24	2 134 441 650	1 409 487 378	2 133 971 995	1 474 667 536
Rental of Facilities and Equipment		15 317 725	17 640 531	15 317 725	17 640 531
Income for Agency Services		1 396 728	1 611 022	1 396 728	1 611 022
Other Income	25	820 151 597	777 717 961	815 359 205	772 258 966
Gains on the Disposal of Property, Plant and Equipment	35.9	0	1 698 397	0	1 698 397
Total Revenue		7 606 936 684	6 333 024 030	7 599 594 763	6 390 021 316
EXPENDITURE					
Employee Related Costs	26	1 858 808 571	1 912 238 132	1 852 364 327	1 906 517 657
Remuneration of Councillors	27	49 919 184	45 221 883	49 919 184	45 221 883
Impairment - receivables	28	298 900 288	522 486 629	298 889 905	522 476 947
Collection Costs		3 123 269	2 952 196	3 123 269	2 952 196
Contracted Services		207 848 594	145 947 449	207 848 594	145 947 449
Depreciation - Property, Plant and Equipment	48	666 782 218	436 460 068	666 653 042	436 318 987
Depreciation - Investment Property	50	5 387 956	2 638 502	5 387 956	2 638 502
Amortisation	49	87 861 856	79 233 486	87 829 277	79 202 392
Impairment - property, plant and equipment	35.7	109 210 754	42 183 558	109 210 754	42 183 558
Repairs and Maintenance		433 227 871	419 015 446	433 187 516	418 961 406
Finance cost	29	213 159 991	177 629 732	212 924 331	177 629 732
Bulk Purchases	30	1 972 513 350	1 567 047 258	1 972 513 350	1 567 047 258
Grants and Subsidies Paid	31	285 916 001	219 228 025	301 208 760	230 553 284
General Expenses		833 236 023	767 160 010	817 548 735	751 278 022
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	17 430 969	5 056 521
Share of Loss in Associate	36	207 032	158 000	0	0
Total Expenditure		7 043 533 927	6 344 656 895	7 036 039 969	6 333 985 794
Surplus/ (Deficit) for the year		563 402 757	(11 632 865)	563 554 794	56 035 522
Taxation		-	-	-	-
Surplus/ (Deficit) after taxation for the year		563 402 757	(11 632 865)	563 554 794	56 035 522

Refer to Note 52 of the Financial Statements for explanation of variations

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

	Accumulated Surplus
	R
Balance at 01 July 2010 as previously reported	8 906 065 051
Restatements (Refer note 40.11)	26 226 620
Restated Balance at 01 July 2010	8 932 291 671
Deficit for the year as previously reported	(108 529 220)
Increase in Surplus (Refer note 40.1)	96 896 355
Restated Deficit for the year	(11 632 865)
Restatements for 2011 (Refer note 40.23)	(1 465)
Balance at 30 June 2011	8 920 657 341
Balance at 01 July 2011	8 920 657 341
Surplus for the year	563 402 757
Balance at 30 June 2012	9 484 060 098

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

	Accumulated Surplus
	R
Balance at 01 July 2010 as previously reported	8 837 715 194
Restatements (Refer note 40.11)	26 226 620
Restated Balance at 01 July 2010	8 863 941 814
Deficit for the year as previously reported	(40 411 550)
Increase in Surplus (Refer note 40.1)	96 447 072
Restated Surplus for the year	56 035 522
Restatements for 2011 (Refer note 40.23)	(1 465)
Balance at 30 June 2011	8 919 975 871
Balance at 01 July 2011	8 919 975 871
Surplus for the year	563 554 794
Balance at 30 June 2012	9 483 530 665

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

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2012	2011	2012	2011
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		7 715 922 637	7 199 942 492	7 707 201 102	7 199 942 492
Cash paid to suppliers and employees		(5 700 044 610)	(6 082 191 508)	(5 687 475 689)	(6 096 130 750)
Cash generated from operations	32	2 015 878 027	1 117 750 984	2 019 725 413	1 103 811 742
Interest received		180 358 399	132 598 100	178 191 836	129 793 843
Interest paid	29	(201 297 103)	(177 110 068)	(201 297 103)	(177 110 068)
NET CASH FLOWS FROM OPERATING ACTIVITIES		1 994 939 323	1 073 239 016	1 996 620 146	1 056 495 517
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of PPE		(1 060 006 878)	(1 534 212 400)	(1 059 776 846)	(1 533 997 680)
Disposal of PPE		0	2 250 472	0	2 250 472
Purchase of Intangible assets		(17 697 579)	(104 901 219)	(17 693 179)	(104 895 465)
Purchase of Investment Property		(113 735 349)	(3 106 185)	(113 735 349)	(3 106 185)
NET CASH FLOW FROM INVESTING ACTIVITIES		(1 191 439 806)	(1 639 969 332)	(1 191 205 374)	(1 639 748 858)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase of Non-current Liabilities (external loan funding)	34	0	470 000 000	0	470 000 000
Decrease in Non-current Liabilities (construction contracts)		(367 238)	(191 095)	0	0
Repayment of Non-current Liabilities (external loan funding)	34	(77 058 228)	(88 858 738)	(77 058 228)	(88 858 738)
NET CASH FLOW FROM FINANCING ACTIVITIES		(77 425 466)	380 950 167	(77 058 228)	381 141 262
NET CHANGE IN CASH AND CASH EQUIVALENTS		726 074 051	(185 780 149)	728 356 544	(202 112 079)
Cash and cash equivalents at the beginning of the year		486 031 743	671 811 892	427 657 421	629 769 500
Cash and cash equivalents at the end of the year	33	1 212 105 794	486 031 743	1 156 013 965	427 657 421

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

	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
1 TOTAL ACCUMULATED SURPLUS				
Made up as follows:				
Housing Development Fund	109 731 779	109 548 848	109 731 779	109 548 848
Capital Replacement Reserve	4 486 448	43 265 218	4 486 448	43 265 218
Government Grant Reserve	4 293 954 230	3 617 941 091	4 293 954 230	3 617 941 091
Capitalisation Reserve	905 312 849	1 096 001 343	905 312 849	1 096 001 343
Donations and Public Contributions Reserves	313 472 984	302 814 110	313 472 984	302 814 110
Self-Insurance Reserve	47 627 488	31 262 728	47 627 488	31 262 728
COVID Reserve	15 135 948	12 810 819	15 135 948	12 810 819
Accumulated Surplus	3 794 338 372	3 707 013 184	3 793 808 939	3 706 331 714
	9 484 060 098	8 920 657 341	9 483 530 665	8 919 975 871
2 RESERVES GOVERNED BY AN ACT:				
2.1 HOUSING DEVELOPMENT FUND				
Housing Revolving Fund	108 605 509	108 605 509	108 605 509	108 605 509
Housing Reserves	1 126 270	943 339	1 126 270	943 339
Total Housing Development Fund	109 731 779	109 548 848	109 731 779	109 548 848
<i>Housing Revolving Fund</i>				
Balance at the beginning of the year	108 605 509	108 605 509	108 605 509	108 605 509
Contributions received	0	0	0	0
Interest received	0	0	0	0
Balance at the end of the year	108 605 509	108 605 509	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	160 631	127 445
Replacement and Renewals	965 639	815 894	965 639	815 894
Balance at the end of the year	1 126 270	943 339	1 126 270	943 339
<i>Community Facilities</i>				
Balance at the beginning of the year	127 445	93 917	127 445	93 917
Transfer from Accumulated Surplus	33 186	33 528	33 186	33 528
Balance at the end of the year	160 631	127 445	160 631	127 445
<i>Replacement and Renewals</i>				
Balance at the beginning of the year	815 894	664 184	815 894	664 184
Transfer from Accumulated Surplus	149 745	151 710	149 745	151 710
Restated Balance at beginning of year	965 639	815 894	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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2.2 COID RESERVE	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Balance at the beginning of the year	12 810 819	11 786 995	12 810 819	11 786 995
Premiums received - transfer from accumulated surplus	4 605 500	4 266 379	4 605 500	4 266 379
Expenditure funded during the year - transfer to accumulated surplus	(2 280 371)	(3 242 555)	(2 280 371)	(3 242 555)
Balance at the end of the year	15 135 948	12 810 819	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 (DBSA)	514 529 130	545 721 884	514 529 130	545 721 884
Amalgamated Banks of South Africa (ABSA)	165 000 000	195 000 000	165 000 000	195 000 000
Rand Merchant Bank	461 120 133	470 000 000	461 120 133	470 000 000
Nedbank	690 805 326	712 790 933	690 805 326	712 790 933
Total External Loans	1 831 454 589	1 923 512 817	1 831 454 589	1 923 512 817
Construction Contract Retention	1 730 985	2 098 223	0	0
Brookes Bequest	10 922 072	10 392 876	10 922 072	10 392 876
Total Long-term Liabilities	1 844 107 646	1 936 003 916	1 842 376 661	1 933 905 693
Less : Current portion transferred to current liabilities	98 898 108	93 115 527	97 282 756	92 054 673
Development Bank of Southern Africa (DBSA)	34 471 081	31 192 754	34 471 081	31 192 754
Amalgamated Banks of South Africa (ABSA)	30 000 000	30 000 000	30 000 000	30 000 000
Rand Merchant Bank	8 557 067	8 879 867	8 557 067	8 879 867
Nedbank	24 254 608	21 982 052	24 254 608	21 982 052
Construction Contract Retention	1 615 352	1 060 854	0	0
	1 745 209 538	1 842 888 389	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 5.10% per annum.

CONSTRUCTION CONTRACT RETENTION

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

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

4. EMPLOYEE BENEFIT OBLIGATION	Economic Entity		Municipality	
	2012	Restated 2011	2012	Restated 2011
	R	R	R	R
Gratuity Benefit	35 527 245	21 800 696	35 527 245	21 800 696
Post Retirement Benefits	1 176 286 756	1 076 742 989	1 176 286 756	1 076 742 989
Total Non-Current Provisions	1 211 814 001	1 098 543 685	1 211 814 001	1 098 543 685

Refer to Restatement Note 40.29

Gratuity Benefit

This obligation 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	21 800 696	17 102 091	21 800 696	17 102 091
Contributions to Provision	13 726 549	4 698 605	13 726 549	4 698 605
Balance at end of year	35 527 245	21 800 696	35 527 245	21 800 696

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 176 286 756.

Refer to Note 47 for the full reconciliation and disclosures.

Balance at beginning of year	1 076 742 989	843 747 647	1 076 742 989	843 747 647
Movement in obligation	99 543 767	232 995 342	99 543 767	232 995 342
Balance at end of year	1 176 286 756	1 076 742 989	1 176 286 756	1 076 742 989

4 **NON-CURRENT PROVISIONS**

Rehabilitation of Landfill sites	213 203 431	176 258 146	213 203 431	176 258 146
Rehabilitation of Swartkops River	14 674 139	14 584 371	14 674 139	14 584 371
Total Non-current Provisions	227 877 570	190 842 517	227 877 570	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 R49 919 813 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	176 258 146	130 977 042
Contributions to Provision	36 945 285	45 281 104	36 945 285	45 281 104
Balance at end of year	213 203 431	176 258 146	213 203 431	176 258 146

Rehabilitation of Swartkops River

Balance at beginning of year	14 584 371	14 879 629	14 584 371	14 879 629
Contributions to Provision - unwinding of discount factor	89 768	(295 258)	89 768	(295 258)
Balance at end of year	14 674 139	14 584 371	14 674 139	14 584 371

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

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

	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
5 EMPLOYEE BENEFITS AND PROVISIONS				
5.1 CURRENT EMPLOYEE BENEFIT OBLIGATION				
Gratuity Liability	6 524 417	5 775 315	6 524 417	5 775 315
Post Retirement Benefits	39 155 737	39 155 737	39 155 737	39 155 737
Performance Bonus Liability	5 298 440	4 463 610	4 938 092	4 197 883
Provision for Workmen's Compensation	27 823	23 851	0	0
Total Current Employee Benefit Obligation	51 006 417	49 418 513	50 618 246	49 128 935

Refer to Restatement Note 40.30

Gratuity Obligation

This obligation 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	5 775 315	1 726 022	5 775 315	1 726 022
Contributions to Provision	3 313 991	7 076 279	3 313 991	7 076 279
Expenditure incurred	(2 564 889)	(3 026 986)	(2 564 889)	(3 026 986)
Balance at end of year	6 524 417	5 775 315	6 524 417	5 775 315

Post Retirement Benefits

Refer to Note 47 for the full reconciliation and disclosures.

The obligation 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	39 155 737	36 886 421
Contributions to Provision	42 128 201	44 016 444	42 128 201	44 016 444
Expenditure incurred	-42 128 201	(41 747 128)	-42 128 201	(41 747 128)
Balance at end of year	39 155 737	39 155 737	39 155 737	39 155 737

Performance bonus liability

This obligation 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	4 463 610	4 769 102	4 197 883	4 462 555
Contributions to Provision	1 100 557	427 305	740 209	161 578
Expenditure incurred	(265 727)	(732 797)	0	(426 250)
Balance at end of year	5 298 440	4 463 610	4 938 092	4 197 883

Provision for Workmens Compensation

Balance at beginning of year	23 851	40 162	0	0
Contributions to Provision	27 823	23 851	0	0
Adjustment for underprovision	(6 621)	(11 931)	0	0
Expenditure incurred	(17 230)	(28 231)	0	0
Balance at end of year	27 823	23 851	0	0

5.2 CURRENT PROVISIONS

Provision for Litigation and Claims	62 185 089	56 026 649	62 185 089	56 026 649
Total Current Provisions	62 185 089	56 026 649	62 185 089	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(b).

Balance at the beginning of the year	56 026 649	5 305 146	56 026 649	5 305 146
Provision utilised	(876 829)	(4 385 171)	(876 829)	(4 385 171)
Contributions to Provision	7 035 269	55 106 674	7 035 269	55 106 674
Balance at end of year	62 185 089	56 026 649	62 185 089	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	84 167 088	110 519 542
Interest	1 056 833	605 774	1 056 833	605 774
	85 223 921	111 125 316	85 223 921	111 125 316

Guarantees held in lieu of Electricity and Water Deposits

Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.

8 CREDITORS

Trade creditors	1 015 621 061	937 071 769	1 014 958 103	930 906 950
Payments Received in Advance	62 084 480	60 459 848	62 084 480	60 459 848
Staff leave	184 394 011	163 427 359	184 197 909	163 225 602
Other Creditors	43 436 981	43 760 168	45 062 001	45 300 110
Retentions	123 498 314	80 647 762	123 498 314	80 647 762
Operating Leases	113 184	1,006 279	113 184	1,006 279
Total Creditors	1 429 148 031	1 286 373 185	1 429 913 991	1 281 546 551

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 R123 498 314, which could be settled within the next 12 months.

No creditors are secured

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

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

9.1 Conditional Grants from other spheres of Government

PHB Subsidies (See Note 24.1)	
Health Subsidies (See Note 24.2)	
SMME - Development (See note 24.6)	
Municipal Infrastructure Grant (See Note 24.9)	
Amphitheatre (UDDI) (See Note 24.12)	
NT- Accreditation of Municipalities (See Note 24.13)	
Walmer Youth Development Project (See Note 24.16)	
Public Transport Infrastructure Grant (See Note 24.19)	
Energy - Special Projects (See Note 24.22)	
EU Sector Policy Support Policy (See Note 24.21)	
Other Grants (See Note 24.23)	
National Lotteries Grant (See Note 24.25)	
Neighbourhood Partnership Development Grant (See Note 24.27)	
Drought Relief Grant Funding (See Note 24.28)	
Urban Settlement Development Grant (See Note 24.29)	
Skills Development Grant (See Note 24.30)	

Economic Entity		Municipality	
2012	Restated 2011	2012	Restated 2011
R	R	R	R
8 629 785	10 443 898	8 629 785	10 443 898
36 267	1 240 134	36 267	1 240 134
0	192 500	0	192 500
0	1 494 413	0	1 494 413
3 773 525	3 773 525	3 773 525	3 773 525
5 597 678	5 465 027	5 597 678	5 465 027
0	53 623	0	53 623
390 614 778	168 904 002	390 614 778	168 904 002
0	35 948 515	0	35 948 515
285 782	2 763 365	285 782	2 763 365
33 300 314	37 327 470	30 806 632	29 825 540
5 605 040	5 605 040	5 605 040	5 605 040
0	18 363 857	0	18 363 857
58 662 229	0	58 662 229	0
416 074	0	416 074	0
5 000 000	0	5 000 000	0
511 921 472	291 575 369	509 427 790	284 073 439

Total Unspent Conditional Grants and Receipts

Refer Restatement Note no. 40.14

10 PROPERTY, PLANT AND EQUIPMENT

Economic Entity
As at 30 June 2012

	R Cost	R Accumulated Depreciation/ Impairment	R Carrying Value
Land & Buildings	2 243 177 975	99 581 585	2 143 596 390
Infrastructure Assets	9 670 910 755	3 076 181 241	6 594 729 514
Community Assets	3 163 459 263	341 044 699	2 822 414 564
Heritage Assets	167 985 055	0	167 985 055
Other Assets	1 031 567 909	460 109 783	571 458 126
	16 277 100 957	3 976 917 308	12 300 183 649

Refer Restatement Note no. 40.20

No assets were pledged as security

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2011

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	2 306 065 399	99 759 674	2 206 305 725
Infrastructure Assets	8 758 561 318	2 640 712 418	6 117 848 900
Community Assets	3 102 940 780	232 422 009	2 870 518 771
Heritage Assets	154 073 809	0	154 073 809
Other Assets	940 350 821	348 630 655	591 720 166
	15 261 992 127	3 321 524 756	11 940 467 371

Municipality
As at 30 June 2012

	R Cost	R Accumulated Depreciation/ Impairment	R Carrying Value
Land & Buildings	2 243 177 975	99 581 585	2 143 596 390
Infrastructure Assets	9 670 910 755	3 076 181 241	6 594 729 514
Community Assets	3 163 459 263	341 044 699	2 822 414 564
Heritage Assets	167 778 055	0	167 778 055
Other Assets	1 030 177 571	459 317 447	570 860 124
	16 275 503 619	3 976 124 972	12 299 378 647

Refer Restatement Note no. 40.20

No assets were pledged as security

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2011

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	2 306 065 399	99 759 674	2 206 305 725
Infrastructure Assets	8 758 561 318	2 640 712 418	6 117 848 900
Community Assets	3 102 940 780	232 422 009	2 870 518 771
Heritage Assets	153 908 809	0	153 908 809
Other Assets	939 080 325	347 916 991	591 163 334
	15 260 556 631	3 320 811 092	11 939 745 539

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

11 INTANGIBLE ASSETS

Economic Entity
As at 30 June 2012

	R	R	R
	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	453 229 403	179 199 093	274 030 310
	<u>453 229 403</u>	<u>179 199 093</u>	<u>274 030 310</u>

No assets were pledged as security

Refer to Note 49 for reconciliation.

As at 30 June 2011

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	530 835 924	93 565 820	437 270 104
	<u>530 835 924</u>	<u>93 565 820</u>	<u>437 270 104</u>

Municipality
As at 30 June 2012

	R	R	R
	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	453 076 034	179 085 962	273 990 072
	<u>453 076 034</u>	<u>179 085 962</u>	<u>273 990 072</u>

No assets were pledged as security

Refer to Note 49 for reconciliation.

As at 30 June 2011

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	530 686 955	93 485 268	437 201 687
	<u>530 686 955</u>	<u>93 485 268</u>	<u>437 201 687</u>

12 INVESTMENT PROPERTY

Economic Entity
As at 30 June 2012

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	212 608 094	32 581 875	180 026 219
	<u>212 608 094</u>	<u>32 581 875</u>	<u>180 026 219</u>

Refer Restatement Note no. 40.26

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2011

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	82 225 785	10 471 448	71 754 337
	<u>82 225 785</u>	<u>10 471 448</u>	<u>71 754 337</u>

Municipality
As at 30 June 2012

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	212 608 094	32 581 875	180 026 219
	<u>212 608 094</u>	<u>32 581 875</u>	<u>180 026 219</u>

Refer Restatement Note no. 40.26

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2011

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	82 225 785	10 471 448	71 754 337
	<u>82 225 785</u>	<u>10 471 448</u>	<u>71 754 337</u>

Description of Investment Property:

	2012 R	2011 R	2012 R	2011 R
Nelson Mandela Bay Logistics Park	38 000 000	38 000 000	38 000 000	38 000 000
Kings Beach	35 855 000	35 855 000	35 855 000	35 855 000
Springs Resort	6 190 000	6 190 000	6 190 000	6 190 000
Telkom Park	24 130 000	24 130 000	24 130 000	24 130 000
Mc Arthur Bath	12 290 000	29 145 250	12 290 000	29 145 250
Willows Resort	246 430 000	246 430 000	246 430 000	246 430 000
Beachview Resort	8 020 000	12 300 000	8 020 000	12 300 000
Van Stadens Resort	22 740 000	22 740 000	22 740 000	22 740 000
St Georges Park Resort	14 552 929	37 184 750	14 552 929	37 184 750
Motherwell Depot	15 000 000	0	15 000 000	0
Africa Timbers in Korsten	1 990 000	0	1 990 000	0
Algoa Bus depot	26 000	0	26 000	0
Mercado centre	25 172 506	0	25 172 506	0
Wells estate and Fresh Produce Market	7 356 255	0	7 356 255	0
Incinerator and Gas works	26 730 000	0	26 730 000	0
Something Good	4 730 000	0	4 730 000	0
Market Value of Investment Property	<u>489 212 690</u>	<u>451 975 000</u>	<u>489 212 690</u>	<u>451 975 000</u>

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

12 INVESTMENT PROPERTY (Continued)

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.

	Economic Entity		Municipality	
	2012	Restated 2011	2012	Restated 2011
	R	R	R	R
Rental revenue included in surplus for following Investment Property:				
Beachview resort	240 000	240 000	240 000	240 000
Van Stadens Resort	240 000	240 000	240 000	240 000
Direct Operating expenses that generated rental revenue	0	0	0	0

13. INVESTMENTS

Investment in Uitenhage (UITESCO)	-295 811	-88 779	20 000	20 000
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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.

UITESCO restated the Depreciation in the 2011 fin year with R1 347 821, due to fact that the assets are not being used.

As per Audited Financial Statements

Depreciation - NMBM's share (33.33%)	-538 062
Restated Investment in Associate	449 283
	-88 779

14 LONG-TERM RECEIVABLES

Loan - UITESCO	17 905 515	17 905 515	17 905 515	17 905 515
Sporting and Other Bodies	5 536	18 498	5 536	18 498
Other Debtors	50 315	50 315	50 315	50 315
Consumer Debtors	23 728 860	43 492 498	23 728 860	43 492 498
Rate and General	10 561 628	18 056 224	10 561 628	18 056 224
Electricity	3 111 655	6 450 759	3 111 655	6 450 759
Water	5 588 143	10 251 422	5 588 143	10 251 422
Refuse	1 536 603	3 203 374	1 536 603	3 203 374
Sewerage	2 917 657	5 500 221	2 917 657	5 500 221
Insurance	13 174	30 498	13 174	30 498
	41 690 226	61 466 826	41 690 226	61 466 826
Less current portion:				
Sporting and Other Bodies	5 216	12 984	5 216	12 984
Current Portion of Long-term Receivables	5 216	12 984	5 216	12 984
Long-term Receivables	41 685 010	61 453 842	41 685 010	61 453 842
Long-term Receivables - Exchange Transactions	31 123 382	43 397 618	31 123 382	43 397 618
Long-term Receivables - Non-exchange Transactions	10 561 628	18 056 224	10 561 628	18 056 224
	41 685 010	61 453 842	41 685 010	61 453 842

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 amortised cost 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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

15 INVENTORY	Economic Entity		Municipality	
	2012	Restated 2011	2012	Restated 2011
	R	R	R	R
Raw Materials	110 462 199	111 709 286	110 415 310	111 629 832
Finished Goods	112 331	102 328	112 331	102 328
Water Finished Goods - at cost (refer to note 30 for cost of inventory sold)	92 228 180	93 380 480	92 228 180	93 380 480
Consumable Goods	6 208 369	6 689 064	6 208 369	6 689 064
	11 913 319	11 537 414	11 866 430	11 457 960
Less: Write down to Net realisable value	(2 361 128)	(3 653 528)	(2 361 128)	(3 653 528)
	108 101 071	108 055 758	108 054 182	107 976 304

No inventory was pledged as security

Refer to Restatement Note 40.18

16 CONSUMER DEBTORS

As at 30 June 2012

	Economic Entity and Municipality		
	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	1 743 035 232	(1 265 688 701)	477 346 531
Rates and General	391 908 119	(391 908 119)	0
Electricity	690 067 535	(265 100 205)	424 967 330
Water	400 328 107	(355 378 386)	44 949 721
Refuse	111 704 246	(111 704 246)	0
Sanitation	149 027 225	(141 597 745)	7 429 480
House Rentals	16 155 441	(9 137 274)	7 018 167
Total	1 759 190 673	(1 274 825 975)	484 364 698

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	0
Consumer debtors - Exchange Transactions	484 364 698
	484 364 698

No consumer debtors were pledged as security.

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

As at 30 June 2011

	Economic Entity and Municipality		
	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	1 714 331 587	(1 241 843 913)	472 487 674
Rates and General	447 373 510	(435 715 277)	11 658 233
Electricity	524 262 302	(186 673 091)	337 589 211
Water	485 891 894	(382 528 650)	103 363 244
Refuse	101 406 761	(101 406 761)	0
Sanitation	155 397 120	(135 520 134)	19 876 986
House Rentals	16 031 564	(8 446 602)	7 584 962
Total	1 730 363 151	(1 250 290 515)	480 072 636

Refer Restatement note no. 40.15

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	11 658 233
Consumer debtors - Exchange Transactions	468 414 403
	480 072 636

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

16. CONSUMER DEBTORS (Continued)

Economic Entity and Municipality

2012 Restated 2011
 R R

Rates and General: Ageing

Current (0-30 days)	(3 010 967)	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	391 908 119	447 373 510

Electricity: Ageing

Current (0-30 days)	440 322 833	361 135 473
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	690 067 535	524 262 302

Water: Ageing

Current (0-30 days)	85 094 016	151 791 160
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	400 328 107	485 891 894

Refuse: Ageing

Current (0-30 days)	15 513 953	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	111 704 246	101 406 761

Sanitation: Ageing

Current (0-30 days)	26 006 394	41 895 085
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	149 027 225	155 397 120

Housing Rentals: Ageing

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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. CONSUMER DEBTORS (Continued)

Economic Entity and Municipality

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	324 694 107	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	596 835 995	50 364 557
Gross Consumer Debtors			1 759 190 674
Less: Impairment allowance			(1 274 825 975)
Net Consumer Debtors for the year ended 30 June 2012			484 364 699

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	237 384 552	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	502 731 118	29 019 742
Gross Consumer Debtors			1 730 363 151
Less: Impairment allowance			(1 250 290 515)
Net Consumer Debtors for the year ended 30 June 2011			480 072 636

Reconciliation of the Impairment Allowance

	2012 R	Restated 2011 R
Balance at beginning of year	1 250 290 515	759 979 577
Contributions to Impairment allowance	275 688 199	604 368 825
Bad debts written off against the Impairment allowance	1 525 978 714	1 364 348 402
Balance at end of year	1 274 825 974	1 250 290 515

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 no impairment allowance raised:

Neither past due nor impaired		
Current (0-30 days)	484 364 699	480 072 636

Consumer Debtors for which an impairment allowance was raised

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)	1 274 825 974	1 250 290 515
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17 OTHER DEBTORS

	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Government Grants and Subsidies	237 344 179	212 453 015	237 344 179	212 453 015
Interest on External Investments	5 326 948	2 553 836	5 089 074	2 383 777
Operating lease accruals	121 085	194 282	121 085	194 282
Sundry Debtors	49 860 625	95 851 111	46 515 510	96 177 024
Entity - MBDA	0	0	56 283 273	45 907 413
	292 652 837	311 052 244	345 353 121	357 115 511
Less: Impairment allowance relating to the total outstanding for RSC Levies	(3 581 004)	(3 551 495)	(3 563 124)	(3 541 805)
Balance at end of year	289 071 833	307 500 749	341 789 997	353 573 706

Refer to Restatement Note 40.19

The provision for impairment allowance relates to the total outstanding debt for RSC Levies.

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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18. VAT

	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
VAT refund	11 255 427	21 703 075	10 829 099	19 367 529
Refer to Restatement Note 40.16				
VAT Suspense	5 347 975	25 204 943	5 347 975	25 204 943

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 made.

Refer to Restatement Note 40.12

19 SHORT-TERM INVESTMENTS & INVESTMENT DEPOSITS

DEPOSITS

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	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	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	46 112 154	45 885 217
	987 219 306	296 992 369	987 219 306	296 992 369

FINANCIAL INSTRUMENTS - INVESTMENTS

Sanlam Shares	1 462 854	1 127 728	1 462 854	1 127 728
	1 462 854	1 127 728	1 462 854	1 127 728

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 received or allotted for no cost, 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 Entity - R98 898 108 (2011: R93 115 527 and Municipality 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:

	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
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	130 665 052	124 361 433
Cash Book balance at end of the year	168 794 659	130 665 052	168 794 659	130 665 052
Bank Balance at beginning of the year	151 095 273	106 582 656	151 095 273	106 582 656
Bank Balance at end of the year	125 695 962	151 095 273	125 695 962	151 095 273
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	168 794 659	130 665 052	168 794 659	130 665 052
Bank guarantees held with Standard Bank:				
Fleet Management Card	0	300 000	0	300 000
Performance Management Card	55 000	55 000	55 000	55 000

Mandela Bay Development Agency

Current Account (Primary Account)

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

Cashbook balance at beginning of year	345 065	143 990
Cashbook balance at end of the year	111 945	345 065
Bank statement balance at beginning of the year	345 065	143 990
Bank statement balance at end of the year	111 945	345 065

Call Account Deposits

Rand Merchant Bank, Port Elizabeth
Account Number - X021906134

Cashbook balance at beginning of year	58 029 257	41 898 401
Cashbook balance at end of the year	55 979 884	58 029 257
Bank statement balance at beginning of the year	58 029 257	41 898 401
Bank statement balance at end of the year	55 979 884	58 029 257

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

Cash and cash equivalents	56 091 829	58 374 322
Current Account (Primary Account)	111 945	345 065
Call Account Deposits	55 979 884	58 029 257
Consolidated Cash Book balance at end of the year	224 866 488	189 039 374

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

21 PROPERTY RATES	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
<u>Actual</u>				
Residential	471 637 971	416 967 783	471 637 971	416 967 783
Commercial	307 268 439	284 416 965	307 268 439	284 416 965
State	63 465 522	57 886 222	63 465 522	57 886 222
Other	87 144 937	79 583 682	87 144 937	79 583 682
	929 516 869	838 854 652	929 516 869	838 854 652

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

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

22 SERVICE CHARGES

Sale of Electricity	2 751 648 354	2 185 912 695	2 751 735 043	2 185 993 075
Sale of Water	343 360 668	568 438 652	343 360 668	568 438 652
Service delivery - sale of inventory	3 095 009 022	2 754 351 347	3 095 095 711	2 754 431 727
Refuse Removal	137 552 593	120 674 829	137 552 593	120 674 829
Sewerage and Sanitation charges	258 182 442	246 503 585	258 182 442	246 503 585
Service delivery - sale of service	395 735 035	367 178 414	395 735 035	367 178 414
	3 490 744 057	3 121 529 761	3 490 830 746	3 121 610 141

These amounts are reflected excluding VAT.
 Refer Restatement note 40.28

23 FOREIGN EXCHANGE TRANSACTIONS

Loss on foreign exchange transactions	0	0	0	0
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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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24 GOVERNMENT GRANTS AND SUBSIDIES	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
PHB Subsidies (See Note 24.1)	325 878 474	240 153 800	325 878 474	240 153 800
Health Subsidies (See Note 24.2)	151 985 478	46 330 492	151 985 478	46 330 492
Equitable Share Allocation (See Note 24.3)	656 653 000	602 882 820	656 653 000	602 882 820
Finance Management Grant (See Note 24.4)	1 179 867	872 325	1 179 867	872 325
Library Services - Carnegie Corporation Grant (See Note 24.5)	0	0	0	0
SMME - Development (See Note 24.6)	0	0	0	0
Project Consolidate (See Note 24.7)	0	0	0	0
Disaster Management Grant (See Note 24.8)	0	0	0	0
Municipal Infrastructure Grant (See Note 24.9)	1 563 380	1 372 368	1 563 380	1 372 368
Ploughing Fields (See Note 24.10)	0	0	0	0
Project Generation (DEAET) (See Note 24.11)	0	0	0	0
Amphitheatre - Uitenhage - UDDI (See Note 24.12)	0	0	0	0
National Treasury - Accreditation of Municipalities (See Note 24.13)	4 867 349	2 251 638	4 867 349	2 251 638
Fuel Levy (See Note 24.14)	0	0	0	0
2010 Soccer World Cup Stadium (See Note 24.15)	0	11 682 959	0	11 682 959
Walmer Youth Development Project (See Note 24.16)	0	0	0	0
HIV / AIDS Columbia University Project (See Note 24.17)	1 532 339	4 613 207	1 532 339	4 613 207
Provincial Government Grants (See Note 24.18)	5 747 000	4 500 000	5 747 000	4 500 000
Public Transport Infrastructure Grant (See Note 24.19)	16 425 609	5 147 135	16 425 609	5 147 135
DME Subsidy on Connections (See Note 24.20)	0	0	0	0
EU Sector Policy Support Project (See Note 24.21)	2 546 040	11 014 801	2 546 040	11 014 801
Energy-Special Projects (See Note 24.22)	40 380 734	7 995 549	40 380 734	7 995 549
Other Grants (See Note 24.23)	10 010 223	18 712 247	9 540 568	16 333 717
Government Grant Revenue (See Note 24.24)	915 672 157	433 418 819	915 672 157	500 977 507
National Lotteries Grant (See Note 24.245)	0	10 665 937	0	10 665 937
Water Demand Management Grant (See Note 24.26)	0	7 873 281	0	7 873 281
	2 134 441 650	1 409 487 378	2 133 971 995	1 474 667 536
Refer to Restatement Note 40.10				
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	10 443 898	46 948 386
Current year receipts	307 604 503	310 688 751	307 604 503	310 688 751
Funding of Operating Projects	0	(68 336 935)	0	(68 336 935)
Debtor raised	178 334 636	161 874 778	178 334 636	161 874 778
Conditions met - Transferred to revenue	(325 878 474)	(240 153 800)	(325 878 474)	(240 153 800)
Reversal of prior year accrual	(161 874 778)	(200 577 282)	(161 874 778)	(200 577 282)
Conditions still to be met - transferred to liabilities	8 629 785	10 443 898	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	1 240 134	422 560
Current year receipts	93 494 829	50 139 336	93 494 829	50 139 336
Debtor raised	59 009 543	2 942 386	59 009 543	2 942 386
Conditions met - Transferred to revenue	(151 985 478)	(46 330 492)	(151 985 478)	(46 330 492)
Reversal of prior year accrual	(1 722 761)	(5 933 656)	(1 722 761)	(5 933 656)
Conditions still to be met - transferred to liabilities	36 267	1 240 134	36 267	1 240 134
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	0	0
Current year receipts	656 653 000	602 882 820	656 653 000	602 882 820
Conditions met - Transferred to revenue	(656 653 000)	(602 882 820)	(656 653 000)	(602 882 820)
Conditions still to be met - transferred to liabilities	0	0	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	0	0
Current year receipts	1 250 000	1 000 000	1 250 000	1 000 000
Funding of Capital Projects	0	(127 675)	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)	(1 179 867)	(872 325)
Conditions still to be met - transferred to liabilities	0	0	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	0	841 621
Interest received	0	23 012	0	23 012
Grant paid back to National Treasury - Interest portion	0	(864 633)	0	(864 633)
Conditions still to be met - transferred to liabilities	0	0	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	192 500	192 500
Conditions met - Transferred to Other Income	(192 500)	0	(192 500)	0
Conditions still to be met - transferred to liabilities	0	192 500	0	192 500

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2012 R	Restated 2011 R	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				
Balance unspent at beginning of year	0	84 492	0	84 492
Transferred to Other Income	0	(84 492)	0	(84 492)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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	0	0
Reversal of prior year accrual	0	(3 076 717)	0	(3 076 717)
Debt impaired	0	3 076 717	0	3 076 717
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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	1 494 413	496 772
Current year receipts		182 532 000		182 532 000
Funding of Capital Projects	68 967	(180 161 991)	68 967	(180 161 991)
Conditions met - Transferred to revenue	(1 563 380)	(1 372 368)	(1 563 380)	(1 372 368)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>1 494 413</u>	<u>0</u>	<u>1 494 413</u>
24.10 Ploughing Fields				
This Grant is used to promote Economic development.				
Balance unspent at beginning of year	0	26 545	0	26 545
Transferred to Other Income	0	(26 545)	0	(26 545)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
24.11 Project Generation(DEAET)				
This Grant is used to promote Economic development.				
Balance unspent at beginning of year	0	7 016 230	0	7 016 230
Transferred to Other Income	0	(7 016 230)	0	(7 016 230)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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	3 773 525	3 815 178
Interest transferred to Other Income	0	(41 653)	0	(41 653)
Conditions still to be met - transferred to liabilities	<u>3 773 525</u>	<u>3 773 525</u>	<u>3 773 525</u>	<u>3 773 525</u>
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	5 465 027	3 716 665	5 465 027	3 716 665
Current year receipts	5 000 000	4 000 000	5 000 000	4 000 000
Conditions met - Transferred to revenue	(4 867 349)	(2 251 638)	(4 867 349)	(2 251 638)
Conditions still to be met - transferred to liabilities	<u>5 597 678</u>	<u>5 465 027</u>	<u>5 597 678</u>	<u>5 465 027</u>
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	0	0
Current year receipts	0	391 668 000	0	391 668 000
Conditions met - Transferred to Other Income	0	(391 668 000)	0	(391 668 000)
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2012 R	Restated 2011 R	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	0	33 988 642
Current year receipts	0	2 658 193	0	2 658 193
Funding of Capital Projects	0	(24 963 876)	0	(24 963 876)
Conditions met - Transferred to revenue	0	(11 682 959)	0	(11 682 959)
Conditions still to be met - transferred to liabilities	0	0	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	53 623	53 623
Conditions met - Transferred to Other Income	(53 623)	0	(53 623)	0
Conditions still to be met - transferred to liabilities	0	53 623	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	0	0
Current year receipts	2 626 463	3 582 113	2 626 463	3 582 113
Debtor's accrual raised	0	1 094 124	0	1 094 124
Conditions met - Transferred to revenue	(1 532 339)	(4 613 207)	(1 532 339)	(4 613 207)
Reversal of prior year accrual	(1 094 124)	(63 030)	(1 094 124)	(63 030)
Conditions still to be met - transferred to liabilities	0	0	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	0	0
Current year receipts	5 747 000	4 500 000	5 747 000	4 500 000
Conditions met - Transferred to revenue	(5 747 000)	(4 500 000)	(5 747 000)	(4 500 000)
Conditions still to be met - transferred to liabilities	0	0	0	0
24.19 Public Transport Infrastructure Grant				
This Grant is received from National Treasury for upgrading of infrastructure support relating to public transport.				
Balance unspent at beginning of year	168 904 002	0	168 904 002	0
Current year receipts	320 000 000	428 333 000	320 000 000	428 333 000
Funding of Capital Expenditure	(71 953 033)	(108 644 114)	(71 953 033)	(108 644 114)
Reversal of prior year accrual	0	(130 338 781)	0	(130 338 781)
Conditions met - Transferred to Other Income - VAT portion	(9 910 582)	(15 298 968)	(9 910 582)	(15 298 968)
Conditions met - Transferred to revenue	(16 425 609)	(5 147 135)	(16 425 609)	(5 147 135)
Conditions still to be met - transferred to liabilities	390 614 778	168 904 002	390 614 778	168 904 002
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				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	25 000 000	20 000 000	25 000 000	20 000 000
Funding of Capital Projects	(25 000 000)	(19 085 177)	(25 000 000)	(19 085 177)
Debtor Raised	0	0	0	0
Reversal of prior year accrual	0	(914 823)	0	(914 823)
Conditions still to be met - transferred to liabilities	0	0	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	2 763 365	24 292 923
Funding of Capital Projects	0	(10 577 306)	0	(10 577 306)
Conditions met - Transferred to revenue	(2 546 040)	(11 014 801)	(2 546 040)	(11 014 801)
Transferred to Other Income	0	(580 075)	0	(580 075)
Interest allocated	68 457	642 624	68 457	642 624
Conditions still to be met - transferred to liabilities	285 782	2 763 365	285 782	2 763 365

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24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
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	35 948 515	20 063 441
Current year receipts	10 000 000	25 000 000	10 000 000	25 000 000
Conditions met - Transferred to Other Income - VAT portion	(5 567 781)	(1 119 377)	(5 567 781)	(1 119 377)
Conditions met - Transferred to revenue	(40 380 734)	(7 995 549)	(40 380 734)	(7 995 549)
Conditions still to be met - transferred to liabilities	0	35 948 515	0	35 948 515
24.23 Other Grants				
These are grants received by the NMBM for various purposes.				
Balance unspent at beginning of year	37 327 470	75 172 286	29 825 540	63 016 132
Current year receipts	16 677 922	33 784 296	16 677 922	30 784 296
Funding of Capital Projects	33 345 520	(20 506 628)	33 345 520	(20 506 628)
Funding of Operating Projects	(4 538 593)	(70 974 129)	0	(65 698 435)
Transfer to Other Income	(2 178 860)	0	(2 178 860)	0
Debtor raised	0	75 818 432	0	75 818 432
Reversal of prior year accrual	(75 818 432)	(75 441 380)	(75 818 432)	(75 441 380)
Transfer accrual to Drought Relief Grant Funding	38 495 510	0	38 495 510	0
Debt impaired	0	38 186 840	0	38 186 840
Conditions met - Transferred to revenue	(10 010 223)	(18 712 247)	(9 540 568)	(16 333 717)
Conditions still to be met - transferred to liabilities	33 300 314	37 327 470	30 806 632	29 825 540
24.24 Government Grant Revenue				
Funding of Capital Projects	915 672 157	433 418 819	915 672 157	500 977 507
Conditions met - Transferred to revenue	(915 672 157)	(433 418 819)	(915 672 157)	(500 977 507)
Conditions still to be met - transferred to liabilities	0	0	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	5 605 040	0
Current year receipts	0	18 948 694	0	18 948 694
Conditions met - Transferred to revenue	0	(10 665 937)	0	(10 665 937)
Reversal of prior year accrual	0	(2 677 717)	0	(2 677 717)
Conditions still to be met - transferred to liabilities	5 605 040	5 605 040	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	0	0
Current year receipts	2 000 000	12 729 092	2 000 000	12 729 092
Funding of Capital Projects	0	(2 257 438)	0	(2 257 438)
Debtor raised	0	2 000 000	0	2 000 000
Reversal of prior year accrual	(2 000 000)	(4 598 373)	(2 000 000)	(4 598 373)
Conditions met - Transferred to revenue	0	(7 873 281)	0	(7 873 281)
Conditions still to be met - transferred to liabilities	0	0	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	18 363 857	0
Current year receipts	15 000 000	68 697 115	15 000 000	68 697 115
Funding of Capital Projects	(33 010 999)	(42 899 924)	(33 010 999)	(42 899 924)
Reversal of prior year accrual	0	(7 433 334)	0	(7 433 334)
Conditions met - Transferred to Other Income	(352 858)	0	(352 858)	0
Conditions still to be met - transferred to liabilities	0	18 363 857	0	18 363 857
24.28 Drought Relief Grant Funding				
This grant is used for drought relief projects				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	450 000 000	0	450 000 000	0
Funding of Capital Projects	(310 172 608)	0	(310 172 608)	0
Transfer from Other Grants	(38 495 510)	0	(38 495 510)	0
Conditions met - Transferred to Other Income - VAT portion	(42 669 653)	0	(42 669 653)	0
Conditions still to be met - transferred to liabilities	58 662 229	0	58 662 229	0
24.29 Urban Settlement Development Grant				
This grant is used for the urban renewal projects				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	502 626 000	0	502 626 000	0
Funding of Capital Projects	(469 929 316)	0	(469 929 316)	0
Conditions met - Transferred to Other Income - VAT portion	(32 280 610)	0	(32 280 610)	0
Conditions still to be met - transferred to liabilities	416 074	0	416 074	0
24.30 Skills Development Grant				
This grant is used for skills development				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	5 000 000	0	5 000 000	0
Conditions still to be met - transferred to liabilities	5 000 000	0	5 000 000	0
25 OTHER INCOME	R	R	R	R
Fees and Charges	106 597 919	153 448 653	106 597 919	153 448 653
Grave Income	4 230 090	3 106 028	4 230 090	3 106 028
Public Contributions and Donations Revenue	22 698 847	22 975 832	18 160 254	17 700 138
Fuel Levy	419 132 000	391 668 000	419 132 000	391 668 000
Insurance Claims	0	176 578	0	176 578
Government Grants - VAT recognised	90 418 668	21 807 716	90 418 668	21 807 716
Other Income	177 074 073	184 535 154	176 820 274	184 351 853
	820 151 597	777 717 961	815 359 205	772 258 966

Refer to Restatement Note 40.4

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26 EMPLOYEE RELATED COSTS	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Employee related costs - Salaries and Wages	1 153 856 456	1 110 271 018	1 147 880 560	1 104 924 269
Employee related costs - Contributions for UIF, pensions and medical aids	459 411 987	580 705 715	459 411 987	580 705 715
Travel, motor car, accommodation, subsistence and other allowances	113 853 671	97 294 647	113 745 671	97 186 647
Housing benefits and allowances	8 046 417	8 265 888	8 046 417	8 265 888
Overtime payouts	74 037 655	72 263 953	74 037 655	72 263 953
Performance bonus	20 016 280	16 844 561	19 655 932	16 578 835
Long-service Awards	29 586 105	26 592 350	29 586 105	26 592 350
	1 858 808 571	1 912 238 132	1 852 364 327	1 906 517 657
Refer to Restatement Note 40.3				
Remuneration of the Municipal Manager - G Richards				
Annual Remuneration	0	349 988	0	349 988
Car allowance	0	32 000	0	32 000
UIF, Medical, Pension Funds etc.	0	499	0	499
Total	0	382 487	0	382 487
Remuneration of the Acting Municipal Manager - E Ntoba				
Annual Remuneration	348 734	1 119 516	348 734	1 119 516
UIF, Medical, Pension Funds etc.	0	1 497	0	1 497
Total	348 734	1 121 013	348 734	1 121 013
Remuneration of the Acting Municipal Manager - T Hani				
Annual Remuneration	250 903	0	250 903	0
Total	250 903	0	250 903	0
Remuneration of the Chief Financial Officer				
Annual Remuneration	657 989	779 616	657 989	779 616
Car allowance	106 400	159 600	106 400	159 600
UIF, Medical, Pension Funds etc.	7 118	139 844	7 118	139 844
Total	771 507	1 079 060	771 507	1 079 060
Remuneration of the Chief Operating Officer				
Annual Remuneration	997 134	788 292	997 134	788 292
Car allowance	144 000	144 000	144 000	144 000
UIF, Medical, Pension Funds etc.	10 790	132 974	10 790	132 974
Total	1 151 924	1 065 266	1 151 924	1 065 266
Remuneration of the Chief of Staff				
Annual Remuneration	1 109 601	964 788	1 109 601	964 788
UIF, Medical, Pension Funds etc.	11 401	51 318	11 401	51 318
Total	1 121 002	1 016 106	1 121 002	1 016 106
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	1 240 370	1 166 764	0	0
Performance Bonuses	156 044	122 676	0	0
Car allowance	60 000	60 000	0	0
Total	1 456 414	1 349 440	0	0
Remuneration of the Chief Financial Officer - MBDA				
Annual Remuneration	699 050	658 123	0	0
Performance Bonuses	101 227	68 212	0	0
Car allowance	24 000	24 000	0	0
Total	824 277	750 335	0	0
Remuneration of the Planning and Development Manager - MBDA				
Annual Remuneration	628 529	591 593	0	0
Performance Bonuses	65 253	55 403	0	0
Car allowance	24 000	24 000	0	0
Total	717 782	670 996	0	0
Remuneration of the the Operations Manager - MBDA				
Annual Remuneration	420 263	388 700	0	0
Performance Bonuses	37 824	19 435	0	0
Total	458 087	408 135	0	0
Remuneration of Individual Executive Directors				
Corporate Services				
Annual Remuneration	911 189	920 088	911 189	920 088
Car Allowance	110 000	120 000	110 000	120 000
UIF, Medical, Pension Funds etc.	11 765	1 497	11 765	1 497
	1 032 954	1 041 585	1 032 954	1 041 585
Economic Development and Recreational Services				
Annual Remuneration	1 042 629	773 052	1 042 629	773 052
Car Allowance	120 000	120 000	120 000	120 000
UIF, Medical, Pension Funds etc.	1 497	100 432	1 497	100 432
	1 164 126	993 484	1 164 126	993 484

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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26 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Public Health				
Annual Remuneration	983 328	921 211	983 328	921 211
Car Allowance	120 000	120 000	120 000	120 000
UIF, Medical, Pension Funds etc.	12 291	1 497	12 291	1 497
	1 115 619	1 042 708	1 115 619	1 042 708
Human Settlements				
Annual Remuneration	0	344 112	0	344 112
Car Allowance	0	40 000	0	40 000
UIF, Medical, Pension Funds etc.	0	14 499	0	14 499
	0	398 611	0	398 611
Infrastructure and Engineering				
Annual Remuneration	0	829 717	0	829 717
Car Allowance	0	121 000	0	121 000
UIF, Medical, Pension Funds etc.	0	1 497	0	1 497
	0	952 214	0	952 214
Strategic Programmes Unit				
Annual Remuneration	910 721	842 088	910 721	842 088
Car Allowance	120 000	120 000	120 000	120 000
UIF, Medical, Pension Funds etc.	78 000	79 557	78 000	79 557
	1 108 721	1 041 645	1 108 721	1 041 645
2010 FIFA World Cup South Africa				
Annual Remuneration	537 446	887 196	537 446	887 196
Car Allowance	70 000	120 000	70 000	120 000
UIF, Medical, Pension Funds etc.	873	101 901	873	101 901
	608 319	1 109 097	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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
27 REMUNERATION OF COUNCILLORS				
Mayor's Remuneration	1 022 469	938 624	1 022 469	938 624
Deputy Mayor's Remuneration	810 623	773 051	810 623	773 051
Speaker's Remuneration	804 712	702 264	804 712	702 264
Councillors' Remuneration	45 768 624	41 425 758	45 768 624	41 425 758
Telephone Allowances	1 512 756	1 382 186	1 512 756	1 382 186
	49 919 184	45 221 883	49 919 184	45 221 883

Refer to Restatement Note 40.32

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 IMPAIRMENT - RECEIVABLES

Bad debts consists of the following:

Bad debts expense

ATTP and Miscellaneous fees and charges

Levies

Other

	2012 R	Restated 2011 R	2012 R	Restated 2011 R
	292 917 334	119 618 987	292 906 951	119 609 305
ATTP and Miscellaneous fees and charges	251 152 740	114 057 887	251 152 740	114 057 887
Levies	104	0	104	0
Other	41 764 490	5 561 100	41 754 107	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 as above

	2012 R	Restated 2011 R	2012 R	Restated 2011 R
	5 982 954	402 867 642	5 982 954	402 867 642
Contribution to doubtful debts (inclusive of VAT)	275 688 199	604 368 824	275 688 199	604 368 824
Less: VAT portion	18 573 823	75 061 837	18 573 823	75 061 837
Contribution to doubtful debts (excluding VAT)	257 114 376	529 306 987	257 114 376	529 306 987
Less: Bad debts as above	251 152 740	114 057 887	251 152 740	114 057 887
	5 961 636	415 249 100	5 961 636	415 249 100
Add: Bad debts - levies debtors	21 318	(508 404)	21 318	(508 404)
Less: Bad debts now funded from the impairment allowance	0	11 873 054	0	11 873 054
	298 900 288	522 486 629	298 889 905	522 476 947

Add: Bad debts - levies debtors

Less: Bad debts now funded from the impairment allowance

Refer to Restatement Note 40.5

29 FINANCE COSTS

Interest on External Loans

Interest on Other

Total

Interest accrued

Interest paid

	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Interest on External Loans	211 866 775	174 719 874	211 866 775	174 719 874
Interest on Other	1 293 216	2 909 858	1 057 556	2 909 858
Total	213 159 991	177 629 732	212 924 331	177 629 732
Interest accrued	11 862 888	519 664	11 627 228	519 664
Interest paid	201 297 103	177 110 068	201 297 103	177 110 068

Refer to Restatement Note 40.6

30 BULK PURCHASES

Electricity

Water

	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Electricity	1 915 652 397	1 511 442 010	1 915 652 397	1 511 442 010
Water	56 860 953	55 605 248	56 860 953	55 605 248
	1 972 513 350	1 567 047 258	1 972 513 350	1 567 047 258

Refer to Restatement Note 40.8

31 GRANTS AND SUBSIDIES PAID

Grants in aid

Grants to Entities

Grants to Individuals

Grants to Other Organisations

	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Grants in aid	5 647 331	7 116 663	5 647 331	7 116 663
Grants to Entities	3 699 874	(68 437 830)	19 014 533	(57 064 031)
Grants to Individuals	260 312 761	265 134 163	260 312 761	265 134 163
Grants to Other Organisations	16 256 035	15 415 029	16 234 135	15 366 489
	285 916 001	219 228 025	301 208 760	230 553 284

Refer to Restatement Note 40.25

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

	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	563 402 757	(11 632 865)	563 554 794	56 035 522
Adjustment for:-				
Interest received	(180 358 399)	(132 598 100)	(178 191 836)	(129 793 843)
Impairment of receivables	(24 556 779)	(525 323 832)	(24 556 779)	(525 323 832)
Write down to net realisable value	1 292 400	(20 320)	1 292 400	(20 320)
Gain on disposal of PPE	0	(1 698 397)	0	(1 698 397)
Loss on disposal of PPE	17 448 655	5 056 521	17 430 969	5 056 521
Depreciation - Property, plant and equipment	666 782 219	436 460 068	666 653 043	436 318 987
Depreciation - Investment Property	5 387 956	2 638 502	5 387 956	2 638 502
Amortisation	87 861 856	79 233 486	87 829 277	79 202 392
Interest paid	201 826 299	177 110 068	201 826 299	177 110 068
Contribution to provisions/ employee benefit obligation - non-current	150 305 369	282 679 793	150 305 369	282 679 793
Contribution to provisions/ employee benefit obligation - current	7 746 344	56 718 309	7 647 751	56 775 440
Unrealised gain to Sanlam shares	(335 126)	(192 319)	(335 126)	(192 319)
Impairment of PPE	109 210 754	920 000	109 210 754	920 000
Share of Loss in Associate	207 032	158 000	0	0
Operating Surplus before working capital changes	1 606 221 337	369 508 914	1 608 054 871	439 708 514
(Increase)/Decrease in Inventory	(1 337 713)	26 951 624	(1 370 278)	26 807 950
Decrease in debtors	20 243 398	644 738 989	20 243 398	644 738 989
Decrease in other debtors	18 450 235	209 907 389	11 805 028	163 752 835
Decrease in VAT	30 304 616	52 113 791	28 395 398	53 345 744
Increase in Unspent conditional grants and receipts	220 346 103	73 223 226	225 354 351	77 877 451
Increase/(Decrease) in Creditors	101 873 451	(277 788 661)	107 466 045	(321 515 453)
Decrease in Long-term Receivables	19 776 600	19 095 712	19 776 600	19 095 712
	2 015 878 027	1 117 750 984	2 019 725 413	1 103 811 742
33 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	987 219 306	296 992 369	987 219 306	296 992 369
Bank balances and cash	224 886 488	189 039 374	168 794 659	130 665 052
Total Cash and Cash Equivalents	1 212 105 794	486 031 743	1 156 013 965	427 657 421
34 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	0	470 000 000	0	470 000 000
Loans repaid	(77 058 228)	(88 858 738)	(77 058 228)	(88 858 738)
	(77 058 228)	381 141 262	(77 058 228)	381 141 262
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	9 999 846	9 498 601	9 999 846	9 498 601
Amount paid - current year	(9 999 846)	(9 498 601)	(9 999 846)	(9 498 601)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	178 978	0	0	0
Current year audit fee	8 896 621	9 242 857	8 485 865	8 873 609
Amount paid - current year	(8 774 576)	(9 063 879)	(8 485 865)	(8 873 609)
Amount paid - previous year	(178 978)	0	0	0
Balance unpaid (included in creditors)	122 045	178 978	0	0

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
35.3 VAT				
The Net effect of the 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	16 580 547	15 916 573	16 496 636	15 854 281
Current year payroll deductions	222 556 266	213 962 374	221 320 903	212 846 209
Amount paid - current year	(205 291 536)	(197 381 827)	(204 146 826)	(196 349 573)
Amount paid - previous year	(16 580 547)	(15 916 573)	(16 496 636)	(15 854 281)
Balance unpaid (included in creditors)	17 264 730	16 580 547	17 174 077	16 496 636
35.5 Pension and Medical Aid Deductions				
Opening balance	0	0	0	0
Current year payroll deductions and Council Contributions	436 387 852	392 705 517	436 387 852	392 705 517
Amount paid - current year	(436 387 852)	(392 705 517)	(436 387 852)	(392 705 517)
Balance unpaid (included in creditors)	0	0	0	0
35.6 Skills Development Levy				
Opening balance	1 028 486	907 083	1 028 486	907 083
Current year payroll deductions	13 222 798	11 892 060	13 222 798	11 892 060
Amount paid - current year	(12 040 250)	(10 863 574)	(12 040 250)	(10 863 574)
Amount paid - previous year	(1 028 486)	(907 083)	(1 028 486)	(907 083)
Balance unpaid (included in creditors)	1 182 548	1 028 486	1 182 548	1 028 486
OTHER ADDITIONAL DISCLOSURES:				
35.7 Impairment				
Impairment - new billing system	93 075 517	0	93 075 517	0
Impairment - land	16 135 237	42 183 558	16 135 237	42 183 558
	109 210 754	42 183 558	109 210 754	42 183 558
Impairment of Land due to a decrease in the valuation as per the general valuation roll				
The "new billing system" has been impaired as no future service potential is foreseen. The amount have been based on total costs incurred to date.				
35.8 Loss on disposal of Property, plant and equipment				
Loss on disposal of property, plant and equipment	17 430 969	5 056 521	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	0	1 698 397
35.10 Provident Fund				
Opening balance	54 077	0	0	0
Amount Paid	-700 159	-549 202	0	0
Expenditure incurred	705 581	603 279	0	0
Balance unpaid (included in creditors)	59 499	54 077	0	0

The entity contributes to the Liberty Corporate Selection Group Life Scheme, a defined contribution plan which is required to be actuarially valued. The fund is governed under the Pension Fund Act, 1956 as amended.

The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 16 members belong to the fund.

35.11 Water losses

The NMBM suffered water losses of 19, 272 megalitres (21,0%) amounting to R127.2 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. This has resulted in a saving of R24.3 million.

35.12 Electricity losses

The NMBM suffered electricity losses of 9% amounting to R16.043 million. Various electricity management interventions are being implemented to curb these losses.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S 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 Semele	947	145	802
Councillor L Troon	1 570	1 515	55
Councillor Z G Wayile	234	234	0
	<u>7 186</u>	<u>4 418</u>	<u>2 768</u>

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 Semele	752	130	622
Councillor N R Tontsi	1 122	1 122	0
	<u>4 881</u>	<u>3 269</u>	<u>1 612</u>

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

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
36.2 List of Entities and related transactions				
1 Solely-controlled entities				
The following entity are solely controlled by the NMBM and have received the following grants:				
Nelson Mandela Bay Development Agency (excluding VAT)	0	0	63 680 444	19 952 872

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties however these amounts have been included as the additional disclosure is required by the MFMA.

Investment in Associate	2012	Restated 2011	2012	Restated 2011
Investment in UITESCO	-295 811	-88 779	20 000	20 000
Share of Loss in Associate	207 032	158 000	0	0
Total Assets	23 927 396	24 398 591	0	0
Total Liabilities	24 814 812	24 664 924	0	0
Total Revenue	389 809	393 052	0	0
Total Expenses	1 010 891	867 043	0	0
Net Loss for the year	-621 083	-473 991	0	0

2 Section 57 Employees (See note 26)

3 Other Organisations

The Organisations have received the following grants/ payments:

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

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties however these amounts have been included as the additional disclosure is required by the MFMA.

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 Suppliers in which close family members of employees, councillors/ directors or Mayor has an

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

Although a related party relationship does exist as awards were made to suppliers in which close family members of employees have an interest, these transactions were in the ordinary course of business at market related rates, however this disclosure has been included as required by SCM regulation 45.

Although a related party relationship does exist, contracts were awarded to certain councillors and officials in which they have an interest. These transactions were made in the ordinary course of business at market related rates, however this disclosure has been included as required by SCM regulation 44.

36.4 Supply Chain Management Policy

1. Nelson Mandela Bay Municipality

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

Deviations: Supply Chain Management Policy	2012			2011	
	Considered Irregular Expenditure	No. of Tenders	Payments made	No. of Tenders	Payments made
(i) In an emergency;	143 400	1	143 400	0	0
(ii) If such goods or services are produced or available from a single provider only;	0	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	0	5	6 123 893
(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	175 626 362	67	337 229 157	141	247 511 408
36 (1) (b) - Ratify any minor breaches of the procurement processes.	30 122	1	30 122	0	0

2. Mandela Bay Development Agency

2012 Financial year:

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

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

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

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

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

2011 Financial year:

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

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

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

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

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

	2012 R	2011 R
37 CAPITAL COMMITMENTS		
Approved and contracted for	566 085 217	262 246 029
Infrastructure	523 861 327	227 501 874
Community	42 223 890	34 744 155
Approved but not yet contracted for	397 390 492	0
Infrastructure	387 878 249	0
Community	9 512 243	0
Total	963 475 709	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
Fuel Levy	164 327 492	2 653 866
Urban Settlements Development Grant (USDG)	799 148 217	74 308 242
Total	963 475 709	262 246 029

38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION Economic Entity and Municipality	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Long-term liabilities (See Note 3)	1 831 454 589	1 923 512 817	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	1 831 454 589	1 923 512 817
Sub-total	0	0	0	0

Cash set aside for the repayment of long-term liabilities (See Note 3) **98 898 108** **93 115 527** **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 NMBM's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the NMBM can be required to pay. The table includes both estimated interest and principal cash flows.

	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
Trade payables				
1-3 months	1 015 621 061	937 071 769	1 014 958 103	930 906 950
> 3 months	123 498 314	80 647 762	123 498 314	80 647 762
Other payables				
1-3 months	0	0	0	0
> 3 months	43 436 981	43 760 168	45 062 001	45 300 110
Long term borrowings				
< 12 months	98 898 108	93 115 527	97 282 756	92 054 673
> 12 months	1 745 209 538	1 842 888 389	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.

Refer to note 51 for table.

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. There were no currency risk exposure in the current and prior year.

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

40 RESTATED PRIOR YEAR COMPARATIVES	Economic Entity	Municipality
	Restated 2011	Restated 2011
	R	R
Consists of the following:		
Changes due to Accounting Standards and National Treasury Circulars:		
Increase in other Income	413 676 955	413 676 955
Decrease in Government Grants and Subsidies	-391 668 000	-391 668 000
Increase in finance charges	0	0
Decrease in General Expenses	-6 503 567	-6 503 567
	<u>15 505 388</u>	<u>15 505 388</u>
Prior Period Errors:		
Net effect of prior period errors - see details below	81 390 967	80 941 684
Net effect on surplus	<u>96 896 355</u>	<u>96 447 072</u>
Statement of Financial Performance		
40.1 Deficit for the year		
Balance as per audited financial statements (as previously reported)	(108 529 220)	(40 411 548)
Net effect on surplus	96 896 355	96 447 072
General expenses (Refer 40.2)	-25 667 509	-25 667 509
Employee Related Costs (Refer 40.3)	-19 156 278	-19 156 278
Other Income (Refer 40.4)	414 347 104	414 347 104
Impairment - receivables (Refer 40.5)	31 788 155	31 788 155
Finance Charges (Refer 40.6)	0	0
Repairs and Maintenance (Refer 40.7)	-3 323 707	-3 323 707
Bulk Purchases (Refer 40.8)	8 039 552	8 039 552
Contracted Services (Refer 40.9)	-1 676 011	-1 676 011
Government Grants and Subsidies (Refer 40.10)	-394 304 066	-394 304 066
Depreciation (Refer 40.21)	10 716 277	10 716 277
Grants and Subsidies paid (Refer 40.25)	77 002 840	77 002 840
Service Charges (Refer 40.28)	-1 147 857	-1 147 857
Fines (Refer 40.31)	-2 850	-2 850
Remuneration of Councillors (Refer 40.32)	-168 578	-168 578
Share of Associate's Loss (Refer note 13)	449 283	0
Restated surplus for 2010/11	<u>(11 632 865)</u>	<u>56 035 524</u>
40.2 General Expenses		
Expense as per Audited financial statements (as previously reported)	741 492 501	725 610 513
Transfer from Bulk Purchases	8 039 552	8 039 552
Transfer from Inventory	6 703 482	6 703 482
Transfer to Contracted Services	-750 876	-750 876
Transfer to Creditors	18 178 918	18 178 918
Transfer to Property, plant and equipment	-6 503 567	-6 503 567
	<u>767 160 010</u>	<u>751 278 022</u>
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 as Inventory and PPE and is in actual fact PPE.		
Expenditure in the amount of R750 876 was incorrectly linked to General Expenses, which relates to Contracted Services.		
Expenditure in the amount of R282 580 was incorrectly accrued in Creditors		
Library books previously expensed now capitalised to PPE in the amount of R6 503 567		
General expenditure in the amount of R18 461 499, which relates to Creditors not accrued for previously.		
40.3 Employee Related Costs		
Expense as per Audited financial statements (as previously reported)	1 893 081 855	1 887 361 380
Transfer to Other Debtors	10 922 196	10 922 196
Transfer to Employee Benefit Obligation	5 357 335	5 357 335
Transfer to Current Employee Benefit Obligation	2 564 889	2 564 889
Transfer to Creditors	311 857	311 857
	<u>1 912 238 132</u>	<u>1 906 517 657</u>
Expenditure in the amount of R26 224 relating to overpayment of salaries have now been accrued to Other Debtors.		
Medical aid contributions in the amount of R11 116 998 relating to the Ambulance employees have now been recognised as an expense, which was previously raised as a debtor.		
Employee Benefit Obligations in respect of Gratuities in the amount of R7 922 224, was understated, is now corrected.		
Employee Related Costs in the amount of R311 857, which relates to Creditors not accrued for previously.		
A debtor and creditor are raised in the amount of R168 578 (2011) in respect of UIF which was not suppose to be deducted from the Councillors salaries.		
40.4 Other Income		
Income as per Audited financial statements (as previously reported)	363 370 857	357 911 862
Transfer from Government Grants and Subsidies	391 668 000	391 668 000
Transfer from Unspent Government Grants	16 418 344	16 418 344
Transfer from Other Debtors	5 590 611	5 590 611
Transfer from Donations and Public Contributions	1 465	1 465
Transfer from Creditors	676 684	676 684
Transfer to Consumer debtors	-8 000	-8 000
	<u>777 717 961</u>	<u>772 258 966</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.		
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 calculated previously, of which the amount of R1 465 relates to the funding of the reserve between Donations and Public Contributions and Other Income.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2011 R	Municipality Restated 2011 R
40.4 Other Income (Continued)		
Transportation Improvements in the amount of R688 547 received to Creditors have now been recognised as Other Income		
Parking meter Income in the amount of R201 240 processed in 2012 relating to 2011, therefore Debtor raised.		
Income in the amount of R11 863, which relates to Creditors not accrued for previously.		
Income in the amount of R8 000, which relates to debit and credit adjustments on consumer debtors not accrued for previously.		
40.5 Impairment - receivables		
Expense as per Audited financial statements (as previously reported)	554 274 783	554 265 102
Transfer from Consumer Debtors	-31 788 154	-31 788 154
	<u><u>522 486 629</u></u>	<u><u>522 476 948</u></u>
The impairment allowance has been re-calculated, based on a more detailed approach for the calculation, and to be consistent; the prior year have also been adjusted for. This restatement affects Consumer Debtors.		
40.6 Finance Costs		
Expense as per Audited financial statements (as previously reported)	177 629 732	177 629 732
	0	0
	<u><u>177 629 732</u></u>	<u><u>177 629 732</u></u>
40.7 Repairs and Maintenance		
Expense as per Audited financial statements (as previously reported)	415 691 740	415 637 700
Transfer from Creditors	3 323 706	3 323 706
	<u><u>419 015 446</u></u>	<u><u>418 961 406</u></u>
Expenditure in the amount of R48 409 was incorrectly accrued in Creditors.		
Repairs and Maintenance in the amount of R3 372 115, which relates to Creditors not accrued for previously.		
40.8 Bulk Purchases		
Expense as per Audited financial statements (as previously reported)	1 575 086 810	1 575 086 810
Transfer to General Expenses	-8 039 552	-8 039 552
	<u><u>1 567 047 258</u></u>	<u><u>1 567 047 258</u></u>
Expenditure in the amount of R8 039 552 was incorrectly allocated to Bulk Purchases.		
40.9 Contracted Services		
Expense as per Audited financial statements (as previously reported)	144 271 438	144 271 438
Transfer from General Expenses	750 876	750 876
Transfer to Creditors	925 135	925 135
	<u><u>145 947 449</u></u>	<u><u>145 947 449</u></u>
Expenditure in the amount of R750 876 was incorrectly allocated to General Expenses.		
Contracted Services in the amount of R925 135, which relates to Creditors not accrued for previously.		
40.10 Government Grants and Subsidies		
Income as per Audited financial statements (as previously reported)	1 803 791 445	1 868 971 603
Transfer to Other Income	-391 668 000	-391 668 000
Transfer to Other Debtors	-4 636 067	-4 636 067
Transfer from Other Debtors	2 000 000	2 000 000
	<u><u>1 409 487 378</u></u>	<u><u>1 474 667 536</u></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, which was raised as a Debtor.

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 which was raised as a Debtor.

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

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2011 R	Municipality Restated 2011 R
Statement of Financial Position		
40.11 Accumulated Surplus		
Closing Balance as per audited financial statements (as previously reported)	3 607 801 469	3 607 569 279
Increase in Surplus (Refer to Note 40.1)	96 896 355	96 447 072
Transfer from Unspent Government Grants	1 220 279	1 220 279
Transfer to Other Debtors	-30 728 454	-30 728 454
Transfer from Property, plant and equipment	57 787 974	57 787 974
Transfer to Consumer Debtors	-428 850	-428 850
Transfer to Creditors	-1 624 334	-1 624 334
	26 226 615	26 226 615
Transfer to COID	-1 038 200	-1 038 200
Transfer to Government Grant Reserve	-9 704 213	-9 704 213
Transfer to Donations and Public Contributions Reserve	-688 547	-688 547
Transfer to various reserves	-12 480 295	-12 480 295
Restated Closing Balance	3 707 013 184	3 706 331 711

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 between the COID fund and the Accumulated Surplus.

Depreciation on Property, plant and equipment have been recalculated, which have resulted in an overstatement of R9 704 213, which has now been corrected.

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

Transportation Improvements in the amount of R688 547 received to Creditors have now been recognised as Other Income

Income in the amount of R1 364 363 in respect of 2008/09 for Feather Market Hall have now been received, which was raised in Other Debtors.

Assets with Nil book values have been assessed and the usefull lives re-assessed, which resulted in Depreciation being re-calculated of which R12 480 295 have been transferred to various reserves.

Debit and Credit adjustments not adjusted for in the amount of R1 807 978, of which Accumulated Surplus is overstated by R428 850 .

Expenditure relating to the 2009/10 financial year in the amount of R1 624 334, which relates to Creditors not accrued for previously.

40.12 Vat suspense		
Balance as per Audited financial statements (as previously reported)	28 235 674	28 235 674
Transfer from General Expenses	-38 681	-38 681
Transfer from Repairs and Maintenance	-6 091	-6 091
Transfer from Impairment - receivables	-3 724 195	-3 724 195
Transfer from VAT accrual	-2 409 180	-2 409 180
Transfer from Consumer debtors	222 031	222 031
Transfer from Creditors	2 925 384	2 925 384
	25 204 942	25 204 942

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 impairment allowance has been re-calculated based on a more detailed approach for the calculation

VAT on deposit appropriations in the amount of R2 409 180 has been reversed as it was believed that VAT was never accounted for, therefore original journal was processed. Upon investigating the relevant VAT was accounted for.

Debit and Credit adjustments not adjusted for in the amount of R1 807 978, of which VAT suspense is understated by R222 031.

VAT in the amount of R2 925 384, which relates to Creditors not accrued for previously.

40.13 Creditors		
Balance as per Audited financial statements (as previously reported)	1 251 186 738	1 246 360 104
Transfer from General Expenses	-321 261	-321 261
Transfer from Repairs and Maintenance	-54 499	-54 499
Transfer from Other Debtors	1 554 331	1 554 331
Transfer to Other Income	-688 547	-688 547
Transfer to various categories	34 527 844	34 527 844
Transfer to Remuneration of Councillors	168 578	168 578
	1 286 373 184	1 281 546 550

General Expenditure in the amount of R321 261 was incorrectly accrued.

Repairs and Maintenance 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 which resulted in Debtors and Creditors being understated.

Transportation Improvements in the amount of R688 547 received to Creditors have now been recognised as Other Income

A debtor and creditor are raised in the amount of R168 578 (2011) and R1 190 442 (2002 to 2010) in respect of UIF which was not suppose to be deducted from the Councillors salaries.

Creditors accruals not raised in the amount R34 527 844, which relates to various categories.

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2011 R	Municipality Restated 2011 R
40.14 Unspent Government Grants		
Balance as per Audited financial statements (as previously reported)	309 213 994	301 712 062
Transfer to Other Income	-16 418 344	-16 418 344
Transfer to Accumulated Surplus	-1 220 279	-1 220 279
	<u>291 575 371</u>	<u>284 073 439</u>

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 (as previously reported)	446 368 265	446 368 265
Transfer from Impairment - receivables	35 512 349	35 512 349
Transfer to Accumulated Surplus/ VAT Suspense/ Other Income and Service charges	-1 807 978	-1 807 978
	<u>480 072 636</u>	<u>480 072 636</u>

The provision for impairment allowance has been re-calculated, based on a more detailed approach for the calculation, and to be consistent; the prior year have also been adjusted for. This restatement affects Consumer Debtors.

Debit and Credit adjustments not adjusted for in the amount of R1 807 978, which resulted in an overstatement of Consumer debtors.

40.16 VAT accrual		
Balance as per Audited financial statements (as previously reported)	19 293 895	16 958 349
Transfer from VAT suspense	2 409 180	2 409 180
	<u>21 703 075</u>	<u>19 367 529</u>

VAT on deposit appropriations in the amount of R2 409 180 has been reversed as it was believed that VAT was never accounted for, therefore original journal was processed. Upon investigating the relevant VAT was accounted for.

40.17 COID		
Balance as per Audited financial statements (as previously reported)	11 772 619	11 772 619
Transfer from Accumulated Surplus	1 038 200	1 038 200
	<u>12 810 819</u>	<u>12 810 819</u>

Contributions to the COID fund in the amount of R1 038 200 was not previously recorded between the COID fund and the Accumulated Surplus.

40.18 Inventory		
Balance as per Audited financial statements (as previously reported)	114 759 240	114 679 786
Transfer to General Expenses	-6 703 481	-6 703 481
	<u>108 055 759</u>	<u>107 976 305</u>

Expenditure in the amount of R6 703 482 was incorrectly double accounted for as Inventory and PPE and is in actual fact PPE.

40.19 Other Debtors		
Balance as per Audited financial statements (as previously reported)	344 642 524	390 715 481
Transfer from Creditors	1 554 331	1 554 331
Transfer from Employee Related Costs	-10 922 196	-10 922 196
Transfer from Other Income	5 590 611	5 590 611
Transfer to Government Grants and Subsidies	-4 636 067	-4 636 067
Transfer to Accumulated Surplus	-30 728 454	-30 728 454
Transfer from Government Grants and Subsidies	2 000 000	2 000 000
	<u>307 500 749</u>	<u>353 573 706</u>

Expenditure in the amount of R363 889, relates to fringe benefit taxation on housing provided for certain employees which resulted in Debtors and Creditors being understated.

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

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.

Income in the amount of R1 364 363 in respect of 2008/09 for Feather Market Hall have now been receipted, which was raised in Other Debtors.

A debtor and creditor are raised in the amount of R168 578 (2011) and R1 190 442 (2002 to 2010) in respect of UIF which was not suppose to be deducted from the Councillors salaries.

Medical aid contributions in the amount of R11 116 998 relating to the Ambulance employees have now been recognised as an expense, which was previously raised as a debtor.

Parking meter Income in the amount of R201 240 processed in 2012 relating to 2011, therefore Debtor raised.

40.20 Property, plant and equipment		
Balance as per Audited financial statements (as previously reported)	11 788 816 069	11 788 094 237
Transfer to Depreciation	15 519 901	15 519 901
Transfer from Grants and Subsidies paid	77 016 903	77 016 903
Transfer from Accumulated Surplus	59 487 917	59 487 917
Transfer to Investment Property and Intangible Assets	-7 253 406	-7 253 406
Transfer from Creditors	6 879 986	6 879 986
	<u>11 940 467 370</u>	<u>11 939 745 538</u>

Depreciation for Property, plant and equipment in the amount of R10 036 120 was incorrectly calculated previously.

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

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2011 R	Municipality Restated 2011 R
40.20 Property, plant and equipment (Continued)		
Property, plant and equipment in the amount of R6 730 021 and R523 385 have been transferred to Intangible Assets and Investment Property respectively.		
Property, plant and equipment in the amount of R6 879 986, which was not accrued to Creditors before.		
Assets with Nil book values have been assessed and the useful lives re-assessed, which resulted in Depreciation being re-calculated of which R5 483 781 have been transferred to PPE		
40.21 Depreciation		
Expense as per Audited financial statements (as previously reported)	529 048 332	528 876 157
Transfer from Property, plant and equipment	-10 036 120	-10 036 120
Transfer from Property, plant and equipment	-680 157	-680 157
	<u>518 332 055</u>	<u>518 159 880</u>
Depreciation for Property, plant and equipment in the amount of R10 036 120 was incorrectly calculated previously.		
Assets with Nil book values have been assessed and the useful lives re-assessed, which resulted in Depreciation being re-calculated of which R5 483 781 have been transferred to Depreciation.		
40.22 Capitalisation Reserve		
Balance as per Audited financial statements (as previously reported)	1 105 583 042	1 105 583 042
Transfer to Government Grant Reserve	-6 865 012	-6 865 012
Transfer to Accumulated Surplus	-2 716 687	-2 716 687
	<u>1 096 001 343</u>	<u>1 096 001 343</u>
Depreciation on Property, plant and equipment was incorrectly calculated in the prior year and therefore resulted in the Capitalisation reserve in the amount of R6 865 012 being overstated.		
Assets with Nil book values have been assessed and the useful lives re-assessed, which resulted in Depreciation being re-calculated of which R2 716 687 have been transferred to the Capitalisation reserve.		
40.23 Donations and Public Contributions		
Balance as per Audited financial statements (as previously reported)	292 020 459	292 020 459
Transfer to Government Grant Reserve	-92 691	-92 691
Transfer to Other Income	-1 465	-1 465
Transfer to Accumulated Surplus	10 199 260	10 199 260
Transfer from Accumulated Surplus	688 547	688 547
	<u>302 814 110</u>	<u>302 814 110</u>
Depreciation on Property, plant and equipment was incorrectly calculated in the prior year and therefore resulted in the Donations and Public Contributions reserve in the amount of R94 156 being overstated.		
Transportation Improvements in the amount of R688 547 received to Creditors have now been recognised as Other Income		
Assets with Nil book values have been assessed and the useful lives re-assessed, which resulted in Depreciation being re-calculated of which R10 199 260 have been transferred to the Donations and Public Contributions reserve.		
40.24 Government Grant Reserve		
Balance as per Audited financial statements (as previously reported)	3 596 281 453	3 596 281 453
Transfer from various reserves	16 661 916	16 661 916
Transfer to Accumulated Surplus	4 997 722	4 997 722
	<u>3 617 941 091</u>	<u>3 617 941 091</u>
Depreciation on Property, plant and equipment was incorrectly calculated in the prior year and therefore resulted in the Government grant reserve in the amount of R16 661 916 being understated.		
Assets with Nil book values have been assessed and the useful lives re-assessed, which resulted in Depreciation being re-calculated of which R4 997 722 have been transferred to the Government Grant reserve.		
40.25 Grants and Subsidies paid		
Expense as per Audited financial statements (as previously reported)	296 230 865	307 556 124
Transfer to Property, plant and equipment	-77 016 903	-77 016 903
Transfer to Creditors	14 063	14 063
	<u>219 228 025</u>	<u>230 553 284</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		
Grants and Subsidies paid in the amount of R14 063, which relates to Creditors not accrued for previously.		
40.26 Investment Property		
Balance as per Audited financial statements (as previously reported)	71 230 952	71 230 952
Transfer from Property, plant and equipment	523 385	523 385
	<u>71 754 337</u>	<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 (as previously reported)	430 540 083	430 471 666
Transfer from Property, plant and equipment	6 730 021	6 730 021
	<u>437 270 104</u>	<u>437 201 687</u>
Property, plant and equipment in the amount of R6 730 021 has been reclassified as Investment Property		
40.28 Service Charges		
Income as per Audited financial statements (as previously reported)	3 122 677 618	3 122 757 998
Transfer to Consumer Debtors	-1 149 097	-1 149 097
Transfer to Creditors	1 240	1 240
	<u>3 121 529 761</u>	<u>3 121 610 141</u>
Debit and Credit adjustments not adjusted for in the amount of R1 807 978, which resulted in an overstatement of Consumer debtors.		
Service Charges in the amount of R1 240, which relates to Creditors not accrued for previously.		

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity		Municipality	
	Restated 2011 R		Restated 2011 R	
40.29 Employee benefit Obligation				
Balance as per Audited financial statements (as previously reported)	1 093 186 350		1 093 186 350	
Transfer from Employee related costs	5 357 335		5 357 335	
	<u>1 098 543 685</u>		<u>1 098 543 685</u>	
Employee Benefit Obligations in respect of Gratuities in the amount of R7 922 224, was understated, is now corrected.				
40.30 Current Employee benefit Obligation				
Balance as per Audited financial statements (as previously reported)	46 853 624		46 564 046	
Transfer from Employee related costs	2 564 889		2 564 889	
	<u>49 418 513</u>		<u>49 128 935</u>	
Employee Benefit Obligations in respect of Gratuities in the amount of R7 922 224, was understated, is now corrected.				
40.31 Fines				
Income as per Audited financial statements (as previously reported)	23 736 347		23 736 347	
Transfer to Creditors	-2 850		-2 850	
	<u>23 733 497</u>		<u>23 733 497</u>	
Fines in the amount of R2 850, which was not accrued to Creditors before.				
40.32 Remuneration of Councillors				
Income as per Audited financial statements (as previously reported)	45 053 304		45 053 304	
Transfer to Creditors	168 578		168 578	
	<u>45 221 882</u>		<u>45 221 882</u>	

A debtor and creditor are raised in the amount of R168 578 (2011) in respect of UIF which was not suppose to be deducted from the Councillors salaries.

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.

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, which is included in the total depreciation/ amortisation.

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, which is included in the total depreciation/ amortisation.

43 OPERATING LEASE COMMITMENTS

Municipality as Lessee	Economic Entity		Municipality	
	2012 R	Restated 2011 R	2012 R	Restated 2011 R
The Municipality normally enters into a lease agreement over 3 years for most of the Operating leases.				
Future minimum lease payments under non-cancellable operating leases:				
Buildings	3 094 878	10 996 184	1 070 491	10 996 184
Payable within one year	1 672 094	9 925 693	1 011 706	9 925 693
Payable within two to five years	1 422 784	1 070 491	58 785	1 070 491
	<u>6 913 452</u>	<u>6 314 984</u>	<u>6 642 383</u>	<u>6 207 193</u>
Photocopier, fax machines and other equipment	6 913 452	6 314 984	6 642 383	6 207 193
Payable within one year	3 671 615	3 078 957	3 617 031	2 971 166
Payable within two to five years	3 241 837	3 236 027	3 025 352	3 236 027
	<u>10 008 330</u>	<u>17 311 168</u>	<u>7 712 874</u>	<u>17 203 377</u>
Municipality as Lessor				
At reporting date, the Municipality has contracted with tenants for the following minimum lease payments over a period of 1 to 99 years:				
Land	15 720 000	16 200 000	15 720 000	16 200 000
Receivable within one year	480 000	480 000	480 000	480 000
Receivable within two to five years	1 920 000	1 920 000	1 920 000	1 920 000
Receivable after 5 years	13 320 000	13 800 000	13 320 000	13 800 000
	<u>34 759 144</u>	<u>36 929 935</u>	<u>34 759 144</u>	<u>36 929 935</u>
Buildings	34 759 144	36 929 935	34 759 144	36 929 935
Receivable within one year	1 944 351	2 214 937	1 944 351	2 214 937
Receivable within two to five years	4 991 169	6 236 412	4 991 169	6 236 412
Receivable after 5 years	27 823 624	28 478 586	27 823 624	28 478 586
	<u>50 479 144</u>	<u>53 129 935</u>	<u>50 479 144</u>	<u>53 129 935</u>

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
	Opening Balance - as previously stated	246 002 716	85 350 926
	Restatements - refer 44.4	0	93 075 517
	Restated Opening Balance	246 002 716	178 426 443
	Incurred - as previously stated	557 171 342	69 298 697
	Approved by Council	0	0
	Transfer to receivables for recovery	0	(1 700 000)
	Recoveries	(8 772)	(22 424)
	Closing Balance	803 165 286	246 002 716
Incident/ Disciplinary steps / Criminal Proceedings			
44.1 Unauthorised Expenditure			
1 Unauthorised expenditure incurred regarding the provision of catering services at the funeral of the late P. Ngingi			
	Municipal Official incurred unauthorised 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)
2 Actual expenditure in excess of approved budget votes		318 698 227	0
	The total actual expenditure, including non-cash flow items amounted to R8 133 033 307, compared to the approved adjustments budget of R8 169 973 636. The actual expenditure was thus R36 940 329 below the approved adjustments budget and does not constitute unauthorised expenditure.		
	However, the actual expenditure for certain budget votes exceeded the approved adjustments budget due to non-cash flow items, included in the actual expenditure which could not reasonably have been budgeted for.		
	Total	318 689 455	(13 158)
44.2 Irregular Expenditure			
1 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)
2 Irregular expenditure as a result of tender irregularities			568 364
	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 unauthorised and fruitless expenditure.		
3 Irregular expenditure as a result of an irregular increase in contract value.			4 208 259
	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 authorised by Housing officials and not submitted to the Municipal Manager for approval. The investigation report is subject to review.		
4 Irregular expenditure as a result of fronting.		12 039 965	12 910 740
	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.		
5 Fraud - Irregular payments made to a service provider for services rendered to Facilities Management.			137 527
	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.		
6 Breach of the Supply Chain Management policy			3 689
	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.		
7 Breach of the Supply Chain Management policy			4 110
	A breach occurred relating to computer repairs (3 invoices) where services were rendered prior to the authorisation of the respective requisitions.		
8 Breach of the Supply Chain Management policy			1 406
	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: Confirmed by Council for submission to request National treasury to condone		
9 Breach of the Supply Chain Management policy			1 447
	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 months.		
	30 August 2012: Confirmed by Council for submission to request National treasury to condone		

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2	Irregular Expenditure (Continued)		
10	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
11	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. Condoned by board of MBDA: R4 467 140	0	10 911 898
12	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.	42 644 663	23 068 206
13	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.	3 271 224	5 815 284
14	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
15	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	
16	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. 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.		115 331
17	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. 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.	63 619	
18	Breach of Supply Chain Management policy 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.		219 680
19	Breach of Supply Chain Management policy 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.		89 720

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	Economic Entity and Municipality	
	2012	2011
	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2 Irregular Expenditure (Continued)		
20 Breach of Supply Chain Management policy		
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.		5 517 451
21 Breach of Supply Chain Management policy		
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.	36 000	
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.		
22 Breach of the Supply Chain Management policy		
The Infrastructure & Engineering Directorate procured the services of Atlas Security for monitoring of premises. The requisition was completed after the event.	841	
23 Irregular 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
24 SCM Deviations		
Some of the deviations as per note 36.4 appear to be made where improper planning was conducted and therefore considered to be irregular.	175 799 884	0
Total	233 903 388	65 956 002

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.3	<u>Fruitless and Wasteful Expenditure</u>		
1	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)
2	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
3	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
4	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 authorised 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
5	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.	1 300 000	
6	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	
7	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	
8	VAT - Interest on late VAT payment		
	Interest was incurred on the late release of the VAT payment to SARS, even though the VAT return was already submitted.	19 964	
	Interest incurred on late payment of VAT was as a result of a change in the VAT payment system for SARS during 2010 financial year, resulting in the payment being processed one day later. SARS also levied a VAT penalty of R229,748 but subsequently agreed to waive this penalty after considering an appeal from MBDA. Condoned by Board: R26 548		0
	Total	4 569 727	3 342 695
44.4	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Restatements)		
	<u>Fruitless and Wasteful Expenditure</u>		
1	New Billing system		
	The "new billing system" has been impaired as no future service potential is foreseen. The amount have been based on total costs incurred to date (paid and accrued). A letter was issued by NMBM to the Service Provider, notifying them that the Promis.net agreement has to be terminated, due to failing to complete the Sprint 3, 4 and 5 deliverables within the required timeframe.		93 075 517

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		2012	Restated 2011
		R	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 and able to do so).		
	Possible Contingent liabilities:		
	Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to:	356 089	433 559
1			
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

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(a)	CONTINGENT LIABILITIES - (continued)		
13	Mlungisi Nelson Kulati The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	10 458	10 458
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.	10 000	10 000
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.	17 421	17 421
16	Imperial car rental The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	82 830	82 830
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	0	0
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	0	0

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(a)	CONTINGENT LIABILITIES - (continued)		
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

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(a)	CONTINGENT LIABILITIES - (continued)		
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. FINALISED	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

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(a)	CONTINGENT LIABILITIES - (continued)		
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

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(a)	CONTINGENT LIABILITIES - (continued)		
	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. No amount estimated by attorney.	0	0
	14. IMATU i.t.o Bubb		
	Unfair labour practice referral to SALGBC. No estimation made by attorney.	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 sole 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 sole 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

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		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(a)	CONTINGENT LIABILITIES - (continued)		
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. No estimation given by attorney.	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.	29 726	0
70	Gqomo This claim arises from unfair dismissal. No estimation given by attorney.	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 This claim arising from the conduct of traffic officers in effecting an arrest.	100 000	0

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

		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(a)	CONTINGENT LIABILITIES - (continued)		
75	M Heynsen	100 000	0
	This claim arises from the conduct of traffic officers in effecting an arrest.		
76	Craig Anderson	56 753	0
	This claim arises from an alleged flooding incident.		
77	H Jagger	270 490	0
	This claim arises from bodily injuries as a result of negligent discharge of a firearm by a traffic officer		
78	Clover SA (Pty) Ltd	2 814 008	0
	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		
79	ME Tyandela	52 550	0
	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		
80	PG Smith	536 600	0
	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.		
81	G Joseph	528 680	0
	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.		
82	A L Gqiba	112 002	0
	This claim arises from a collision between the Plaintiff's vehicle and a vehicle driven by a municipal employee.		
83	K Nelson	965 780	0
	The claim arises as a result of a substation exploding.		
84	B E Mkavu	0	0
	The claim arises from discharge of a firearm. No estimation given by attorney.		
85	A Mvakela	60 000	0
	This claim arises from the minor child who allegedly fell into an uncovered drain		
86	K A Mtlalana	19 177	0
	This claim arises from a collision between the Plaintiff's vehicle and a vehicle driven by a municipal employee.		
87	M I Herbert O Flathery	203 793	0
	This claim arises from injuries sustained by the Plaintiff as a result of an alleged fell		
88	L K Kalebe	100 000	0
	This claim arises from an arrest on charges of a warrant by a traffic officer.		
89	W.Pretorius	60 000	0
	The claim arises from injuries sustained by the Plaintiff as a result of an alleged fell into an uncovered manhole.		
90	J Hanabe	300 000	0
	The claim arises from injuries sustained by the Plaintiff that allegedly fallen down from an embankment.		
91	NE Magenge	355 267	0
	The plaintiff sustained injuries as a result of an alleged fall.		
92	N P Kelele	980 000	0
	The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge.		
93	EE Plaatjies	300 000	0
	This claim arises from injuries sustained by the Plaintiff who allegedly fell whilst attempting to cross a flooded street.		
94	L T Mpathi	351 000	0
	This claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch.		
95	V.W Matolo	79 203	0
	This claim arises from injuries sustained by the Plaintiff who allegedly fell into an uncovered manhole.		
96	Jef & Cherry industrial	629 685	0
	This claim arises from the Plaintiff who hired certain machines to different directorates and for which no payment was allegedly..		
97	M P Langson	50 000	0
	This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.		
98	D Visser	50 723	0
	This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.		
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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45(a) CONTINGENT LIABILITIES - (continued)	Economic Entity and Municipality	
	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. No estimation given by the attorney.	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. No estimation given by the attorney.	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
117 Xoliswa Hudson The Agency is being sued by Ms Xoliswa Hudson for the loss of income to the value of R156 000. She alleges that her business in Govan Mbeki Avenue lost clientele as a result of offensive odours that escaped from the sewer pipes and manholes that were exposed during the upgrade of the street. Based on the evidence at hand the entity is confident that it can defend the claim and has instructed its attorneys to notify the defendant of its intention to defend. In the event that the Agency was to lose the case, total costs including legal fees are estimated to cost in the region of R350 000.	156 000	156 000
TOTAL CONTINGENT LIABILITIES	38 146 900	109 278 940

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

		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(b)	PROVISION FOR LITIGATION AND CLAIMS		
	<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. Bouver 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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(b)	PROVISION FOR LITIGATION AND CLAIMS - (continued)		
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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(b)	PROVISION FOR LITIGATION AND CLAIMS - (continued)		
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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity and Municipality	
		2012	Restated 2011
		R	R
45(b)	PROVISION FOR LITIGATION AND CLAIMS - (continued)		
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 NMBM, whilst on duty.	10 140	0
56	P J Booyesen 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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		Economic Entity and Municipality	
		2012	Restated 2011
		R	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 injuries sustained by the Plaintiff falling into an alleged open ditch	240 000	0
67	P.M. Mabodla The claim arises as a result of injuries 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. Mqwetyana The claim arises from the electrocution 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 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		62 185 089	56 026 649

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S 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

The operations of the Primary Health Care Services, discontinued during the year and transferred to the Provincial Department of Health on 01 July 2012. As per the agreement the transfer of the function was effective from 01 January 2012, but the actual services and employees were only transferred as from 01 July 2012. The transfer of Primary Health Care Services is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority.

	Economic Entity and Municipality	
	2012	2011
	R	R
Revenue	151 467 027	47 830 556
Government grants and subsidies	148 960 192	43 606 961
Conditional grants - National government	2 506 835	4 223 595
Expenses	230 240 859	195 978 733
Employee related costs	140 539 509	107 848 615
Depreciation	3 794 836	3 391 677
Repairs and Maintenance	1 599 344	3 673 639
Finance charges	570 483	0
Contracted services	3 017 760	3 508 696
General expenses	6 879 194	8 679 161
Service charges costs - internal	1 538 143	2 701 325
Internal charges paid	72 301 590	66 175 620
Other income:	63 902 937	59 510 434
Licences and permits	7 261	0
Rental of facilities and equipment	0	112 196
General	944	8 333
Fees and charges	2 282	9 988
Internal charges received	63 892 450	59 379 917
Loss on disposal of PPE	404 829	0
Loss for the year	-15 275 724	-88 637 743
Assets to be transferred are as follows:		
	2012	2011
	R	R
Assets		
Property - Clinics	65 922 621	67 947 168
Motor vehicles	4 531 906	6 623 037
Equipment and office furniture	4 269 331	7 256 642
	74 723 858	81 826 847

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

47. Information on Post Retirement Benefit:

RETIREMENT BENEFIT INFORMATION

The Nelson Mandela Bay Municipality makes provision for post-retirement benefits to employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contributions of R 173.607 million (2011: R 159.084 million) to the defined benefit and defined contribution structures were expensed as incurred during the year under review.

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 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 t 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 Statement the Fund.

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.

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 Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Municipality but do it as a whole for all the Municipalities together.

EX GRATIA PENSIONS

An actuarial valuation of the Municipality's unfunded liability in respect of revenue pension benefits to eligible employees and retirees of the Nelson Mandela Bay Municipality was performed as at 30 June 2011. An actuarial valuation was not performed as at 30 June 2012, the valuation used for the year ended 30 June 2012 is based on projections made by the actuaries in 2011. The assumptions used in the 30 June 2011 valuations were tested for reasonableness given the existing conditions as at 30 June 2012 and found to approximate the conditions as at 30 June 2012. 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.

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.

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.

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

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

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

Reconciliation of opening and closing accrued liability values and the best estimate of benefits payments expected in

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

History of plan liabilities and plan assets

	R		R		R	
	Year ending 30/06/2008	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2012
Present value of accrued liability	19 213 148	21 033 819	16 361 068	18 176 726	17 298 493	
Fair value of plan assets	0	0	0	0	0	
Surplus/(deficit)	(19 213 148)	(21 033 819)	(16 361 068)	(18 176 726)	(17 298 493)	
Experience adjustment: Plan liabilities	0	(205 644)	(4 584 996)	1 893 676	0	

Principal assumptions used as at the Statement of Financial Position dat

Key financial assumptions	30/06/2011	30/06/2012
Discount rate	7.63%	7.63%
Future inflation rate	5.32%	5.32%
Pension increase rate	2.66%	2.66%
Net effective discount rate	4.84%	4.84%
Salary increases take place in January each year		
Key demographic assumptions	Value	Value
Mortality in Retirement	PA90 Ultimate - 1 year of age	PA90 Ultimate - 1 year of age
Age of female spouse	4 years younger	4 years younger

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

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

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

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

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

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

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

Sensitivity of valuation results to changes in main assumption

Assumption and change	Change	Liability	% change
Sensitivity Analysis on the Unfunded Accrued Liability for the year ending 30/06/2011			
Central Assumptions		18 176 726	
Pension Increase Rate	+1%	19 506 947	7%
	-1%	16 986 090	-7%
Post-retirement mortality	-1 yr	18 744 933	3%
Sensitivity Analysis on the Unfunded Accrued Liability for the year ending 30/06/2011			
Central Assumptions		17 298 493	
Pension Increase Rate	+1%	18 509 388	7%
	-1%	16 087 598	-7%
Post-retirement mortality	-1 yr	17 817 448	3%
Sensitivity Analysis on the Interest Cost for the year ending 30/06/2011			
Central Assumptions		1 249 488	
Pension Increase Rate	+1%	1 345 952	8%
	-1%	1 163 144	-7%
Post-retirement mortality	-1 yr	1 209 795	3%
Sensitivity Analysis on the Interest Cost for the year ending 30/06/2011			
Central Assumptions		1 305 504	
Pension Increase Rate	+1%	1 407 031	8%
	-1%	1 214 631	-7%
Post-retirement mortality	-1 yr	1 348 871	3%

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.

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 R3,477.41 per principal member. This maximum amount applies to the year beginning 1 July 2012. 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 R1,161,172 million, current R36,972 million). It is expected that approximately 3.09% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

Information reflected in the Statement of Financial Position (R millior

	Year ending 30/06/2012	Year ending 30/06/2011
Fair Value of Plan Assets	0.000	0.000
Accrued Liability	1 198.144	1 097.722
Unfunded Accrued Liability	1 198.144	1 097.722
Unrecognised Transitional Liabilit	0.000	0.000
Unrecognised Actuarial Gains/Losses	0.000	0.000
Unrecognised Past Service Costs	0.000	0.000
Miscellaneous Item	0.000	0.000
Net Liability in Statement of Financial Positior	1 198.144	1 097.722

Reconciling and Projecting the Unfunded Accrued Liabilit

	Year ending 30/06/2012	Year ending 30/06/2011
Unfunded Accrued Liability		
Opening Balance	1 097.722	947.958
Current Service Cost	42.778	34.670
Interest Cost	94.616	85.746
Expected Return on Plan Asset:	0.000	0.000
Actuarial (Gain)/Loss	0.000	64.187
Past Service Cost	0.000	0.000
Effect of Curtailment/Settlement	0.000	0.000
Expected Employer Benefit Payments	(36.972)	(34.839)
Employer Prefunding Contribution:	0.000	0.000
Closing Balance	1 198.144	1 097.722
Projected Accrued Liability	1 198.144	1 033.535

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

Reconciliation of opening and closing accrued liability values and the best estimate of benefits payments expected in the next annual period (R million)

	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Opening Accrued Liability	947.958	1 097.722	1 198.144
Current-service Cost	34.670	42.778	46.000
Interest Cost	85.746	94.616	102.000
Benefit Payments	(34.839)	(36.972)	(39.669)
Total Annual Expense	85.577	100.422	108.000
Actuarial Loss / (Gain)	64.187	0.000	0.000
Closing Accrued Liability	1 097.722	1 198.144	1 306.144

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

Category of Members	Year ending 30/06/2011	Year ending 30/06/2012
In-service members	603.168	658.347
Continuation members	494.554	539.797
Total liability	1 097.722	1 198.144
Value of assets	0.000	0.000
Unfunded liability	1 097.722	1 198.144

Current Service and Interest Costs (R million)

Category of Member	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
In-Service Employees (Current Service Cost)	34.670	42.778	46.000
All Eligible Individuals (Interest Cost)	85.745	94.616	102.000

Liabilities and experience adjustments for current and previous four annual periods

History of liabilities and assets (R million)

	Year Ending 30/06/2008	Year Ending 30/06/2009	Year Ending 30/06/2010	Year Ending 30/06/2011	Year Ending 30/06/2012
Present value of accrued liability	705.646	734.185	947.958	1 097.722	1 198.000
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (Deficit)	(705.646)	(734.185)	(947.958)	(1 097.722)	(1 198.000)

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

	Year Ending 30/06/2008	Year Ending 30/06/2009	Year Ending 30/06/2010	Year Ending 30/06/2011	Year Ending 30/06/2012
Liabilities: (Gain) / Loss	(99.406)	(59.916)	154.539	(32.000)	0.000

Principal assumptions used as at the Statement of Financial Position date

Key financial assumptions	Year Ending 30/06/2011	Year Ending 30/06/2012
Discount rate	8.62%	8.90%
Health care inflation rate	7.29%	7.50%
Net effective discount rate	1.23%	1.30%
Increase in contribution rates assumed to be 1 January each year		

Key demographic assumptions	Year Ending 30/06/2011	Year Ending 30/06/2012	
Average retirement age	62	62	
Continuation of membership at retirement	100%	100%	
Proportion assumed married at retirement	90%	90%	
Proportion of eligible current non-member employees joining the scheme by retirement	50%	50%	
Mortality during employment	SA85-90	SA85-90	
Mortality post-retirement	PA90-1	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.

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

47. Information on Post Retirement Benefit:

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 each year.

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.

Demographic assumptions (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.

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

Sensitivity of valuation results to changes in main assumptions (R million)

Assumption	Change	In-service	Continuation	Total	% change
Sensitivity Analysis on the Accrued Liability (R millions) for the year ending 30/06/201					
Central Assumptions		658.347	539.797	1 198.144	
Health care inflation	1%	763.683	626.165	1 389.847	16%
Health care inflation	-1%	572.762	469.623	1 042.385	-13%
Post-retirement mortality	-1 yr	681.585	558.851	1 240.436	4%
Average retirement age	-1 yr	686.406	562.803	1 249.209	4%
Withdrawal Rate	-50%	684.813	561.497	1 246.310	4%
Sensitivity Analysis on the Accrued Liability (R millions) for the year ending 30/06/201					
Central Assumptions		603.168	494.554	1 097.722	
Health care inflation	1%	724.443	551.071	1 275.514	16%
Health care inflation	-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 30/06/201					
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%
Health care inflation	-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%
Sensitivity Analysis on the Current-service and interest Costs for the year ending 30/06/201					
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%
Health care inflation	-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%

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

48. PROPERTY, PLANT AND EQUIPMENT RECONCILIATION
ECONOMIC ENTITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
Restated Carrying Value 1 July 2011						
Cost	2 319 227 901	8 725 151 903	3 039 442 907	133 167 500	916 014 011	15 133 004 222
Transfers/Adjustments	(16 356 204)	(17 515 528)	4 707 536	(6 528 802)	37 283 604	1 590 516
Re-statement Cost	4 113 792	50 924 943	64 695 150	27 435 111	496 049	147 665 045
Disposal/Impairment	-	-	(1 101 188)	-	(13 442 843)	(14 544 031)
Impairment	(920 000)	-	-	-	-	(920 000)
Re-statement Depreciation	-	-	(4 803 625)	-	8 154 347	3 350 722
Accumulated Depreciation	(99 759 674)	(2 640 712 418)	(232 422 009)	-	(356 785 002)	(3 329 679 103)
	2 206 305 725	6 117 848 900	2 870 518 771	154 073 809	591 720 166	11 940 467 371
Movement during year ended 30 June 2012						
Acquisition	68 969 965	898 540 413	55 880 997	3 101 521	44 588 191	1 071 081 087
Capital Under Construction	-	13 809 024	-	6 777 679	-	20 586 703
Cost Adjustments	(115 340 389)	-	866 536	4 032 046	48 127 284	(62 314 523)
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)	(435 468 793)	(104 834 616)	-	(110 625 918)	(666 782 219)
	(62 709 335)	476 880 614	(47 371 105)	13 911 246	(20 138 995)	360 572 425
Carrying Value of Disposals during year ended 30 June 2012						
Cost	-	-	(1 032 675)	-	(1 498 387)	(2 531 062)
Accumulated Depreciation	-	-	299 573	-	1 375 342	1 674 915
	-	-	(733 102)	-	(123 045)	(856 147)
Carrying Values at 30 June 2012	2 143 596 390	6 594 729 514	2 822 414 564	167 985 055	571 458 126	12 300 183 649
Summary - Carrying Values at 30 June 2012						
Summary - Cost	2 243 177 975	9 670 910 755	3 163 459 263	167 985 055	1 031 567 909	16 277 100 957
Summary - Accumulated Depreciation	(99 581 585)	(3 076 181 241)	(341 044 699)	-	(460 109 783)	(3 976 917 308)
	2 143 596 390	6 594 729 514	2 822 414 564	167 985 055	571 458 126	12 300 183 649

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
Carrying Value 1 July 2010						
Cost	2 530 647 000	7 625 670 122	794 451 129	102 552 979	821 501 775	11 874 823 005
Transfers/Adjustments	(297 293 049)	70 122 923	2 069 562 227	8 529 737	-	1 850 921 838
Disposal	-	-	(1 067 147)	-	(3 360 151)	(4 427 298)
Accumulated Depreciation	(88 527 849)	(2 420 119 884)	(136 688 661)	-	(253 467 355)	(2 898 803 749)
	2 144 826 102	5 275 673 161	2 726 257 548	111 082 716	564 674 269	10 822 513 796
Movement during year ended 30 June 2011						
Acquisition	85 873 950	1 029 358 858	176 496 697	22 084 784	97 872 387	1 411 686 676
Capital Under Construction	-	-	-	-	-	-
Cost Adjustments	(12 242 502)	33 409 415	69 402 686	20 906 309	37 779 653	149 255 561
Impairment	(920 000)	-	-	-	-	(920 000)
Depreciation Adjustment	2 857 619	617 955	(6 583 040)	(696)	7 094 418	3 986 256
Depreciation	(14 089 444)	(221 210 489)	(94 605 164)	696	(110 541 922)	(440 446 323)
	61 479 623	842 175 739	144 711 179	42 991 093	32 204 536	1 123 562 170
Carrying Value of Disposals during year ended 30 June 2011						
Cost	-	-	(1 101 188)	-	(13 442 843)	(14 544 031)
Accumulated Depreciation	-	-	651 231	-	8 284 204	8 935 435
	-	-	(449 957)	-	(5 158 639)	(5 608 596)
Carrying Values at 30 June 2011	2 206 305 725	6 117 848 900	2 870 518 770	154 073 809	591 720 166	11 940 467 370
Summary - Carrying Values at 30 June 2011						
Summary - Cost	2 306 065 399	8 758 561 318	3 107 744 404	154 073 809	940 350 821	15 266 795 752
Summary - Accumulated Depreciation	(99 759 674)	(2 640 712 418)	(237 225 634)	-	(348 630 655)	(3 326 328 381)
	2 206 305 725	6 117 848 900	2 870 518 770	154 073 809	591 720 166	11 940 467 371

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

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

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
Restated Carrying 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)	4 707 536	(6 528 802)	37 283 604	1 590 516
Re-statement Cost	4 113 792	50 924 943	64 695 150	27 435 111	496 049	147 665 045
Disposal/Impairment	-	-	(1 101 188)	-	(13 442 843)	(14 544 031)
Impairment	(920 000)	-	-	-	-	(920 000)
Re-statement Depreciation	-	-	(4 803 625)	-	8 154 347	3 350 722
Accumulated Depreciation	(99 759 674)	(2 640 712 418)	(232 422 009)	-	(356 071 338)	(3 328 965 439)
	2 206 305 725	6 117 848 900	2 870 518 771	153 908 809	591 163 334	11 939 745 539
Movement during year ended 30 June 2012						
Acquisition	68 969 965	898 540 413	55 880 997	3 059 521	44 400 159	1 070 851 055
Capital Under Construction	-	13 809 024	-	6 777 679	-	20 586 703
Cost Adjustments	(115 340 389)	-	866 536	4 032 046	48 127 284	(62 314 523)
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)	(435 468 793)	(104 834 616)	-	(110 496 742)	(666 653 043)
	(62 709 335)	476 880 614	(47 371 105)	13 869 246	(20 197 851)	360 471 569
Carrying Value of Disposals during year ended 30 June 2012						
Cost	-	-	(1 032 675)	-	(1 430 197)	(2 462 872)
Accumulated Depreciation	-	-	299 573	-	1 324 838	1 624 411
	-	-	(733 102)	-	(105 359)	(838 461)
Carrying Values at 30 June 2012	2 143 596 390	6 594 729 514	2 822 414 564	167 778 055	570 860 124	12 299 378 647
Summary - Carrying Values at 30 June 2012						
Summary - Cost	2 243 177 975	9 670 910 755	3 163 459 263	167 778 055	1 030 177 571	16 275 503 619
Summary - Accumulated Depreciation	(99 581 585)	(3 076 181 241)	(341 044 699)	-	(459 317 447)	(3 976 124 972)
	2 143 596 390	6 594 729 514	2 822 414 564	167 778 055	570 860 124	12 299 378 647

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Total
Carrying 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	(12 242 502)	33 409 415	69 402 686	20 906 309	37 779 653	149 255 561
Impairment	(920 000)	-	-	-	-	(920 000)
Depreciation Adjustment	2 857 619	617 955	(6 583 040)	(696)	7 094 418	3 986 256
Depreciation	(14 089 444)	(221 210 489)	(94 605 164)	696	(110 400 841)	(440 305 242)
	61 479 623	842 175 739	144 711 179	42 826 093	32 295 897	1 123 488 531
Carrying Value of Disposals during year ended 30 June 2011						
Cost	-	-	(1 101 188)	-	(13 442 843)	(14 544 031)
Accumulated Depreciation	-	-	651 231	-	8 284 204	8 935 435
	-	-	(449 957)	-	(5 158 639)	(5 608 596)
Carrying Values at 30 June 2011	2 206 305 725	6 117 848 900	2 870 518 770	153 908 809	591 163 334	11 939 745 538
Summary - Carrying Values at 30 June 2011						
Summary - Cost	2 306 065 399	8 758 561 318	3 107 744 404	153 908 809	939 080 325	15 265 360 256
Summary - Accumulated Depreciation	(99 759 674)	(2 640 712 418)	(237 225 634)	-	(347 916 991)	(3 325 614 717)
	2 206 305 725	6 117 848 900	2 870 518 770	153 908 809	591 163 334	11 939 745 539

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

49. INTANGIBLE ASSETS RECONCILIATION
ECONOMIC ENTITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carrying Value 1 July 2011	
Cost	528 858 405
Transfers/Adjustments	1 977 519
Restatement - Amortisation	6 730 021
Disposal	-
Accumulated Amortisation	(100 295 841)
	437 270 104
Movement during year ended 30 June 2012	
Acquisition	25 441 493
Adjustment - Cost	(9 972 497)
Adjustment - Amortisation	2 228 583
Amortisation	(87 861 856)
	(70 164 277)
Carrying Value of Impairment during year ended 30 June 2012	
Cost (W-I-P)	(93 075 517)
Amortisation	-
	(93 075 517)
Carrying Values at 30 June 2012	274 030 310
Summary - Carrying Values at 30 June 2012	
Summary - Cost	546 304 920
Summary - Accumulated Impairment	(93 075 517)
Summary - Accumulated Amortisation	(179 199 093)
	274 030 310

Reconciliation of Carrying Value	Intangible Assets
Carrying Value 1 July 2010	
Cost	425 934 705
Accumulated Amortisation	(14 332 334)
	411 602 371
Movement during year ended 30 June 2011	
Acquisition	102 923 700
Adjustment	1 977 519
Amortisation	(79 233 486)
	25 667 733
Carrying Values at 30 June 2011	437 270 104
Summary - Carrying Values at 30 June 2011	
Summary - Cost	530 835 924
Summary - Accumulated Amortisation	(93 565 820)
	437 270 104

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

49. INTANGIBLE ASSETS RECONCILIATION (CONTINUED)
 MUNICIPALITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carrying 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	(7 743 914)
Amortisation	(87 829 277)
	(70 136 098)
Carrying Value of Impairment during year ended 30 June 2012	
Cost (W-I-P)	(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	548 380 134
Summary - Accumulated Impairment	(93 075 517)
Summary - Accumulated Amortisation	(181 314 545)
	273 990 072

Reconciliation of Carrying Value	Intangible Assets
Carrying Value 1 July 2010	
Cost	425 791 490
Accumulated Amortisation	(14 282 876)
	411 508 614
Movement during year ended 30 June 2011	
Acquisition	102 917 946
Adjustment	1 977 519
Amortisation	(79 202 392)
	25 693 073
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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50. INVESTMENT PROPERTY RECONCILIATION
ECONOMIC ENTITY

Reconciliation of Carrying Value	Investment Property
Restated Carrying Value 1 July 2011	
Cost	81 702 400
Restatement	523 385
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
Carrying 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

Reconciliation of Carrying Value	Investment Property
Carrying Value 1 July 2010	
Cost	1 869 399 138
Transfers/Adjustments	(1 790 802 923)
Accumulated Depreciation	(7 832 946)
	70 763 269
Movement during year ended 30 June 2011	
Acquisition	3 106 185
Transfers/Adjustments	523 385
Depreciation	(2 638 502)
	991 068
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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

50. INVESTMENT PROPERTY RECONCILIATION (CONTINUED),
MUNICIPALITY

Reconciliation of Carrying Value	Investment Property
Restated Carrying Value 1 July 2011	
Cost	81 702 400
Restatement	523 385
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
Carrying 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

Reconciliation of Carrying Value	Investment Property
Carrying Value 1 July 2010	
Cost	1 869 399 138
Transfers/Adjustments	(1 790 802 923)
Accumulated Depreciation	(7 832 946)
	70 763 269
Movement during year ended 30 June 2011	
Acquisition	3 106 185
Transfers/Adjustments	523 385
Depreciation	(2 638 502)
	991 068
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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

51. FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: At Amortised Cost

Financial liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities are assumed.

The amounts relating to financial instruments reflected below approximates fair value

MUNICIPALITY	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		12 299 378 647	12 299 378 647		11 939 745 539	11 939 745 539
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		108 054 182	108 054 182		107 976 304	107 976 304
Consumer debtors - Exchange Transactions	484 364 698		484 364 698	468 414 403		468 414 403
Consumer debtors - Non-exchange Transactions		0	0		11 658 233	11 658 233
Other Debtors	341 789 997		341 789 997	353 573 706		353 573 706
VAT		10 829 099	10 829 099		19 367 529	19 367 529
VAT Suspense		5 347 975	5 347 975		25 204 943	25 204 943
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	168 794 659		168 794 659	130 665 052		130 665 052
	2 013 317 258	12 888 187 822	14 901 505 080	1 293 076 132	12 630 964 796	13 924 040 928

LIABILITIES	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
	1 745 093 905		1 745 093 905	1 841 851 020		1 841 851 020
Employee Benefit Obligation		1 211 814 001	1 211 814 001		1 098 543 685	1 098 543 685
Non-current Provisions		227 877 570	227 877 570		190 842 517	190 842 517
Consumer deposits	85 223 921		85 223 921	111 125 316		111 125 316
Current Employee Benefit Obligation		50 618 246	50 618 246		49 128 935	49 128 935
Current Provisions		62 185 089	62 185 089		56 026 649	56 026 649
Creditors	1 429 913 991		1 429 913 991	1 281 546 551		1 281 546 551
Unspent Conditional Grants and Receipts	509 427 790		509 427 790	284 073 439		284 073 439
Current Portion of Long-term Liabilities	97 282 756		97 282 756	92 054 673		92 054 673
	3 866 942 364	1 552 494 906	5 419 437 269	3 610 650 999	1 394 541 786	5 005 192 785

Net Assets 9 483 530 665 9 483 530 665 8 919 975 871 8 919 975 871

Financial Asset at Fair Value

Sanlam Shares - Valued at the open market value

Financial Asset at Fair Value	Financial Asset at Fair Value
1 462 854	1 127 728
(1 852 162 250)	(2 316 447 139)
1 852 162 249	2 316 447 139
0	0

Financial Asset at amortised cost:

Opening balance
Net other movements
Closing balance

2012	2011
1 293 076 132	1 827 674 776
720 241 126	(534 598 644)
2 013 317 258	1 293 076 132

Financial liabilities at amortised cost:

Opening balance
Net other movements
Closing balance

2012	2011
3 610 650 999	3 472 628 074
256 291 365	138 022 925
3 866 942 364	3 610 650 999

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

ECONOMIC ENTITY	2012		2012 Variance (%)	Explanations of Significant Variances greater than 10% versus Budget
	2012 Actual	2012 Adjustments Budget		
52. ACTUAL VERSUS ADJUSTMENTS BUDGET (REVENUE AND EXPENDITURE)				
REVENUE				
Property rates	929 516 869	961 565 450	(32 048 581)	-3.33%
Service charges	3 490 744 057	3 540 253 340	(49 509 283)	-1.40%
Interest earned - external investments	59 059 610	28 000 000	31 059 610	110.93% Due to a significant increase in the investment portfolio the interest earned increased.
Interest earned - outstanding debtors	121 633 915	81 993 130	39 640 785	48.35% Due an escalation in outstanding debtors, interest earned increased.
Fines	25 655 126	24 119 170	1 535 956	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	2 134 441 650	1 351 061 096	783 380 554	57.98% Due to a change in the Accounting practices that capital expenditure incurred relating to grant funding be recognised as revenue.
Rental of Facilities and equipment	15 317 725	18 430 530	(3 112 805)	-16.89% 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	820 151 597	656 207 140	163 944 457	24.98% Due to the write off of Creditors to Other Income
Gains on disposal of property, plant and equipment	0	0	0	100.00% No PPE disposals initially anticipated.
Total Revenue	7 606 936 684	6 670 431 076	936 505 608	
EXPENDITURE				
Employee related costs	1 858 808 571	1 856 525 272	2 283 299	0.12%
Remuneration of Councillors	49 919 184	51 083 540	(1 164 356)	-2.28%
Bad debts	298 900 288	282 163 180	16 737 108	5.93%
Collection costs	3 123 269	3 947 300	(824 031)	-20.88% Costs incurred less than anticipated
Contracted Services	207 848 594	194 460 680	13 387 914	6.88%
Depreciation - Property, plant & Equipment	666 782 218	720 320 280	(53 538 062)	-7.43%
Depreciation - Investment Property	5 387 956	0	5 387 956	100.00% The budget was included under Depreciation - PPE
Amortisation	87 861 856	0	87 861 856	100.00% The budget was included under Depreciation - PPE
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	433 227 871	468 453 910	(35 226 039)	-7.52%
Finance charges	213 159 991	215 411 950	(2 251 959)	-1.05%
Bulk purchases	1 972 513 350	1 944 128 330	28 385 020	1.46%
Grants and subsidies paid	285 916 001	370 961 180	(85 045 179)	-22.93% Due to W-I-P expenditure relating to the MBDA that has now been capitalised.
General expenses	833 236 023	944 799 194	(111 563 171)	-11.81% Due to MBDA incurring less expenditure than budgeted for.
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.
Share of Loss in Associate	207 032	0	207 032	100.00% Share of the Loss in Associate - Uitesc
Total Expenditure	7 043 533 927	7 052 254 816	(8 720 889)	

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

MUNICIPALITY	2012	2012	2012	2012 Variance	Explanations of Significant Variances greater than
52. ACTUAL VERSUS ADJUSTMENTS BUDGET (REVENUE AND EXPENDITURE)	Actual	Adjustments Budget	Variance	(%)	10% versus Budget
REVENUE					
Property rates	929 516 869	961 565 450	(32 048 581)	-3.33%	
Service charges	3 490 830 746	3 540 253 340	(49 422 594)	-1.40%	
Interest earned - external investments	56 893 047	28 000 000	28 893 047	103.19%	Due to a significant increase in the investment portfolio the interest earned increased.
Interest earned - outstanding debtors	121 633 915	81 993 130	39 640 785	48.35%	Due an escalation in outstanding debtors, interest earned increased.
Fines	25 655 126	24 119 170	1 535 956	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	2 133 971 995	1 234 094 120	899 877 875	72.92%	Due to a change in the Accounting practices.
Rental of Facilities and equipment	15 317 725	18 430 530	(3 112 805)	-16.89%	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	815 359 205	656 207 140	159 152 065	24.25%	Due to the write off of Creditors to Other Income
Gains on disposal of property, plant and equipment	0	0	0	100.00%	No PPE disposals initially anticipated.
Total Revenue	7 599 594 763	6 553 464 100	1 046 130 663		
EXPENDITURE					
Employee related costs	1 852 364 327	1 849 568 560	2 795 767	0.15%	
Remuneration of Councillors	49 919 184	51 083 540	(1 164 356)	-2.28%	
Bad debts	298 889 905	282 151 180	16 738 725	5.93%	
Collection costs	3 123 269	3 947 300	(824 031)	-20.88%	Costs incurred less than anticipated
Contracted Services	207 848 594	194 460 680	13 387 914	6.88%	
Depreciation - Property, plant & Equipment	666 653 042	720 156 280	(53 503 238)	-7.43%	
Depreciation - Investment Property	87 829 277	0	87 829 277	100.00%	The budget was included under Depreciation - PPE
Amortisation	5 387 956	0	5 387 956	100.00%	The budget was included under Depreciation - PPE
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	433 187 516	468 403 910	(35 216 394)	-7.52%	
Finance charges	212 924 331	215 161 950	(2 237 619)	-1.04%	
Bulk purchases	1 972 513 350	1 944 128 330	28 385 020	1.46%	
Grants and subsidies paid	301 208 760	370 961 180	(69 752 420)	-18.80%	Due to W-I-P expenditure relating to the MBDA that has now been capitalised.
General expenses	817 548 735	835 264 930	(17 716 195)	-2.12%	
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	7 036 039 969	6 935 287 840	100 752 129		

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

53. ACTUAL VERSUS ADJUSTMENTS BUDGET (ACQUISITION OF ASSETS)	2012	Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
MUNICIPALITY						
Infrastructure & Engineering - Roads & Storm water	299 162 025		276 623 322	22 538 703	7.53%	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	102 000 000		75 968 247	26 031 753	25.52%	Late award of contracts attributed to the under performance
Economic Development & Recreational Services	61 317 797		33 140 238	28 177 559	45.95%	Late award of contracts attributed to the under performance
Safety & Security	4 809 000		4 792 251	16 749	0.35%	
Budget & Treasury	27 865 000		24 405 103	3 459 897	12.42%	Delay of appointment of contractors due to litigation which contributed to under performance
Public Health	41 706 000		39 614 160	2 091 840	5.02%	Late award of contracts attributed to the under performance
Corporate Services	36 339 200		35 703 830	635 370	1.75%	
Sanitation Service	118 723 000		103 202 401	15 520 599	13.07%	Late award of contracts attributed to the under performance
Water Service	410 000 000		374 708 466	35 291 534	8.61%	
Special Projects & Programmes	34 679 615		25 896 816	8 782 799	25.33%	Late award of contracts attributed to the under performance
Chief Operating Officer	12 000 000		11 449 241	550 759	4.59%	
Electricity & Energy	86 000 000		91 489 262	(5 489 262)	-6.38%	
	1 234 601 637		1 096 993 337	137 608 300		
CONTROLLED ENTITIES						
Mandela Bay Development Agency		365 000	234 432	130 568	35.77	
ECONOMIC ENTITY	1 234 966 637		1 097 227 769	137 738 868		

Note 54

ECONOMIC ENTITY'S: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	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	4 113 792	493 154 736	(67 914 389)	65 884 699				491 125 046	99 759 674		99 759 674	(16 030 981)	15 852 892		99 581 585	391 543 461
Land	1 812 910 663		1 812 910 663	(47 426 000)	3 085 266			16 517 000	1 752 052 929			-	-			-	1 752 052 929
	2 301 951 607	4 113 792	2 306 065 399	(115 340 389)	68 969 965	-	-	16 517 000	2 243 177 975	99 759 674	-	99 759 674	-16 030 981	15 852 892	-	99 581 585	2 143 596 390
Infrastructure Assets																	
Roads, Sidewalks & Stormwater Network	3 959 933 549	46 866 615			273 265 202	13 809 024			4 293 874 390	1 110 181 738	78 100	1 110 259 838	30	190 503 010		1 300 762 878	2 993 111 512
Beach Developments	46 351 211	859 476	4 006 800 164		47 210 687			(26 215)	47 184 472	6 565 313		6 565 313	-	1 060 957		7 626 270	39 558 202
Electricity Reticulation & Supply	2 022 528 386	8 748	2 022 537 134		87 741 339				2 110 278 473	584 873 391	(315 570)	584 557 821		59 424 310		643 982 131	1 466 296 342
Fencing	19 017 095		19 017 095		1 128 600				20 145 695	10 324 526	(237 675)	10 086 851		1 640 941		11 727 792	8 417 903
Sewerage Mains & Purification Works	1 339 416 265	430 111			98 262 195				1 438 108 571	568 256 273		568 256 022	-	43 699 959		611 955 981	826 152 590
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 & Reticulation	858 638 897	2 735 024	861 373 921		123 430 789				984 804 710	289 956 777	(160 138)	289 796 639		126 248 487		416 045 126	568 759 584
Dams & Treatment Works	443 637 912	24 969	443 662 881		314 738 503				758 401 384	70 544 101		70 544 101	-	12 798 460		83 342 561	675 058 823
	8 707 636 375	50 924 943	8 758 561 318	-	898 540 413	13 809 024	-	-	9 670 910 755	2 641 347 952	-635 534	2 640 712 418	30	435 468 793	-	3 076 181 241	6 594 729 514
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	16 601 945				169 818 110	31 093 704		31 093 704	473 741	5 984 848		37 552 293	132 265 817
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	233 814	80 629 946		1 415 694				82 045 640	8 800 980		8 800 980	-	2 504 083		11 305 063	70 740 577
Recreational Facilities	2 506 511 041	148 045	2 506 659 086	4 214 015	24 195 446				2 535 068 547	126 786 467		126 786 467	-	81 808 771		208 595 238	2 326 473 309
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	64 695 150	3 107 744 405	866 536	55 880 997	-	1 032 675	-	3 163 459 263	232 422 009	4 803 625	237 225 634	-715 978	104 834 616	299 573	341 044 699	2 822 414 564
Heritage Assets																	
Heritage Buildings	112 885 531	137 847	113 023 378		2 862 666				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	10 434 214	2 265 124	12 699 338	4 032 046	238 855				16 970 239			-				-	16 970 239
	126 638 698	27 435 111	154 073 809	4 032 046	3 101 521	6 777 679	-		167 985 055	-	-	-	-	-	-	-	167 985 055
Other Assets																	
Bins & Containers	3 586 076		3 586 076		139 500				3 725 576	729 229		729 229	-	379 035		1 108 264	2 617 312
Vehicles & Plant	445 523 271		445 523 271		9 157 007		8 267		454 672 011	180 036 547	-3 275 321	176 761 226	(31)	57 124 344	8 197	233 877 342	220 794 669
Office Furniture & Fittings	203 498 470	490 576	203 989 046	1 209 502	6 365 288		1 174 247		210 389 589	139 255 138	-4 879 026	134 376 112	-	28 491 891	1 059 256	161 808 747	48 580 842
Air Monitoring Facilities	-		-		73 124				73 124			-	-		2 465		2 465
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	5 473	212 271 456	36 945 285	21 800 124				271 016 865	15 179 591		15 179 591	-	7 405 527		22 585 118	248 431 747
Computer Hardware	74 980 972		74 980 972		7 053 148		315 874		81 718 246	21 584 497		21 584 497	-	15 202 504	307 889	36 479 112	45 239 134
	939 854 772	496 049	940 350 821	48 127 284	44 588 191		1 498 387	-	1 031 567 909	356 785 002	-8 154 347	348 630 655	2 228 552	110 625 918	1 375 342	460 109 783	571 188 126
	15 119 130 707	147 665 045	15 266 795 752	(62 314 523)	1 071 081 087	20 586 703	2 531 062	16 517 000	16 277 100 957	3 330 314 637	-3 986 256	3 326 328 381	-14 518 377	666 782 219	1 674 915	3 976 917 308	12 300 183 649

Note 54 (Continued)

ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

	COST									ACCUMULATED AMORTISATION							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	
Intangible																	
Computer Software	530 835 924		530 835 924	(9 972 497)	25 441 493	-		93 075 517	453 229 403	100 295 841	-6 730 021	93 565 820	(2 228 583)	87 861 856	-	179 199 093	274 030 310

ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2012

	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	
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
TOTALS	15 731 669 031	148 188 430	15 879 857 461	43 590 482	1 097 227 768	34 486 322	2 631 062	109 592 517	16 942 938 454	3 441 081 926	-10 716 277	3 430 365 649	-	760 032 031	1 699 404	4 188 698 276	12 754 240 178

**Appendix A
ECONOMIC ENTITY**

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

2011		2011	2011		2012	2012	2012	2012
Actual	Income	Actual	Surplus/ (Deficit)		Actual	Actual	Actual	Surplus/ (Deficit)
		Expenditure			Income	Expenditure	Expenditure	
	93 261 583	292 918 388	(199 656 805)	Executive and Council	6 219 411	284 919 066		(278 699 655)
1 660 447 085		475 432 568	1 185 014 517	Finance and Admin	1 951 526 540	1 111 910 724		839 615 816
	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
	6 390 021 316	6 333 985 794	56 035 522	Total	7 599 594 763	7 036 039 969		563 554 794
				Controlled Entities				
	98 332 103	98 283 801	48 302	Mandela Bay Development Agency	66 818 288	66 763 303		54 985
	98 332 103	98 283 801	48 302	Total Controlled Entities	66 818 288	66 763 303		54 985
	-	158 000	(158 000)	Investment in Associate	-	207 032		(207 032)
	(155 329 389)	(87 770 700)	(67 558 689)	Less: Intercompany charges	(59 476 367)	(59 476 367)		-
	6 333 024 030	6 344 656 895	(11 632 865)	Total: Economic Entity before taxation	7 606 936 684	7 043 533 937		563 402 747
	-	-	-	Taxation	-	-		-
	6 333 024 030	6 344 656 895	(11 632 865)	Total	7 606 936 684	7 043 533 937		563 402 747

**Appendix B
ECONOMIC ENTITY**

DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 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	