

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2013

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 103, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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



M Mbambisa
(BSC – Engineering and
Post Graduate Diploma in Business Management)

Acting City Manager

05 December 2013

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2013**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2013

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Government
Mayoral Committee	
Executive Mayor	Cllr NB Fihla
Councillors	Cllr T.H Ngcolomba (Deputy Executive Mayor) Cllr M.E Hermans (Speaker) Cllr Z.J Seale (Chief Whip) Cllr A.C.G Mfunda (Infrastructure and Engineering and Electricity and Energy) Cllr W Jikeka (Corporate Services) Cllr T.B Mafana (Safety and Security) Cllr F Desi (Constituency Services) Cllr B Lobishe (Economic Development, Tourism and Agriculture) Cllr N.S Magopeni (Sport, Recreation, Arts and Culture) Cllr P.M Ndlovu (Public Health) Cllr B.E Mkavu (Human Settlements) Cllr B. Naran (Budget and Treasury)
Accounting Officer (Acting City Manager)	M Mbambisa
Chief Financial Officer (CFO) - Acting	B De Scande
Chief Operating Officer (COO) - Acting	L Nkanjeni
Chief of Staff	B Ntshona
Executive Directors	T Nompandana (Acting - Corporate Services) A Qaba (Acting - Economic Development and Recreational services) Dr E.M Chabula-Nxiweni (Acting - Public Health) S Nogampula (Acting - Housing and Land) R Harris (Acting - Electricity and Energy) B Martin (Acting - Infrastructure and Engineering) W Shaidi (Acting - Strategic Programmes Unit) A De Ridder (Acting - Safety and Security)
Registered Office	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001

Business Address	1 st Floor City Hall
	Govan Mbeki Avenue
	Port Elizabeth
	6001
Postal Address	P O Box 116
	Port Elizabeth
	6000
Bankers	ABSA
Auditors	Auditor-General (SA)
Physical Address of Auditors	69 Frere Road
	Vincent
	East London
	5247
Postal Address of Auditors	P O Box 13252
	East London
	5217

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Actual 2013 R	Restated 2012 R
NET ASSETS AND LIABILITIES			
Net Assets			
Total Accumulated Surplus		10 179 639 660	9 324 975 590
Non-current Liabilities			
		3 324 559 272	3 410 304 865
Long-term Liabilities	3	1 713 621 093	1 822 724 051
Employee Benefit Obligation	4	1 359 347 079	1 359 703 244
Non-current Provisions	4	251 591 100	227 877 570
Current Liabilities			
		2 310 953 720	2 200 560 358
Consumer Deposits	7	93 158 571	85 223 921
Current Employee Benefit Obligation	5	94 514 186	81 537 827
Current Provisions	5	139 174 500	62 185 089
Creditors - Exchange Transactions	8	1 514 272 295	1 433 571 324
Unspent Conditional Grants and Receipts	9	364 675 344	440 759 441
Current Portion of Long-term Liabilities	3	105 158 824	97 282 756
Total Net Assets and Liabilities		15 815 152 652	14 935 840 813
ASSETS			
Non-current Assets			
		13 186 404 304	12 796 272 257
Property, Plant and Equipment (PPE)	10	12 550 784 118	12 097 380 901
Heritage Assets	11	197 422 702	197 320 055
Intangible Assets	12	207 004 329	273 990 072
Investment Property	13	199 262 490	185 876 219
Investments	14	20 000	20 000
Long-term Receivables - Exchange Transactions	15	27 499 304	31 123 382
Long-term Receivables - Non-exchange Transactions	15	4 411 361	10 561 628
Current Assets			
		2 628 748 348	2 139 568 556
Inventory	16	105 955 694	108 054 182
Consumer Debtors - Exchange Transactions	17	574 933 364	484 364 698
Consumer Debtors - Non-exchange Transactions	17	24 433 716	0
Other Debtors - Exchange Transactions	18	352 633 464	368 820 931
VAT Refund	19	5 499 737	10 829 099
VAT Suspense	19	43 180 856	7 144 160
Current Portion of Long-term Receivables - Exchange Transactions	15	80	5 216
Short-term Investments	20	1 882 274	1 462 854
Short-term Investment Deposits	20	1 245 378 088	987 219 306
Bank Balances and Cash	21	274 851 075	171 668 110
Total Assets		15 815 152 652	14 935 840 813

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2013

Restated 2012 R		Actual 2013 R	Approved Original Budget 2013 R	Adjustments 2013 R	Approved Final Budget 2013 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
881 915 275	Property Rates	22 1 058 523 375	1 074 628 370	0	1 074 628 370	16 104 995	1%	
3 302 323 762	Service Charges	23 3 633 445 729	3 951 038 600	(67 809 280)	3 883 229 320	249 783 591	6%	
56 399 259	Interest earned - Investments	65 204 102	25 527 620	15 656 780	41 184 400	(24 439 121)	-59%	1
335 127	Interest earned - Fair Value Adjustment	419 419	0	0	0	0		
121 633 915	Interest earned - Outstanding Debtors	166 835 449	86 912 730	57 724 720	144 637 450	(22 197 999)	-15%	2
25 655 126	Fines	28 700 143	32 328 130	1 481 650	33 809 780	5 109 637	15%	3
9 019 407	Licences and Permits	10 262 803	9 014 330	791 540	9 805 870	(456 933)	-5%	
1 204 453 951	Government Grants and Subsidies - Operating	24 1 269 881 789	1 361 248 310	77 004 260	1 438 252 570	168 370 781	12%	4
919 157 993	Government Grants and Subsidies - Capital	24 895 330 135	774 932 010	298 699 990	1 073 632 000	178 301 865	17%	5
19 329 411	Rental of Facilities and Equipment	17 418 907	19 820 490	1 187 550	21 008 040	3 589 133	17%	6
1 396 728	Income for Agency Services	1 908 520	1 400 000	0	1 400 000	(508 520)	-36%	7
792 444 405	Other Income	25 799 021 836	676 041 190	(2 532 110)	673 509 080	(125 512 756)	-19%	8
7 334 064 359	Total Revenue	7 946 952 207	8 012 891 780	382 205 100	8 395 096 880	448 144 673		
EXPENDITURE								
2 030 722 224	Employee Related Costs	26 1 715 764 840	1 792 973 420	317 170	1 793 290 590	77 525 750	4%	
50 103 939	Remuneration of Councillors	27 53 009 669	54 582 550	(1 362 280)	53 220 270	210 601	0%	
298 889 905	Impairment - receivables	28 409 730 233	251 274 110	(3 377 170)	247 896 940	(161 833 293)	-65%	9
3 123 269	Collection Costs	3 103 857	4 184 140	0	4 184 140	1 080 283	26%	10
221 601 181	Contracted Services	375 203 322	376 041 200	(6 418 840)	369 622 360	(5 580 962)	-2%	
666 653 042	Depreciation - Property, Plant and Equipment	48 648 940 455	736 106 810	157 717 040	893 823 850	244 883 395	27%	11
5 387 956	Depreciation - Investment Property	51 5 367 960	0	0	0	(5 367 960)	100%	11
87 829 277	Amortisation	50 90 637 156	0	0	0	(90 637 156)	100%	11
109 592 516	Impairment - PPE/ Heritage Assets/ Other	35.7 29 299 742	0	0	0	(29 299 742)	100%	12
437 160 683	Repairs and Maintenance	474 385 771	497 216 120	3 842 260	501 058 380	26 672 609	5%	
212 912 870	Finance cost	29 201 008 441	203 136 770	896 140	204 032 910	3 024 469	1%	
1 972 513 350	Bulk Purchases	30 2 183 678 669	2 250 539 060	(16 600 000)	2 233 939 060	50 260 391	2%	
40 895 999	Grants and Subsidies Paid	31 38 399 975	402 052 720	(3 753 170)	398 299 550	359 899 575	90%	13
837 879 066	General Expenses	768 918 710	796 204 790	66 748 230	862 953 020	94 034 310	11%	14
913 970	Loss on Disposal of Property Plant and Equipment	35.8 94 839 337	0	0	0	(94 839 337)	100%	15
6 976 179 247	Total Expenditure	7 092 288 137	7 364 311 690	198 009 380	7 562 321 070	470 032 933		
357 885 112	Surplus for the year	854 664 070	648 580 090	184 195 720	832 775 810	(21 888 260)		

Refer to Note 53 of the Financial Statements for explanation of variances

NELSON MANDELA BAY MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Accumulated Surplus
	R
Balance at 01 July 2011 as previously reported	8 919 975 871
Restatements (Refer note 40.3)	42 296 193
Restated Balance at 01 July 2011	8 962 272 064
Surplus for the year as previously reported	563 554 794
Decrease in Surplus (Refer note 40.1)	(205 669 682)
Restated Surplus for the year	357 885 112
Restatements (Refer note 40.21 to 40.23)	4 818 414
Restated Balance at 30 June 2012	9 324 975 590
Balance at 01 July 2012	9 324 975 590
Surplus for the year	854 664 070
Balance at 30 June 2013	10 179 639 660

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2013 R	Restated 2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		7 205 315 224	7 645 151 789
- Sale of goods and services, fines and taxes levied		4 816 502 075	5 343 506 670
- Grants		2 165 211 924	2 123 611 944
- Interest received		223 601 225	178 033 175
Cash paid to suppliers and employees		(5 479 238 748)	(5 660 405 803)
- Employee Costs		(1 652 071 953)	(1 692 460 683)
- Suppliers		(3 621 892 393)	(3 766 659 478)
- Interest paid	29	(205 274 402)	(201 285 642)
CAH GENERATED FROM OPERATIONS	32	1 726 076 476	1 984 745 986
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE		(1 218 264 048)	(1 045 029 235)
Purchase of Intangible assets		(23 651 413)	(17 693 179)
Purchase of Investment Property		(18 754 231)	(113 735 349)
Purchase of Heritage Assets		(6 621 347)	0
NET CASH FLOW FROM INVESTING ACTIVITIES		(1 267 291 039)	(1 176 457 763)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Non-current Liabilities (external loan funding)	34	(97 443 690)	(77 058 228)
NET CASH FLOW FROM FINANCING ACTIVITIES		(97 443 690)	(77 058 228)
NET CHANGE IN CASH AND CASH EQUIVALENTS		361 341 747	731 229 995
Cash and cash equivalents at the beginning of the year		1 158 887 416	427 657 421
Cash and cash equivalents at the end of the year	33	1 520 229 163	1 158 887 416

1. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003). In addition, these Annual Financial Statements include mandatory disclosures in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and related regulations.

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

With respect to accounting policies for material transactions, events or conditions not covered by Directive 5, the Municipality has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3.

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

The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below. These accounting policies are consistent with those used to present the previous year's Annual Financial Statements other than the standards listed below.

The Municipality has adopted the following standards in the current financial period:

Standard number	Standard name	Effective date
GRAP 21	Impairment of Non-cash-generating Assets	1 April 2012
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	1 April 2012
GRAP 24	Presentation of Budget Information in Financial Statements	1 April 2012
GRAP 26	Impairment of Cash-generating Assets	1 April 2012
GRAP 103	Heritage Assets	1 April 2012

The effects on the comparative year of changes in accounting policies are disclosed in Note 40.

2. PRESENTATION AND FUNCTIONAL CURRENCY

These Annual Financial Statements are presented in South African Rand, which is also the Municipality's functional currency

3. GOING CONCERN ASSUMPTION

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

4. COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget versus Actual):

In accordance with GRAP 1 and 24, the Budget information has been provided on the face of the Statement of Financial Performance in these annual financial statements.

4.2 Prior year comparatives:

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

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

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

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

STANDARDS

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

Standard number	Standard name	Effective date (if applicable)
GRAP 1 (revised)	Presentation of Financial Statements	1 April 2013
GRAP 3 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (revised)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (revised)	Inventories	1 April 2013
GRAP 13 (revised)	Leases	1 April 2013
GRAP 16 (revised)	Investment Property	1 April 2013
GRAP 17 (revised)	Property, Plant and Equipment	1 April 2013
GRAP 18	Segment Reporting	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 25	Employee Benefits	1 April 2013
GRAP 105	Transfer of Functions Between Entities under Common Control	No effective date
GRAP 106	Transfer of Functions Between Entities not under Common Control	No effective date
GRAP 107	Mergers	No effective date

GRAP 18 - Segment Reporting

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying

accounting. The standard does not have an effective date yet.

GRAP 20 – Related Party Disclosures

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

GRAP 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected other than past service costs will be recognised as expenses in the period in which they are incurred whereas currently these expenses are recognised on a straight-line basis over the average period until the benefits become vested

GRAP 105 – Transfer of Functions between Entities Under common Control

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

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

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

GRAP 107 – Mergers

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

INTERPRETATIONS

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

Standard number	Standard name	Effective date (if applicable)
IGRAP1 (replacement)	Applying the probability test on initial recognition of revenue	1 April 2013
IGRAP7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	1 April 2013
IGRAP11	Consolidation - Special Purpose Entities	Effective date of GRAP 105/106/107 (once determined)

IGRAP12	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Effective date of GRAP 105/106/107 (once determined)
IGRAP 16	Intangible Assets – Website Costs	1 April 2013

6. SIGNIFICANT JUDGEMENTS

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Management has made the following significant judgements:

Heritage Assets

The Municipality has elected to make use of the transitional provisions as set out in Directive 3, which states that entities are not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage Assets. All Heritage Assets have been recognised and measured at cost except the collection of rare books and manuscripts. The Municipality's initial accounting for heritage assets is incomplete because the value for the collection of rare books and manuscripts has not yet been determined. Management anticipates that the full measurement will be achieved by the end of the next financial year, 30 June 2014 within in the allocated transitional measurement period.

Other key judgements

Provisions and contingent liabilities

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

Operating lease commitments – the Municipality as lessor

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

GRAP 5 Borrowing Costs

The Municipality has determined that it is inappropriate to capitalise borrowing costs, as it is unable to establish a clear link between borrowing costs and numerous individual assets falling within the broader range of specific capital projects. The Municipality is unable to link borrowings to the specific capital projects. Refer to accounting policy Note 21.

Management's Going Concern Assessment

Management considered the following matters relating to the Going Concern:

On 7 June 2013, the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three-year period.

The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash backing status before Council ultimately approves it. Furthermore, strict daily

cash management processes are embedded in the Municipality's Operations' to manage and monitor all actual cash flows in terms of the cash flow forecast supporting the Budget. The cash management processes is complemented by weekly and monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be implemented.

The Municipality developed a Financial Recovery Plan to address the cash flow challenges experienced at the beginning of the 2010/11 financial year. This plan has resulted in the Municipality improving its cash and cash equivalents position from a projected R 59,9 million in 2010/11 to R 1.52 billion as at the end of June 2013. The Municipality secured a bank overdraft of R 450 million to cover short-term cash shortfalls, if required – to date this facility has not been used.

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

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

7. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

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

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5.50% (2012: 5.50%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.04% (2012: 11.04%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term Treasury bond rate 2.25% (2012: 2.38%).

Provision for Rehabilitation of Swartkops River

The provision is in relation to the Municipality's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of a wetland beside the Swartkops River, which was discounted at the average short term borrowing cost of 11.04% (2012: 11.04%).

Pension and other post-employment benefits

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

Gratuity Provision

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. A Council decision was made to ensure that a provision be raised from 1975.

The provision is made up of two parts namely:

- Years service prior to 1997: number of years service prior to 1997 multiplied by the employee fortnightly wage rate in 1997 (R533) plus
- Years services after 1997: number of years service multiplied by the employee fortnightly wage rate in 1997 (R533) increased per annum by the average earnings interest earned on investments of 4.763% (2012: 4.977%)

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The Municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus residual values are determined to be nil other than for motor vehicles.

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to accounting policy Note 16.

8. HOUSING DEVELOPMENT FUND

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

The Housing Development Fund is included as one of the reserves within Accumulated Surplus.

9. RESERVES

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

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

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

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

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

- The cash funds that support the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Municipality.
- The CRR may only be utilised to finance purchasing items of property, plant and equipment, investment property and intangible assets and may not be used for the maintenance of these items.

- Whenever the CRR is utilised, the CRR is reduced by an amount equal to the cost price of the asset and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Surplus or deficit and is then transferred, via the Statement of Changes in Net Assets, to the CRR, if it is cash backed.

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensation for Occupational Injuries and Diseases (COID) Reserve

The Municipality has been exempted from making monthly contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act, but is required to maintain a reserve of R10 million. This reserve is subject to annual review by the Commissioner.

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

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

Monthly pensions are funded by allocating funds out of the COID portion of Accumulated Surplus to general Accumulated Surplus (refer to note 1).

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

When items of property, plant and equipment, investment property and intangible assets are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance.

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

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government funded items of property, plant and equipment, investment property and intangible assets are offset by transfers from this reserve to the accumulated surplus/(deficit).

10. EMPLOYEE BENEFIT OBLIGATIONS

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

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

Short-term employee benefits are measured on an undiscounted basis.

Leave pay accrual

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

Gratuity Obligation

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained. The gratuity is payable by Council to wage earners who joined the Municipality before 1988. The Council decided to make gratuity payments to these employees upon retirement. The amount payable is based on the individual employee wage rate and the number of years in service until the employee joined a pension fund. The provision is determined with reference to minimum wage rate applicable immediately prior to joining the pension fund multiplied by number of year's service and adjusted annually based on the average interest earned on investments.

Provision for Performance Bonuses

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is raised once the timing and amount of such provision can be reliably determined. The provision is based on the performance of each S57 employee against the performance scorecard set and agreed upon for each financial year. If on assessment of the respective S57 employees it is decided that a bonus will be paid out, the S57 employee is entitled to receive this bonus irrespective of whether they are still in the service of the Municipality.

Long service awards

Employees who have completed 25 years unbroken service are entitled to receive a once-off cash award not exceeding R2,500. The cash award is included in the employee's salary in the month of the service anniversary. No provision is raised because this is a non-vesting condition.

Retirement benefits

The Municipality provides retirement benefits for its employees and councillors.

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

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

The 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.

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

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

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

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

Medical Aid: Continued Members

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

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

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

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

11. PROVISIONS

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

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

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

Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

With respect to litigation and claims against the Municipality: The Municipality's Legal Council assesses the list of claims against the Municipality on an annual basis. The Municipality recognises a provision for all claims/cases for which the outflow of economic resources is probable and the amount can be reliably estimated.

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

- a) The Municipality has a detailed formal plan for the restructuring, identifying at least:
 - The business or part of a business concerned.
 - The principal locations affected.
 - The location, function, and approximate number of employees who will be compensated for terminating their services.
 - The expenditures that will be undertaken.
 - When the plan will be implemented.

- b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

12. FINANCIAL INSTRUMENTS

Initial Recognition

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

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

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

Initial Measurement

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

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

Subsequent Measurement

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

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

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

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

Concessionary loans

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

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

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

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

Derecognition

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

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

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing

liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Gains and losses

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

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

Offsetting

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

Impairment of financial assets

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

For financial assets held at amortised cost:

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

For financial assets held at cost:

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

Such impairment losses are not reversed.

Policies relating to specific financial instruments

Investments at amortised cost

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

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

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

Investments at fair value

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

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

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

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

Trade and other receivables

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

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

Trade and other payables

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

13. PROPERTY, PLANT AND EQUIPMENT

Initial recognition and measurement

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

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

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

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

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

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

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

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

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

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment (other than land) are measured at cost less accumulated depreciation and impairment losses.

Subsequent to initial recognition, land is measured at cost and is not depreciated because it has an indefinite useful life.

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

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

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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The annual depreciation rates for the current and previous year are based on the following average asset useful lives:

Land & Buildings	Useful Life Range in Years
Buildings	15 - 50
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
Roads, Sidewalks & Stormwater Networks	5 – 100
Beach Developments	30 – 50
Electricity Reticulation & Supply	10 – 80
Sewerage Mains & Purification Works	15 – 80
Waste Disposal Facilities	20 -100
Water Supply & Reticulation	10 – 50
Dams & Treatment Works	25 – 100
Other Assets	Useful Life Range in Years
Bins & Containers	5 – 15
Emergency & Medical Equipment	5 – 20
Vehicles & Plant	4 – 30
Office Furniture & Fittings	3 – 20
Landfill Sites	50
Security Systems	5 - 15
Tip Sites	30
Computer Hardware	4 - 8

Community Assets	Useful Life Range in Years
Libraries	15 - 50
Fire Stations	15 - 50
Library Books	5 - 20
Cemeteries	15 - 50
Clinics	15 - 50
Community Centres	15 - 50
Public Conveniences	15 - 50
Swimming Pools	15 - 50
Recreational Facilities	15 - 50
Selling & Letting Schemes	15 - 50

Derecognition

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

14. HERITAGE ASSETS

Initial recognition and measurement

Heritage Assets are assets that have cultural, historical, environmental, natural, scientific or technological significance that are held indefinitely for the benefit of present and future generations.

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

When assets that might be regarded as heritage assets but which, on initial recognition, do not meet the recognition criteria of a heritage asset because they cannot be reliably measured, the Municipality discloses relevant and useful information about such assets in the notes to the financial statements.

Heritage assets are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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

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

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

Subsequent measurement

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

The table below reflects the class of heritage assets and the estimated useful life range in years.

Heritage Sites	Useful Life Range in Years
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life
Collections of rare books and manuscripts	Indefinite Life

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the surplus or deficit.

15. INTANGIBLE ASSETS

Initial recognition and measurement

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

Intangible assets are initially recognised at cost.

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

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

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

Subsequent measurement

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

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

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

Amortisation and impairment

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

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

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

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

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the

difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

16. INVESTMENT PROPERTY

Initial recognition and measurement

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

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

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

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

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

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

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

Subsequent measurement

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment.

Depreciation

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

Investment Property	Useful Life Range in Years
Land	Indefinite Life
Other	15 - 50

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

Land is not depreciated.

Fair Value

The assumptions for determining the fair value of the Investment property is set out in Note 13 of the Annual Financial Statements.

Derecognition

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

17. NON-CURRENT ASSETS HELD FOR SALE

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

Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Municipality's accounting policies for the individual assets.

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

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

Gains on the subsequent increase in fair value less costs to sell are not recognised in excess of any cumulative impairment loss. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

Derecognition

Non-current assets held for sale are derecognised when the asset is disposed of or when there are no further economic benefits. The gain or loss arising not previously recognised by the date of the sale of a non-current asset (or disposal group) shall be recognised on the disposal of the asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

18. INVENTORIES

Initial recognition and measurement

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

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

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, water and finished goods (FG), are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is first-in, first-out (FIFO) method for all inventory categories except water. Water is measured on the weighted average method.

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

An allowance for the write down of inventory is maintained in lieu of obsolete inventory. The level of the allowance for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

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

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

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

19. IMPAIRMENT OF NON-FINANCIAL ASSETS

Recognition

The Municipality assesses at each reporting date whether there is an indication that an asset (excluding Inventories) may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An asset's recoverable amount (or recoverable service amount) is the higher of the fair value less costs to sell, and the value-in-use of the asset.

The Municipality classifies the asset/identifiable group of assets as cash-generating if the key purpose of such asset/group of assets is to generate cash inflows from continuing use and are independent of the cash inflows from other assets or groups of assets. The Municipality will classify all other assets that do not meet the definition of cash-generating assets/group of assets as non-cash generating assets.

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash-generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash-generating unit.

An asset is part of a cash-generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets, the value in use is determined as a function of the discounted future cash flows from the asset.

Where the asset is a non-cash generating asset, the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach: The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

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

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

Reversal of impairment losses

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

20. REVENUE

20.1 Revenue from Exchange Transactions

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

Recognition

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

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and services rendered.
- b) The amount of revenue can be measured reliably.

- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Specific exchange-revenue sources

Service charges relating to electricity, water and sewerage are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read and the related revenue is recognised in the same period.

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

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

Revenue from the sale of electricity prepaid meter cards is recognised on consumption of the purchased units unless impracticable in which case revenue is recognised at point of sale.

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

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

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

Revenue from the issue of permits and licenses is recognised at point and time of issue.

Interest income is recognised in surplus or deficit on a time proportionate basis, using the effective interest method (i.e. based on the effective interest rate of the individual investments).

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

- Interest earned on trust funds is allocated to the fund concerned
- Interest earned on unutilised conditional grants is allocated to the creditor (i.e. recognised as an obligation), if grant conditions indicate that interest is payable to the funder.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed.

The Municipality has an obligation in terms of legislation to collect all revenue and as such, the Municipality does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Municipality assesses collectability subsequent to initial

measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

Expenditure from Exchange Transactions

The accounting policy for expenditure arising from exchange-transactions is similar to the policy for exchange revenue.

20.2 Revenue from Non-Exchange Transactions

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

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

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and all relevant conditions have been met.

Specific non-exchange-revenue sources

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

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

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

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

Fuel levy is recognised in revenue when the income is received.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

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

Expenditure from Non-exchange Transactions

Expenditure from non-exchange transactions are recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that conditions attached to the expenditure have not been met. The asset is transferred to the Statement of Financial Performance once the conditions are met.

21. BORROWING COSTS/ FINANCE COSTS

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

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

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

22. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

The Municipality as Lessee

Recognition

Assets subject to operating leases are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

Assets subject to finance leases are recognised in the Statement of Financial Position as

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

Measurement

Assets subject to a finance lease recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the useful life or the lease contract term if shorter.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost. Minimum lease payments are apportioned between the finance expense and reduction of the outstanding liability. The finance expense is allocated to each period during the lease term to produce a constant periodic rate on the remaining balance of the liability.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

The Municipality as Lessor

Recognition

For those leases that meet the definition of a finance lease, where the Municipality is the lessor, the Municipality derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the Municipality recognises a finance lease receivable. Finance lease income is allocated between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, on a straight-line basis over the lease period.

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

Measurement

Finance lease receivables are recognised at an amount equal to the Municipality's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

23. FOREIGN CURRENCY TRANSACTION

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

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

24. VALUE ADDED TAX (VAT)

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

25. UNAUTHORISED EXPENDITURE

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

26. IRREGULAR EXPENDITURE

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

27. FRUITLESS AND WASTEFUL EXPENDITURE

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

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

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income when it meets the definition of an asset.

29. TRANSFER OF FUNCTION BETWEEN ENTITIES NOT UNDER COMMON CONTROL

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

Applying the acquisition method requires:

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

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

Municipality as the acquiree:

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

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

30. EVENTS AFTER THE REPORTING DATE

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

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

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

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

31. RELATED PARTIES

The Municipality has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the Municipality any one or more related parties, and those transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the Municipality's legal mandate.

Further details about those transactions are disclosed in the notes to the financial statements.

32. BUDGET

The Budget is prepared based on the accounting policies adopted by the Council for the preparation of these financial statements.

The Budget is prepared and presented in accordance with the GRAP standard under the accrual basis of accounting for budgets approved by Council by nature classification.

The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

Explanatory comments are provided in note 53 to the annual financial statements giving reasons for over- or under spending on items.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	Restated 2012
RESERVES GOVERNED BY AN ACT: Note 1 and Note 2		
1 HOUSING DEVELOPMENT FUND		
Housing Revolving Fund	108 605 509	108 605 509
Housing Reserves	1 126 270	1 126 270
Total Housing Development Fund	109 731 779	109 731 779

The amount for this note has been included with the Total Accumulated Surplus.

Housing Revolving Fund

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

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

HOUSING RESERVES

Community Facilities	160 631	160 631
Replacement and Renewals	965 639	965 639
Balance at the end of the year	1 126 270	1 126 270

Community Facilities

Balance at the beginning of the year	160 631	127 445
Transfer from Accumulated Surplus	0	33 186
Balance at the end of the year	160 631	160 631

Replacement and Renewals

Balance at the beginning of the year	965 639	815 894
Transfer from Accumulated Surplus	0	149 745
Restated Balance at beginning of year	965 639	965 639

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	Restated 2012 R
2 COID RESERVE		
Balance at the beginning of the year	15 135 948	12 810 819
Premiums received - transfer from accumulated surplus	4 601 114	4 605 500
Expenditure funded during the year - transfer to accumulated surplus	(1 632 303)	(2 280 371)
Balance at the end of the year	18 104 759	15 135 948

The amount for this note has been included with the Total Accumulated Surplus.

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)	493 540 599	528 942 107
Amalgamated Banks of South Africa (ABSA)	158 863 151	190 518 904
Rand Merchant Bank	456 371 395	465 065 142
Nedbank	698 599 938	724 558 582
Total External Loans	1 807 375 083	1 909 084 735

Brookes Bequest	11 404 834	10 922 072
Total Long-term Liabilities	1 818 779 917	1 920 006 807

Less : Current portion transferred to current liabilities

Development Bank of Southern Africa (DBSA)	37 979 548	34 471 081
Amalgamated Banks of South Africa (ABSA)	30 000 000	30 000 000
Rand Merchant Bank	9 589 011	8 557 067
Nedbank	27 590 265	24 254 608

1 713 621 093	1 822 724 051
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Refer to Restatement Note 40.5

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 R26 588 019 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 R7 883 062 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 R24 415 544 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 31 May 2031, at a fixed interest rate of 10.24% per annum. The loan was used for various capital projects. An amount of R8 557 067 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 4.76% per annum.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	Restated 2012 R
4. EMPLOYEE BENEFIT OBLIGATION		
Gratuity Benefit	35 667 682	35 527 245
Post Retirement Benefits	1 323 679 397	1 324 175 999
Total Employee Benefit Obligation	1 359 347 079	1 359 703 244
Refer to Restatement Note 40.4		
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	35 527 245	21 800 696
Contributions to Obligation	140 437	13 726 549
Balance at end of year	35 667 682	35 527 245
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 323 679 397		
Refer to Note 47 for the full reconciliation and disclosures.		
Balance at beginning of year	1 324 175 999	1 076 742 989
Movement in obligation	(496 602)	247 433 010
Balance at end of year	1 323 679 397	1 324 175 999
4 NON-CURRENT PROVISIONS		
Rehabilitation of Landfill sites	235 394 122	213 203 431
Rehabilitation of Swartkops River	16 196 978	14 674 139
Total Non-current Provisions	251 591 100	227 877 570
Rehabilitation of landfill sites		
In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R135,318,350 for the Arlington Tip site, R28,717,628 for the Koedoeskloof Tip site and R71,358,144 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 2031 (Arlington) and 2015 (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 2.25%, 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.		
Balance at beginning of year	213 203 431	176 258 146
Contributions to Provision	22 190 691	36 945 285
Balance at end of year	235 394 122	213 203 431
Rehabilitation of Swartkops River		
Balance at beginning of year	14 674 139	14 584 371
Contributions to Provision - unwinding of discount factor	1 522 839	89 768
Balance at end of year	16 196 978	14 674 139
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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	Restated 2012 R
5 EMPLOYEE BENEFITS AND PROVISIONS		
5.1 CURRENT EMPLOYEE BENEFIT OBLIGATION		
Gratuity Liability	6 506 921	6 524 417
Post Retirement Benefits	52 652 930	40 841 000
Performance Bonus Liability	6 120 017	4 938 092
Task Evaluation liability	29 234 318	29 234 318
Total Current Employee Benefit Obligation	94 514 186	81 537 827
Refer to Restatement Note 40.25		
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	6 524 417	5 775 315
Contributions to Obligation	3 672 722	3 313 991
Expenditure incurred	(3 690 218)	(2 564 889)
Balance at end of year	6 506 921	6 524 417
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	40 841 000	39 155 737
Contributions to Obligation	58 697 803	43 813 464
Expenditure incurred	(46 885 873)	(42 128 201)
Balance at end of year	52 652 930	40 841 000
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(2) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.		
Balance at beginning of year	4 938 092	4 197 883
Contributions to Obligation	1 181 925	740 209
Expenditure incurred	0	0
Balance at end of year	6 120 017	4 938 092
Task Evaluation Liability		
The obligation is in respect of task evaluation.		
Balance at beginning of year	29 234 318	0
Contributions to Obligation	0	29 234 318
Expenditure incurred	0	0
Balance at end of year	29 234 318	29 234 318
5.2 CURRENT PROVISIONS		
Provision for Litigation and Claims	139 174 500	62 185 089
Total Current Provisions	139 174 500	62 185 089
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	62 185 089	56 026 649
Provision utilised	(10 094 537)	(876 829)
Contributions to Provision	87 083 948	7 035 269
Balance at end of year	139 174 500	62 185 089
6 DERIVATIVE FINANCIAL INSTRUMENTS		
NMBM has not entered into any derivative financial instruments contracts.		
7 CONSUMER DEPOSITS		
Electricity and Water	92 162 234	84 167 088
Interest	996 337	1 056 833
	93 158 571	85 223 921
Guarantees held in lieu of Electricity and Water Deposits	5 254 454	4 298 286
Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.		
8 CREDITORS - EXCHANGE TRANSACTIONS		
Trade creditors	1 181 979 818	1 062 604 658
Payments Received in Advance	55 932 466	62 084 480
Staff leave	141 264 960	182 895 473
Other Creditors	5 738 766	5 597 466
Retentions	128 527 681	120 030 979
Operating Leases	828 604	358 268
Total Creditors	1 514 272 295	1 433 571 324
Refer Restatement Note no. 40.9		
Financial liabilities:		
Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R128 527 681, which could be settled within the next 12 months.		
No creditors are secured		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

2013
R

Restated 2012
R

9.1 Conditional Grants from other spheres of Government

PHB Subsidies (See Note 24.1)
Health Subsidies (See Note 24.2)
Amphitheatre (UDDI) (See Note 24.7)
NT- Accreditation of Municipalities (See Note 24.8)
Public Transport Infrastructure Grant (See Note 24.12)
EU Sector Policy Support Policy (See Note 24.14)
Other Grants (See Note 24.16)
National Lotteries Grant (See Note 24.18)
Drought Relief Grant Funding (See Note 24.21)
Urban Settlement Development Grant (See Note 24.22)
Skills Development Grant (See Note 24.23)
EPWP Incentive Grant (See Note 24.26)

24 535 607	8 629 785
0	36 267
0	3 773 525
0	4 879 723
278 421 976	340 000 000
31 882 401	285 782
14 034 801	13 471 016
5 605 040	5 605 040
0	58 662 229
0	416 074
3 499 803	5 000 000
6 695 716	0
364 675 344	440 759 441

Total Unspent Conditional Grants and Receipts

Refer Restatement Note no. 40.15

10 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2013

	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	2 273 393 753	115 773 436	2 157 620 317
Infrastructure Assets	10 742 792 158	3 509 089 057	7 233 703 101
Community Assets	3 060 814 193	418 105 503	2 642 708 690
Other Assets	1 049 681 673	532 929 663	516 752 010
	17 126 681 777	4 575 897 659	12 550 784 118

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 2012

	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	2 244 313 609	104 169 585	2 140 144 024
Infrastructure Assets	9 673 582 216	3 082 124 532	6 591 457 684
Community Assets	3 134 345 092	339 627 456	2 794 717 636
Other Assets	1 030 379 004	459 317 447	571 061 557
	16 082 619 921	3 985 239 020	12 097 380 901

Refer Restatement Note no. 40.6

11 HERITAGE ASSETS

As at 30 June 2013

	R	R	R
	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	203 941 402	6 518 700	197 422 702
	203 941 402	6 518 700	197 422 702

Refer to Note 49 for reconciliation.

As at 30 June 2012

	R	R	R
	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	197 320 055	0	197 320 055
	197 320 055	0	197 320 055

Refer Restatement Note no. 40.7

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12 INTANGIBLE ASSETS

As at 30 June 2013

Computer Software

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2012

Computer Software

	R	R	R
	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	569 802 964	362 798 635	207 004 329
	569 802 964	362 798 635	207 004 329

13 INVESTMENT PROPERTY

As at 30 June 2013

Land & Buildings

No assets were pledged as security

Refer to Note 51 for reconciliation.

As at 30 June 2012

Land & Buildings

Refer Restatement Note no. 40.8

Description of Investment Property:

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

Market Value of Investment Property

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 2013:

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

Rental revenue included in surplus for following Investment Property:

Beachview resort
Van Stadens Resort

Direct Operating expenses that generated rental revenue

	2013 R	2012 R
Nelson Mandela Bay Logistics Park	38 000 000	38 000 000
Kings Beach	35 855 000	35 855 000
Springs Resort	6 190 000	6 190 000
Telkom Park	24 130 000	24 130 000
Mc Arthur Bath	12 290 000	12 290 000
Willows Resort	246 430 000	246 430 000
Beachview Resort	8 020 000	8 020 000
Van Stadens Resort	22 740 000	22 740 000
St Georges Park Resort	14 552 929	14 552 929
Motherwell Depot	15 000 000	15 000 000
Africa Timbers in Korsten	1 990 000	1 990 000
Algoa Bus depot	26 000	26 000
Mercado centre	25 172 506	25 172 506
Wells estate and Fresh Produce Market	21 907 071	21 907 071
Incinerator and Gas works	26 730 000	26 730 000
Something Good	4 730 000	4 730 000
	503 763 506	503 763 506

	2013 R	Restated 2012 R
Beachview resort	240 000	240 000
Van Stadens Resort	240 000	240 000
Direct Operating expenses that generated rental revenue	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	Restated 2012 R
14 INVESTMENTS		
Investment in Uitenhage (UITESCO)	<u>20 000</u>	<u>20 000</u>
<p>The NMBM holds a 33% share in UITESCO. The UITESCO shares are measured at fair value. Fair value is determined based on the net asset value of UITESCO, which approximates the Cost. The Shareholders of UITESCO are in the process of liquidating the company. The application has been lodged with CIPRO.</p>		
15 LONG-TERM RECEIVABLES		
Loan - UITESCO	17 905 515	17 905 515
Sporting and Other Bodies	340	5 536
Other Debtors	50 315	50 315
Consumer Debtors	13 954 575	23 728 860
Rate and General	4 411 361	10 561 628
Electricity	5 111 483	3 111 655
Water	2 378 705	5 588 143
Refuse	641 889	1 536 603
Sewerage	1 157 745	2 917 657
Insurance	253 392	13 174
	<u>31 910 745</u>	<u>41 690 226</u>
Less current portion:		
Sporting and Other Bodies	80	5 216
Current Portion of Long-term Receivables	<u>80</u>	<u>5 216</u>
Long-term Receivables	<u>31 910 665</u>	<u>41 685 010</u>
Long-term Receivables - Exchange Transactions	27 499 304	31 123 382
Long-term Receivables - Non-exchange Transactions	4 411 361	10 561 628
	<u>31 910 665</u>	<u>41 685 010</u>

No collateral is held for receivables

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

LONG-TERM RECEIVABLES - CONSUMER DEBTORS

Financial Assets - Receivables:

Consumer Debtors have a fixed repayment term per individual consumer and interest is calculated on monthly basis at 15.5%.

LOAN - UITESCO

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

CONSUMER DEBTORS

The current portion is disclosed in note 17 - Consumer Debtors.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	Restated 2012 R
16 INVENTORY		
Raw Materials	106 074 010	110 415 310
Finished Goods	73 818	112 331
Water Finished Goods - at cost (refer to note 30 for cost of inventory sold)	87 762 137	92 228 180
Consumable Goods	7 740 236	6 208 369
	10 497 819	11 866 430
Less: Write down to Net realisable value	(118 316)	(2 361 128)
	105 955 694	108 054 182

No inventory was pledged as security

17 CONSUMER DEBTORS

As at 30 June 2013

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	2 172 185 825	(1 578 810 351)	593 375 474
Rates and General	533 301 448	(508 867 732)	24 433 716
Electricity	786 689 467	(329 457 589)	457 231 878
Water	481 422 491	(406 494 212)	74 928 279
Refuse	152 170 509	(150 244 219)	1 926 290
Sanitation	218 601 910	(183 746 599)	34 855 311
House Rentals	25 220 850	(19 229 244)	5 991 606
Total	2 197 406 675	(1 598 039 595)	599 367 080

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	24 433 716
Consumer debtors - Exchange Transactions	574 933 364
	599 367 080

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 2012

	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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

17 CONSUMER DEBTORS (Continued)	2013 R	Restated 2012 R
<u>Rates and General: Ageing</u>		
Current (0-30 days)	34 203 472	(3 010 967)
31 - 60 Days	27 412 120	21 088 740
61 - 90 Days	13 561 450	12 808 485
Over 90 Days	458 124 406	361 021 861
Total	533 301 448	391 908 119
<u>Electricity: Ageing</u>		
Current (0-30 days)	425 357 751	440 322 833
31 - 60 Days	47 138 570	76 902 243
61 - 90 Days	24 772 026	44 013 491
Over 90 Days	289 421 120	128 828 968
Total	786 689 467	690 067 535
<u>Water: Ageing</u>		
Current (0-30 days)	100 631 414	85 094 016
31 - 60 Days	29 789 555	26 042 980
61 - 90 Days	19 400 585	16 538 635
Over 90 Days	331 600 937	272 652 476
Total	481 422 491	400 328 107
<u>Refuse: Ageing</u>		
Current (0-30 days)	16 575 104	15 513 953
31 - 60 Days	7 538 945	5 397 760
61 - 90 Days	6 266 152	3 829 954
Over 90 Days	121 790 308	86 962 579
Total	152 170 509	111 704 246
<u>Sanitation: Ageing</u>		
Current (0-30 days)	44 858 539	26 006 394
31 - 60 Days	15 854 747	10 233 522
61 - 90 Days	11 082 163	6 335 336
Over 90 Days	146 806 461	106 451 973
Total	218 601 910	149 027 225
<u>Housing Rentals: Ageing</u>		
Current (0-30 days)	901 590	542 429
31 - 60 Days	668 702	431 294
61 - 90 Days	544 620	491 209
Over 90 Days	23 105 938	14 690 509
Total	25 220 850	16 155 441

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

17 CONSUMER DEBTORS (Continued)

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2013			
Current (0-30 days)	250 788 026	363 897 387	7 842 457
31 - 60 Days	89 345 243	23 265 502	15 791 895
61 - 90 Days	55 739 236	14 905 906	4 981 854
Over 90 Days	1 044 472 401	296 227 920	30 148 848
Gross Consumer Debtors by Customer classification	1 440 344 906	698 296 715	58 765 054
Gross Consumer Debtors			2 197 406 675
Less: Impairment allowance			(1 598 039 595)
Net Consumer Debtors for the period ended 30 June 2013			599 367 080

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)	213 672 395	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	1 111 990 121	596 835 995	50 364 557
Gross Consumer Debtors			1 759 190 673
Less: Impairment allowance			(1 274 825 975)
Net Consumer Debtors for the year ended 30 June 2012			484 364 698

Reconciliation of the Impairment Allowance

	2013 R	Restated 2012 R
Balance at beginning of year	1 274 825 975	1 250 290 516
Contributions to Impairment allowance	444 516 599	275 688 199
	1 719 342 574	1 525 978 715
Bad debts written off against the Impairment allowance	(121 302 978)	(251 152 740)
Balance at end of year	1 598 039 596	1 274 825 975

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:

	2013 R	Restated 2012 R
Neither past due nor impaired		
Current (0-30 days)	599 367 080	484 364 698

Consumer Debtors for which an impairment allowance was raised

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)	1 598 039 596	1 274 825 975
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18 OTHER DEBTORS

Government Grants and Subsidies	192 785 534	237 344 179
Interest on External Investments	8 921 089	5 089 074
Operating lease accruals	2 910 087	3 186 141
Sundry Debtors	93 833 844	70 481 388
Entity - MBDA	54 182 910	56 283 273
	352 633 464	372 384 055
Less: Impairment allowance relating to the total outstanding for RSC Levies	0	(3 563 124)
Balance at end of year	352 633 464	368 820 931

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

Refer Restatement Note no. 40.29

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

19 VAT Refund/ VAT Suspense

	2013 R	Restated 2012 R
VAT Refund	5 499 737	10 829 099
VAT Suspense	43 180 856	7 144 160

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 Restatement Note no. 40.14

20 SHORT-TERM INVESTMENTS & INVESTMENT DEPOSITS

DEPOSITS

ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2013: 5.01% during the current audit period.	320 000 000	0
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2013: 5.05% during the current audit period.	220 000 000	0
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2013: 4.76% (2012: 5.45 %) during the current audit period.	165 607 152	470 607 152
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2013: 5.22% (2012: 5.45%) during the current audit period.	265 500 000	470 500 000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2013: 5.09% (2012: 5.47%) during the current audit period.	274 270 936	46 112 154
	1 245 378 088	987 219 306
FINANCIAL INSTRUMENTS - INVESTMENTS		
Sanlam Shares	1 882 274	1 462 854
	1 882 274	1 462 854

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.

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 2013 was R1 882 274 (2012: R 1 462 854) determined on the open market share price as at 30 June 2013. 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 R120 158 824 (2012: R97 282 756) are ring-fenced and attributable to repaying long-term loans.

21 BANK BALANCES AND CASH

The NMBM operates various current accounts with ABSA. The details are as follows:

BANK: ABSA
ACCOUNT NUMBER: 4079534961
BRANCH: Greenacres
BRANCH CODE: 632005

Cash Book balance at beginning of the year	171 668 110	130 665 052
Cash Book balance at end of the year	274 851 075	171 668 110
Bank Balance at beginning of the year	125 695 962	151 095 273
Bank Balance at end of the year	214 988 377	125 695 962

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

Bank balances and cash	274 851 075	171 668 110
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Refer Restatement Note no. 40.30

Bank guarantees held with:
Performance Management Card
Performance Guarantee

	Standard Bank	Standard Bank
	0	55 000
	40 000 000	0

In terms of GRAP 23, the following Cash and Cash equivalents relates to restrictive agreements:

Transportation levies received and can only be used for the upkeep of roads or any roads related projects.	17 228 300	13 737 049
Bequests, which was bequeathed to the Municipality subject to restrictions imposed by the last will and testament of the donor and can only be used accordingly.	3 833 340	3 699 638

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

22 PROPERTY RATES	2013 R	Restated 2012 R
<u>Actual</u>		
Residential	525 344 419	424 036 377
Commercial	364 974 993	307 268 439
State	71 872 593	63 465 522
Other	96 331 370	87 144 937
	1 058 523 375	881 915 275

Refer Restatement Note no. 40.28

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

<u>Valuations</u>	R'000	R'000
Residential	79 153 054	78 909 581
Commercial	26 746 276	26 954 918
State	4 938 573	4 931 521
Other	14 482 987	15 556 423
	125 320 890	126 352 443

23 SERVICE CHARGES

Sale of Electricity	2 819 881 230	2 711 116 310
Sale of Water	430 697 703	288 575 679
Service delivery - sale of inventory	3 250 578 933	2 999 691 989
Refuse Removal	109 483 071	92 228 364
Sewerage and Sanitation charges	273 383 725	210 403 409
Service delivery - sale of service	382 866 796	302 631 773
	3 633 445 729	3 302 323 762

Refer Restatement Note no. 40.27

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	Restated 2012
	R	R
24 GOVERNMENT GRANTS AND SUBSIDIES		
PHB Subsidies (See Note 24.1)	325 728 060	325 878 474
Health Subsidies (See Note 24.2)	6 230 518	151 985 478
Equitable Share Allocation (See Note 24.3)	729 226 000	656 653 000
Finance Management Grant (See Note 24.4)	1 199 655	1 179 867
Municipal Infrastructure Grant (See Note 24.6)	0	1 563 380
National Treasury - Accreditation of Municipalities (See Note 24.8)	9 766 344	5 585 304
HIV / AIDS Columbia University Project (See Note 24.10)	0	1 532 339
Provincial Government Grants (See Note 24.11)	3 752 000	5 747 000
Public Transport Infrastructure Grant (See Note 24.12)	143 210 612	16 425 609
EU Sector Policy Support Project (See Note 24.14)	413 381	2 546 040
Energy-Special Projects (See Note 24.15)	0	22 448 278
Other Grants (See Note 24.16)	8 131 408	12 909 182
Government Grant Revenue (See Note 24.17)	895 330 135	919 157 993
Water Demand Management Grant (See Note 24.19)	4 999 332	0
Neighbourhood Partnership development Grant (See Note 24.20)	1 542 600	0
Urban Settlement Development Grant (See Note 24.22)	1 804 300	0
Infrastructure Skills Development Grant (See Note 24.23)	3 598 885	0
AFCON Cup (See Note 24.24)	15 923 000	0
Disaster Relief Grant (See Note 24.25)	6 730 000	0
EPWP Incentive Grant (See note 24.26)	7 625 694	0
	2 165 211 924	2 123 611 944

Refer Restatement Note no. 40.16

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	8 629 785	10 443 898
Current year receipts	331 331 172	307 604 503
Interest received	1 831 172	0
Debtor raised	188 680 601	178 334 636
Reversal of prior year accrual	(178 334 636)	(161 874 778)
Creditor raised - Interest payable	(1 812 794)	0
Interest paid over to Provincial Treasury	(18 378)	0
Conditions met - Transferred to Other Income	(43 255)	0
Conditions met - Transferred to revenue	(325 728 060)	(325 878 474)
Conditions still to be met - transferred to liabilities	24 535 607	8 629 785

24.2 Health Subsidies

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

Balance at beginning of year	36 267	1 240 134
Current year receipts	63 337 596	93 494 829
Debtor raised	0	59 009 543
Conditions met - Transferred to revenue	(6 230 518)	(151 985 478)
Reversal of prior year accrual	(57 143 345)	(1 722 761)
Conditions still to be met - transferred to liabilities	0	36 267

24.3 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Balance unspent at beginning of year	0	0
Current year receipts	729 226 000	656 653 000
Transferred to revenue	(729 226 000)	(656 653 000)
Conditions still to be met - transferred to liabilities	0	0

24.4 Finance Management Grant

This grant is used in the financial reform project under the guidance of National Treasury.

Balance unspent at beginning of year	0	0
Current year receipts	1 250 000	1 250 000
Conditions met - Transferred to Other Income - VAT portion	(50 345)	(70 133)
Conditions met - Transferred to revenue	(1 199 655)	(1 179 867)
Conditions still to be met - transferred to liabilities	0	0

24.5 SMME - Development

This Subsidy is used for the development of Small businesses in the Metropolitan Area.

Balance unspent at beginning of year	0	192 500
Conditions met - Transferred to Other Income	0	(192 500)
Conditions still to be met - transferred to liabilities	0	0

24.6 Municipal Infrastructure Grant

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

Balance unspent at beginning of year	0	1 494 413
Conditions met - Transferred to revenue - capital	0	68 967
Conditions met - Transferred to revenue	0	(1 563 380)
Conditions still to be met - transferred to liabilities	0	0

24.7 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	3 773 525
Creditor raised - Grant to be paid over to UDDI	(3 773 525)	0
Conditions still to be met - transferred to liabilities	0	3 773 525

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2013 R	Restated 2012 R
24.8 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	4 879 723	5 465 027
Current year receipts	4 886 621	5 000 000
Conditions met - Transferred to revenue	(9 766 344)	(5 585 304)
Conditions still to be met - transferred to liabilities	0	4 879 723
24.9 Walmer Youth Development Project		
This Grant is used for Youth Development.		
Balance unspent at beginning of year	0	53 623
Conditions met - Transferred to Other Income	0	(53 623)
Conditions still to be met - transferred to liabilities	0	0
24.10 HIV/AIDS Columbia University Project		
This Grant is used for HIV / AIDS projects.		
Balance unspent at beginning of year	0	0
Current year receipts	0	2 626 463
Conditions met - Transferred to revenue	0	(1 532 339)
Reversal of prior year accrual	0	(1 094 124)
Conditions still to be met - transferred to liabilities	0	0
24.11 Provincial Government Grants		
This grant is received from the Provincial Government and used to subsidise Libraries.		
Balance at beginning of year	0	0
Current year receipts	3 752 000	5 747 000
Conditions met - Transferred to revenue	(3 752 000)	(5 747 000)
Conditions still to be met - transferred to liabilities	0	0
24.12 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	340 000 000	168 904 002
Current year receipts	298 702 000	320 000 000
Conditions met - Transferred to revenue - capital	(181 546 499)	(71 953 033)
Conditions met - Transferred to Other Income - VAT portion	(35 522 913)	(9 910 582)
Conditions met - Transferred to revenue	(143 210 612)	(16 425 609)
Creditor raised - Amount to be refunded to National Treasury	0	(50 614 778)
Conditions still to be met - transferred to liabilities	278 421 976	340 000 000
(Prepayment of R6 400 000 included in Other Debtors, not taken into account above)		
24.13 DME Subsidy on Electricity Connections		
This Grant is used to fund electricity connections and upon application also the upgrade of the Electricity infrastructure in order to install these electricity connections.		
Balance unspent at beginning of year	0	0
Current year receipts	15 000 000	25 000 000
Conditions met - Transferred to revenue - capital	(15 000 000)	(25 000 000)
Conditions still to be met - transferred to liabilities	0	0
24.14 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	285 782	2 763 365
Current year receipts	32 010 000	0
Conditions met - Transferred to revenue	(413 381)	(2 546 040)
Interest allocated	0	68 457
Conditions still to be met - transferred to liabilities	31 882 401	285 782
24.15 Energy Efficiency & Demand Side Management		
This Grant is used to fund Energy Efficient Electricity Projects		
Balance unspent at beginning of year	0	15 505 515
Current year receipts	0	10 000 000
Conditions met - Transferred to Other Income - VAT portion	0	(3 057 237)
Conditions met - Transferred to revenue	0	(22 448 278)
Conditions still to be met - transferred to liabilities	0	0
24.16 Other Grants		
These are grants received by the NMBM for various purposes.		
Balance unspent at beginning of year	13 471 016	14 832 351
Transfer from USDG Grant - Opening Balance	416 074	0
Current year receipts	13 375 887	16 677 922
Conditions met - Transferred to revenue - capital	(5 091 271)	33 345 520
Transfer to Other Income	(5 497)	(1 152 673)
Reversal of prior year accrual	0	(75 818 432)
Transfer accrual to Drought Relief Grant Funding	0	38 495 510
Conditions met - Transferred to revenue	(8 131 408)	(12 909 182)
Conditions still to be met - transferred to liabilities	14 034 801	13 471 016

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2013 R	Restated 2012 R
24.17 Government Grant Revenue		
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.	895 330 135	919 157 993
24.18 National Lotteries Grant		
This grant is used to fund Art and Culture programmes		
Balance unspent at beginning of year	5 605 040	5 605 040
Conditions still to be met - transferred to liabilities	5 605 040	5 605 040
24.19 Water Demand Management Grant		
This grant is used to fund Water Demand Management initiatives		
Balance unspent at beginning of year	0	0
Current year receipts	4 999 332	2 000 000
Reversal of prior year accrual	0	(2 000 000)
Conditions met - Transferred to revenue	(4 999 332)	0
Conditions still to be met - transferred to liabilities	0	0
24.20 Neighbourhood Partnership development Grant		
This grant is used for the urban renewal of townships		
Balance unspent at beginning of year	0	18 363 857
Current year receipts	64 062 000	15 000 000
Debtor raised	2 317 247	0
Conditions met - Transferred to revenue - capital	(64 836 647)	(33 010 999)
Conditions met - Transferred to Other Income	0	(352 858)
Conditions met - Transferred to revenue	(1 542 600)	0
Conditions still to be met - transferred to liabilities	0	0
24.21 Drought Relief Grant Funding		
This grant is used for drought relief projects		
Balance unspent at beginning of year	58 662 229	0
Current year receipts	0	450 000 000
Conditions met - Transferred to revenue - capital	(58 662 229)	(310 172 608)
Transfer from Other Grants	0	(38 495 510)
Conditions met - Transferred to Other Income - VAT portion	0	(42 669 653)
Conditions still to be met - transferred to liabilities	0	58 662 229
24.22 Urban Settlement Development Grant		
This grant is used for the urban renewal projects		
Balance unspent at beginning of year	416 074	0
Transfer Opening Balance to Other Grants	(416 074)	0
Current year receipts	593 000 392	502 626 000
Conditions met - Transferred to revenue - capital	(570 193 489)	(469 929 316)
Conditions met - Transferred to Other Income - VAT portion	(21 002 603)	(32 280 610)
Conditions met - Transferred to revenue	(1 804 300)	0
Conditions still to be met - transferred to liabilities	0	416 074
24.23 Infrastructure Skills Development Grant		
This grant is used for skills development		
Balance unspent at beginning of year	5 000 000	0
Current year receipts	2 300 000	5 000 000
Conditions met - Transferred to revenue	(3 598 885)	0
Conditions met - Transferred to Other Income - VAT portion	(201 312)	0
Conditions still to be met - transferred to liabilities	3 499 803	5 000 000
24.24 AFCON Cup		
This grant is used for the soccer tournament.		
Balance unspent at beginning of year	0	0
Current year receipts	15 923 000	0
Conditions met - Transferred to revenue	(15 923 000)	0
Conditions still to be met - transferred to liabilities	0	0
24.25 Disaster Relief Grant		
This grant is used in the event of a disaster.		
Balance unspent at beginning of year	0	0
Current year receipts	6 730 000	0
Conditions met - Transferred to revenue	(6 730 000)	0
Conditions still to be met - transferred to liabilities	0	0
24.26 EPWP Incentive Grant		
This grant is used to implement expanded public works programme.		
Balance unspent at beginning of year	0	0
Current year receipts	14 696 000	0
Conditions met - Transferred to revenue	(7 625 694)	0
Conditions met - Transferred to Other Income - VAT portion	(374 590)	0
Conditions still to be met - transferred to liabilities	6 695 716	0
25 OTHER INCOME	R	R
Fees and Charges	115 234 329	89 751 260
Grave Income	5 392 490	4 230 090
Public Contributions and Donations Revenue	12 503 081	18 160 254
Fuel Levy	437 526 000	419 132 000
Government Grants - VAT recognised	57 959 956	87 662 510
Other Income	170 405 980	173 508 291
	799 021 836	792 444 405
Refer Restatement Note no. 40.10		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

26 EMPLOYEE RELATED COSTS

	2013	Restated 2012
	R	R
Employee related costs - Salaries and Wages	1 083 522 444	1 176 649 729
Employee related costs - Contributions for UIF, pensions and medical aids	375 923 558	608 986 494
Travel, motor car, accommodation, subsistence and other allowances	112 571 126	113 745 671
Housing benefits and allowances	7 324 577	8 046 417
Overtime payouts	83 918 848	74 051 876
Performance bonus	20 415 649	19 655 932
Long-service Awards	32 088 638	29 586 105
	1 715 764 840	2 030 722 224
Refer to Restatement Note 40.2		
Remuneration of the Acting Municipal Manager - E Ntoba		
Annual Remuneration	0	348 734
UIF, Medical, Pension Funds, Other	0	0
Total	0	348 734
Remuneration of the Acting Municipal Manager - T Hani		
Annual Remuneration	140 665	250 903
Total	140 665	250 903
Remuneration of the City Manager - Dr L Msengana-Ndlela		
Annual Remuneration	766 667	0
Travel, subsistence and relocation expenses	204 423	0
Total	971 090	0
Remuneration of the Chief Financial Officer		
Annual Remuneration	0	657 989
Car allowance	0	106 400
UIF, Medical, Pension Funds, Other	0	7 118
Total	0	771 507
Remuneration of the Chief Operating Officer		
Annual Remuneration	751 500	997 134
Car allowance	120 000	144 000
UIF, Medical, Pension Funds, Other	109 265	10 790
Total	980 765	1 151 924
Remuneration of the Chief of Staff		
Annual Remuneration	713 417	1 109 601
UIF, Medical, Pension Funds, Other	25 619	11 401
Total	739 036	1 121 002
Remuneration of Individual Executive Directors		
Corporate Services		
Annual Remuneration	0	911 189
Car Allowance	0	110 000
UIF, Medical, Pension Funds, Other	0	11 765
Total	0	1 032 954
Economic Development and Recreational Services		
Annual Remuneration	719 920	1 042 629
Car Allowance	100 000	120 000
UIF, Medical, Pension Funds, Other	136 154	1 497
Total	956 074	1 164 126

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

26 EMPLOYEE RELATED COSTS (Continued)	2013 R	Restated 2012 R
Public Health		
Annual Remuneration	1 057 086	983 328
Car Allowance	120 000	120 000
UIF, Medical, Pension Funds, Other	0	12 291
	1 177 086	1 115 619
Strategic Programmes Unit		
Annual Remuneration	979 086	910 721
Car Allowance	120 000	120 000
UIF, Medical, Pension Funds, Other	78 000	78 000
	1 177 086	1 108 721
2010 FIFA World Cup South Africa		
Annual Remuneration	0	537 446
Car Allowance	0	70 000
UIF, Medical, Pension Funds, Other	0	873
	0	608 319

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 Infrastructure and Engineering Executive Director position has been vacant since 1 June 2011.

The Safety and Security Executive Director position has been vacant since 1 April 2010.

The Electricity and Energy Executive Director position has been vacant since 1 November 2008.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	Restated 2012
	R	R
27 REMUNERATION OF COUNCILLORS		
Mayor's Remuneration	1 072 792	1 022 469
Deputy Mayor's Remuneration	862 760	810 623
Speaker's Remuneration	854 523	804 712
Councillors' Remuneration	48 183 363	45 953 379
Telephone Allowances	1 604 238	1 512 756
3G Allowance	431 993	0
	53 009 669	50 103 939

Refer to Restatement Note 40.31

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 and 3G Allowance. The package is within the upper limits of the framework envisaged in section 219 of the Constitution.

28 IMPAIRMENT - RECEIVABLES

Bad debts consists of the following:

Bad debts expense

ATTP and Miscellaneous fees and charges

Levies

Miscellaneous

	127 493 381	292 906 951
ATTP and Miscellaneous fees and charges	121 302 978	251 152 740
Levies	0	104
Miscellaneous	6 190 403	41 754 107

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

	282 236 852	5 982 954
Contribution to doubtful debts (inclusive of VAT)	444 516 599	275 688 199
Less: VAT portion	40 972 622	18 573 823
Contribution to doubtful debts (excluding VAT)	403 543 977	257 114 376
Less: Bad debts as above	121 302 978	251 152 740
	282 240 999	5 961 636
	(4 147)	21 318

Add: Bad debts - levies debtors

	409 730 233	298 889 905
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29 FINANCE COSTS

Interest on External Loans

Interest on Other

Total Finance Cost

Finance cost accrued/ Prior year accrual reversals

Finance cost paid

Interest on External Loans	200 012 104	211 855 314
Interest on Other	996 337	1 057 556
Total Finance Cost	201 008 441	212 912 870
Finance cost accrued/ Prior year accrual reversals	(4 265 961)	11 627 228
Finance cost paid	205 274 402	201 285 642

Refer to Restatement Note 40.11

30 BULK PURCHASES

Electricity

Water

Electricity	2 115 324 346	1 915 652 397
Water	68 354 323	56 860 953
	2 183 678 669	1 972 513 350

31 GRANTS AND SUBSIDIES PAID

Grants in aid

Grants to Entities

Grants to Individuals

Grants to Other Organisations

Grants in aid	6 006 154	5 647 331
Grants to Entities	16 293 959	19 014 533
Grants to Individuals	0	0
Grants to Other Organisations	16 099 862	16 234 135
	38 399 975	40 895 999

Refer to Restatement Note 40.26

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	Restated 2012
	R	R
32 CASH GENERATED FROM OPERATIONS		
Surplus for the year	854 664 070	357 885 112
Adjustment for:-		
Interest accrued	(8 438 326)	0
Impairment of receivables	319 650 497	(24 556 779)
Write down to net realisable value	(2 242 812)	1 292 400
Loss on disposal of PPE	94 839 337	913 970
Depreciation - Property, plant and equipment	648 940 455	666 653 043
Depreciation - Investment Property	5 367 960	5 387 956
Amortisation	90 637 156	87 829 277
Finance cost accrued	(4 265 961)	529 196
Contribution to provisions/ employee benefit obligation - non-current	23 357 365	298 194 612
Contribution to provisions/ employee benefit obligation - current	89 965 770	38 567 332
Unrealised gain to Sanlam shares	(419 420)	(335 126)
Impairment of PPE/ Heritage Assets	29 299 742	109 592 516
Operating Surplus before working capital changes	2 141 355 833	1 541 953 509
(Increase)/Decrease in Inventory	4 341 300	(1 370 278)
(Increase)/Decrease in consumer debtors	(438 216 003)	20 243 398
Decrease in other debtors	26 971 675	38 835 962
Decrease in VAT	(30 707 334)	28 656 618
Increase in Unspent conditional grants and receipts	(76 084 097)	93 803 714
Increase/(Decrease) in Creditors	88 635 621	242 846 463
Decrease in Long-term Receivables	9 779 481	19 776 600
	1 726 076 476	1 984 745 986
33 CASH AND CASH EQUIVALENTS		
Short-term Investment Deposits	1 245 378 088	987 219 306
Bank balances and cash	274 851 075	171 668 110
Total Cash and Cash Equivalents	1 520 229 163	1 158 887 416
34 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	0	0
Loans repaid	(97 443 690)	(77 058 228)
	(97 443 690)	(77 058 228)
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
35.1 Contributions to organised local government		
Opening balance	0	0
Council subscriptions	10 282 307	9 999 846
Amount paid - current year	(10 282 307)	(9 999 846)
Balance unpaid (included in creditors)	0	0
35.2 Audit Fees		
Opening balance	0	0
Current year audit fee	7 592 392	8 485 865
Amount paid - current year	(7 592 392)	(8 485 865)
Amount paid - previous year	0	0
Balance unpaid (included in creditors)	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2013 R	Restated 2012 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	17 174 077	16 496 636
Current year payroll deductions	222 313 861	221 320 903
Amount paid - current year	(204 070 844)	(204 146 826)
Amount paid - previous year	(17 174 077)	(16 496 636)
Balance unpaid (included in creditors)	18 243 017	17 174 077
35.5 Pension and Medical Aid Deductions		
Opening balance	0	0
Current year payroll deductions and Council Contributions	445 087 775	436 387 852
Amount paid - current year	(445 087 775)	(436 387 852)
Balance unpaid (included in creditors)	0	0
35.6 Skills Development Levy		
Opening balance	1 182 548	1 028 486
Current year payroll deductions	14 296 689	13 222 798
Amount paid - current year	(13 105 659)	(12 040 250)
Amount paid - previous year	(1 182 548)	(1 028 486)
Balance unpaid (included in creditors)	1 191 030	1 182 548
OTHER ADDITIONAL DISCLOSURES:		
35.7 Impairment		
Impairment - new billing system	0	93 075 517
Impairment - land, heritage assets and debtor	29 299 742	16 516 999
	29 299 742	109 592 516
The Impairment of Land relates to a reduction in market values.	21 081 042	
Heritage Assets	6 518 700	
Debtor - Forensic Claim	1 700 000	
	29 299 742	
Refer to Restatement Note 40.19		
35.8 Loss on disposal of Property, plant and equipment		
Loss on disposal of property, plant and equipment	94 839 337	913 970
Relates mainly to the disposal of Primary Health Care Assets, where these assets were transferred to the Provincial Health Department based on the transfer agreement.		
Refer to Restatement Note 40.18		
35.9 Water losses		
The NMBM suffered water losses of 27, 933 megalitres (28.2%) amounting to R208.4 million (2012: 19, 272 megalitres (21,0%) amounting to R127.2 million) during the year. Various water demand management interventions are being implemented to curb water losses.		
35.10 Electricity losses		
The NMBM suffered electricity losses of 10.7% amounting to R224.6 million (2012: 9% amounting to R179.4 million). Various electricity management interventions are being implemented to curb these losses.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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:	R <u>Total</u>	R <u>Arrangements</u>	R <u>Outstanding less than 90 days</u>	R <u>Outstanding more than 90 days</u>
30 June 2013				
Councillor TP Adams	660	0	660	0
Councillor JA Arends	430	0	430	0
Councillor S Baartman	1 389	0	1 365	24
Councillor XS Banga	573	0	548	25
Councillor NC Benya	354	0	354	0
Councillor XC Bisset	377	0	377	0
Councillor LM Dano	260	0	260	0
Councillor MJ De Andrade	226	0	226	0
Councillor F Desi	208	0	205	3
Councillor A Du Plessis	153	0	153	0
Councillor VG Dyantyi	777	0	777	0
Councillor VF Frans	576	0	576	0
Councillor NE Gana	135	0	135	0
Councillor TM Jacobs	653	0	653	0
Councillor ZW Jodwana	493	0	493	0
Councillor RC Kayser	421	0	421	0
Councillor XT Klaas	766	0	756	10
Councillor MS Madlavu	363	0	269	94
Councillor NS Magopeni	648	0	648	0
Councillor NJ Mhlobiso	283	0	283	0
Councillor L Mlomo	177	0	177	0
Councillor MC Mtanga	687	0	687	0
Councillor LC Mtwa	287	0	287	0
Councillor GMA Ncamani	201	0	201	0
Councillor VB Ndidi	173	0	173	0
Councillor KG Ntshanyana	271	0	271	0
Councillor A Nyikilana	2 209	0	2 209	0
Councillor NJ Quluba	3 191	0	3 191	0
Councillor G Rautenbach	145	0	145	0
Councillor FT Sibeko (Bantom)	106	0	106	0
Councillor LB Stereale	386	0	386	0
Councillor L Troon	2 640	2 640	0	0
Councillor E Williams	158	0	158	0
Councillor VJ Tutu	746	0	746	0
Councillor MR Von Buchenroder	1 898	0	1 865	33
	23 020	2 640	20 191	189

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

	<u>Total</u>	<u>Arrangements</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
30 June 2012				
Councillor J A Arends	5	0	5	0
Councillor X S Banga	183	0	183	0
Councillor V G Dyantyi	622	0	622	0
Councillor T M Herbst	191	0	190	1
Councillor T M Jacobs	574	0	574	0
Councillor Z W Jodwana	692	0	232	460
Councillor L Y Kwitsana	238	0	238	0
Councillor P Lose	1 615	0	168	1 447
Councillor M S Madlavu	122	0	119	3
Councillor M C Mtanga	192	0	192	0
Councillor G Rautenbach	1	0	1	0
Councillor L B Stereale	947	0	145	802
Councillor L Troon	1 570	0	1 515	55
Councillor Z G Wayile	234	0	234	0
	7 186	0	4 418	2 768

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

2013 R Restated 2012 R

36.2 List of Entities and related transactions

1 Solely-controlled entities

The following entity is solely controlled by the NMBM and have received the following grants:

Nelson Mandela Bay Development Agency (excluding VAT)	60 456 450	63 680 444
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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.

2 Section 57 Employees (See note 26)

3 Other Organisations

The Organisations have received the following grants/ payments:

1. Uitenhage Despatch Development Initiative	4 618 800	4 593 200
2. Nelson Mandela Bay Tourism	10 405 590	11 561 870
Grants/ payments to Other Organisations	15 024 390	16 155 070

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 15 for information relating to this loan.)

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

Name of Individual	Name of Company	Interest in Company	Payments made	
			2013	Restated 2012
J Sigonyela	Umziwoxolo Construction CC	Spouse is a member of the CC	161 708	138 430
E Boezio	Nursing Wise CC	Spouse is a member of the CC	0	15 561 501
Previously stated - As per 2011/12 Audited AFS				15 699 931
B Naran (Councillor)	Protea Enterprises	Spouse is a member of the CC	36 363	156 728
S Brophy	To Dine for Trading	Child is a member of the CC	18 345	11 700
N Fibi	Mguda Retail Business Enterprises	Spouse is a member of the CC	14 440	27 585
B Minnaar	BF Gardens	Child is a member of the CC	0	7 700
JW Fitton	Andos Garden Services	Spouse is a member of the CC	170 200	0
LH Klerk	Nola Maintenance Builders	Spouse is a member of the CC	192 485	0
NC Dywili	Ezamangwevu Trading	Spouse is a member of the CC	371 962	0
A Vaaltyn	Sebenzizane Construction	Spouse is a member of the CC	3 000	0
T Maliti	Pily and Shakes Trading	Spouse is a member of the CC	545 289	0
LM Dano	Dixisign	Spouse is a member of the CC	9 000	0
			1 522 792	15 903 644

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.	5 065 706	5 513 769
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36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2012/13 financial year are detailed as follows in terms of section 36 (1) (a) of the Supply Chain Management Policy:

Deviations: Supply Chain Management Policy	2012/2013			2011/2012	
	Considered Irregular Expenditure	No. of Tenders	Payments made	No. of Tenders	Payments made
(i) In an emergency; Considered Irregular Expenditure	0	1	2 000 000	1	143 400
(ii) If such goods or services are produced or available from a single provider only; Considered Irregular Expenditure	1 688 420	3	5 132 909	0	0
(iii) For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile; Considered Irregular Expenditure	40 000	3	568 000	0	0
(v) In any other exceptional cases where all possible options have been explored, and it is still impractical or impossible to follow the official procurement processes Considered Irregular Expenditure	146 448 555	92	647 746 326	67	337 229 157
36 (1) (b) - Ratify any minor breaches of the procurement processes. Considered Irregular Expenditure	0	0	0	1	30 122
					30 122

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
37 CAPITAL COMMITMENTS		
Approved and contracted for	593 991 727	566 085 217
Land and Buildings	1 134 170	0
Infrastructure	576 250 143	523 861 327
Community	12 286 742	42 223 890
Other	4 320 672	0
Approved but not yet contracted for	561 364	397 390 492
Infrastructure	0	387 878 249
Community	0	9 512 243
Other	561 364	0
Total	594 553 091	963 475 709
This expenditure will be financed from:		
Capital Replacement Reserve	15 960 207	0
Grants and Subsidies	6 971 181	0
Fuel Levy	0	164 327 492
Urban Settlements Development Grant (USDG)	571 621 703	799 148 217
Total	594 553 091	963 475 709
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (See Note 3)	1 807 375 083	1 909 084 735
Used to Finance property, plant and equipment - at cost	1 807 375 083	1 909 084 735
Sub-total	0	0
Cash set aside for the repayment of long-term liabilities (See Note 3) - This is only the capital portion of the loan.	105 158 824	97 282 756
39 FINANCIAL RISK MANAGEMENT		

There have been no significant changes in the risks below from the prior year to current. The risks have remained the same.

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. Consumer deposits have a low exposure to liquidity risk.

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. A sensitivity analysis was not considered to be necessary.

Trade payables		
1-3 months	1 181 979 818	1 062 604 658
> 3 months	128 527 681	120 030 979
Other payables		
1-3 months	0	0
> 3 months	5 738 766	5 597 466
Long term borrowings		
< 12 months	105 158 824	97 282 756
> 12 months	1 713 621 093	1 822 724 051

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 17 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. The NMBM has assessed the credit risk of all other financial assets and conclude that no significant credit risk exists.

Refer to note 52 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 52 for fair values of all financial liabilities. SANLAM shares is the only financial instrument and has a very low risk exposure and have been disclosed at the Market value of the share as at 30 June.

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

40 RESTATED PRIOR YEAR COMPARATIVES

Restated 2012
R**Prior Period Errors and Changes in Accounting Policies due to new GRAP Standards:**

Net effect of changes - see details below

(205 669 682)

Net effect on surplus

(205 669 682)**Statement of Financial Performance****40.1 Profit for the year**

Balance as per audited financial statements (as previously reported)

563 554 794

Net effect on surplus**(205 669 682)**

Employee Related Costs (Refer 40.2)

(178 357 897)

Other Income (Refer 40.10)

(22 914 800)

Finance Cost (Refer 40.11)

11 461

Interest earned - External Investments (Refer 40.12)

(158 661)

Contracted Services (Refer 40.13)

(13 752 587)

Government Grants and Subsidies (Refer 40.16)

(10 360 051)

General Expenses (Refer 40.17)

(20 330 331)

Loss on Disposal of Property Plant and Equipment (Refer 40.18)

16 516 999

Impairment - property, plant and equipment (Refer 40.19)

(381 762)

Rental of Facilities and Equipment (Refer 40.20)

4 011 686

Repairs and Maintenance (Refer 40.24)

(3 973 167)

Grants and Subsidies Paid (Refer 40.26)

260 312 761

Service Charges (Refer 40.27)

(188 506 984)

Property Rates (Refer 40.28)

(47 601 594)

Remuneration of Councillors (Refer 40.31)

(184 755)

Restated surplus for 2011/12**357 885 112****40.2 Employee Related Costs****Expense as per Audited financial statements (as previously reported)****1 852 364 327**

Transfer from Employee Benefit Obligation

147 889 243

Transfer to Creditors

(1 302 436)

Transfer from Current Employee Benefit Obligation

1 685 263

Transfer to Creditors

851 509

Transfer to Current Provisions

29 234 318

2 030 722 224

An actuarial valuation was conducted for the 2011/12 financial year, which increased the Employee Benefit Obligation by an amount of R147 889 243.

The leave pay accrual (included in Creditors) erroneously included terminated employees resulting in an overstatement amounting to R1 302 436.

An actuarial valuation was conducted for the 2011/12 financial year, increasing the Current Employee Benefit Obligation by an amount of R1 685 263.

Employee Related costs in the amount of R851 509, have now been accrued, which is included in Creditors.

A provision was made in the amount of R29 234 318 in respect of task evaluation, which affects the Employee Related costs.

40.3 Accumulated Surplus**Closing Balance as per audited financial statements (as previously reported)****3 793 808 939**

Decrease in Surplus (Refer to Note 40.1)

(205 669 682)

Transfer to Longterm Liabilities

(160 937)

Transfer from Creditors

38 123 853

Transfer from Unspent Conditional Grants and Receipts

14 212 616

Transfer to Government Grant Reserve

(3 485 836)

Transfer from Other Income

1 026 187

Transfer from Investment Property

5 850 000

Transfer to Property, plant and equipment

(4 503 335)

Transfer to Creditors

(8 766 355)

42 296 193**Restated Closing Balance****3 630 435 450**

The opening balance of the Accumulated Surplus has been restated with an amount of R160 937, due to an error in the 2010/2011 financial year relating to the finance and capital portion split of the repayment of the Nedbank long term liability as per the finding raised by the Auditor-General.

Transportation levies included in Creditors in the amount of R14 675 923 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard.

Bequests included in Creditors in the amount of R3 688 177 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard.

EPWP Incentive received in the amount of R2 722 600, that should have been recognised as a receipt to Government Grants and Subsidies relating to the 2010/11 financial year, was erroneously included in Unspent Government Grants and Subsidies.

Creditors to the amount of R887 468 relating to the 2010/11 financial year have been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard because there was no conditions attached to this funding.

Creditors in the amount of R3 023 327 and R31 146 respectively, relating to the 2010/11 financial year has been transferred to the Accumulated Surplus as certain Income was incorrectly received to Creditors.

Projects in the amount of R3 485 836 were incorrectly funded through the Government Grant Reserve and Accumulated Surplus and should have been funded through own funding.

Unspent Conditional Grants and Receipts to the amount of R2 116 914 relating to the 2010/11 financial year have been transferred to the Accumulated Surplus in terms of expenditure relating to prior years that was not funded.

Unspent Conditional Grants and Receipts incorrectly transferred to Other Income to the amount of R1 026 187 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard, because there was no conditions attached to this grant funding.

Investment Property in the amount of R5 850 000, acquired in 2010/11 financial year affecting the Accumulated Surplus have now been taken into account.

Property, plant and equipment in the amount of R4 588 000, was disposed of in 2010/11 financial year, therefore affecting the Accumulated Surplus.

Assets have been re-categorised as Heritage Assets and the depreciation to the amount of R1 417 243, has been reversed, which affects various reserves such as Accumulated Surplus, in the amount of R84 665.

Creditors to the amount of R15 526 555 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard because there was no conditions attached to this grant funding.

Creditors in the amount of R291 257 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard because there was no conditions attached to this grant funding.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Restated 2012
R

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Various Creditors accruals relating to prior years which is now recognised in the amount of R9 158 290, has been transferred to Accumulated Surplus of R8 766 355 and VAT of R391 935

Grants in the amount of R9 373 102 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard because there was no conditions attached to this grant funding.

40.4 Employee benefit Obligation

Balance as per Audited financial statements (as previously reported)	1 211 814 001
Transfer from Employee related costs	147 889 243
	<u>1 359 703 244</u>

An actuarial valuation was conducted for the 2011/12 financial year, increasing the Employee Benefit Obligation by an amount of R147 889 243.

40.5 Long-term Liabilities

Balance as per Audited financial statements (as previously reported)	1 745 093 905
Transfer from Accumulated Surplus	160 937
Transfer from Creditors	77 469 209
	<u>1 822 724 051</u>

The opening balance of the Accumulated Surplus has been restated with an amount of R160 937, due to an error in the 2010/2011 financial year relating to the finance and capital portion split of the repayment of the Nedbank long term liability as per finding raised by the Auditor General.

Finance Cost in the amount of R62 469 209 and a Capital portion of a Loan in the amount of R15 000 000, which was previously accrued to Creditors have now been capitalised against the Long term liability.

40.6 Property, plant and equipment

Balance as per Audited financial statements (as previously reported)	12 299 378 647
Transfer to Heritage Assets	(197 320 055)
Transfer to Creditors	(5 943 291)
Transfer to Accumulated Surplus	(4 588 000)
Transfer from Various Reserves	1 417 242
Transfer from Creditors	4 436 358
	<u>12 097 380 901</u>

In terms of the new GRAP standard 103 that became effective during the 2012/13 financial year, Heritage Assets in the amount of R197 320 055 must now be disclosed separately.

Property, plant and equipment in the amount of R2 770 314, included in Creditors, was incorrectly accounted for.

Property, plant and equipment in the amount of R3 172 976, included in Creditors, relates to retentions incorrectly raised.

Property, plant and equipment in the amount of R4 588 000, was disposed of in 2010/11 financial year, therefore affecting Accumulated Surplus.

Assets have been re-categorised as Heritage Assets and the depreciation in the amount of R1 417 243, have been reversed, which affects various Reserves.

Creditors accruals relating to Property, Plant and Equipment in the amount of R4 436 358, have now been accrued, which is included in Creditors.

40.7 Heritage Assets

Balance as per Audited financial statements (as previously reported)	0
Transfer from Property, plant and equipment	197 320 055
	<u>197 320 055</u>

In terms of the new GRAP standard 103 that became effective during the 2012/13 financial year, Heritage Assets in the amount of R197 320 055 must now be disclosed separately.

40.8 Investment Property

Balance as per Audited financial statements (as previously reported)	180 026 219
Transfer from Accumulated Surplus	5 850 000
	<u>185 876 219</u>

Investment Property in the amount of R5 850 000, acquired in the 2010/11 financial year, affecting, the Accumulated Surplus have now been taken into account.

40.9 Creditors

Balance as per Audited financial statements (as previously reported)	1 429 913 991
Transfer to Accumulated Surplus	(38 123 853)
Transfer to Other Income	(3 714 801)
Transfer to Finance Cost	(11 461)
Transfer from Interest earned - External Investments	158 661
Transfer to Contracted Services and Vat Suspense	(390 458)
Transfer from Unspent Conditional Grants and Receipts	71 057 778
Transfer from General Expenses	245 083
Transfer to Rental of facilities and equipment	(946 976)
Transfer to Employee Related Costs	(1 302 436)
Transfer to Property, plant and equipment	(6 331 135)
Transfer from Repairs and Maintenance	58 776
Transfer to Long term liabilities	(77 469 209)
Transfer from Accumulated Surplus and VAT	9 158 290
Transfer to Various Categories	51 269 074
	<u>1 433 571 324</u>

Transportation levies included in Creditors to the amount of R14 675 923 relating to the 2010/11 financial year have been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard because there was no conditions attached to this grant funding.

Transportation levies included in Creditors to the amount of R951 747 relating to the 2011/12 financial year have been transferred to Other Income in terms of the GRAP 23 Accounting Standard because there was no conditions attached to this grant funding.

Bequests included in Creditors in the amount of R3 688 177 relating to the 2010/11 financial year have been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard because there was no conditions attached to this grant funding.

Finance charges in the amount of R11 461 should not have been allocated to certain Bequests included in Creditors as per the relevant agreements.

Receipts processed to the Creditors category in the amount of R722, should have been allocated to Other Income.

Finance Charges in the amount of R158 660 should have been allocated to certain Bequests included in Creditors as per the relevant agreements.

Creditors in the amount of R390 458 have been twice accrued to Contracted Services.

Unspent Conditional Grants and Receipts in the amount of R20 443 000 was not approved for roll-over and should therefore be paid back to National Treasury and have thus been included in Creditors.

Unspent Conditional Grants and Receipts in the amount of R50 614 778 was not approved for roll-over and should therefore be paid back to National Treasury and have thus been included in Creditors.

New leases in the amount of R245 083, included in General expenses were not previously smoothed, due to agreements being finalised late, have now been included in Creditors.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Restated 2012
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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Creditors in the amount of R887 468 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard.

Creditors in the amount of R3 023 327 and R31 146 respectively, relating to the 2010/11 financial year has been transferred to the Accumulated Surplus as certain Income was incorrectly received to Creditors.

Rental of facilities and equipment in the amount of R946 976, have been incorrectly included in Creditors.

Leave pay, included in Creditors, erroneously included terminated employees in the amount of R1 302 436.

Property, plant and equipment in the amount of R3 158 159, included in Creditors, was incorrectly accounted for.

Property, plant and equipment in the amount of R3 172 976, included in Creditors, relates to retentions incorrectly raised.

Repairs and Maintenance in the amount of R58 776, was erroneously reversed in the 2011/2012 financial year.

Creditors in the amount of R15 526 555 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard.

Creditors in the amount of R515 671 relating to the 2011/12 financial year has been transferred to Other Income in terms of the GRAP 23 Accounting Standard.

Creditors in the amount of R291 257 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard.

Creditors in the amount of R2 246 661 relating to the 2011/12 financial year has been transferred to Other Income in terms of the GRAP 23 Accounting Standard.

Finance Cost in the amount of R62 469 209 and a Capital portion of a Loan in the amount of R15 000 000, which was previously accrued to Creditors have now been capitalised against the Long term liability.

Various Creditors accruals relating to prior years which is now recognised in the amount of R9 158 290, has been transferred to Accumulated Surplus and VAT

Various Creditors accruals relating to the 2012 financial year which have now been recognised in the amount of R51 269 074.

40.10 Other Income

Balance as per Audited financial statements (as previously reported)

Transfer from Creditors	815 359 205
Transfer to Unspent Conditional Grants and Receipts	3 714 801
Transfer to Government Grants and Subsidies	(2 510 544)
Transfer to Loss on Disposal of Property, plant and equipment	(3 731 450)
Transfer to Accumulated Surplus	(16 135 236)
Transfer to Other Debtors	(1 026 187)
Transfer to Grants and Subsidies Paid	20 980 370
	(24 206 554)
	792 444 405

Transportation levies included in Creditors in the amount of R951 747 relating to the 2011/12 financial year has been transferred to Other Income in terms of the GRAP 23 Accounting Standard.

Receipts processed to the Creditors category in the amount of R722, should have been allocated to Other Income.

Reversal of VAT funding in the amount of R2 510 544 in respect of Unspent Conditional Grants and Receipts included in Other Income.

EPWP Incentive received in the amount of R245 614, that should have been recognised as a receipt to Government Grants and Subsidies relating to the 2011/12 financial year, was erroneously included in Other Income.

The loss on disposal in the amount of R16 135 236, was twice accounted for under Other Income.

Projects in the amount of R3 485 836 were incorrectly funded through Government Grants and Subsidies and Other Income.

Unspent Conditional Grants and Receipts incorrectly transferred to Other Income in the amount of R1 026 187 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard.

Creditors in the amount of R515 671 relating to the 2011/12 financial year has been transferred to Other Income in terms of the GRAP 23 Accounting Standard.

Creditors in the amount of R2 246 661 relating to the 2011/12 financial year has been transferred to Other Income in terms of the GRAP 23 Accounting Standard.

Debtors Accruals in the amount of R20 980 370, have now been accrued, which is included in Other Debtors.

An E-Share Rebate in the amount of R24 206 554, provided to ATTP consumers, has been re-classified from Grants and Subsidies Paid to be set-off against Income, as it is considered to be Income foregone.

40.11 Finance Cost

Balance as per Audited financial statements (as previously reported)

Transfer to Creditors	212 924 331
	(11 461)
	212 912 870

Interest in the amount of R11 461 should not have been allocated to certain Bequests included in Creditors as per the relevant agreements.

40.12 Interest earned - Investments

Balance as per Audited financial statements (as previously reported)

Transfer to Creditors	56 893 047
	(158 661)
	56 734 386

Interest in the amount of R158 660 should have been allocated to certain Bequests included in Creditors as per the relevant agreements.

40.13 Contracted Services

Balance as per Audited financial statements (as previously reported)

Transfer to Creditors	207 848 594
Transfer to Creditors	(346 199)
Transfer to Creditors	14 098 786
	221 601 181

Creditors in the amount of R346 199 have been twice accrued to Contracted Services.

Accruals in the amount of R14 098 787, not previously raised have now been accrued for.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Restated 2012
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40.14 Vat Suspense

Balance as per Audited financial statements (as previously reported)	5 347 975
Transfer to Creditors	(44 259)
Transfer to Creditors	(387 844)
Transfer from Creditors	5 334
Transfer from Creditors	391 935
Transfer to Creditors	1 831 019
	<u>7 144 160</u>

VAT included in Creditors in the amount of R44 259 have been twice accrued to Contracted Services.

Property, plant and equipment, included in Creditors, was incorrectly accounted for, the VAT portion amounts to R387 844.

VAT on Repairs and Maintenance in the amount of R5 334, was erroneously reversed in the 2011/12 financial year.

Various Creditors accruals relating to prior years which is now recognised in the amount of R9 158 290, has been transferred to Accumulated Surplus and VAT of R391 935

VAT on Accruals in the amount of R1 831 019, not previously raised have now been accrued for.

40.15 Unspent Conditional Grants and Receipts

Balance as per Audited financial statements (as previously reported)	509 427 790
Transfer to Creditors	(71 057 778)
Transfer from Government Grants and Subsidies	16 602 045
Transfer to Accumulated Surplus	(14 212 616)
	<u>440 759 441</u>

Unspent Conditional Grants and Receipts in the amount of R20 443 000 was not approved for roll-over and should therefore be paid back to National Treasury and have thus been included in Creditors.

Reversal of funding in the amount of R20 443 000 in respect of Unspent Conditional Grants and Receipts included in Government Grants and Subsidies.

Unspent Conditional Grants and Receipts in the amount of R50 614 778 was not approved for roll-over and should therefore be paid back to National Treasury and have thus been included in Creditors.

EPWP Incentive received in the amount of R2 722 600, that should have been recognised as a receipt to Government Grants and Subsidies relating to the 2010/11 financial year, was erroneously included in Unspent Conditional Grants and Receipts.

EPWP Incentive received in the amount of R3 123 000, that should have been recognised as a receipt to Government Grants and Subsidies relating to the 2011/12 financial year, was erroneously included in Unspent Conditional Grants and Receipts.

Unspent Conditional Grants and Receipts in the amount of R2 116 914 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of expenditure relating to prior years that was not funded.

Grants in the amount of R9 373 102 relating to the 2010/11 financial year has been transferred to the Accumulated Surplus in terms of the GRAP 23 Accounting Standard.

Funding in the amount of R717 955, relating to the Accreditation Grant have been transferred to Government Grants and Subsidies.

40.16 Government Grants and Subsidies

Balance as per Audited financial statements (as previously reported)	2 133 971 995
Transfer to Unspent Government Grants and Subsidies	(13 845 887)
Transfer from Other Income	3 485 836
	<u>2 123 611 944</u>

Reversal of funding in the amount of R17 932 456 in respect of Unspent Conditional Grants and Receipts included in Government Grants and Subsidies.

EPWP Incentive received in the amount of R3 368 614, that should have been recognised as a receipt to Government Grants and Subsidies relating to the 2011/12 financial year, was erroneously included in Unspent Conditional Grants and Receipts.

Projects in the amount of R3 485 836 were incorrectly funded through Government Grants and Subsidies and Other Income.

Funding in the amount of R717 955, relating to the Accreditation Grant have been transferred to Government Grants and Subsidies.

40.17 General Expenses

Balance as per Audited financial statements (as previously reported)	817 548 735
Transfer from Creditors	245 083
Transfer to Creditors	20 085 248
	<u>837 879 066</u>

New leases in the amount of R245 083, included in General expenses were not previously smoothed, due to agreements being finalised late, have now been included in Creditors.

Accruals in the amount of R20 085 248, not previously raised have now been accrued for.

40.18 Loss on Disposal of Property, plant and equipment

Balance as per Audited financial statements (as previously reported)	17 430 969
Transfer to Other Income and Impairment	(16 516 999)
	<u>913 970</u>

The loss on disposal in the amount of R16 516 999, was twice accounted for under Other Income.

40.19 Impairment - property, plant and equipment

Balance as per Audited financial statements (as previously reported)	109 210 754
Transfer from Loss on Disposal of Property, plant and equipment	381 762
	<u>109 592 516</u>

The loss on disposal in the amount of R381 763, was not correctly processed to Impairment

40.20 Rental of Facilities and Equipment

Balance as per Audited financial statements (as previously reported)	15 317 725
Transfer from Creditors	946 976
Transfer to Other Debtors	3 064 710
	<u>19 329 411</u>

Rental of facilities and equipment in the amount of R946 976, have been incorrectly raised as Creditors.

Accruals in the amount of R3 064 710, not previously raised have now been accrued for.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

Restated 2012
R

40.21 Government Grant Reserve

Balance as per Audited financial statements (as previously reported)	4 293 954 230
Transfer from Accumulated Surplus	3 485 836
Transfer to Property, plant and equipment	1 337 812
	<u>4 298 777 878</u>

Projects in the amount of R3 485 836 were incorrectly funded through the Government Grant Reserve and Accumulated Surplus.

Assets have been re-categorised as Heritage Assets and the depreciation in the amount of R1 417 243, have been reversed, which affects various reserves such as Government Grant Reserve, in the amount of R1 337 812.

40.22 Donations and Public Contributions

Balance as per Audited financial statements (as previously reported)	313 472 984
Transfer to Property, plant and equipment	50 966
	<u>313 523 950</u>

Assets have been re-categorised as Heritage Assets and the depreciation in the amount of R1 417 243, have been reversed, which affects various reserves such as Donations and Public Contributions, in the amount of R50 966.

40.23 Capitalisation Reserve

Balance as per Audited financial statements (as previously reported)	905 312 849
Transfer to Property, plant and equipment	(56 200)
	<u>905 256 649</u>

Assets has been re-categorised as Heritage Assets and the depreciation in the amount of R1 417 243, have been reversed, which affects various reserves such as Donations and Public Contributions, in the amount of R56 200.

40.24 Repairs and Maintenance

Balance as per Audited financial statements (as previously reported)	433 187 516
Transfer from Creditors	53 442
Transfer to Creditors	3 919 725
	<u>437 160 683</u>

Repairs and Maintenance in the amount of R53 442, was erroneously reversed in the 2011/12 financial year.

Accruals in the amount of R3 919 725, not previously raised have now been accrued for.

40.25 Current Employee benefit Obligation

Balance as per Audited financial statements (as previously reported)	50 618 246
Transfer from Employee related costs	1 685 263
Transfer from Employee related costs	29 234 318
	<u>81 537 827</u>

An actuarial valuation was conducted for the 2011/12 financial year, increasing the Current Employee Benefit Obligation by an amount of R1 685 263.

A provision was made in the amount of R29 234 318 in respect of task evaluation, which affects the Employee Related costs.

40.26 Grants and Subsidies paid

Balance as per Audited financial statements (as previously reported)	301 208 760
Transfer to Property Rates	(47 601 594)
Transfer to Service Charges	(188 504 613)
Transfer to Other Income	(24 206 554)
	<u>40 895 999</u>

An E-Share Rebate in the amount of R260 312 761, provided to ATTP consumers, has been re-classified from Grants and Subsidies Paid to be set-off against Other Income (R24 206 554), Service Charges (R188 504 613), Property Rates (R47 601 594), as it is considered to be Income foregone.

40.27 Service Charges

Balance as per Audited financial statements (as previously reported)	3 490 830 746
Transfer to Grants and Subsidies Paid	(188 504 613)
Transfer to Creditors	(2 371)
	<u>3 302 323 762</u>

An E-Share Rebate in the amount of R188 504 613, provided to ATTP consumers, has been re-classified from Grants and Subsidies Paid to be set-off against Service Charges, as it is considered to be Income foregone.

Accruals in the amount of R2 371, not previously raised have now been accrued for.

40.28 Property Rates

Balance as per Audited financial statements (as previously reported)	929 516 869
Transfer to Grants and Subsidies Paid	(47 601 594)
	<u>881 915 275</u>

An E-Share Rebate in the amount of R47 601 594, provided to ATTP consumers, has been re-classified from Grants and Subsidies Paid to be set-off against Property Rates, as it is considered to be Income foregone.

40.29 Other Debtors

Balance as per Audited financial statements (as previously reported)	341 789 997
Transfer to Various Categories	27 030 934
	<u>368 820 931</u>

Accruals in the amount of R27 030 934, not previously raised have now been accrued for.

40.30 Bank Balances and Cash

Balance as per Audited financial statements (as previously reported)	168 794 659
Transfer to Other Debtors	2 873 451
	<u>171 668 110</u>

Accruals in the amount of R2 873 451, not previously raised have now been accrued for.

40.31 Remuneration of Councillors

Balance as per Audited financial statements (as previously reported)	49 919 184
Transfer to Creditors	184 755
	<u>50 103 939</u>

Accruals in the amount of R184 755, not previously raised have now been accrued for.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

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.

42 CHANGE IN ACCOUNTING ESTIMATE

2013 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.

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.

43 OPERATING LEASE COMMITMENTS

Municipality as Lessee

2013

R

Restated 2012

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

16 342 965

18 756 442

Payable within one year

9 211 287

7 160 022

Payable within two to five years

7 131 678

11 596 420

Photocopier, fax machines and other equipment

7 908 984

7 628 783

Payable within one year

4 202 385

4 236 414

Payable within two to five years

3 706 599

3 392 369

24 251 949

26 385 225

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

15 240 000

15 720 000

Receivable within one year

480 000

480 000

Receivable within two to five years

1 920 000

1 920 000

Receivable after 5 years

12 840 000

13 320 000

Buildings

32 227 413

33 926 053

Receivable within one year

1 223 359

1 701 895

Receivable within two to five years

3 581 583

4 357 862

Receivable after 5 years

27 422 471

27 866 296

47 467 413

49 646 053

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2013	Restated 2012
	R	R
Opening Balance - as previously stated	711 969 182	241 509 028
Restatements - refer 44.2	0	(86 702 415)
Restated Opening Balance	711 969 182	154 806 613
Incurred - as previously stated	471 560 624	557 171 341
Approved by Council	(318 698 227)	0
Transfer to receivables for recovery	0	0
Recoveries	(5 483)	(8 772)
Closing Balance	864 826 096	711 969 182

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

(5 483) (8 772)

2 **Actual expenditure in excess of approved budget votes**

270 777 602 318 698 227

The total actual expenditure, including non-cash flow items such as depreciation amounted to R8 267 852 759, compared to the approved adjustments budget of R8 976 297 710. The actual expenditure was thus R688 444 951 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.

Approved by Council

(318 698 227)

Total

(47 926 108) 318 689 455

44.2 Irregular Expenditure

1 **Irregular expenditure as a result of fronting.**

A person registered four employees from another company he owns as members of a CC to comply with the NMBM BEE requirements. The CC was awarded a water and waste disposal contract and payments to an approximate value of almost R 30 Million was made to the CC to date (November 2011). The CC was a front, resulting in the financial gain to him and his other business. The case was reported to the SAPS, case number: Humewood CAS 549/08/2011. Contract with CC cancelled by Council.

3 499 669 16 578 080

As previously stated - R 12 039 965
Error corrected - R 4 538 115
Amount Restated - R 16 578 080

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	Restated 2012
	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2 Irregular Expenditure (Continued)		
2 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.	36 201 332	41 092 822
As previously stated - R42 644 663		
Error corrected - R 1 551 841		
Amount Restated - R41 092 822		
3 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.	2 201 029	295 223
As previously stated - R 3 271 224		
Error corrected - R 2 976 000		
Amount Restated - R 295 223		
4 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.	0	13 646
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.		
5 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.	0	63 619
For the items relating to the videography and photography: The AMM reviewed the deviation and concluded that whilst the process was in contravention of paragraph 6.4 of the Policy, no fruitless and wasteful and unauthorised expenditure was incurred as the Council required the services and there was no loss to Council. For the remaining items, the buyers were verbally reprimanded for approving the transactions without orders and requisitions.		
6 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.	0	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.		
7 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.	0	841
8 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.	0	33 546
9 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.	148 176 975	85 166 933
As previously stated - R 175 799 884		
Error corrected - R 90 632 951		
Amount Restated - R 85 166 933		
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.	7 792 871	3 896 556
As previously stated - R 0		
Error corrected - R 3 896 556		
Amount Restated - R 3 896 556		
11 Acting Appointments longer than 3 months		
Certain Senior Managers acted for periods longer than the 3 months in the 2012/13 financial year and no proof could be found on employee files that the MEC gave permission to act longer than 3 months.	292 434	0
Total	198 164 310	147 177 266

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)	2013	Restated 2012
	R	R
44.3 Fruitless and Wasteful Expenditure		
1 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.	587 823	509 335
2 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.	1 430 889	2 644 306
3 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.	600 000	1 300 000
4 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.	0	11 122
5 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.	0	85 000
6 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.	0	19 964
7 Wasteful expenditure as a result of acting allowance irregularities		
An official within Safety and Security was paid for acting whereas the official did not perform the duties assigned to the acting position.	0	23 706
As previously stated - R 0		
Error corrected - R 23 706		
Amount Restated - R 23 706		
Total	2 618 712	4 593 433

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	Restated 2012 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:		
1 Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to:	301 732	356 089
2 Swartkops Seesout The claim arises out of an alleged Sewer spillage into the salt pans.	7 157 829	7 157 829
3 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. SETTLED	0	85 000
4 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.	0	241 680
5 B W Morgan The claim arises out of injuries sustained in an alleged fall into an open manhole.	0	61 608
6 M. Smith The claim arises from the Municipality allegedly burying (plaintiffs' father) after it was exhumed for DNA testing.	0	400 000
7 J. Ruiters The claim arises as a result of municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	45 000
8 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.	0	50 000
9 Mlungisi Nelson Kulati The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	10 458
10 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. FINALISED	0	10 000
11 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.	0	17 421
12 Imperial car rental The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	82 830
13 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.	0	57 651
14 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. SETTLED	0	197 871
15 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
16 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.	0	162 497
17 Various The claim arises from an eviction of four tenants with regards to land usage. FINALISED	0	48 000
18 E Benekane The claim relates to an alleged return of title deeds.	0	20 000
19 Choari The claim arises due to ownership of land dispute. FINALISED	0	10 000
20 C Van Rooyen This relates to a claim against NMBM.	0	50 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45(a) CONTINGENT LIABILITIES - (continued)	2013 R	Restated 2012 R
21 G Mostert This relates to a claim against NMBM.	0	18 000
22 Keron Frayne Wevers This relates to a claim against NMBM.	0	17 301
23 AMF The claim arises as a result of an alleged breach of contract.	0	2 000 000
24 E Chedrass This claim arises from an alleged unlawful arrest and detention for a drunken driving charge.	110 000	110 000
25 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	401 355
26 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.	0	474 286
27 TT Jegels The claim arises from the death of the plaintiffs baby at West End clinic allegedly due to negligence.	207 000	207 000
28 S Fretwell This claim arises as a result of the plaintiff tripping over a portion of a telephone cord.	100 000	100 000
29 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
30 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
31 R Penrose The claim arises from alleged damage to property by opening of Chelsea water reservoirs.	0	86 897
32 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.	30 000	50 850
33 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. SETTLED	0	80 000
34 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. SETTLED	0	8 000
35 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. SETTLED	0	7 000
36 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	53 000
37 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. SETTLED	0	6 000
38 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. SETTLED	0	80 000
39 MJ Strydom The claim arises out of injuries sustained in an alleged fall into an open manhole.	0	75 000
40 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.	0	200 000
41 Z.L. Boucher The claim arises out of injuries sustained in alleged fall into an open fire hydrant. SETTLED	0	100 000
42 M I Strydom The claim arises due to an uncovered drain.	0	75 000
43 E October The claim arises due to an uncovered drain. SETTLED	0	90 000
44 MTN The claim arises as a result of an alleged short payment to the service provider since 2006.	0	11 086 055
45 L Young This claim arises from an alleged unlawful arrest.	0	100 000
46 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	108 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45(a) CONTINGENT LIABILITIES - (continued)	2013 R	Restated 2012 R
47 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	105 728
48 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.	0	29 726
49 B Ferreira This claim arises from alleged assault of the Plaintiff by a Traffic Officer.	0	101 800
50 E Ferreira This claim arises from municipal vehicle bought at an auction which do not have an engine number, the SAPS confiscated the engine.	0	6 500
51 M Felix The claim arises from an ex-employee of the municipality, he claims that he was unlawfully shot by another employee.	0	800 000
52 BE Heysen This claim arising from the conduct of traffic officers in effecting an arrest.	0	100 000
53 M Heysen This claim arises from the conduct of traffic officers in effecting an arrest.	20 000	100 000
54 Craig Anderson This claim arises from an alleged flooding incident.	0	56 753
55 H Jagger This claim arises from bodily injuries as a result of negligent discharge of a firearm by a traffic officer	0	270 490
56 Clover SA (Pty) Ltd This claim against the NMBM is for the alleged loss of profit and increased cost of working and other consequential losses flowing from the alleged breach by the NMBM of its duty of care to ensure continuous and consistent water supply	0	2 814 008
57 ME Tyandela This claim arises from damages suffered by the Plaintiff when his car collided with the NMBM's car and the alleged cause of collision is negligence on the part of the driver of the Municipal vehicle	0	52 550
58 PG Smith The plaintiff Smith is suing the municipality for the death of his wife and Rochelle Smith in an accident where her car was swept away by the surging waters.	0	536 600
59 G Joseph The plaintiff is suing the municipality for the death of her son who died when the motor vehicle driven by Charmaine Smith was swept away by the surging waters.	0	528 680
60 A L Gqiba This claim arises from a collision between the Plaintiff's vehicle and a vehicle driven by a municipal employee.	0	112 002
61 K Nelson The claim arises as a result of a substation exploding.	0	965 780
62 P Brophy The claim arises due to damages sustained by Plaintiff.	54 276	0
63 P Mvakela This claim arises from the minor child who allegedly fell into an uncovered drain	0	60 000
64 K A Mtalana This claim arises from a collision between the Plaintiff's vehicle and a vehicle driven by a municipal employee.	0	19 177
65 M I Herbert O Flathery This claim arises from injuries sustained by the Plaintiff as a result of an alleged fall	0	203 793
66 L K Kalebe This claim arises from an arrest on charges of a warrant by a traffic officer.	120 000	100 000
67 W.Pretorius The claim arises from injuries sustained by the Plaintiff as a result of an alleged fall into an uncovered manhole.	0	60 000
68 J Hanabe The claim arises from injuries sustained by the Plaintiff that allegedly fallen down from an embankment.	300 000	300 000
69 NE Mabenge The plaintiff sustained injuries as a result of an alleged fall.	355 267	355 267
70 N P Kelele The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge into a hole.	0	980 000
71 EE Plaatjies This claim arises from injuries sustained by the Plaintiff who allegedly fell whilst attempting to cross a flooded street.	0	300 000
72 L T Mpathi This claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch.	0	351 000
73 V.M Matolo This claim arises from injuries sustained by the Plaintiff who allegedly fell into an uncovered manhole.	97 963	79 203

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45(a) CONTINGENT LIABILITIES - (continued)	2013 R	Restated 2012 R
74 Cherry Industrial This claim arises from the Plaintiff who hired certain machines to different directorates and for which no payment was allegedly..	513 855	629 685
75 Jef Engineering This claim arises from the Plaintiff who hired certain machines to different directorates and for which no payment was allegedly made.	113 865	0
76 M P Langson This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	50 000	50 000
77 D Visser This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	50 723	50 723
78 Usen Obot 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.	0	80 000
79 L F Cosa The plaintiff's minor stepped into a partially covered or uncovered drain and allegedly got injured resulting in the claim.	0	103 953
80 Transnet Limited A collision between a Transnet vehicle and Municipal vehicle, allegedly caused by the municipal employee.	0	33 447
81 RL Nel The claim arises from the Plaintiff's late mother who allegedly fell into a ditch and sustained injuries.	0	10 000
82 D L Beetjee The claim arises from the Plaintiff who allegedly slipped and fell onto building rubble and sustained injuries.	0	300 000
83 VWSA The claim arises for a MVA which was allegedly caused by a municipal vehicle.	0	47 022
84 Campson Trading The claim arises from the breach of a session agreement.	139 945	139 945
85 Tryzone Fourteen(Pty) The claim arises from a dispute, relating to rates and service charges levied by the Municipality.	0	1 000 000
86 L R Kalabe The claim arises from the Plaintiff alleging that he was wrongfully and unlawfully arrested for traffic violations.	0	120 000
87 RM Mtyeko Claim arises as a result of damages sustained by the Plaintiff.	742 000	0
88 V. Matroos The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	0	62 385
89 Winston Malgas The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	0	62 660
90 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.	0	316 000
91 Harmse The Plaintiff is suing the municipality for injuries sustained when he allegedly fell into an open drain.	0	265 375
92 KA Mtalana The claim is for damages caused by a MVA which was allegedly caused by the Municipality vehicle.	0	19 177
93 MI Herbert O' Flathery The plaintiff allegedly tripped and fell, which was allegedly caused by the municipalities negligence	0	203 793
94 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.	0	350 000
95 M S Calata The claim arises in respect of an opinion being sought in respect of the Review Application launched by M S Calata in respect of promotion dispute.	40 000	0
96 L Francis The claim arises from injuries sustained by Mr Francis, when he allegedly fell into an uncovered hole on the pavement and sustained injuries as a direct result thereof.	271 802	0
97 Walter Pretorius The claim arises in respect of a summons issued against NMBM in respect of injuries sustained by the Plaintiff who allegedly walked into a traffic sign in Richmond Hill.	60 000	0
98 Sky Metro Office The claim arises in respect of the rental agreement between NMBM and Sky Metro Office	347 337	0
99 SVP Mafongosi and T Mkatela The claim arises in respect of an alleged unfair labour practice.	30 000	0
100 HJS Properties The claim arises in respect of a summons issued against NMBM in respect of monies claimed by the Plaintiff for goods supplied.	599 196	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45(a) CONTINGENT LIABILITIES - (continued)	2013 R	Restated 2012 R
101 MS Zigwele This relates to a claim against NMBM.	20 000	0
102 Volkswagen SA This relates to a claim against NMBM.	47 022	0
103 Coko and Others This relates to a claim against NMBM in respect of 120 contract workers with regards to an alleged unfair dismissal.	1 000 000	0
104 NN Madubedube and 43 others Applicants claiming higher grading of their positions in the Municipality.	2 000 000	0
105 L Du Plessis Claim for damages as a result of injuries sustained by plaintiff when she was allegedly attacked and assaulted after entering the Municipality's treatment plant in Despatch	150 000	0
106 N van Wyk Claim for injuries sustained as a result of falling into an open drain whilst walking near Bushlilly Drive, Bethelsdorp	100 000	0
TOTAL CONTINGENT LIABILITIES	15 844 895	37 990 900

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45(b) PROVISION FOR LITIGATION AND CLAIMS	2013 R	Restated 2012 R
<u>Detail of Provision raised in Note 5</u>		
1 N. Grundlingh This claim arises from an alleged assault and defamation by a municipal employee.	50 000	30 000
2 RL Judd The claim arises out of injuries sustained from an alleged fall over a raised cracked portion of the sidewalk.	100 000	0
3 H Jagger This claim arises from bodily injuries as a result of negligent discharge of a firearm by a traffic officer	150 000	0
4 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
5 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
6 VE Manyane The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	15 000
7 M.C. Kobese The claim arises out of injuries sustained in an alleged fall into an open fire hydrant.	18 000	16 500
8 E. Hills The claim arises out of injuries sustained in an alleged fall into an open manhole.	0	262 133

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	Restated 2012
	R	R
45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)		
9 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
10 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
11 G. Du preez The claim arises from damages in respect of bodily injuries sustained by the plaintiff, when she stepped & fell into an open manhole.	20 000	20 000
12 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
13 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. SETTLED	0	8 000
14 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.	5 100 000	2 000 000
15 Blue Horizon Bay This represents an opinion furnished on possible claims arising out of flood damages to property and expropriation of land.	10 600 000	4 000 000
16 SALA The claim arises as a result of the SALA Pension Fund instituting legal action against the NMBM for increased contributions.	65 500 000	22 000 000
17 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.	4 341 600	3 541 600
18 E.Uithaler The claim arises from labour related matter. MATTER SETTLED	50 000	200 000
19 Algoa Bus Company The claim arises as result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	82 353	82 353
20 Heck The claim arises as a result of a dispute regarding the job description and salary entitlement upon the retirement of the employee. MATTER SETTLED - Tax outstanding	60 000	1 200 000
21 P R Smit The claim arises as the plaintiff alleges that she has tripped over 2 metal spikes whilst walking on Municipality property.	0	339 871
22 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.	2 600 000	1 000 000
23 ZW Kona This claim arises from an alleged unlawful arrest and assault.	150 000	100 000
24 R Makasi The claim arises out of injuries sustained in an alleged fall into a drain which cover was missing.	55 000	55 000
25 W Van Wyk This claim arises from an alleged unlawful arrest and detention.	20 000	20 000
26 D Pook The claim arises out of injuries sustained in an alleged fall on a pavement.	0	499 000
27 EV Botha (MFE) The claim arises due to power failure and plaintiff deprived of benefits of having electricity.	20 000	0
28 Scott Family Trust The claim arises due to unauthorised construction on ERF 4176.	0	100 000
29 LS Hurter The claim arises due to an uncovered drain.	0	15 000
30 N Cenga The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	342 138
31 Whitebooi The plaintiff is claiming for damages in respect of injuries sustained by him, when he was allegedly assaulted by two traffic officers	0	50 000
32 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.	20 500 000	11 000 000
33 Rozetta Williams The claim arises out of the electrocution of her son on an NMBM substation. MATTER FINALISED	300 000	250 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	Restated 2012 R
45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)		
34 Dompas Media Production The claim arises from a cancellation of a contract due to breach by owner. FINALISED	0	1 400 000
35 Winston Kayzer The claim arises due to defamation of character. MATTER SETTLED	100 000	100 000
36 Esterhuysen The claim arises from an alleged wrongful arrest.	500 000	250 000
37 Axpix The claim arises due to alleged monies owing to a supplier. MATTER SETTLED	0	2 349 950
38 WK Construction WK Construction seeks in a letter to join the NMBM as Magistrates court action involves a third party claim.	0	25 000
39 Julies Claim arises in respect of injuries suffered from alleged electrocution.	6 500 000	3 700 000
40 Seth Homes This matter relates to a high court contractual claim. FINALISED	0	15 000
41 Mckenzie The claim arises due to defamation of character. MATTER SETTLED	20 000	450 000
42 NC Nxopo The claim arises due to an alleged assault.	150 000	300 000
43 Beldon t/a Beltek Construction This relates to a claim against NMBM. MATTER SETTLED	62 000	17 000
44 T.S.A Krog Claim arises due to water damage from burst pipe.	25 000	35 217
45 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
46 L Salaze This relates to a claim against NMBM.	30 000	18 000
47 Delicious Monster The claim arises from an alleged unlawful use of land. FINALISED	0	170 000
48 F Norris The claim arises from damages incurred by the Plaintiff due to a collision allegedly caused by a pothole.	0	13 545
49 J W Nortje The claim arises from damages incurred by the Plaintiff due to a motor vehicle collision between himself and Mr Sontshi being an employee of the NMMB, whilst on duty.	0	10 140
50 P J Booyesen The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	20 000	20 000
51 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	100 000
52 N C Teleni 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	50 000
53 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	100 000
54 S Baskiti The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	100 000	100 000
55 C Baartjies The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open man hole.	500 000	500 000
56 A A Swartz The claim arises as a result of injuries sustained by a minor who allegedly fell from hoisted cables.	100 000	100 000
57 Z M Marwana The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open drain.	261 000	261 000
58 Uitenhage Housing Investigation High court Application to declare Deeds of Sale invalid was successfully finalised.	200 000	100 000
59 E.Potgieter This relates to a claim that was finalised on 24 April 2007, awaiting judgement.	95 523	95 523
60 L. Kamnqa The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open ditch	200 000	240 000
61 P.M. Mabodla The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open drain.	100 000	180 000
62 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.	0	1 509 229

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)		2013	Restated 2012
		R	R
63	Mathew Goniwe The claim arises as a result of High court eviction proceedings.	400 000	800 000
64	M.S. Zicwele This claim arises as a result of allegedly negligent driving by municipal official.	28 000	28 000
65	P.N. Mcwetyana The claim arises from the electrocution of the minor child of the Plaintiff.	350 000	96 500
66	M. Gerber This claim arises from damages to property and bodily injury as a result of the Plaintiff driving into a pot hole.	27 588	42 399
67	C. Momberg This claim arises from injuries sustained by the plaintiff as a result of a collusion with a municipal vehicle	350 000	500 000
68	G. Skene The claim is a result of the Plaintiff's property being damaged by a municipal vehicle	43 322	40 626
69	D. Jacobs The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	150 000	250 000
70	E Gerber The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	250 000	350 000
71	S. Tyali The claim arises as a result of injuries sustained by the Plaintiff's minor who allegedly fallen into an open drain.	150 000	250 000
72	C. Jonathan The claim arises from damage to the Plaintiffs motor vehicle as a result of a pot hole in the road	6 725	6 725
73	S. Mahlathi This claim arises from injuries sustained by the plaintiff as a result of a collusion with a municipal vehicle	0	18 891
74	B.W. Dixon This claim arises from injuries sustained by the plaintiff as a result of a collusion with a municipal vehicle	0	29 112
75	E Barnard The claim arises from an alleged fall over an indentation formed on a pavement.	50 000	40 000
76	C Swarts The claim arises from injuries sustained by the Plaintiff from an alleged fall into a manhole.	45 000	15 000
77	C. Laubscher The claim arises from injuries sustained by the plaintiff, whilst walking she allegedly stepped and fell into an open manhole.	59 070	30 000
78	K.V. Botha The claim arises from alleged damages to property as a result of an electrical surge.	15 355	15 355
79	JP Van Dyk This claim arises as a result of an alleged unlawful arrest and detention of the plaintiff.	25 000	30 000
80	S Cooper The claim arises as a result of a lamp pole which allegedly fell on the head of the plaintiff.	50 000	60 000
81	Rashied Johannes This relates to a claim against NMBM.	8 000	50 500
82	Eastern Cape Motors This relates to a claim against NMBM. FINALISED	14 512	14 512
83	Kops The claim is in respect of an Arbitration at SALGBC.	200 000	0
84	IMATU i.t.o Bubb Unfair labour practice referral to SALGBC. No estimation made by attorney. MATTER SETTLED	200 000	0
85	Metrowind The claim arises as result of windfarm owners/developers to stop construction.	1 500 000	0
86	Ngqondi This relates to a claim against NMBM. Review of application is set down for hearing on 25 April 2013.	500 000	0
87	Arends This relates to a claim against NMBM in respect of implementation of pay parity.	1 350 000	0
88	Tshabalala This relates to a claim against NMBM. Review of application in Labour Court.	300 000	0
89	Mortimer This relates to a claim against NMBM. Review of application in Labour Court withdrawn by applicants. Awaiting receipt of Municipality's costs.	200 000	0
90	Erf 7704 Chatty This relates to a claim against NMBM in respect of a unit in NU29, Motherwell to be allocated to Beneficiary.	250 000	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	Restated 2012
	R	R
45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)		
91 Jamda This relates to a claim against NMBM in respect of Arbitration case.	500 000	0
92 Nkomana This relates to a claim against NMBM in respect of unfair labour practice dispute.	700 000	0
93 Dorelle Buys This relates to a claim against NMBM in respect of unfair labour practice dispute.	400 000	0
94 Manong Associates The claim arises from an agreement of cession by Manong Associates to Surplan, but NMBM never paid Surplan.	70 066	0
95 AMF The claim arises as a result of an alleged breach of contract.	2 000 000	0
96 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's 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.	402 378	0
97 Usen Obot 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.	80 000	0
98 GS Maloyi The claim arises from the plaintiff, whom allegedly had fallen in an open drain.	150 000	0
99 BA Thumane The claim arises from the plaintiff, in respect of an court order granted in favour of applicants.	3 000	0
100 NR Ngamntwini The claim arises from the plaintiff, in respect of damages to the plaintiff's car.	38 000	0
101 W Makanya This claim arises as a result of an alleged unlawful arrest.	60 000	0
102 N P Kelele The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge into a hole.	1 000 000	0
103 AM Lose The claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch at Missionvale.	400 000	0
104 N De Jager The claim arises in respect of damages to the plaintiff's car.	30 000	0
105 I Bosch This claim arises as a result of an alleged unlawful detention.	130 000	0
106 E March This claim arises as a result of an alleged use of same electricity meter for consumers living next to each other and was billed same by NMBM.	25 000	0
107 Tryzone Fourteen(Pty) The claim arises from a dispute, relating to rates and service charges levied by the Municipality.	1 500 000	0
108 RL Nel The claim arises from the Plaintiff's late mother who allegedly fell into a ditch and sustained injuries.	10 000	0
109 MS Calata The claim arises as a result of a promotion dispute.	20 000	0
110 PM Bhe The claim arises from bodily injuries sustained by the Plaintiff who stepped into a hole.	150 000	0
111 MV Vukapi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	150 000	0
112 G Nyakasi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	150 000	0
113 GD Sceuble The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	200 000	0
114 Telkom The claim arises from the Plaintiff due to damage of property.	136 413	0
115 NN Manziya The claim arises from the Plaintiff due to drowning of minor and claiming expenses for emotional shock and funeral costs.	355 560	0
116 M Kara The claim arises from the Plaintiff due to damage of property.	800 000	0
117 TP Construction The claim arises from an arbitration and high court application for removal of arbitrator. FINALISED	190 000	0
118 Sec 57 Managers Matter set down for private arbitration on 09 September with regards to a claim against NMBM. FINALISED	100 000	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45(b) PROVISION FOR LITIGATION AND CLAIMS - (continued)	2013 R	Restated 2012 R
119 Sec 57 Employees Matter set down for private arbitration on 09 September with regards to a claim against NMBM. FINALISED	65 000	0
120 Mbebe The claim arises from an Interpretation/ application dispute referred to SALGBC.	600 000	0
121 Nontlantla Xako Claim against NMBM in respect of unfair labour practice.	1 200 000	0
122 Armstrong Claim against NMBM in respect of breach of employment contract.	420 000	0
123 N Peteni The claim arises from injuries sustained by Ms Peteni, when she allegedly fell into an open drain.	100 000	0
124 B Mvana The claim arises from injuries sustained by Mr Mvana, when he allegedly fell into an open drain.	100 000	0
125 B.I Miskey This claim arises from a dispute by the Plaintiff against NMBM for alleged denial by the NMBM of the use and enjoyment of his properties in Despatch as well as repayment by the NMBM of damages.	29 725	0
126 L Young This claim arises from an alleged unlawful arrest.	40 000	0
127 L F Cosa The plaintiff's minor stepped into a partially covered or uncovered drain and allegedly got injured resulting in the claim.	290 000	0
128 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.	40 000	0
129 BE Heysen This claim arising from the conduct of traffic officers in effecting an arrest.	40 000	0
130 MD Stephens This relates to a claim against NMBM.	100 000	0
131 P Mvakela This claim arises from the minor child who allegedly fell into an uncovered drain	40 000	0
132 Buhlebendalo Properties Claim against the Municipality for damages allegedly suffered due to a deposit of sand into its Resort caused by a burst waterpipe allegedly attributable to the negligence of employees of the Municipality	30 188	0
133 Transnet Limited A collision between a Transnet vehicle and Municipal vehicle, allegedly caused by a municipal employee.	40 000	0
134 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
135 E CAR Hire Claim against the Municipality for unpaid invoices.	500 000	0
136 Dawn Anne Jefferson Claim arises from alleged negligence after Plaintiff's motor vehicle collided with a drum.	20 000	0
137 Ilze Venter Claim arises from alleged negligence after Plaintiff suffered damages to her motor vehicle caused by a pothole	45 000	0
138 D Jordan Claim for damage to property as a result of pothole.	43 352	0
TOTAL PROVISION REFER NOTE 5	139 174 500	62 185 089

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

46 (a) 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 Claim against Municipality

Former City Manager, has submitted a legal claim against the Municipality, but the outcome of the claim is still unclear at this stage.

46 (b) TRANSFER OF FUNCTIONS

The operations of the Primary Health Care Services, were 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.

	2013 R	2012 R
Revenue	0	151 467 027
Government grants and subsidies	0	148 960 192
Conditional grants - National government	0	2 506 835
Expenses	0	230 240 859
Employee related costs	0	140 539 509
Depreciation	0	3 794 836
Repairs and Maintenance	0	1 599 344
Finance charges	0	570 483
Contracted services	0	3 017 760
General expenses	0	6 879 194
Service charges costs - internal	0	1 538 143
Internal charges paid	0	72 301 590
Other income:	0	63 902 937
Licences and permits	0	7 261
Rental of facilities and equipment	0	0
General	0	944
Fees and charges	0	2 282
Internal charges received	0	63 892 450
Loss on disposal of PPE	0	404 829
Loss for the year	0	-15 275 724

Assets that have been transferred are as follows:

	2013 R Final	2012 R Provisional
Assets		
Property - Clinics	84 006 400	65 922 621
Motor vehicles	3 857 213	4 531 906
Equipment and office furniture	4 269 331	4 269 331
	92 132 944	74 723 858

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

47 Information on Post Retirement Benefits

RETIREMENT BENEFIT INFORMATION

The Nelson Mandela Bay Municipality makes provision for post-retirement benefits to employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contribution of R174.638 million (2012: R 173.607 million) to the defined benefit and defined contribution structures are expensed as incurred during the period 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 2012. The funding level of the Share Account is 99.9% and the Pensions Account reflected a funding level of 108% as at 30 June 2012.

SALA CONTRIBUTION FUND

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

SOUTH AFRICAN MUNICIPAL WORKERS UNION (SAMWU) NATIONAL PROVIDENT FUND

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

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 2012. The valuation disclosed an actuarial deficit of R18.287m, and was funded 99.4% for the Defined Benefit section. The funding level of the Defined Contribution section is at 105.3%.

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 2013. The unfunded liability in respect of past service has been estimated at R56.092 million, of which R52.071 million relates to the non-current portion. It is expected that approximately 7.17% 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

	Period ending 30/06/2013	Year ending 30/06/2012
	R'000	R'000
(Defined Benefit Obligation)	56 092	65 795
Plan Assets	0	0
Unfunded Status	56 092	65 795
(Net Liability in Statement of Financial Position)	56 092	65 795

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

47 Information on Post Retirement Benefits (Continued)

Changes in the present value of the defined benefit obligation

	Period ending 30/06/2013	Year ending 30/06/2012
	R'000	R'000
Opening Balance	65 795	18 177
Inclusion of current employees		43 822
(Revised opening defined benefit obligation)	65 795	61 999
(Current Service Cost)	0	0
(Interest Cost)	4 989	4 778
Expected Benefits Paid	(3 368)	(3 780)
Actuarial (Gain)/Loss	(11 324)	2 798
(Closing defined benefit obligation)	56 092	65 795

Disclosure in terms of par. 120A(q) of IAS 19

	Period ending 30/06/2013	Year ending 30/06/2012
	R'000	R'000
Expected benefits to be paid	4 021	3 657

Disclosure in terms of par.120A(p) of IAS 19

	Period ending 30/06/2013	Year ending 30/06/2012
(Defined benefit obligation)	56 092	65 795
Experience adjustment: Plan liabilities	0	(709)

Summary of economic and demographic assumptions (rates per annum)

	30/06/2013	30/06/2012
Discount rate	9.20%	8.00%
Salary increases	6.80%	6.00%
Pension increases	2.90%	2.75%
Pre retirement mortality	SA 85-90 rated down by 3 years for females	SA 85-90L rated down 1 year for males and females
Post retirement mortality	PA(90) rated down 1 year for males and females, plus further 1% future mortality improvement from 2010	SA 90 rated down 1 year for males and females
Expected retirement age - Males	63	63
Expected retirement age - Females	58	58
Percentage married at retirement age	90%	90%
In-service member and spouse age difference	Male 3 years older than female	Male 3 years older than female

Discount Rate:

The discount rate required by IAS19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. Revisions to IAS19 will place a greater emphasis on matching the discount rate to the duration of the liabilities. The discount rate has, therefore, set by taking the average yields from the zero coupon government bond curve over a 15 to 20 year term. The recommended discount rate as at 30 June 2013 is 9.21%.

Salary Increases:

Salaries have been assumed to increase in line with inflation plus 1%.

Pension increases:

Ex gratia pensions have been assumed to increase in future by 50% of inflation, ie, 2.9%.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

47 Information on Post Retirement Benefits (Continued)

Pre-retirement mortality:

The pre-retirement mortality table SA85-90 rated down by 3 years has been used in this valuation, for females.

Post-retirement Mortality:

PA(90) mortality table, adjusted down by one year for both males and females. Provision for future mortality improvement of 1% p.a. from 2010 has been included. This assumption is in line with the previous assumptions used.

Family Profile (retirees):

It has been assumed that 90% of in-service members will be married at retirement and the female spouse will be 3 years younger than the male spouse.

Retirement Age:

The normal retirement age for male members is 65 and 63 for female members. It is assumed that male members will retire at 63 and female members at 58 years of age.

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.

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 R3,558, per in-service principal member. This maximum amount applies to the year beginning 1 July 2013. 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 R1,320.24 million as at 30 June 2013 (2012: R1,299.222 million). Provision for R1,320.24 million has been made (non-current R1,271.608 million, current R48.632 million). It is expected that approximately 3.7% 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 million)

	Year ending 30/06/2013	Year ending 30/06/2012
	R'000	R'000
Fair value of plan assets	0.000	0.000
Unfunded accrued liability	1 320.240	1 299.222
Unrecognised transitional liability	1 320.240	1 299.222
Unrecognised Actuarial Gains/(Losses)	0.000	0.000
Unrecognised Past service cost	0.000	0.000
(Net Obligation in Statement of Financial Position)	1 320.240	1 299.222

Unfunded Accrued Liability

	Year ending 30/06/2013	Year ending 30/06/2012
	R'000	R'000
Opening Balance	1 299.222	1 097.722
Current Service Cost	50.390	42.778
Interest Cost	116.105	94.616
Expected benefits paid	(39.837)	(36.972)
Actuarial (Gain)/Loss	(105.640)	101.078
Closing Balance	1 320.240	1 299.222

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

47 Information on Post Retirement Benefits (Continued)

Amounts to be recognised in profit or loss for the year (period)

Category of Members	Period ending 30/06/2013	Year ending 30/06/2012
	R'000	R'000
Current Service Cost	50.390	42.778
Interest Cost	116.105	94.616
Actuarial (Gain)/Loss	(105.640)	101.078
Total employee benefits expense	60.855	238.472

Obligation and experience adjustments

Disclosure in terms of par. 120A(p) of IAS 19

	Period ending 30/06/2013	Year Ending 30/06/2012
	R'000	R'000
(Defined benefit obligation)	1 299.222	1 097.722
Experience adjustments on plan liabilities	0.000	6.408

Disclosure in terms of par. 120A(q) of IAS 19

	Year Ending 30/06/2013	Year Ending 30/06/2012
	R'000	R'000
Expected benefits to be paid during the next financial year	48.632	37.184

Economic and demographic assumptions used in the valuation.

	Year Ending 30/06/2013	Year Ending 30/06/2012
Discount rate	9.21%	8.90%
Healthcare cost inflation	7.32%	7.50%
Net discount rate	1.77%	1.30%
Pre-retirement mortality	SA 85-90 rated down by 3 years for females	SA 85-90L rated down 1 year for males and females
Post-retirement mortality	PA (90) rated down 1 year for males and females, plus further 1% future mortality improvement from 2010	SA 90 rated down 1 year for males and females, plus further 1% future mortality improvement from 2010
Expected retirement age - Males	63 years	63 years
Expected retirement age - Females	58	58
Spouse and principal member age difference	Male 3 years older than female	Male 3 years older than female
Continuation percentage (employees)	90%	90%
Continuation percentage (widows)	90%	90%
Non-member employees joining a medical scheme before retirement	50%	50%

Discount Rate Assumption:

The discount rate required by IAS19 should be set with reference to a high quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. Revisions to IAS19 will place a greater emphasis on matching the discount rate to the duration of the liabilities. The discount rate has, therefore, set by taking the average yields from the zero coupon government bond curve over a 15 to 20 year term. The recommended discount rate as at 30 June 2013 is 9.21%.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

47 Information on Post Retirement Benefits (Continued)

Healthcare Cost Inflation Rate:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase. The market's pricing of inflation has been estimated by comparing the yields on index linked government bonds and long term government bonds (R186 and R197 bonds), adjusting for inflation risk premium of 0.5% per annum. The implied inflation assumption is therefore 5.82% per annum for future inflation. Future subsidies can be expected to increase in line with medical inflation, until the maximum subsidy is reached. It has been assumed that medical inflation will exceed general inflation by 1.5% per annum. A gap between 1.5% and 2.0% is generally considered to be acceptable.

Assets:

The Municipality does not have any specific assets set aside to provide for this liability.

Net Discount Rate:

The gap between discount rate and the expected increase in medical subsidies is important. The gap is referred to as the Net Discount Rate. The net discount rate has increased from 1.30% to 1.77% p.a. (derived from the discount rate of 9.21% and the expected medical inflation rate of 7.32%). The net discount rate assumed for the maximum subsidy is 3.21% p.a. (derived from the discount rate of 9.21% and the expected inflation rate of 5.82%).

Demographic Valuation Assumptions

Pre-retirement Mortality:

The base mortality table used in the valuation is SA 85-90 tables, rated down by 3 years for females.

Post-retirement Mortality:

The post retirement mortality assumption used in the valuation is based on the PA (90) tables rated down by 1 year. Provision for future mortality improvement of 1% p.a. from 2010 has been included. This assumption is in line with the previous assumptions used.

Family Profile:

It is assumed that 90% of members will be married at retirement.

The assumptions for other ages has been taken as follows:

Age	Percentage Married
20	3.0%
25	15.0%
30	50.0%
35	70.0%
40 to 54	80.0%
55 and older	90.0%

Assumed Retirement Age:

This valuation is based on an assumed retirement age of 63 for males and 58 for females to allow for early retirement and ill-health retirement before the normal retirement ages of 65 (males) and 60 (females). Therefore all in-service male employees older than 63 and female employees older than 58 have been valued as pensioners.

Take Up Rate:

It is assumed that 90% 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).

The members of medical aid schemes entitled to a post-employment medical scheme subsidy at 30 June 2013 were as follows:

Retired Members	30/06/2012	30/06/2013
Principal Members	1 287	1 361
Average Age of Members (Years)	69.0	69.5

Active Members	30/06/2012	30/06/2013
Total number of members:		
Member Employees	5 288	5046
Non-Member Employees	1 312	1066
Average age of Members (Years)	46.0	46.0
Average Past Service	15.0	15.3

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

47 Information on Post Retirement Benefits (Continued)

Post-retirement healthcare cost inflation sensitivities (R'000)

The results of the valuation are dependent on the underlying assumptions made. The assumptions represent our best estimate of future experience. The actual cost of the subsidy will, however, be dependent on the actual experience.

The table below illustrates the likely impact certain changes to the underlying assumptions would have on the results:

Discount Rate:	Current Assumption 9.2% p.a.	0.5% decrease in rate 8.7% p.a.	0.5% increase in rate 9.7% p.a.
Liability	R 1 320 239 918	R 1 421 007 568	R 1 230 729 800
Cost/(Saving)		R 100 767 650	-R 89 510 118

Mortality:	Current Assumption PA(90)-1 plus improvement	PA(90) plus improvement	PA(90) - 2 plus improvement
Liability	R 1 320 239 918	R 1 278 432 731	R 1 361 221 924
Cost/(Saving)		-R 41 807 187	R 40 982 006

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2012					
Cost	2 375 035 364	9 670 910 755	3 163 625 402	983 480 484	16 193 052 005
Transfers/Adjustments - Costs	(118 792 755)	(3 271 830)	(28 247 635)	48 328 717	(101 983 503)
Disposal/Impairment	(16 517 000)	0	(1 032 675)	(1 430 197)	(18 979 872)
Transfers/Adjustments - Depreciation	0	0	1 417 243	0	1 417 243
Accumulated Depreciation	(99 581 585)	(3 076 181 241)	(341 044 699)	(459 317 447)	(3 976 124 972)
	2 140 144 024	6 591 457 684	2 794 717 636	571 061 557	12 097 380 901
Movement during year ended 30 June 2013					
Acquisition	58 066	0	0	21 322 485	21 380 551
Capital Under Construction	53 856 921	1 059 802 420	33 530 146	1 685 536	1 148 875 023
Transfers/Adjustments	1 221 549	16 644 081	1 797 393	27 731 312	47 394 335
Transfers/Adjustments	521 027	91 697	1 415	0	614 139
Depreciation	(18 938 147)	(434 097 798)	(99 081 327)	(96 823 183)	(648 940 455)
	36 719 416	642 440 400	(63 752 373)	(46 083 850)	569 323 593
Carry Value of Disposals/Impairments during year ended 30 June 2013					
Cost	(21 468 392)	(1 293 268)	(108 858 438)	(31 436 664)	(163 056 762)
Depreciation	2 225 269	1 098 285	20 601 865	23 210 967	47 136 386
	(19 243 123)	(194 983)	(88 256 573)	(8 225 697)	(115 920 376)
Carrying Values at 30 June 2013	2 157 620 317	7 233 703 101	2 642 708 690	516 752 010	12 550 784 118
Summary - Carrying Values at 30 June 2013					
Summary - Cost	2 273 393 753	10 742 792 158	3 060 814 193	1 049 681 673	17 126 681 777
Summary - Accumulated Depreciation	(115 773 436)	(3 509 089 057)	(418 105 503)	(532 929 663)	(4 575 897 659)
	2 157 620 317	7 233 703 101	2 642 708 690	516 752 010	12 550 784 118

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carrying Value 1 July 2011					
Cost	2 319 227 901	8 725 151 903	3 039 442 907	914 743 515	14 998 566 226
Transfers/Adjustments	(16 356 294)	(17 515 528)	4 707 536	37 283 604	8 119 318
Re-statement Cost	4 113 792	50 924 943	64 695 150	496 049	120 229 934
Disposal/Impairment	0	0	(1 101 188)	(13 442 843)	(14 544 031)
Impairment	(920 000)	0	0	0	(920 000)
Re-statement Depreciation	0	0	(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	591 163 334	11 785 836 730
Movement during year ended 30 June 2012					
Acquisition	70 105 599	901 211 874	56 308 826	44 601 592	1 072 227 891
Capital Under Construction	0	13 809 024	0	0	13 809 024
Cost Adjustments	(115 340 389)	0	(28 675 464)	48 127 284	(95 888 569)
Impairment	(16 517 000)	0	0	0	(16 517 000)
Transfers/Adjustments	11 442 981	(5 943 321)	2 133 221	(2 228 552)	5 404 329
Depreciation	(15 852 892)	(435 468 793)	(104 834 616)	(110 496 742)	(666 653 043)
	(66 161 701)	473 608 784	(75 068 033)	(19 996 418)	312 382 632
Carrying Value of Disposals during year ended 30 June 2012					
Cost	0	0	(1 032 675)	(1 430 197)	(2 462 872)
Accumulated Depreciation	0	0	299 573	1 324 838	1 624 411
	0	0	(733 102)	(105 359)	(838 461)
Carrying Values at 30 June 2012	2 140 144 024	6 591 457 684	2 794 717 636	571 061 557	12 097 380 901
Summary - Carrying Values at 30 June 2012					
Summary - Cost	2 244 313 609	9 673 582 216	3 134 345 092	1 030 379 004	16 082 619 921
Summary - Accumulated Depreciation	(104 169 585)	(3 082 124 532)	(339 627 456)	(459 317 447)	(3 985 239 020)
	2 140 144 024	6 591 457 684	2 794 717 636	571 061 557	12 097 380 901

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

49 HERITAGE ASSETS RECONCILIATION

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2012	
Cost	163 746 009
Transfers/Adjustments	4 032 046
Restatement - Cost	29 542 000
Disposal	0
Accumulated Depreciation	0
	197 320 055
Movement during year ended 30 June 2013	
Acquisition	951 348
Transfers / Adjustment	5 669 999
Impairment	(6 518 700)
	102 647
Carrying Values at 30 June 2013	197 422 702
Summary - Carrying Values at 30 June 2013	
Summary - Cost	203 941 402
Summary - Accumulated Impairment	(6 518 700)
	197 422 702

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2011	
Cost	163 746 009
Transfers/Adjustments	4 032 046
Restatement - Depreciation	0
Disposal	0
Accumulated Depreciation	0
	167 778 055
Movement during year ended 30 June 2012	
Acquisition	
Adjustment	29 542 000
Amortisation	
	29 542 000
Carrying Values at 30 June 2012	197 320 055
Summary - Carrying Values at 30 June 2012	
Summary - Cost	197 320 055
Summary - Accumulated Amortisation	0
	197 320 055

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

50 INTANGIBLE ASSETS RECONCILIATION

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2012	
Cost	556 124 048
Transfers/Adjustments	(9 972 497)
Restatement - Amortisation	0
Impairment	(93 075 517)
Accumulated Amortisation	(179 085 962)
	273 990 072
Movement during year ended 30 June 2013	
Acquisition	23 651 413
Adjustment	0
Amortisation	(90 637 156)
	(66 985 743)
Impairment Value during year ended 30 June 2013	
Cost	0
Amortisation	0
	0
Carrying Values at 30 June 2013	207 004 329
Summary - Carrying Values at 30 June 2013	
Summary - Cost	569 802 964
Summary - Accumulated Amortisation	(362 798 635)
	207 004 329

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	0
Accumulated Amortisation	(100 215 289)
	437 201 687
Movement during year ended 30 June 2012	
Acquisition	25 437 093
Adjustment - Cost	(9 972 497)
Adjustment - Amortisation	2 228 583
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	0
	(93 075 517)
Carrying Values at 30 June 2012	273 990 072
Summary - Carrying Values at 30 June 2012	
Summary - Cost	546 151 551
Summary - Accumulated Impairment	(93 075 517)
Summary - Accumulated Amortisation	(179 085 962)
	273 990 072

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

51 INVESTMENT PROPERTY RECONCILIATION

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2012	
Cost	96 830 592
Restatement - Cost	5 850 000
Transfers/Adjustments	115 877 502
Disposal	(100 000)
Restatement - Depreciation	0
Accumulated Depreciation	(32 581 875)
	185 876 219
Movement during year ended 30 June 2013	
Acquisition	652 955
Transfers/Adjustments	18 715 415
Capital Under Construction	0
Transfers / Adjustment	(614 139)
Depreciation	(5 367 960)
	13 386 271
Carry Value of Disposals during year ended 30 June 2013	
Cost	0
Depreciation	0
	0
Carrying Values at 30 June 2013	199 262 490
Summary - Carrying Values at 30 June 2013	
Summary - Cost	237 826 464
Summary - Accumulated Depreciation	(38 563 974)
	199 262 490

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	121 727 502
Capital Under Construction	13 899 619
Transfers/Adjustments	(16 746 960)
Depreciation	(5 387 956)
	114 197 393
Carrying Value of Disposals during year ended 30 June 2012	
Cost	(100 000)
Depreciation	24 489
	(75 511)
Carrying Values at 30 June 2012	185 876 219
Summary - Carrying Values at 30 June 2012	
Summary - Cost	218 458 094
Summary - Accumulated Depreciation	(32 581 875)
	185 876 219

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

52 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: At Amortised Cost
Financial liabilities: At amortised cost
Financial Assets: At Fair Value

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

	2013			2012		
	Financial Instruments at Amortised Cost R	Non financial assets R	Total R	Financial Instruments at Amortised Cost R	Non financial assets R	Total R
ASSETS						
Property, Plant and Equipment		12 550 784 118	12 550 784 118		12 097 380 901	12 097 380 901
Heritage Assets		197 422 702	197 422 702		197 320 055	197 320 055
Intangible Assets		207 004 329	207 004 329		273 990 072	273 990 072
Investment Property		199 262 490	199 262 490		185 876 219	185 876 219
Investments	20 000		20 000	20 000		20 000
Long-term Receivables - Exchange Transactions	27 499 304		27 499 304	31 123 382		31 123 382
Long-term Receivables - Non-exchange Transactions		4 411 361	4 411 361		10 561 628	10 561 628
Inventory		105 955 694	105 955 694		108 054 182	108 054 182
Consumer debtors - Exchange Transactions	574 933 364		574 933 364	484 364 698		484 364 698
Consumer debtors - Non-exchange Transactions		24 433 716	24 433 716		0	0
Other Debtors	352 633 464		352 633 464	368 820 931		368 820 931
VAT		5 499 737	5 499 737		10 829 099	10 829 099
VAT Suspense		43 180 856	43 180 856		7 144 160	7 144 160
Current portion of long-term receivables	80		80	5 216		5 216
Short-term investment deposits (excluding Sanlam Shares)	1 245 378 088		1 245 378 088	987 219 306		987 219 306
Bank balances and cash	274 851 075		274 851 075	171 668 110		171 668 110
	2 475 315 375	13 337 955 003	15 813 270 378	2 043 221 643	12 891 156 316	14 934 377 959

	2013			2012		
	Financial Instruments at Amortised Cost R	Non financial liabilities R	Total R	Financial Instruments at Amortised Cost R	Non financial liabilities R	Total R
LIABILITIES						
Long-term Liabilities	1 713 621 093		1 713 621 093	1 822 724 051		1 822 724 051
Employee Benefit Obligation		1 359 347 079	1 359 347 079		1 359 703 244	1 359 703 244
Non-current Provisions		251 591 100	251 591 100		227 877 570	227 877 570
Consumer deposits	93 158 571		93 158 571	85 223 921		85 223 921
Current Employee Benefit Obligation		94 514 186	94 514 186		81 537 827	81 537 827
Current Provisions		139 174 500	139 174 500		62 185 089	62 185 089
Creditors	1 514 272 295		1 514 272 295	1 433 571 324		1 433 571 324
Unspent Conditional Grants and Receipts		364 675 344	364 675 344		440 759 441	440 759 441
Current Portion of Long-term Liabilities	105 158 824		105 158 824	97 282 756		97 282 756
	3 426 210 784	2 209 302 209	5 635 512 992	3 438 802 052	2 172 063 171	5 610 865 223

Net Assets 10 179 639 660 10 179 639 660 9 324 975 590 9 324 975 590

	Financial Asset at Fair Value		Financial Asset at Fair Value	
Sanlam Shares - Valued at the open market value	1 882 274	(1 882 274)	1 462 854	(1 462 854)
	(949 013 133)	949 013 132	0	(1 394 117 555)
			1 394 117 555	0

	2013	2012
Financial Asset at amortised cost		
Opening balance	2 043 221 643	1 293 076 132
Net other movements	432 093 732	750 145 511
Closing balance	2 475 315 375	2 043 221 643
Financial liabilities at amortised cost		
Opening balance	3 438 802 052	3 610 650 999
Net other movements	(12 591 268)	(171 848 947)
Closing balance	3 426 210 784	3 438 802 052

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

53 EXPLANATION FOR OPERATING VARIANCES:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2012 as approved by National Treasury.

The Original Budget was approved in June 2012 for the 2012/13 financial (01 July 2012 to 30 June 2013) and the Final Budget was approved in February 2013.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Budget and Actual amounts are shown on the face of the Statement of Financial Performance, with the reasons in variances explained below.

ACTUAL VERSUS APPROVED FINAL BUDGET (REVENUE AND EXPENDITURE)

Explanations of Significant Variances greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.

1 **Interest earned - External Investments**

Due to a significant increase in the investment portfolio, the interest earned increased.

2 **Interest earned - Outstanding Debtors**

Due to an escalation in outstanding debtors, interest earned increased.

3 **Fines**

Due to the ad hoc nature of this income source, accurate income projections are not possible.

4 **Government Grants and Subsidies - Operating**

Delays in the implementation of the Integrated Public Transport System, resulted in the underspending.

5 **Government Grants and Subsidies - Capital**

Various factors attributed to the underspending such as:

- a) Late award of contracts related to Integrated Public Transport projects.
- b) A court interdict with regard to the Advanced Passenger Transport Management System prevented planned expenditure on ICT infrastructure.

6 **Rental of Facilities and Equipment**

Due to the ad hoc nature of this income source, accurate income projections are not possible.

7 **Income for Agency Services**

Due to the ad hoc nature of this income source, accurate income projections are not possible.

8 **Other Income**

Other Income have increased due to more events hosted than initially anticipated.

9 **Impairment - receivables**

Due to the significant increase in outstanding debt, the relevant provision has increased.

10 **Collection Costs**

Costs incurred less than anticipated.

11 **Depreciation - Property, Plant and Equipment**

Depreciation is lower than budgeted due to the underspending on the Capital Budget.

Depreciation - Investment Property

The budget was included under Depreciation - PPE

Amortisation

The budget was included under Depreciation - PPE

12 **Impairment - property, plant and equipment**

This relates mainly to impairment of land where the market values have decreased.

13 **Grants and Subsidies Paid**

Due to W-I-P expenditure relating to the MBDA that has now been capitalised.

The rebate for ATTP consumers was moved from Grants and Subsidies Paid to the relevant Service Charge as it is now being treated as Income foregone

14 **General Expenses**

Major items included in General Expenses:

Provision for Litigation claims	R
Top Structures	76 989 412
Fleet Management Services	331 546 504
Petrol, oil and lubricants	76 515 448
	51 866 098

The underspending in General expenses is due to underspending on Top Structures

15 **Loss on Disposal of Property Plant and Equipment**

Relates mainly to the disposal of Primary Health Care Assets, where these assets were transferred to the Provincial Health Department based on the transfer agreement.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

54 EXPLANATION FOR CAPITAL VARIANCES:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2012 as approved by National Treasury.

The Original Budget was approved in June 2012 for the 2012/13 financial (01 July 2012 to 30 June 2013) and the Final Budget was approved in February 2013.

NMBM uses the accrual basis of accounting for its Budget.

See below reconciliation between the Budget and the Actual expenditure:

ACTUAL VERSUS ADJUSTMENTS BUDGET (ACQUISITION OF ASSETS)	2013 Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	537 162 510	352 633 837	184 528 673	34	Various factors attributed to the underspending such as: a) Late award of contracts related to Integrated Public Transport projects. b) A court interdict with regard to the Advanced Passenger Transport Management System prevented planned expenditure on ICT infrastructure.
Human Settlements	137 868 446	148 096 274	(10 227 828)	-7	The Budget was amended subsequent to the approval of the Adjustments Budget in order to accelerate the servicing of sites.
Economic Development & Recreational Services	40 076 200	28 162 248	11 913 952	30	Late award of contracts attributed to the under performance regarding rehabilitation work at stadias
Safety & Security	3 000 000	2 819 282	180 718	6	
Budget & Treasury	4 080 000	12 862 417	(8 782 417)	-215	The Budget was amended subsequent to the approval of the Adjustments Budget.
Public Health	29 880 000	15 915 801	13 964 199	47	Late award of contracts as well as late delivery of vehicles attributed to the under performance.
Corporate Services	20 450 000	18 718 875	1 731 125	8	
Sanitation Service	206 800 000	169 371 358	37 428 642	18	In order to mitigate underspending on the Sanitation Budget, certain budget allocations were transferred to the Water Service and Human Settlements Directorates to accelerate certain projects, subsequent to the approval of the Adjustments Budget.
Water Service	258 601 554	265 533 567	(6 932 013)	-3	The Budget was amended subsequent to the approval of the Adjustments Budget in order to accelerate the servicing of sites.
Special Projects & Programmes	38 780 000	40 911 674	(2 131 674)	-5	As the Helenvale Thusong Centre project progressed beyond the initial anticipated cash flows, the budget was amended subsequent to the approval of the Adjustments Budget.
Chief Operating Officer	12 100 000	10 068 800	2 031 200	17	The Budget was amended subsequent to the approval of the Adjustments Budget as certain costs were transferred to the Operating Budget in compliance with GRAP.
Electricity & Energy	125 177 000	130 470 489	(5 293 489)	-4	Imported equipment delivered at the time of a weakened Rand, caused the additional expenditure.
	1 413 975 710	1 195 564 622	218 411 088		

Note 55																		
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 201																		
	COST									ACCUMULATED DEPRECIATION								Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Re-stated Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	
Land & Buildings																		
Buildings	491 125 046	1 135 634	492 260 680	5 301 548		53 856 921	2 921 352	2 777 041	545 720 756	99 581 585		99 581 585	(521 027)	18 938 147	1 576 257	649 012	115 773 436	429 947 320
Land	1 752 052 929	(4 588 000)	1 747 464 929	(4 079 999)	58 066		575 000	15 194 999	1 727 672 997	0		0	0				0	1 727 672 997
	2 243 177 975	(3 452 366)	2 239 725 609	1 221 549	58 066	53 856 921	3 496 352	17 972 040	2 273 393 753	99 581 585	0	99 581 585	(521 027)	18 938 147	1 576 257	649 012	115 773 436	2 157 620 317
Infrastructure Assets																		
Roads, Sidewalks & Stormwater Network	4 293 874 390	(1 748 114)	4 292 126 276	16 590 751		366 751 225			4 675 468 252	1 300 762 878		1 300 762 878	(91 697)	226 329 142			1 527 000 323	3 148 467 929
Beach Developments	47 184 472		47 184 472			3 376 965			50 561 437	7 626 270		7 626 270		1 113 307			8 739 577	41 821 860
Electricity Reticulation & Supply	2 110 278 473	(2 650 732)	2 107 627 741			113 933 425	1 293 268		2 220 267 898	643 982 131		643 982 131		66 281 464	1 098 285		709 165 310	1 511 102 588
Fencing	20 145 695		20 145 695			1 763 633			21 909 328	11 727 792		11 727 792		1 631 162			13 358 954	8 550 374
Sewerage Mains & Purification Works	1 438 108 571	152 825	1 438 261 396			203 097 901			1 641 359 297	611 955 981		611 955 981		55 378 811			667 334 792	974 024 505
Waste Disposal Facilities	18 113 060		18 113 060			103 926			18 216 986	738 502		738 502		95 556			834 058	17 382 928
Water Supply & Reticulation	984 804 710	235 802	985 040 512			189 434 352			1 174 474 864	416 045 126		416 045 126		63 529 451			479 574 577	694 900 287
Dams & Treatment Works	758 401 384	738 389	759 139 773			181 394 323			940 534 096	83 342 561		83 342 561		19 738 905			103 081 466	837 452 630
	9 670 910 755	(3 271 830)	9 667 638 925	16 590 751	0	1 059 855 750	1 293 268	0	10 742 792 158	3 076 181 241	0	3 076 181 241	-91 697	434 097 798	1 098 285	0	3 509 089 057	7 233 703 101
Community Assets																		
Libraries	30 566 184		30 566 184						30 566 184	7 956 495		7 956 495		1 005 752			8 962 247	21 603 937
Library Books	70 558 206		70 558 206	929 756					71 487 962	9 540 845		9 540 845		5 606 757			15 147 602	56 340 360
Fire Stations	49 271 517		49 271 517						49 271 517	9 590 137		9 590 137		1 530 143			11 120 280	38 151 237
Cemeteries	41 839 033		41 839 033	718 687		1 022 859			43 580 579	5 168 043		5 168 043		1 480 862			6 648 905	36 931 674
Clinics	104 598 548		104 598 548			6 460	101 748 862		2 856 146	18 088 983		18 088 983		86 131	17 813 981		361 133	2 495 013
Community Centres	169 818 110	415 067	170 233 177			25 685 247	806 523	199 500	194 912 401	37 552 293		37 552 293		3 574 080	533 649	76 067	40 516 657	154 395 744
Public Conveniences	5 541 128		5 541 128	(2 936)				8 244	5 529 948	2 367 712		2 367 712	(1 415)	187 632		4 521	2 549 408	2 980 540
Swimming Pools	82 045 640		82 045 640			489 488			82 535 128	11 305 063		11 305 063		2 538 544			13 843 607	68 691 521
Recreational Facilities	2 535 068 547	(29 529 238)	2 505 539 309	151 886		6 326 092		575 348	2 511 441 939	208 595 238	(1 417 243)	207 177 995		80 738 174		407 539	287 508 630	2 223 933 309
Selling & Letting Schemes	74 152 350		74 152 350				528 127	4 991 834	68 632 389	30 879 890		30 879 890		2 333 252	237 322	1 528 786	31 447 034	37 185 355
	3 163 459 263	(29 114 171)	3 134 345 092	1 797 393	0	33 530 146	103 083 512	5 774 926	3 060 814 193	341 044 699	(1 417 243)	339 627 456	(1 415)	99 081 327	18 584 952	2 016 913	418 105 503	2 642 708 690
Other Assets																		
Bins & Containers	3 663 456		3 663 456	143 977					3 807 433	1 102 472		1 102 472		383 787			1 486 259	2 321 174
Vehicles & Plant	454 505 265		454 505 265		12 756 741		10 452 296		456 809 710	233 769 668		233 769 668		50 557 587	6 495 929		277 831 326	178 978 384
Office Furniture & Fittings	209 860 061	201 433	210 061 494	2 255 745	1 256 741		20 984 368		192 589 612	161 528 854		161 528 854		8 224 075	16 715 038		153 037 891	39 551 721
Air Monitoring Facilities	73 124		73 124						73 124	2 465		2 465					7 228	65 896
Security Systems	9 972 497		9 972 497						9 972 497	4 248 735		4 248 735		2 020 152			6 268 887	3 703 610
Tip Sites	271 016 865		271 016 865	22 190 691		1 685 536			294 893 092	22 585 118		22 585 118		9 916 981			32 502 099	262 390 993
Computer Hardware	81 086 302		81 086 302	3 140 899	7 309 003				91 536 204	36 080 135		36 080 135		25 715 838			61 795 973	29 740 231
	1 030 177 571	201 433	1 030 379 004	27 731 312	21 322 485	1 685 536	31 436 664	0	1 049 681 673	459 317 447	0	459 317 447	0	96 823 183	23 210 967	0	532 929 663	516 752 010
	16 107 725 564	(35 636 934)	16 072 088 630	47 341 005	21 380 551	1 148 928 353	139 309 796	23 746 966	17 126 681 777	3 976 124 972	(1 417 243)	3 974 707 729	(614 139)	648 940 455	44 470 461	2 665 925	4 575 897 659	12 550 784 118

Note 55

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 201

	COST									ACCUMULATED AMORTISATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Intangible																		
Computer Software	453 076 034		453 076 034		23 651 413				476 727 447	179 085 962		179 085 962		90 637 156			269 723 118	207 004 329

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 201

	COST									ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Investment Property																		
Land & Buildings	212 608 094	5 850 000	218 458 094	18 715 415		652 955			237 826 464	32 581 875		32 581 875	614 139	5 367 960			38 563 974	199 262 490

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 201

	COST									ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Heritage Assets																		
Heritage Buildings	115 886 044	22 886 217	138 772 261			951 348		6 518 700	133 204 909	0		0					0	133 204 909
Memorials & Statues	35 128 772		35 128 772	5 669 999					40 798 771	0		0					0	40 798 771
Land	0	6 655 783	6 655 783						6 655 783	0		0					0	6 655 783
Art Works	16 763 239		16 763 239						16 763 239	0		0					0	16 763 239
	167 778 055	29 542 000	197 320 055	5 669 999	0	951 348	0	6 518 700	197 422 702	0	0	0	0	0	0	0	0	197 422 702
Grant Totals Assets	16 941 187 747	(244 934)	16 940 942 813	71 726 419	45 031 964	1 150 532 656	139 309 796	30 265 666	18 038 658 390	4 187 792 809	(1 417 243)	4 186 375 566	0	744 945 571	44 470 461	2 665 925	4 884 184 751	13 154 473 639

Appendix A

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)		2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)
6 219 411	284 919 066	(278 699 655)	Executive and Council	1 609 809	239 985 947	(238 376 138)
1 685 996 136	1 052 050 002	633 946 134	Finance and Admin	2 029 886 731	706 482 885	1 323 403 846
156 327 999	168 065 006	(11 737 007)	Health	6 224 424	108 162 584	(101 938 160)
426 118 002	535 523 631	(109 405 629)	Human Settlements	495 163 536	495 105 493	58 043
45 222 648	392 347 483	(347 124 835)	Safety and Security	43 141 597	405 339 589	(362 197 992)
32 296 752	183 420 462	(151 123 710)	Recreation and Cultural Services	47 814 021	210 830 611	(163 016 590)
10 702 838	272 539 082	(261 836 244)	Environmental Services	7 570 264	308 334 697	(300 764 433)
244 493 849	297 963 468	(53 469 619)	Waste Management	253 292 739	323 228 444	(69 935 705)
282 399 641	292 494 426	(10 094 785)	Infrastructure and Engineering	461 743 240	429 223 249	32 519 991
861 128 981	521 005 325	340 123 656	Water	842 375 367	621 850 947	220 524 420
2 936 567 854	2 505 498 991	431 068 863	Electricity and Energy	2 978 064 729	2 824 456 809	153 607 920
152 267 024	103 497 323	48 769 701	Economic Development, Tourism and Agriculture	101 752 585	105 790 608	(4 038 023)
67 259	10 797 025	(10 729 766)	Market	6 170 040	12 444 419	(6 274 379)
494 255 965	356 057 957	138 198 008	Sanitation	672 143 125	301 051 855	371 091 270
<u>7 334 064 359</u>	<u>6 976 179 247</u>	<u>357 885 112</u>	Total	<u>7 946 952 207</u>	<u>7 092 288 137</u>	<u>854 664 070</u>

Appendix B
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2013

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure					Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June	Total Spent		
Financial Management Grant	NT	1 250 000	0	0	0	1 250 000	252 152	203 528	225 669	568 651	1 250 000	N / A	Yes
National Electrification Programme	DME	15 000 000	0	0	0	15 000 000	4 391 000	6 726 722	3 882 278	0	15 000 000	N / A	Yes
Urban Settlement Development Grant	NT	237 148 000	177 861 000	177 861 000	0	592 870 000	59 941 000	146 561 464	107 911 451	187 088 876	501 502 792	N / A	Yes
Transport or PTIS	NT	40 000 000	100 000 000	158 702 000	0	298 702 000	10 067 000	43 793 996	49 023 936	247 357 311	350 242 243	N / A	Yes
Neighbourhood Development Partnership Grant	NT	32 000 000	16 000 000	16 062 000	0	64 062 000	10 182 000	14 661 949	23 990 657	15 227 394	64 062 000	N / A	Yes
Infrastructure Skills Development Grant	NT	0	1 000 000	1 300 000	0	2 300 000	0	158 269.00	1 585 492.00	2 144 830	3 888 591	N / A	Yes
Expanded Public Works Programme Integrated Grant	NT	0	10 287 000	4409000	0	14 696 000	0	119 731.84	1 901 750.00	7 062 590	9 084 072	N / A	Yes

Appendix C
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

TOTAL ACCUMULATED SURPLUS	2013	Restated 2012
	R	R
Made up as follows:		
Housing Development Fund	109 731 779	109 731 779
Capital Replacement Reserve	34 903 364	4 486 448
Government Grant Reserve	4 896 453 002	4 298 777 878
Capitalisation Reserve	701 288 210	905 256 649
Donations and Public Contributions Reserves	294 732 255	313 523 950
Self-Insurance Reserve	65 123 047	47 627 488
COID Reserve	18 104 759	15 135 948
Accumulated Surplus	4 059 303 244	3 630 435 450
	10 179 639 660	9 324 975 590

Reconciliation of Table A1 Budget Summary

Description	2012/2013								2011/12			
	Original Budget	Budget Adjustments (i.i.o. MFMA 528)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	1 074 628	-	1 074 628	1 058 523		(16 105)	98.5%	98.5%				881 915
Service charges	3 951 039	(67 809)	3 883 229	3 633 446		(249 784)	93.6%	92.0%				3 302 324
Investment revenue	25 528	15 657	41 184	65 624		24 439	159.3%	257.1%				56 734
Transfers recognised - operational	1 361 248	77 004	1 438 253	1 269 882		(168 371)	88.3%	93.3%				1 204 454
Other own revenue	825 517	58 653	884 170	1 024 148		139 977	115.8%	124.1%				969 479
Total Revenue (excluding capital transfers and contributions)	7 237 960	83 505	7 321 465	7 051 622		(269 843)	96.3%	97.4%				6 414 906
Employee costs	1 792 973	317	1 793 291	1 715 765	-	(77 526)	95.7%	95.7%	-	-	-	2 030 722
Remuneration of councillors	54 583	(1 362)	53 220	53 010	-	(211)	99.6%	97.1%	-	-	-	50 104
Debt impairment	251 274	(3 377)	247 897	409 730	-	161 833	165.3%	163.1%	-	-	-	298 890
Depreciation & asset impairment	736 107	157 717	893 824	774 245	-	(119 579)	86.6%	105.2%	-	-	-	869 463
Finance charges	203 137	896	204 033	201 008	-	(3 024)	98.5%	99.0%	-	-	-	212 913
Materials and bulk purchases	2 747 755	(12 758)	2 734 997	2 658 064	-	(76 933)	97.2%	96.7%	-	-	-	2 409 674
Transfers and grants	402 053	(3 753)	398 300	38 400	-	(359 900)	9.6%	9.6%	-	-	-	40 896
Other expenditure	1 176 430	60 329	1 236 760	1 242 065	258 576	5 306	100.4%	105.6%	318 574	-	(318 574)	1 063 517
Total Expenditure	7 364 312	198 009	7 562 321	7 092 288	258 576	(470 033)	93.8%	96.3%	318 574	-	(318 574)	6 976 179
Surplus/(Deficit)	(126 352)	(114 504)	(240 856)	(40 666)		200 190	16.9%	32.2%				(561 273)
Transfers recognised - capita	774 932	298 700	1 073 632	895 330		(178 302)	83.4%	115.5%				919 158
Contributions recognised - capital & contributed asset:	-	-	-	-		-	-	-				-
Surplus/(Deficit) after capital transfers & contributions	648 580	184 196	832 776	854 664		21 888	102.6%	131.8%				357 885
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-				-
Surplus/(Deficit) for the year	648 580	184 196	832 776	854 664		21 888	102.6%	131.8%				357 885
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	774 932	309 700	1 084 632	895 330		(189 302)	82.5%	115.5%				919 158
Public contributions & donations	23 000	4 234	27 234	4 410		(22 823)	16.2%	19.2%				12 899
Borrowing	-	-	-	-		-	-	-				-
Internally generated funds	241 527	60 583	302 110	295 824		(6 286)	97.9%	122.5%				194 022
Total sources of capital funds	1 039 459	374 517	1 413 976	1 195 565		(218 411)	84.6%	115.0%				1 126 079
Cash flows												
Net cash from (used) operating	1 364 440	(5 668)	1 358 772	1 716 297		357 525	126.3%	125.8%				1 964 969
Net cash from (used) investing	(1 048 473)	(338 587)	(1 387 060)	(1 257 512)		129 549	90.7%	119.9%				(1 156 681)
Net cash from (used) financing	(100 719)	(15 225)	(115 944)	(97 444)		18 500	84.0%	96.7%				(77 058)
Cash/cash equivalents at the year end	1 374 135	(9 046)	1 011 782	1 520 229		508 447	150.3%	110.6%				1 158 887

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2012/2013								2011/2012			
	Original Budget	Budget Adjustments (i.i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
<i>Governance and administration</i>	1 927 558	33 353	1 960 910	2 135 260		174 349	108.9%	110.8%				1 908 934
Executive and council	51	680	730	809		79	110.8%	1601.5%				907
Budget and treasury office	1 911 578	27 316	1 938 894	2 119 110		180 216	109.3%	110.9%				1 892 189
Corporate services	15 929	5 357	21 286	15 340		(5 945)	72.1%	96.3%				15 838
<i>Community and public safety</i>	475 241	36 156	511 397	426 537		(84 860)	83.4%	89.8%				519 902
Community and social services	18 703	705	19 408	16 188		(3 220)	83.4%	86.6%				16 795
Sport and recreation	22 301	679	22 980	40 230		17 250	175.1%	180.4%				23 402
Public safety	33 714	256	33 970	28 073		(5 897)	82.6%	83.3%				25 766
Housing	400 425	25 255	425 679	335 685		(89 994)	78.9%	83.8%				324 689
Health	98	9 262	9 360	6 361		(2 999)	68.0%	6512.2%				129 250
<i>Economic and environmental services</i>	391 356	30 225	421 581	333 303		(88 278)	79.1%	85.2%				165 389
Planning and development	167 545	222 753	390 298	334 479		(55 819)	85.7%	199.6%				155 170
Road transport	219 997	(193 102)	26 895	(5 354)		(32 248)	-19.9%	-2.4%				3 075
Environmental protection	3 814	574	4 389	4 178		(211)	95.2%	109.5%				7 145
<i>Trading services</i>	4 431 465	(16 229)	4 415 236	4 139 620		(275 616)	93.8%	93.4%				3 807 520
Electricity	3 120 937	(12 937)	3 108 000	2 920 960		(187 040)	94.0%	93.6%				2 813 228
Water	581 395	(179)	581 216	563 590		(17 625)	97.0%	96.9%				450 623
Waste water management	474 317	(9 326)	464 992	449 820		(15 171)	96.7%	94.8%				344 567
Waste management	254 816	6 213	261 029	205 249		(55 780)	78.6%	80.5%				199 102
<i>Other</i>	12 341	-	12 341	16 903		4 562	137.0%	137.0%				13 161
Total Revenue - Standard	7 237 960	83 505	7 321 465	7 051 622		(269 843)	96.3%	97.4%				6 414 906
Expenditure - Standard												
<i>Governance and administration</i>	1 106 730	(26 067)	1 080 663	950 881	31 816	(129 782)	88.0%	85.9%	225 781	-	(225 781)	1 291 303
Executive and council	172 395	(20 801)	151 594	142 598	31 816	(8 996)	94.1%	82.7%				150 909
Budget and treasury office	581 519	(46 099)	535 420	597 041		61 621	111.5%	102.7%	225 781		(225 781)	924 115
Corporate services	352 816	40 833	393 649	211 241		(182 407)	53.7%	59.9%				216 279
<i>Community and public safety</i>	1 209 028	71 884	1 280 912	1 298 205	95 826	17 293	101.4%	107.4%	71 209	-	(71 209)	1 339 026
Community and social services	138 968	6 750	145 718	140 701		(5 016)	96.6%	101.2%				124 390
Sport and recreation	152 041	867	152 908	131 213		(21 695)	85.8%	86.3%				116 032
Public safety	348 237	5 014	353 252	392 921	42 768	39 669	111.2%	112.8%	46 841		(46 841)	377 696
Housing	432 052	44 285	476 337	366 122		(110 215)	76.9%	84.7%	6 711		(6 711)	399 470
Health	137 730	14 967	152 697	267 247	53 059	114 550	175.0%	194.0%	17 658		(17 658)	321 437
<i>Economic and environmental services</i>	1 017 932	139 807	1 157 738	1 062 845	-	(94 893)	91.8%	104.4%	-	-	-	853 074
Planning and development	590 142	55 174	645 317	605 653		(39 664)	93.9%	102.6%				402 674
Road transport	180 593	36 479	217 073	192 217		(24 856)	88.5%	106.4%				211 225
Environmental protection	247 196	48 153	295 349	264 976		(30 373)	89.7%	107.2%				239 176
<i>Trading services</i>	3 967 051	17 083	3 984 134	3 773 395	130 934	(210 739)	94.7%	95.1%	21 584	-	(21 584)	3 481 962
Electricity	2 782 901	(22 705)	2 760 196	2 780 542	56 985	20 346	100.7%	99.9%				2 492 034
Water	518 942	28 960	547 902	522 511	73 949	(25 391)	95.4%	100.7%	21 584		(21 584)	469 596
Waste water management	456 585	12 595	469 180	285 671		(183 509)	60.9%	62.6%				352 943
Waste management	208 622	(1 766)	206 856	184 671		(22 185)	89.3%	88.5%				167 390
<i>Other</i>	63 571	(4 698)	58 872	6 961		(51 911)	11.8%	11.0%				10 814

Total Expenditure - Standard	7 364 312	198 008	7 562 320	7 092 288	258 576	(470 032)	93.8%	96.3%	318 574	-	(318 574)	6 976 179
Surplus/(Deficit) for the year	(126 352)	(114 503)	(240 855)	(40 666)		200 189	16.9%	32.2%	(318 574)	-	318 574	(561 273)

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2012/2013								2011/2012			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Budget ang Treasury	1 911 592	27 315	1 938 907	2 118 460		179 553	109.3%	110.8%				1 892 082
Vote 2 - Public Health	261 472	15 578	277 049	219 044		(58 006)	79.1%	83.8%				336 479
Vote 3 - Human Settlements	421 369	23 491	444 860	355 786		(89 074)	80.0%	84.4%				345 565
Vote 4 - Economic Development and Recreational Serv	133 555	21 190	154 744	148 351		(6 394)	95.9%	111.1%				104 283
Vote 5 - Corporate Services	8 828	5 829	14 657	10 213		(4 444)	69.7%	115.7%				9 479
Vote 6 - Rate and General Engineers	202 201	5 000	207 201	162 065		(45 136)	78.2%	80.2%				22 731
Vote 7 - Water Services	581 395	121	581 516	563 591		(17 925)	96.9%	96.9%				450 623
Vote 8 - Sanitation Services	474 317	(9 326)	464 992	417 967		(47 024)	89.9%	88.1%				330 682
Vote 9 - Electricity and Energy	3 120 937	(12 937)	3 108 000	2 920 960		(187 040)	94.0%	93.6%				2 813 228
Vote 10 - Executive and Council	658	774	1 432	1 610		177	112.4%	244.7%				1 633
Vote 11 - Safety and Security	53 796	1 812	55 608	48 757		(6 851)	87.7%	90.6%				45 138
Vote 12 - Nelson Mandela Bay Stadium	37 000	-	37 000	59 887		22 887	161.9%	161.9%				39 048
Vote 13 - Strategic Programmes Directorate	30 840	4 658	35 498	24 932		(10 567)	70.2%	80.8%				23 934
Example 14 - Vote14												
Example 15 - Vote15												
Total Revenue by Vote	7 237 960	83 505	7 321 465	7 051 622		(269 843)	96.3%	97.4%				6 414 906
Expenditure by Vote to be appropriated												
Vote 1 - Budget ang Treasury	561 807	(45 679)	516 128	490 093		(26 035)	95.0%	87.2%	225 781		225 781	902 233
Vote 2 - Public Health	610 319	62 383	672 703	693 205	53 059	20 503	103.0%	113.6%	17 658		17 658	706 073
Vote 3 - Human Settlements	533 541	41 877	575 418	503 997		(71 421)	87.6%	94.5%	6 711		6 711	519 073
Vote 4 - Economic Development and Recreational Serv	389 218	22 092	411 310	327 329		(83 981)	79.6%	84.1%				257 577
Vote 5 - Corporate Services	356 377	46 103	402 480	277 641		(124 839)	69.0%	77.9%				290 059
Vote 6 - Rate and General Engineers	500 086	39 466	539 553	440 653		(98 899)	81.7%	88.1%				305 373
Vote 7 - Water Services	519 466	28 436	547 902	570 697	73 949	22 795	104.2%	109.9%	21 584		21 584	465 466
Vote 8 - Sanitation Services	396 910	11 400	408 310	228 601		(179 709)	56.0%	57.6%				301 837
Vote 9 - Electricity and Energy	2 782 901	(15 405)	2 767 496	2 780 159	56 985	12 662	100.5%	99.9%				2 492 034
Vote 10 - Executive and Council	201 471	(5 401)	196 070	172 068	31 816	(24 002)	87.8%	85.4%				183 369
Vote 11 - Safety and Security	356 370	6 020	362 391	408 141	42 768	45 751	112.6%	114.5%	46 841		46 841	392 052
Vote 12 - Nelson Mandela Bay Stadium	123 523	284	123 807	173 586		49 778	140.2%	140.5%				140 335
Vote 13 - Strategic Programmes Directorate	32 321	6 433	38 754	26 118		(12 637)	67.4%	80.8%				20 697
Example 14 - Vote14												
Example 15 - Vote15												
Total Expenditure by Vote	7 364 312	198 009	7 562 321	7 092 288	258 576	(470 033)	93.8%	96.3%	318 574	-	318 574	6 976 179
Surplus/(Deficit) for the year	(126 352)	(114 504)	(240 856)	(40 666)		200 190	16.9%	32.2%				

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2012/2013								2011/2012			
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	1 074 628	-	1 074 628	1 058 523		(16 105)	98.5%	98.5%				881 915
Property rates - penalties & collection charges			-			-	-	-				
Service charges - electricity revenue	3 028 384	(47 500)	2 980 884	2 819 881		(161 002)	94.6%	93.1%				2 711 116
Service charges - water revenue	455 547	(14 515)	441 033	430 698		(10 335)	97.7%	94.5%				288 576
Service charges - sanitation revenue	312 033	(7 359)	304 674	273 384		(31 290)	89.7%	87.6%				210 403
Service charges - refuse revenue	155 075	1 565	156 639	109 483		(47 156)	69.9%	70.6%				92 228
Service charges - other			-			-	-	-				
Rental of facilities and equipment	19 820	1 188	21 008	17 419		(3 589)	82.9%	87.9%				19 329
Interest earned - external investments	15 528	15 657	41 184	65 624		24 439	159.3%	257.1%				56 734
Interest earned - outstanding debtors	86 913	57 725	144 637	166 835		22 198	115.3%	192.0%				121 634
Dividends received			-			-	-	-				
Fines	32 328	1 482	33 810	28 700		(5 110)	84.9%	88.8%				25 655
Licences and permits	9 014	792	9 806	10 263		457	104.7%	113.8%				9 019
Agency services	1 400	-	1 400	1 909		509	136.3%	136.3%				1 397
Transfers recognised - operational	1 361 248	77 004	1 438 253	1 269 882		(168 371)	88.3%	93.3%				1 204 454
Other revenue	676 041	(2 532)	673 509	799 022		125 513	118.6%	118.2%				792 444
Gains on disposal of PPE			-			-	-	-				
Total Revenue (excluding capital transfers and contributions)	7 237 960	83 505	7 321 465	7 051 622		(269 843)	96.3%	97.4%				6 414 906
Expenditure By Type												
Employee related costs	1 792 973	317	1 793 291	1 715 765		(77 526)	95.7%	95.7%				2 030 722
Remuneration of councillors	54 583	(1 362)	53 220	53 010		(211)	99.6%	97.1%				50 104
Debt impairment	251 274	(3 377)	247 897	409 730		161 833	165.3%	163.1%				298 890
Depreciation & asset impairment	736 107	157 717	893 824	774 245		(119 579)	86.6%	105.2%				869 463
Finance charges	203 137	896	204 033	201 008		(3 024)	98.5%	99.0%				212 913
Bulk purchases	2 250 539	(16 600)	2 233 939	2 183 679		(50 260)	97.8%	97.0%				1 972 513
Other materials	497 216	3 842	501 058	474 386		(26 673)	94.7%	95.4%				437 161
Contracted services	376 041	(6 419)	369 622	375 203		5 581	101.5%	99.8%				221 601
Transfers and grants	402 053	(3 753)	398 300	38 400		(359 900)	9.6%	9.6%				40 896
Other expenditure	800 389	66 748	867 137	772 023	258 576	(95 115)	89.0%	96.5%	318 574	(318 574)		841 002
Loss on disposal of PPE			-	94 839		94 839	#DIV/0!	#DIV/0!				914
Total Expenditure	7 364 312	198 009	7 562 321	7 092 288	258 576	(470 033)	93.8%	96.3%	318 574	-	(318 574)	6 976 179
Surplus/(Deficit)	(126 352)	(114 504)	(240 856)	(40 666)		200 190	16.9%	32.2%				(561 273)
Transfers recognised - capital	774 932	298 700	1 073 632	895 330		(178 302)	83.4%	115.5%				919 158
Contributions recognised - capital			-			-	-	-				
Contributed assets			-			-	-	-				
Surplus/(Deficit) after capital transfers & contributions	648 580	184 196	832 776	854 664		21 888	102.6%	131.8%				357 885
Taxation			-			-	-	-				
Surplus/(Deficit) after taxation	648 580	184 196	832 776	854 664		21 888	102.6%	131.8%				357 885
Attributable to minorities			-			-	-	-				
Surplus/(Deficit) attributable to municipality	648 580	184 196	832 776	854 664		21 888	102.6%	131.8%				357 885
Share of surplus/ (deficit) of associate			-			-	-	-				
Surplus/(Deficit) for the year	648 580	184 196	832 776	854 664		21 888	102.6%	131.8%				357 885

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2012/2013								2011/2012			
	Original Budget	Total Budget Adjustments (I.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Budget ang Treasury	7 480	(3 400)	4 080	12 862		8 782	315%	172%				24 405
Vote 2 - Public Health	17 500	12 380	29 880	15 916		(13 964)	53%	91%				39 614
Vote 3 - Human Settlements	165 868	(28 000)	137 868	148 096		10 228	107%	89%				75 899
Vote 4 - Economic Development and Recreational Services	10 400	29 676	40 076	28 162		(11 914)	70%	271%				33 140
Vote 5 - Corporate Services	18 200	2 250	20 450	18 719		(1 731)	92%	103%				35 704
Vote 6 - Rate and General Engineers	269 662	267 501	537 163	352 634		(184 529)	66%	131%				305 771
Vote 7 - Water Services	134 402	124 200	258 602	265 534	6 932	6 932	103%	198%				374 744
Vote 8 - Sanitation Services	234 600	(27 800)	206 800	169 371		(37 429)	82%	72%				103 202
Vote 9 - Electricity and Energy	121 147	4 030	125 177	130 470	5 269	5 293	104%	108%	124		(124)	91 489
Vote 10 - Executive and Council	11 200	900	12 100	10 069		(2 031)	83%	90%				11 449
Vote 11 - Safety and Security	3 000	-	3 000	2 819		(181)	94%	94%				4 792
Vote 12 - Nelson Mandela Bay Stadium	-	-	-	-		-	-	-				-
Vote 13 - Strategic Programmes Directorate	46 000	(7 220)	38 780	40 912		2 132	105%	89%				25 869
Example 14 - Vote14	-	-	-	-		-	-	-				-
Example 15 - Vote15	-	-	-	-		-	-	-				-
Capital multi-year expenditure	1 039 459	374 517	1 413 976	1 195 565	12 202	(218 411)	85%	115%	124	-	(124)	1 126 079
Single-year expenditure												
Vote 1 - Budget ang Treasury	-	-	-	-		-	-	-				-
Vote 2 - Public Health	-	-	-	-		-	-	-				-
Vote 3 - Human Settlements	-	-	-	-		-	-	-				-
Vote 4 - Economic Development and Recreational Services	-	-	-	-		-	-	-				-
Vote 5 - Corporate Services	-	-	-	-		-	-	-				-
Vote 6 - Rate and General Engineers	-	-	-	-		-	-	-				-
Vote 7 - Water Services	-	-	-	-		-	-	-				-
Vote 8 - Sanitation Services	-	-	-	-		-	-	-				-
Vote 9 - Electricity and Energy	-	-	-	-		-	-	-				-
Vote 10 - Executive and Council	-	-	-	-		-	-	-				-
Vote 11 - Safety and Security	-	-	-	-		-	-	-				-
Vote 12 - Nelson Mandela Bay Stadium	-	-	-	-		-	-	-				-
Vote 13 - Strategic Programmes Directorate	-	-	-	-		-	-	-				-
Example 14 - Vote14	-	-	-	-		-	-	-				-
Example 15 - Vote15	-	-	-	-		-	-	-				-
Capital single-year expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote	1 039 459	374 517	1 413 976	1 195 565	12 202	(218 411)	85%	115%	124	-	(124)	1 126 079
Capital Expenditure - Standard												
Governance and administration	36 880	(250)	36 630	41 650	-	5 020	114%	113%	-	-	-	71 558
Executive and council	11 200	900	12 100	10 069		(2 031)	83%	90%				11 449
Budget and treasury office	7 480	(3 400)	4 080	12 862		8 782	315%	172%				24 405
Corporate services	18 200	2 250	20 450	18 719		(1 731)	92%	103%				35 704
Community and public safety	179 768	(30 515)	149 253	159 481	-	10 228	107%	89%	-	-	-	102 514
Community and social services	3 000	2 102	5 102	-		(5 102)	-	-				2 198
Sport and recreation	7 400	(4 617)	2 783	7 965		5 201	287%	108%				15 193
Public safety	3 000	-	3 000	2 819		(181)	94%	94%				4 792
Housing	165 868	(28 000)	137 868	148 096		10 228	107%	89%				75 899
Health	500	-	500	581		81	116%	116%				4 431
Economic and environmental services	328 162	295 175	623 337	425 616	-	(197 721)	68%	130%	-	-	-	359 569
Planning and development	46 000	24 971	70 971	61 009		(9 962)	86%	133%				41 618
Road transport	269 662	267 501	537 163	352 714		(184 448)	66%	131%				305 771
Environmental protection	12 500	2 703	15 203	11 893		(3 310)	78%	95%				12 180
Trading services	494 649	110 107	604 756	568 818	12 202	(35 938)	94%	115%	124	-	(124)	592 438
Electricity	121 147	4 030	125 177	130 470	5 269	5 293	104%	108%	124		(124)	91 489
Water	134 402	124 200	258 602	265 534	6 932	6 932	103%	198%				374 744
Waste water management	234 600	(27 800)	206 800	169 371		(37 429)	82%	72%				103 202
Waste management	4 500	9 677	14 177	3 442		(10 735)	24%	76%				23 003
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	1 039 459	374 517	1 413 976	1 195 565	12 202	(218 411)	85%	115%	124	-	(124)	1 126 079
Funded by:												
National Government	771 932	298 700	1 070 632	895 330		(175 302)	84%	116%				919 158
Provincial Government	-	-	-	-		-	-	-				-
District Municipality	3 000	11 000	14 000	-		(14 000)	-	-				-
Other transfers and grants	-	-	-	-		-	-	-				-
Transfers recognised - capital	774 932	309 700	1 084 632	895 330		(189 302)	83%	116%				919 158
Public contributions & donations	23 000	4 234	27 234	4 410		(22 823)	16%	19%				12 899
Borrowing	-	-	-	-		-	-	-				-
Internally generated funds	241 527	60 583	302 110	295 824		(6 286)	98%	122%				194 022
Total Capital Funding	1 039 459	374 517	1 413 976	1 195 565	12 202	(218 411)	85%	115%	124	-	(124)	1 126 079

Reconciliation of Table A7 Budgeted Cash Flows

Description	2012/2013							2011/2012
	Original Budget	Budget Adjustments (i.i.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	5 197 167	(57 508)	5 139 659	4 964 700	(174 959)	96.6%	95.5%	5 445 029
Government - operating	1 356 926	72 664	1 429 590	1 269 882	(159 708)	88.8%	93.6%	1 204 454
Government - capital	771 932	11 000	782 932	895 330	112 398	114.4%	116.0%	919 158
Interest	25 528	15 657	41 185	65 624	24 439	159.3%	257.1%	56 734
Dividends			-		-	-	-	
Payments								
Suppliers and employees	(5 702 869)	(34 365)	(5 737 234)	(5 190 401)	546 833	90.5%	91.0%	(5 418 224)
Finance charges	(205 239)	(9 313)	(214 552)	(205 274)	9 277	95.7%	100.0%	(201 286)
Transfers and Grants	(79 005)	(3 803)	(82 808)	(83 564)	(755)	100.9%	105.8%	(40 896)
NET CASH FROM/(USED) OPERATING ACTIVITIES	1 364 440	(5 668)	1 358 772	1 176 297	357 525	126.3%	125.8%	1 964 969
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE			-		-	-	-	
Decrease (Increase) in non-current debtors			-		-	-	-	
Decrease (increase) other non-current receivables		13 315	13 315	9 779	(3 536)	73.4%	#DIV/0!	19 777
Decrease (increase) in non-current investments			-		-	-	-	
Payments								
Capital assets	(1 048 473)	(351 902)	(1 400 375)	(1 267 291)	133 084	90.5%	120.9%	(1 176 458)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1 048 473)	(338 587)	(1 387 060)	(1 257 512)	129 549	90.7%	119.9%	(1 156 681)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans			-		-	-	-	
Borrowing long term/refinancing			-		-	-	-	
Increase (decrease) in consumer deposits	(3 275)	(225)	(3 500)		3 500	-	-	
Payments								
Repayment of borrowing	(97 444)	(15 000)	(112 444)	(97 444)	15 000	86.7%	100.0%	(77 058)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(100 719)	(15 225)	(115 944)	(97 444)	18 500	84.0%	96.7%	(77 058)
NET INCREASE/ (DECREASE) IN CASH HELD	215 248	(359 480)	(144 232)	361 342				731 230
Cash/cash equivalents at the year begin:	1 158 887	350 434	1 158 887	1 158 887				427 657
Cash/cash equivalents at the year end:	1 374 135	(9 046)	1 014 655	1 520 229	505 574	149.8%	110.6%	1 158 887