

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended

30 June 2014

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 112, 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 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)

City Manager

27 November 2014

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

General Information

Legal form of entity	Metropolitan Municipality
Nature of business and principal activities	Local Government
Mayoral Committee	
Executive Mayor	Cllr N.B 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 Soul (Sports, Recreation, Arts and Culture) Cllr P.M Ndlovu (Public Health) Cllr B.E Mkavu (Human Settlements) Cllr B. Naran (Budget and Treasury)
Accounting Officer (City Manager)	M Mbambisa
Chief Financial Officer (CFO)	J.T Harper
Chief Operating Officer (COO)	M Clay
Chief of Staff	B Ntshona
Metro Police Chief	M Mathabathe
Chief Executive Officer (MBDA)	P Voges
Chief Financial Officer and Company Secretary (MBDA)	A Daya
Executive Directors (NMBM)	M Ndoyana (Corporate Services) A Qaba (Economic Development, Tourism and Agriculture) C Williams (Acting - Sports, Recreational, Arts and Culture) A Tolom (Acting - Public Health) L Petuna (Human Settlements) S Mathews (Electricity and Energy) E.W Shaidi (Infrastructure and Engineering) S Brown (Safety and Security)

Non-Executive Directors (MBDA)	S.J Macozoma (Chairperson) P.H Gutsche (Deputy Chairperson) D.A Jordaan L.M Prince W.M Gie H Sadiki A Da Costa R Kisten
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
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual 2014 R	Restated 2013 R	Actual 2014 R	Restated 2013 R
NET ASSETS AND LIABILITIES					
Net Assets					
Total Accumulated Surplus		11,196,263,860	10,070,889,884	11,195,321,078	10,070,450,727
Non-current Liabilities					
		3,194,976,755	3,435,031,123	3,193,972,175	3,432,861,399
Long-term Liabilities	3	1,579,062,215	1,718,350,944	1,578,057,635	1,716,181,220
Employee Benefit Obligation	4.1	1,304,681,454	1,465,089,079	1,304,681,454	1,465,089,079
Non-current Provisions	4.2	311,233,086	251,591,100	311,233,086	251,591,100
Current Liabilities					
		2,268,471,548	2,323,956,859	2,260,579,295	2,314,792,251
Consumer Deposits	7	100,347,533	93,158,571	100,347,533	93,158,571
Current Employee Benefit Obligation	5.1	82,254,519	115,048,782	81,605,533	114,565,186
Current Provisions	5.2	78,479,629	139,174,500	78,479,629	139,174,500
Creditors - Exchange Transactions	8	1,632,654,692	1,506,330,606	1,626,421,354	1,498,059,826
Unspent Conditional Grants and Receipts	9	260,757,148	364,675,344	260,757,148	364,675,344
Current Portion of Long-term Liabilities	3	113,978,027	105,569,056	112,968,098	105,158,824
Total Net Assets and Liabilities		<u>16,659,712,163</u>	<u>15,829,877,866</u>	<u>16,649,872,548</u>	<u>15,818,104,377</u>
ASSETS					
Non-current Assets					
		13,459,721,159	13,184,762,213	13,458,817,419	13,184,323,056
Property, Plant and Equipment (PPE)	10	12,877,317,615	12,549,403,331	12,876,688,749	12,548,702,870
Heritage Assets	11	203,660,123	197,652,202	203,409,623	197,422,702
Intangible Assets	12	167,213,016	207,021,519	167,188,642	207,004,329
Investment Property	13	199,439,155	199,262,490	199,439,155	199,262,490
Investments	14	0	(487,994)	0	20,000
Long-term Receivables - Exchange Transactions	15	6,734,606	27,499,304	6,734,606	27,499,304
Long-term Receivables - Non-exchange Transactions	15	5,356,644	4,411,361	5,356,644	4,411,361
Current Assets					
		3,199,991,004	2,645,115,653	3,191,055,129	2,633,781,321
Inventory	16	107,225,607	105,955,694	107,225,607	105,955,694
Consumer Debtors - Exchange Transactions	17	841,041,601	586,933,364	841,041,601	586,933,364
Consumer Debtors - Non-exchange Transactions	17	195,693,983	24,433,716	195,693,983	24,433,716
Other Debtors - Exchange Transactions	18	285,200,298	311,363,388	335,182,500	361,190,998
VAT Refund	19	119,440,061	3,962,310	118,583,727	3,452,792
VAT Suspense	19	40,765,490	29,703,240	40,765,490	29,703,240
Current Portion of Long-term Receivables - Exchange Transactions	15	80	80	80	80
Short-term Investments	20	2,526,748	1,882,274	2,526,748	1,882,274
Short-term Investment Deposits	20	1,421,480,088	1,245,378,088	1,421,480,088	1,245,378,088
Bank Balances and Cash	21	186,617,048	335,503,499	128,555,305	274,851,075
Total Assets		<u>16,659,712,163</u>	<u>15,829,877,866</u>	<u>16,649,872,548</u>	<u>15,818,104,377</u>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014**

Restated 2013 R		Actual 2014 R	Approved Original Budget 2014 R	Adjustments 2014 R	Approved Final Budget 2014 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
1,058,523,375	Property Rates	22	1,205,525,500	1,214,336,810	40,028,090	1,254,364,900	48,839,400	4%
3,633,274,378	Service Charges	23	3,810,943,490	4,089,228,290	(107,193,590)	3,982,034,700	171,091,210	4%
67,638,736	Interest earned - Investments		82,577,554	45,740,040	17,119,910	62,859,950	(20,362,078)	-32%
419,419	Interest earned - Fair Value Adjustment		644,474	0	0	0	0	
166,835,449	Interest earned - Outstanding Debtors		217,462,732	171,724,420	75,000	171,799,420	(45,663,312)	-27%
28,891,542	Fines		12,808,381	34,808,730	(304,890)	34,503,840	21,695,459	63%
10,262,803	Licences and Permits		9,328,146	10,394,240	235,540	10,629,780	1,301,634	12%
1,270,307,288	Government Grants and Subsidies - Operating	24	1,300,058,389	1,119,572,470	319,263,591	1,438,836,061	138,777,672	10%
895,330,135	Government Grants and Subsidies - Capital	24	1,027,013,533	709,812,290	484,296,020	1,194,108,310	167,094,777	14%
16,554,597	Rental of Facilities and Equipment		17,906,720	21,460,590	(138,310)	21,322,280	3,415,560	16%
1,908,520	Income for Agency Services		2,094,655	1,484,000	(1,200)	1,482,800	(611,855)	-41%
805,638,852	Other Income	25	814,598,437	691,129,530	57,173,100	748,302,630	(66,295,807)	-9%
7,955,585,094	Total Revenue		8,500,962,011	8,109,691,410	810,553,261	8,920,244,671	419,282,660	
EXPENDITURE								
1,724,614,336	Employee Related Costs	26	1,761,421,078	1,972,548,120	16,084,813	1,988,632,933	227,211,855	11%
53,009,669	Remuneration of Councillors	27	55,572,269	57,199,290	(477,520)	56,721,770	1,149,501	2%
409,754,396	Impairment - receivables	28	200,766,874	318,213,910	(4,019,940)	314,193,970	113,427,096	36%
3,103,857	Collection Costs		3,214,202	4,435,190	0	4,435,190	1,220,988	28%
373,894,581	Contracted Services	54	289,459,339	326,624,690	(22,857,590)	303,767,100	14,307,761	5%
649,090,506	Depreciation - Property, Plant and Equipment	48	632,483,802	885,807,300	(68,894,320)	816,912,980	71,946,991	9%
5,367,960	Depreciation - Investment Property	51	6,117,799	0	0	0	0	0%
90,671,344	Amortisation	50	106,364,388	0	0	0	0	0%
29,299,742	Impairment - PPE	35.7	640,829,075	0	0	0	(640,829,075)	100%
472,823,460	Repairs and Maintenance		489,773,413	537,635,270	77,938,820	615,574,090	125,800,677	20%
201,167,008	Finance cost	29	190,854,707	190,534,160	(967,290)	189,566,870	(1,287,837)	-1%
2,179,992,687	Bulk Purchases	30	2,251,557,960	2,292,123,340	(42,219,350)	2,249,903,990	(1,653,970)	0%
18,783,465	Grants and Subsidies Paid	31	19,731,229	340,519,940	(5,008,120)	335,511,820	315,780,591	94%
777,066,424	General Expenses	54	726,677,803	695,271,520	286,925,491	982,197,011	255,519,208	26%
239,895	Share of Loss in Associate		0	0	0	0	0	
94,839,337	Loss on Disposal of Property Plant and Equipment	35.8	1,272,093	0	0	0	(1,272,093)	100%
7,083,718,667	Total Expenditure		7,376,096,031	7,620,912,730	236,504,994	7,857,417,724	481,321,693	
871,866,427	Surplus for the year		1,124,865,980	488,778,680	574,048,267	1,062,826,947	(62,039,033)	

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

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014**

Restated 2013 R		Actual 2014 R	Approved Original Budget 2014 R	Adjustments 2014 R	Approved Final Budget 2014 R	Variance Final Budget and Actual R	%	No.
REVENUE								
1,058,523,375	Property Rates	22	1,205,525,500	1,214,336,810	40,028,090	1,254,364,900	48,839,400	4%
3,633,444,852	Service Charges	23	3,811,083,848	4,089,228,290	(107,193,590)	3,982,034,700	170,950,852	4%
65,038,572	Interest earned - Investments		80,037,422	43,240,040	17,119,910	60,359,950	(20,321,946)	-34%
419,419	Interest earned - Fair Value Adjustment		644,474	0	0	0	0	
166,835,449	Interest earned - Outstanding Debtors		217,462,732	171,724,420	75,000	171,799,420	(45,663,312)	-27%
28,891,542	Fines		12,808,381	34,808,730	(304,890)	34,503,840	21,695,459	63%
10,262,803	Licences and Permits		9,328,146	10,394,240	235,540	10,629,780	1,301,634	12%
1,269,881,789	Government Grants and Subsidies - Operating	24	1,299,911,085	1,119,572,470	317,206,250	1,436,778,720	136,867,635	10%
895,330,135	Government Grants and Subsidies - Capital	24	1,026,453,533	709,812,290	483,578,020	1,193,390,310	166,936,777	14%
16,554,597	Rental of Facilities and Equipment		17,906,720	21,460,590	(138,310)	21,322,280	3,415,560	16%
1,908,520	Income for Agency Services		2,094,655	1,484,000	(1,200)	1,482,800	(611,855)	-41%
803,377,693	Other Income	25	809,012,291	690,879,530	57,173,100	748,052,630	(60,959,661)	-8%
7,950,468,746	Total Revenue		8,492,268,787	8,106,941,410	807,777,920	8,914,719,330	422,450,543	
EXPENDITURE								
1,716,616,688	Employee Related Costs	26	1,751,078,181	1,963,367,120	13,712,440	1,977,079,560	226,001,379	11%
53,009,669	Remuneration of Councillors	27	55,572,269	57,199,290	(477,520)	56,721,770	1,149,501	2%
409,730,233	Impairment - receivables	28	200,710,834	318,213,910	(4,029,940)	314,183,970	113,473,136	36%
3,103,857	Collection Costs		3,214,202	4,435,190	0	4,435,190	1,220,988	28%
373,894,581	Contracted Services	54	289,459,339	326,624,690	(22,857,590)	303,767,100	14,307,761	5%
648,940,455	Depreciation - Property, Plant and Equipment	48	632,333,505	885,807,300	(69,114,320)	816,692,980	71,886,812	9%
5,367,960	Depreciation - Investment Property	51	6,117,799	0	0	0	0	0%
90,637,156	Amortisation	50	106,354,864	0	0	0	0	0%
29,299,742	Impairment - PPE	35.7	640,829,075	0	0	0	(640,829,075)	100%
472,772,760	Repairs and Maintenance		489,697,574	537,635,270	77,938,820	615,574,090	125,876,516	20%
201,008,441	Finance cost	29	190,687,238	190,534,160	(1,147,290)	189,386,870	(1,300,368)	-1%
2,179,992,687	Bulk Purchases	30	2,251,557,960	2,292,123,340	(42,219,350)	2,249,903,990	(1,653,970)	0%
37,469,531	Grants and Subsidies Paid	31	43,257,157	401,269,200	879,380	402,148,580	358,891,423	89%
761,781,235	General Expenses	54	705,256,346	682,602,530	278,920,540	961,523,070	256,266,724	27%
94,839,337	Loss on Disposal of Property Plant and Equipment	35.8	1,272,093	0	0	0	(1,272,093)	100%
7,078,464,332	Total Expenditure		7,367,398,436	7,659,812,000	231,605,170	7,891,417,170	524,018,734	
872,004,414	Surplus for the year		1,124,870,351	447,129,410	576,172,750	1,023,302,160	(101,568,191)	

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

NELSON MANDELA BAY MUNICIPALITY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Surplus
	R
Balance at 01 July 2012 as previously reported	9,325,552,733
Restatements (Refer note 40.2)	(126,529,276)
Restated Balance at 01 July 2012	9,199,023,457
Surplus for the year as previously reported	854,526,082
Decrease in Surplus (Refer note 40.1.1)	17,340,345
Restated Surplus for the year	871,866,427
Restated Balance at 30 June 2013	10,070,889,884
Balance at 01 July 2013	10,070,889,884
Surplus for the year	1,124,865,980
Reversal of Uitesco's portion in Accumulated Surplus	507,996
Balance at 30 June 2014	11,196,263,860

NELSON MANDELA BAY MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Accumulated Surplus
	R
Balance at 01 July 2012 as previously reported	9,324,975,588
Restatements (Refer note 40.2)	(126,529,276)
Restated Balance at 01 July 2012	9,198,446,312
Surplus for the year as previously reported	854,664,070
Decrease in Surplus (Refer note 40.1.1)	17,340,345
Restated Surplus for the year	872,004,415
Restated Balance at 30 June 2013	10,070,450,727
Balance at 01 July 2013	10,070,450,727
Surplus for the year	1,124,870,351
Balance at 30 June 2014	11,195,321,078

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual 2014 R	Restated 2013 R	Actual 2014 R	Restated 2013 R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		7,554,307,750	7,222,146,654	7,550,963,864	7,208,188,901
- Sale of goods and services, fines, taxes levied and other		4,844,136,423	4,801,102,639	4,843,795,464	4,790,005,676
- Grants		2,425,658,929	2,195,007,499	2,424,951,625	2,194,582,000
- Interest received		284,512,398	226,036,516	282,216,775	223,601,225
Cash paid to suppliers and employees		(5,740,422,679)	(5,490,712,184)	(5,735,171,818)	(5,480,771,893)
- Employee Costs		(1,870,836,639)	(1,660,921,448)	(1,860,493,743)	(1,652,923,801)
- Suppliers		(3,676,871,242)	(3,624,681,864)	(3,681,963,277)	(3,622,739,220)
- Interest paid	29	(192,714,798)	(205,108,872)	(192,714,798)	(205,108,872)
CAH GENERATED FROM OPERATIONS	32	1,813,885,071	1,731,434,470	1,815,792,046	1,727,417,008
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of PPE		(1,602,085,801)	(1,219,873,354)	(1,602,005,250)	(1,219,604,577)
Purchase of Intangible assets		(66,555,885)	(23,665,975)	(66,539,177)	(23,651,413)
Purchase of Investment Property		(6,295,644)	(18,754,231)	(6,295,644)	(18,754,231)
Purchase of Heritage Assets		(6,007,921)	(6,643,847)	(5,986,921)	(6,621,347)
NET CASH FLOW FROM INVESTING ACTIVITIES		(1,680,945,251)	(1,268,937,407)	(1,680,826,992)	(1,268,631,568)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of Non-current Liabilities (external loan funding)	34	(105,158,824)	(97,443,690)	(105,158,824)	(97,443,690)
Increase/ (Decrease) in Non-current Liabilities (construction contracts)		(565,447)	848,969	0	0
NET CASH FLOW FROM FINANCING ACTIVITIES		(105,724,271)	(96,594,721)	(105,158,824)	(97,443,690)
NET CHANGE IN CASH AND CASH EQUIVALENTS		27,215,549	365,902,342	29,806,230	361,341,750
Cash and cash equivalents at the beginning of the year		1,580,881,587	1,214,979,245	1,520,229,163	1,158,887,413
Cash and cash equivalents at the end of the year	33	1,608,097,136	1,580,881,587	1,550,035,393	1,520,229,163

1. BASIS OF PREPARATION and STATEMENT OF COMPLIANCE

These Consolidated 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) in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003). In addition, these Consolidated Financial Statements include mandatory disclosures in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and related regulations.

The Consolidated 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 standard for material transactions, events or conditions not covered by Directive 5, the Economic Entity 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 Consolidated Financial Statements are set out below. These accounting policies are consistent with those used to present the previous year's Consolidated Financial Statements other than the standards listed below:

The Economic Entity has adopted the following standard:

Standard number	Standard name	Effective date (if applicable)
GRAP 25	Employee benefits	01 April 2013

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

1.1 CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Nelson Mandela Bay Municipality and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

The controlled entities have the same reporting date and reporting period as the controlling entity.

All inter-entity transactions and balances, unrealised gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate, the accounting policies of controlled entities conform to the policies adopted by the Economic Entity.

1.2 MUNICIPAL ENTITIES

Municipal entities are all controlled entities over which the Economic Entity has ownership control or effective control to govern the financial and operating policies of such controlled entities to benefit from its activities.

2. PRESENTATION AND FUNCTIONAL CURRENCY

These Consolidated Financial Statements are presented in South African Rand. The functional currency of the Economic Entity is South African Rand. Financial values are rounded to the nearest one rand.

3. GOING CONCERN ASSUMPTION

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

4. COMPARATIVE INFORMATION

4.1 Current year comparatives (Budget):

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

4.2 Prior year comparatives:

When the presentation or classification of items in the Consolidated 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 Consolidated 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 Economic Entity 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 18	Segment Reporting	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 32	Service Concession Arrangements - Grantor	No effective date
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 108	Statutory Receivables	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 Economic Entity 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 32 - Service Concession Arrangements – Grantor

This Standard applies to an asset used in a service concession arrangement for its entire economic life (a “whole-of-life” asset) if certain conditions are met. The standard does not have an effective date yet. It is expected that adoption of this standard will not be significant.

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 Economic Entity’s financial statements is not expected to be significant because the Economic Entity rarely enters into such transactions. The standard is only expected to have an impact on the Economic Entity 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 Economic Entity in the near future. This standard does not yet have an effective date.

GRAP 108 – Statutory Receivables

This standard deals with receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. This standard does not yet have an effective date. It is expected that adoption of this standard will not be significant.

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)
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 17	Service concession arrangements where a grantor controls a significant residual interest in an asset	Effective date not yet determined

6. SIGNIFICANT JUDGEMENTS

The use of judgment, estimates and assumptions is inherent to the process of preparing Consolidated Financial Statements. These judgements affect the amounts presented in the Consolidated 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 Economic Entity 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 bar the collection of rare books and manuscripts. The Economic Entity's initial accounting for heritage assets is incomplete because the value for the collection of rare books and manuscripts is not known. Management anticipates that the full measurement will be achieved by the end of the next financial year, 30 June 2015 within the measurement period.

Allowances for Credit losses

On Consumer debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the estimated future cash flows based on the historical payment trend.

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 Economic Entity as lessor

The Economic Entity has entered into commercial property leases on its investment property portfolio. The Economic Entity 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 Economic Entity 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. 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 on-going delivery of municipal services to residents reflected that the Budget was cash backed over the three-year period.

The Economic Entity'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 Economic Entity'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 Economic Entity 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 Economic Entity improving its cash and cash equivalents position from a projected R 59, 9 million in 2010/11 to R 1.55 billion as at the end of June 2014. The Economic Entity secured a bank overdraft of R 450 million to cover short-term cash shortfalls, if required – to date this facility has not been used.

As the Economic Entity has the power to levy fees, tariffs and charges, it will result in an on-going inflow of revenue to support the on-going 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 Consolidated Financial Statements on the Going Concern basis.

7. SIGNIFICANT ESTIMATES AND ASSUMPTIONS

In the process of preparing the Economic Entity's Consolidated Financial Statements, management has made the following key estimates and assumptions:

Provision for Rehabilitation of Refuse Landfill Sites

The Economic Entity 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 to rehabilitate the landfill sites in the future. The cost factors as determined have been applied and projected at an inflation rate of 6.60% (2013: 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% (2013: 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% (2013: 2.25%).

Provision for Rehabilitation of Swartkops River

The provision is in relation to the Economic Entity's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of a wetland beside the Swartkops River, which was present valued at a rate of 11.04% (2013: 11.04%).

Pension and other post-employment benefits

The cost of defined benefit pension plans (ex gratia pensions), 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 to Note 47 of the Consolidated Financial Statements.

Workmen's compensation provision is calculated as a percentage of total earnings for the year.

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 management 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 5.147% (2013: 4.763%)

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 Economic Entity 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 18.

Amounts due to Funders of Construction Contracts

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

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 Economic Entity 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 Economic Entity 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 Economic Entity'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 Economic Entity.
- The CRR may only be utilised to finance purchasing items of property, plant and equipment, investment property and intangible assets and may not be used for the maintenance of these items.
- Whenever the CRR is utilised, the CRR is reduced by an amount equal to the cost price of the asset and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement 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 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 Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment, investment property and intangible assets are depreciated or amortised, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment, investment property and intangible assets financed from donations and public contributions.

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

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

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

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

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

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

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

Compensation for Occupational Injuries and Diseases (COID) Reserve

The Economic Entity 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), requires that the Economic Entity 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 Economic Entity 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 Economic Entity 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 2).

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 Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained. The gratuity is payable by Council to wage earners who joined the Economic Entity 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 years' 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 Economic Entity.

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. Actuarial valuations were conducted for the first time in the 2014 financial year and will be conducted on an annual basis.

Retirement benefits

The Economic Entity 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 Economic Entity has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Economic Entity 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 Economic Entity but do it as a whole for all 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 immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (further detail is available in Note 47), 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 Economic Entity nor can they be paid directly to the Economic Entity.

Fair value is based on market price information and in the case of quoted securities; it is the published bid price. It should be noted that there are currently no plan assets.

Medical Aid: Continued Members

The Economic Entity 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 Economic Entity 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 Economic Entity 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 AND CONTINGENCIES

Provisions are recognised when the Economic Entity 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 Economic Entity: The Economic Entity's Legal Council assesses the list of claims against the Economic Entity on an annual basis. The Economic Entity recognises a provision for all claims/cases for which the outflow of economic resources is probable and the amount can be reliably estimated.

The Economic Entity 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 Economic Entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Economic Entity 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 Economic Entity 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 Economic Entity 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 Economic Entity 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 Economic Entity 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 Economic Entity 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 Economic Entity 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 Economic Entity 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 recognised in the Statement of Financial Performance.

Investments at fair value

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

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

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

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

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. Amounts that are receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the Council.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest 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, other than investment property, 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 Economic Entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. Where an asset is acquired by the Economic Entity 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.

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 Economic Entity. 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 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 Economic Entity 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 a specific 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 Economic Entity 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 component assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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	3 – 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. Residual values are assumed to be zero, unless otherwise stated.

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 Economic Entity and the cost or fair value of the item can be measured reliably.

When an asset, do not meet the initial recognition criteria of a heritage asset, the Economic Entity discloses the 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 Economic Entity.

Where an asset is acquired by the Economic Entity 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

Subsequent to initial recognition, the Economic Entity uses the cost model to measure its heritage assets.

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 Statement of Financial Performance.

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 Economic Entity 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 Economic Entity and the cost or fair value of the asset can be measured reliably.

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

- a) The Economic Entity intends to complete the intangible asset for use or sale.
- b) It is technically feasible to complete the intangible asset.
- c) The Economic Entity has the resources to complete the project.
- d) It is probable that the Economic Entity will receive future economic benefits or service potential.
- e) The ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Economic Entity 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 Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

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

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

Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it's available for use.

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 Economic Entity 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 the Economic Entity 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 Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If investment property becomes owner-occupied property, the Economic Entity accounts for such property in accordance with the policy stated under investment property up to the date of change in use. The costs of day-to-day servicing of investment properties are recognised in the Statement of Financial Performance as incurred.

Subsequent measurement

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment.

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
Buildings	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 Consolidated Financial Statements.

Derecognition

An Investment Property is derecognised when it is disposed of or when no future economic benefits or service potential are to be derived from the use of the asset. All gains or losses from the disposal of investment property are determined as the difference between the sales proceeds and the carrying value of the asset and 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 Economic Entity'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.

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

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. The gain or loss is determined as the difference between the sales proceeds and the carrying value of the asset 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 Economic Entity 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 impairment provision for the write down of inventory is maintained in lieu of obsolete inventory. The level of the impairment provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

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

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

The Economic Entity 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 Economic Entity assesses at each reporting date whether there is an indication that an asset 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 Economic Entity classifies the asset/identifiable group of assets as cash-generating if the key purpose of such asset/group of assets is to derive a commercial return from continuing use, and are independent of the cash inflows from other assets or groups of assets. The Economic Entity 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 of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic Entity 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.

20. REVENUE

20.1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Economic Entity 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.
- 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 on-going 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 Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

20.2 Revenue from Non-Exchange Transactions

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

Recognition

Revenue from non-exchange transactions arise when the Economic Entity either receives value from another entity without directly giving 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 Economic Entity, 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, therefore an accrual is raised at the end of the financial year based on the average collection of fines throughout the year.

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 Economic Entity. Where public contributions have been received but the Economic Entity 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 Economic Entity.

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.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

Expenditure from Non-exchange Transactions

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

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

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 Economic Entity 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

The Economic Entity as Lessee

Recognition

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

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, as 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 contract term.

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, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

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.

Derecognition

The finance lease liabilities are derecognised when the Economic Entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the Economic Entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the Economic Entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the Economic Entity no longer anticipates economic benefits to flow from the asset.

The Economic Entity as Lessor

Recognition

For those leases that meet the definition of a finance lease, where the Economic Entity is the lessor, the Economic Entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the Economic Entity 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 Economic Entity'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.

Derecognition

Finance lease receivables are derecognised when the Economic Entity's right to the underlying cash flows expire or when the Economic Entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the Economic Entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the Economic Entity's right to the underlying cash flows expire or the Economic Entity no longer expects economic benefits to flow from the operating lease asset.

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.

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

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

24. VALUE ADDED TAX (VAT)

The Economic Entity 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, Economic Entity 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 incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

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 Economic Entity's or Municipal Entities' supply chain management policies. Irregular expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

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 incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

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.

29. TRANSFER OF FUNCTION BETWEEN ENTITIES NOT UNDER COMMON CONTROL

The Economic Entity 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.

Economic Entity as the acquirer:

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

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

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

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

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 Consolidated 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 Economic Entity adjusts the amounts recognised in the Consolidated Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The Economic Entity 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 Consolidated Financial Statements.

31. RELATED PARTIES

The Economic Entity 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 Economic Entity and 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 Economic Entity 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 Economic Entity's legal mandate.

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

32. BUDGET INFORMATION

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the Economic Entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Comparative information is not required.

33. COMMITMENTS

Items are classified as commitments when the Economic Entity has committed itself to future transactions that will normally result in an outflow of cash.

Disclosure is done to the extent that it has not already been recognised elsewhere in the financial statements.

Capital commitments are treated as follows:

- The aggregate amount of capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements; and
- If a commitment is for a period longer than a year.

Commitments are disclosed in the following circumstances:

- Unrecorded expenditure approved and contracted for before/at reporting date;
- Unrecorded expenditure approved but not yet contracted for at reporting date; and
- Unrecorded expenditure approved after reporting date.

34. CONSTRUCTION CONTRACTS

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

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

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

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

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
1 RESERVES GOVERNED BY AN ACT: Note 1 and Note 2				
HOUSING DEVELOPMENT FUND				
Housing Revolving Fund	108,605,509	108,605,509	108,605,509	108,605,509
Housing Reserves	1,126,270	1,126,270	1,126,270	1,126,270
Total Housing Development Fund	109,731,779	109,731,779	109,731,779	109,731,779

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

Housing Revolving Fund

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

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

HOUSING RESERVES

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

Community Facilities

Balance at the beginning of the year	160,631	160,631	160,631	160,631
Transfer from Accumulated Surplus	0	0	0	0
Balance at the end of the year	160,631	160,631	160,631	160,631

Replacement and Renewals

Balance at the beginning of the year	965,639	965,639	965,639	965,639
Transfer from Accumulated Surplus	0	0	0	0
Restated Balance at beginning of year	965,639	965,639	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.

2 COID RESERVE

Balance at the beginning of the year	18,104,759	15,135,948	18,104,759	15,135,948
Premiums received - transfer from accumulated surplus	5,497,341	4,601,114	5,497,341	4,601,114
Expenditure funded during the year - transfer to accumulated surplus	(2,188,720)	(1,632,303)	(2,188,720)	(1,632,303)
Balance at the end of the year	21,413,380	18,104,759	21,413,380	18,104,759

The amount for this note has been included in 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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
3. LONG-TERM LIABILITIES				
Financial Liabilities:				
Development Bank of Southern Africa (DBSA)	454,611,711	493,540,599	454,611,711	493,540,599
Amalgamated Banks of South Africa (ABSA)	105,000,000	158,863,151	105,000,000	158,863,151
Rand Merchant Bank	446,825,947	456,371,395	446,825,947	456,371,395
Nedbank	669,887,890	698,599,938	669,887,890	698,599,938
Total External Loans	1,676,325,548	1,807,375,083	1,676,325,548	1,807,375,083
Construction Contract Retention	2,014,509	2,579,956	0	0
Brookes Bequest	14,700,185	13,964,961	14,700,185	13,964,961
Total Long-term Liabilities	1,693,040,242	1,823,920,000	1,691,025,733	1,821,340,044
Less : Current portion transferred to current liabilities	113,978,027	105,569,056	112,968,098	105,158,824
Development Bank of Southern Africa (DBSA)	41,862,114	37,979,548	41,862,114	37,979,548
Amalgamated Banks of South Africa (ABSA)	30,000,000	30,000,000	30,000,000	30,000,000
Rand Merchant Bank	10,593,062	9,589,011	10,593,062	9,589,011
Nedbank	30,512,922	27,590,265	30,512,922	27,590,265
Construction Contract Retention	1,009,929	410,232	0	0
	1,579,062,215	1,718,350,944	1,578,057,635	1,716,181,220

Refer Restatement Note no. 40.2.1

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 R29 145 061 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 R8 834 487 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 R27 590 265 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 R9 589 011 was repaid during the financial year.

BROOKES BEQUEST

Brookes bequest represents a long-term creditor. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The funds may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 5.26% per annum.

CONSTRUCTION CONTRACT RETENTION

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
4.1 EMPLOYEE BENEFIT OBLIGATION				
Gratuity Benefit	32,597,454	35,667,682	32,597,454	35,667,682
Post Retirement Benefits	1,162,816,000	1,323,679,397	1,162,816,000	1,323,679,397
Long Service Awards and Long Service Bonus	109,268,000	105,742,000	109,268,000	105,742,000
Total Employee Benefit Obligation	1,304,681,454	1,465,089,079	1,304,681,454	1,465,089,079

Refer to Note 47 for the full reconciliation and disclosures.

Refer Restatement Note no. 40.2.2

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	35,667,682	35,527,245	35,667,682	35,527,245
Contributions to Obligation	(3,070,228)	140,437	(3,070,228)	140,437
Balance at end of year	32,597,454	35,667,682	32,597,454	35,667,682

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 162 816 000

Balance at beginning of year	1,323,679,397	1,324,175,999	1,323,679,397	1,324,175,999
Movement in obligation	(160,863,397)	(496,602)	(160,863,397)	(496,602)
Balance at end of year	1,162,816,000	1,323,679,397	1,162,816,000	1,323,679,397

Long Service Awards and Long Service Bonus

This obligation is in respect of the long service award and long service bonus which the Municipality offers to its current employees and which become payable at certain pre-determined intervals.

Balance at beginning of year	105,742,000	105,742,000	105,742,000	105,742,000
Contributions to Obligation	3,526,000	0	3,526,000	0
Balance at end of year	109,268,000	105,742,000	109,268,000	105,742,000

4.2 NON-CURRENT PROVISIONS

Rehabilitation of Landfill sites	267,291,647	235,394,122	267,291,647	235,394,122
Rehabilitation of Swartkops River	43,941,439	16,196,978	43,941,439	16,196,978
Total Non-current Provisions	311,233,086	251,591,100	311,233,086	251,591,100

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R158 158 914 for the Arlington Tip site, R29 745 768 for the Koedoeskloof Tip site and R79 386 965 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 2016 (Koedoeskloof).

Squatters are currently occupying the Ibhayi Landfill site that is already closed as a tip site. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. For Arlington and Koedoeskloof landfill sites, the cost factors as determined have been applied and projected at an inflation rate of 6.6%. 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	235,394,122	213,203,431	235,394,122	213,203,431
Contributions to Provision	31,897,525	22,190,691	31,897,525	22,190,691
Balance at end of year	267,291,647	235,394,122	267,291,647	235,394,122

Rehabilitation of Swartkops River

Balance at beginning of year	16,196,978	14,674,139	16,196,978	14,674,139
Contributions to Provision - unwinding of discount factor	27,744,461	1,522,839	27,744,461	1,522,839
Balance at end of year	43,941,439	16,196,978	43,941,439	16,196,978

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
5 EMPLOYEE BENEFITS AND PROVISIONS				
5.1 CURRENT EMPLOYEE BENEFIT OBLIGATION				
Gratuity Liability	5,788,043	6,506,921	5,788,043	6,506,921
Post Retirement Benefits	48,887,000	52,652,930	48,887,000	52,652,930
Performance Bonus Liability	4,208,368	6,569,816	3,603,490	6,120,017
Task Evaluation liability	0	29,234,318	0	29,234,318
Long service awards and long service bonuses	23,327,000	20,051,000	23,327,000	20,051,000
Provision for Workmen's Compensation	44,108	33,797	0	0
Total Current Employee Benefit Obligation	82,254,519	115,048,782	81,605,533	114,565,186
Refer to Note 47 for the full reconciliation and disclosures.				
Refer Restatement Note no. 40.2.2				
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	6,506,921	6,524,417	6,506,921	6,524,417
Contributions to Obligation	2,957,828	3,672,722	2,957,828	3,672,722
Expenditure incurred	(3,676,706)	(3,690,218)	(3,676,706)	(3,690,218)
Balance at end of year	5,788,043	6,506,921	5,788,043	6,506,921
Post Retirement Benefits				
The obligation is in respect of the short-term liabilities attributable to ill-health retirements, medical aid contributions and ex-gratia pensions.				
Balance at beginning of year	52,652,930	40,841,000	52,652,930	40,841,000
Contributions to Obligation	46,552,739	58,697,803	46,552,739	58,697,803
Expenditure incurred	(50,318,669)	(46,885,873)	(50,318,669)	(46,885,873)
Balance at end of year	48,887,000	52,652,930	48,887,000	52,652,930
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	6,569,816	5,298,440	6,120,017	4,938,092
Contributions to Obligation	(1,822,799)	1,631,724	(2,427,677)	1,181,925
Expenditure incurred	(538,649)	(360,348)	(88,850)	0
Balance at end of year	4,208,368	6,569,816	3,603,490	6,120,017
Task Evaluation Liability				
The obligation is in respect of task evaluation.				
Balance at beginning of year	29,234,318	29,234,318	29,234,318	29,234,318
Contributions to Obligation	0	0	0	0
Expenditure incurred	(29,234,318)	0	(29,234,318)	0
Balance at end of year	0	29,234,318	0	29,234,318
Long service awards and long service bonuses				
The obligation is in respect of long service awards and long service bonuses				
Balance at beginning of year	20,051,000	20,051,000	20,051,000	20,051,000
Contributions to Obligation	3,276,000	0	3,276,000	0
Expenditure incurred	0	0	0	0
Balance at end of year	23,327,000	20,051,000	23,327,000	20,051,000
Provision for Workmens Compensation				
Balance at beginning of year	33,797	27,823	0	0
Contributions to Obligation	44,109	33,797	0	0
Adjustment for underprovision	(29,077)	35,922	0	0
Expenditure incurred	(4,721)	(63,745)	0	0
Balance at end of year	44,108	33,797	0	0
5.2 CURRENT PROVISIONS				
Provision for Litigation and Claims	78,479,629	139,174,500	78,479,629	139,174,500
Total Current Provisions	78,479,629	139,174,500	78,479,629	139,174,500
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	139,174,500	62,185,089	139,174,500	62,185,089
Provision utilised	(71,939,123)	(10,094,537)	(71,939,123)	(10,094,537)
Contributions to Provision	11,244,252	87,083,948	11,244,252	87,083,948
Balance at end of year	78,479,629	139,174,500	78,479,629	139,174,500

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
6 DERIVATIVE FINANCIAL INSTRUMENTS				
NMBM has not entered into any derivative financial instruments contracts.				
7 CONSUMER DEPOSITS				
Electricity and Water	98,999,522	92,162,234	98,999,522	92,162,234
Interest	1,348,011	996,337	1,348,011	996,337
	100,347,533	93,158,571	100,347,533	93,158,571
Guarantees held in lieu of Electricity and Water Deposits	6,968,595	5,254,454	6,968,595	5,254,454
Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.				
8 CREDITORS - EXCHANGE TRANSACTIONS				
Trade creditors	1,264,341,149	1,174,047,466	1,259,192,061	1,170,267,359
Payments Received in Advance	70,696,327	55,932,466	70,696,327	55,932,466
Staff leave	145,122,794	141,558,514	144,745,275	141,264,960
Other Creditors	6,877,784	9,935,885	6,171,053	5,738,766
Retentions	144,971,818	124,027,671	144,971,818	124,027,671
Operating Leases	644,820	828,604	644,820	828,604
Total Creditors	1,632,654,692	1,506,330,606	1,626,421,354	1,498,059,826

Refer Restatement Note no. 40.2.3

Financial liabilities:

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R144 999 911, which could be settled within the next 12 months.

No creditors are secured

9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

9.1 Conditional Grants from other spheres of Government

	2014	Restated 2013	2014	Restated 2013
PHB Subsidies (See Note 24.1)	129,994,741	24,535,607	129,994,741	24,535,607
NT- Accreditation of Municipalities (See Note 24.6)	7,870,175	0	7,870,175	0
Public Transport Networks Operations Grant (See Note 24.8.2)	9,468,389	278,421,976	9,468,389	278,421,976
EU Sector Policy Support Policy (See Note 24.10)	13,446,128	31,882,401	13,446,128	31,882,401
Other Grants (See Note 24.12)	27,038,458	14,034,801	27,038,458	14,034,801
National Lotteries Grant (See Note 24.14)	5,703,549	5,605,040	5,703,549	5,605,040
Disaster Relief Grant (See Note 24.21)	0	0	0	0
Infrastructure Skills Development Grant (See Note 24.19)	560,286	3,499,803	560,286	3,499,803
EPWP Incentive Grant (See Note 24.22)	5,528,976	6,695,716	5,528,976	6,695,716
Neighbourhood Partnership Development Grant (See Note 24.16)	7,134,880	0	7,134,880	0
Integrated City Development Grant (See Note 24.25)	3,193,000	0	3,193,000	0
Vuna Awards (See Note 24.26)	15,294	0	15,294	0
Off-Grid Electrification Grant (See Note 24.27)	22,000,000	0	22,000,000	0
Post Disaster Recovery Grant (See Note 24.29)	28,803,272	0	28,803,272	0
Total Unspent Conditional Grants and Receipts	260,757,148	364,675,344	260,757,148	364,675,344

10 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY

As at 30 June 2014

	R Cost	R Accumulated Depreciation/ Impairment	R Carrying Value
Land & Buildings	1,744,639,673	140,018,325	1,604,621,348
Infrastructure Assets	12,053,251,603	3,932,432,000	8,120,819,603
Community Assets	3,153,531,870	515,726,882	2,637,804,988
Other Assets	1,099,029,043	584,957,367	514,071,676
	18,050,452,189	5,173,134,574	12,877,317,615

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.

	R Cost	R Accumulated Depreciation/ Impairment	R Carrying Value
Land & Buildings	2,273,675,897	115,773,436	2,157,902,461
Infrastructure Assets	10,740,457,265	3,509,089,057	7,231,368,208
Community Assets	3,060,786,103	418,105,503	2,642,680,600
Other Assets	1,051,309,686	533,857,624	517,452,062
	17,126,228,951	4,576,825,620	12,549,403,331

Refer Restatement Note no. 40.2.4

MUNICIPALITY

As at 30 June 2014

	R Cost	R Accumulated Depreciation/ Impairment	R Carrying Value
Land & Buildings	1,744,639,673	140,018,325	1,604,621,348
Infrastructure Assets	12,053,251,603	3,932,432,000	8,120,819,603
Community Assets	3,153,531,870	515,726,882	2,637,804,988
Other Assets	1,097,332,393	583,889,583	513,442,810
	18,048,755,539	5,172,066,790	12,876,688,749

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.

	R Cost	R Accumulated Depreciation/ Impairment	R Carrying Value
Land & Buildings	2,273,675,897	115,773,436	2,157,902,461
Infrastructure Assets	10,740,457,265	3,509,089,057	7,231,368,208
Community Assets	3,060,786,103	418,105,503	2,642,680,600
Other Assets	1,049,681,264	532,929,663	516,751,601
	17,124,600,529	4,575,897,659	12,548,702,870

Refer Restatement Note no. 40.2.4

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11 HERITAGE ASSETS

ECONOMIC ENTITY

As at 30 June 2014

Heritage Assets

R	R	R
Cost	Accumulated Impairment	Carrying Value
203,660,123	0	203,660,123
203,660,123	0	203,660,123

Refer to Note 49 for reconciliation.

As at 30 June 2013

Heritage Assets

Cost	Accumulated Impairment	Carrying Value
204,170,902	6,518,700	197,652,202
204,170,902	6,518,700	197,652,202

MUNICIPALITY

As at 30 June 2014

Heritage Assets

R	R	R
Cost	Accumulated Impairment	Carrying Value
203,409,623	0	203,409,623
203,409,623	0	203,409,623

Refer to Note 49 for reconciliation.

As at 30 June 2013

Heritage Assets

Cost	Accumulated Impairment	Carrying Value
203,941,402	6,518,700	197,422,702
203,941,402	6,518,700	197,422,702

12 INTANGIBLE ASSETS

ECONOMIC ENTITY

As at 30 June 2014

Computer Software

R	R	R
Cost	Accumulated Amortisation/ Impairment	Carrying Value
543,446,863	376,233,847	167,213,016
543,446,863	376,233,847	167,213,016

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2013

Computer Software

Cost	Accumulated Amortisation/ Impairment	Carrying Value
569,966,495	362,944,976	207,021,519
569,966,495	362,944,976	207,021,519

MUNICIPALITY

As at 30 June 2014

Computer Software

R	R	R
Cost	Accumulated Amortisation/ Impairment	Carrying Value
543,266,624	376,077,982	167,188,642
543,266,624	376,077,982	167,188,642

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2013

Computer Software

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

13 INVESTMENT PROPERTY

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2014

Land & Buildings

R	R	R
Cost	Accumulated Depreciation/ Impairment	Carrying Value
244,119,319	44,680,164	199,439,155
244,119,319	44,680,164	199,439,155

No assets were pledged as security

Refer to Note 51 for reconciliation.

As at 30 June 2013

Land & Buildings

Cost	Accumulated Depreciation/ Impairment	Carrying Value
237,826,464	38,563,974	199,262,490
237,826,464	38,563,974	199,262,490

Description of Investment Property:	2014	Restated 2013
	R	R
Nelson Mandela Bay Logistics Park	102,300,000	38,000,000
Kings Beach	30,400,000	35,855,000
Springs Resort	2,141,000	6,190,000
Telkom Park	45,200,000	24,130,000
Mc Arthur Bath	12,290,000	12,290,000
Willows Resort	246,430,000	246,430,000
Beachview Resort	6,250,000	8,020,000
Van Stadens Resort	5,250,000	22,740,000
St Georges Park Resort and Wells estate	117,500,000	14,552,929
Motherwell Depot	15,000,000	15,000,000
Africa Timbers in Korsten	1,990,000	1,990,000
Algoa Bus depot	0	26,000
Mercado centre	22,830,000	25,172,506
Fresh Produce Market	5,500,000	21,907,071
Incinerator and Gas works	26,730,000	26,730,000
Something Good	4,200,000	4,730,000
Korsten Depot	1,600,000	0
Port Elizabeth RD Steeledale Reinforcing	980,000	0
PE Central Shop	490,000	0
North End Workshop	66,000	0
Moselville Old Post Office	1,250,000	0
Market Value of Investment Property	648,397,000	503,763,506

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13 INVESTMENT PROPERTY (Continued)	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
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 2014:				
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	240,000	240,000	240,000	240,000
Van Stadens Resort	240,000	240,000	240,000	240,000
Direct Operating expenses that generated rental revenue	0	0	0	0
14 INVESTMENTS				
Investment in Uitenhage (UITESCO)	<u>0</u>	<u>(487,994)</u>	<u>0</u>	<u>20,000</u>
The NMBM holds a 33% share in UITESCO.				
The Shareholders of UITESCO are in the process of liquidating the company. The application has been lodged with CIPRO, therefore it has been decided to impair the investment.				
15 LONG-TERM RECEIVABLES				
Loan - UITESCO	0	17,905,515	0	17,905,515
Sporting and Other Bodies	260	340	260	340
Other Debtors	50,315	50,315	50,315	50,315
Consumer Debtors	12,040,755	13,954,575	12,040,755	13,954,575
Rate and General	5,356,644	4,411,361	5,356,644	4,411,361
Electricity	2,975,490	5,111,483	2,975,490	5,111,483
Water	1,665,443	2,378,705	1,665,443	2,378,705
Refuse	826,873	641,889	826,873	641,889
Sewerage	1,216,305	1,157,745	1,216,305	1,157,745
Insurance	0	253,392	0	253,392
	<u>12,091,330</u>	<u>31,910,745</u>	<u>12,091,330</u>	<u>31,910,745</u>
Less current portion:				
Sporting and Other Bodies	80	80	80	80
Current Portion of Long-term Receivables	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>
Long-term Receivables	<u>12,091,250</u>	<u>31,910,665</u>	<u>12,091,250</u>	<u>31,910,665</u>
Long-term Receivables - Exchange Transactions	6,734,606	27,499,304	6,734,606	27,499,304
Long-term Receivables - Non-exchange Transactions	5,356,644	4,411,361	5,356,644	4,411,361
	<u>12,091,250</u>	<u>31,910,665</u>	<u>12,091,250</u>	<u>31,910,665</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%.				
CONSUMER DEBTORS				
The current portion is disclosed in note 17 - Consumer Debtors.				
16 INVENTORY				
	108,964,797	106,074,010	108,964,797	106,074,010
Raw Materials	143,144	73,818	143,144	73,818
Finished Goods	85,238,477	87,762,137	85,238,477	87,762,137
Water Finished Goods - at cost (refer to note 30 for cost of inventory sold)	7,016,348	7,740,236	7,016,348	7,740,236
Consumable Goods	16,566,828	10,497,819	16,566,828	10,497,819
Less: Provision for Obsolete Stock	(1,739,190)	(118,316)	(1,739,190)	(118,316)
	<u>107,225,607</u>	<u>105,955,694</u>	<u>107,225,607</u>	<u>105,955,694</u>
No inventory was pledged as security				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

17 CONSUMER DEBTORS

Economic Entity and Municipality

As at 30 June 2014

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	2,623,341,957	(1,589,914,908)	1,033,427,049
Rates and General	700,653,485	(504,959,502)	195,693,983
Electricity	921,294,026	(350,755,842)	570,538,184
Water	542,786,678	(386,046,641)	156,740,037
Refuse	191,772,243	(154,745,709)	37,026,534
Sanitation	266,835,525	(193,407,214)	73,428,311
House Rentals	24,191,741	(20,883,206)	3,308,535
Total	2,647,533,698	(1,610,798,114)	1,036,735,584

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	195,693,983
Consumer debtors - Exchange Transactions	841,041,601
	1,036,735,584

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 2013

	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	2,184,185,825	(1,578,810,351)	605,375,474
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	230,601,910	(183,746,599)	46,855,311
House Rentals	25,220,850	(19,229,244)	5,991,606
Total	2,209,406,675	(1,598,039,595)	611,367,080

Refer Restatement Note no. 40.2.5

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	24,433,716
Consumer debtors - Exchange Transactions	586,933,364
	611,367,080

	2014 R	Restated 2013 R
Rates and General: Ageing		
Current (0-30 days)	81,673,264	34,203,472
31 - 60 Days	32,034,238	27,412,120
61 - 90 Days	19,063,379	13,561,450
Over 90 Days	567,882,604	458,124,406
Total	700,653,485	533,301,448
Electricity: Ageing		
Current (0-30 days)	450,552,740	425,357,751
31 - 60 Days	46,628,599	47,138,570
61 - 90 Days	28,710,608	24,772,026
Over 90 Days	395,402,079	289,421,120
Total	921,294,026	786,689,467
Water: Ageing		
Current (0-30 days)	94,878,410	100,631,414
31 - 60 Days	41,291,952	29,789,555
61 - 90 Days	24,018,541	19,400,585
Over 90 Days	382,597,775	331,600,937
Total	542,786,678	481,422,491
Refuse: Ageing		
Current (0-30 days)	18,249,463	16,575,104
31 - 60 Days	11,034,544	7,538,945
61 - 90 Days	6,042,877	6,266,152
Over 90 Days	156,445,359	121,790,308
Total	191,772,243	152,170,509

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	Restated 2013 R
17 CONSUMER DEBTORS (Continued)		
Economic Entity and Municipality		
Sanitation: Ageing		
Current (0-30 days)	36,311,746	56,858,539
31 - 60 Days	22,498,899	15,854,747
61 - 90 Days	13,454,896	11,082,163
Over 90 Days	194,569,984	146,806,461
Total	266,835,525	230,601,910
Housing Rentals: Ageing		
Current (0-30 days)	680,390	901,590
31 - 60 Days	1,035,996	668,702
61 - 90 Days	552,551	544,620
Over 90 Days	21,922,804	23,105,938
Total	24,191,741	25,220,850

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 2014			
Current (0-30 days)	145,176,508	510,379,991	26,789,514
31 - 60 Days	76,157,919	63,330,431	15,035,878
61 - 90 Days	51,523,757	37,168,262	3,150,833
Over 90 Days	1,078,792,760	617,256,733	22,771,112
Gross Consumer Debtors by Customer classification	1,351,650,944	1,228,135,417	67,747,337
Gross Consumer Debtors			2,647,533,698
Less: Impairment allowance			(1,610,798,114)
Net Consumer Debtors for the period ended 30 June 2014			1,036,735,584

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	375,897,387	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	710,296,715	58,765,054
Gross Consumer Debtors			2,209,406,675
Less: Impairment allowance			(1,598,039,595)
Net Consumer Debtors for the year ended 30 June 2013			611,367,080

	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
Reconciliation of the Impairment Allowance				
Balance at beginning of year	1,598,039,596	1,274,825,975	1,598,039,596	1,274,825,975
Contributions to Impairment allowance	187,426,046	444,516,599	187,426,046	444,516,599
	1,785,465,642	1,719,342,574	1,785,465,642	1,719,342,574
Bad debts written off against the Impairment allowance	(174,667,528)	(121,302,978)	(174,667,528)	(121,302,978)
Balance at end of year	1,610,798,114	1,598,039,596	1,610,798,114	1,598,039,596

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

Consumer Debtors not past due nor impaired therefore no impairment allowance raised:

Neither past due nor impaired				
Current (0-30 days)	1,036,735,584	611,367,080	1,036,735,584	611,367,080

Consumer Debtors for which an impairment allowance was raised

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)	1,610,798,114	1,598,039,596	1,610,798,114	1,598,039,596
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18 OTHER DEBTORS	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
Government Grants and Subsidies	154,479,140	192,785,534	154,479,140	192,785,534
Interest on External Investments	15,566,930	9,085,962	15,283,379	8,921,089
Operating lease accruals	1,955,890	2,063,471	1,955,890	2,063,471
Sundry Debtors	131,588,549	107,470,464	124,574,975	103,237,994
Entity - MBDA	0	0	57,181,243	54,182,910
	303,590,509	311,405,431	353,474,627	361,190,998
Provision for Bad Debts - Uitesco	(18,390,211)	(42,043)	(18,292,127)	0
	285,200,298	311,363,388	335,182,500	361,190,998

Refer Restatement Note no. 40.2.6

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

19 VAT Refund/ VAT Suspense

VAT Refund	119,440,061	3,962,310	118,583,727	3,452,792
VAT Suspense	40,765,490	29,703,240	40,765,490	29,703,240

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. 40.2.7 and 40.2.8

20 SHORT-TERM INVESTMENTS & INVESTMENT DEPOSITS

DEPOSITS

ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2014: 5.78% (2013: 5.01%) during the current audit period.

	245,000,000	320,000,000	245,000,000	320,000,000
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First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2014: 5.83% (2013: 5.05%) during the current audit period.

	290,000,000	220,000,000	290,000,000	220,000,000
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Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2014: 5.25% (2013: 4.76 %) during the current audit period.

	255,607,152	165,607,152	255,607,152	165,607,152
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Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2014: 5.88% (2013: 5.22%) during the current audit period.

	330,500,000	265,500,000	330,500,000	265,500,000
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Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2014: 5.89% (2013: 5.09%) during the current audit period.

	300,372,936	274,270,936	300,372,936	274,270,936
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	1,421,480,088	1,245,378,088	1,421,480,088	1,245,378,088
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FINANCIAL INSTRUMENTS - INVESTMENTS

Sanlam Shares

	2,526,748	1,882,274	2,526,748	1,882,274
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	2,526,748	1,882,274	2,526,748	1,882,274
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No Investments were pledged as security

The Municipal Structures Act, Act 117 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

The NMBM is the holder of 40 919 shares in Sanlam Ltd received or allotted for no cost, of which the market value was R2 526 748 (2013: R 1 882 274) determined on the open market share price as at 30 June 2014. 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 R112 968 098 (2013: R105 158 824) are ring-fenced and attributable to repaying long-term loans.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
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	274,851,075	171,668,110	274,851,075	171,668,110
Cash Book balance at end of the year	128,555,305	274,851,075	128,555,305	274,851,075
Bank Balance at beginning of the year	214,988,377	125,695,962	214,988,377	125,695,962
Bank Balance at end of the year	179,170,678	214,988,377	179,170,678	214,988,377
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	128,555,305	274,851,075	128,555,305	274,851,075
Bank guarantees held with:	Standard Bank	Standard Bank	Standard Bank	Standard Bank
Performance Guarantee	0	40,000,000	0	40,000,000
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.	2,875,329	17,228,300	2,875,329	17,228,300
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.	0	3,833,340	0	3,833,340
Mandela Bay Development Agency				
Current Account (Primary Account)				
First National Bank, Govan Mbeki Avenue, Port Elizabeth				
Account Number - 62244870748				
Cashbook balance at beginning of year	372,312	111,945		
Cashbook balance at end of the year	726,410	372,312		
Bank statement balance at beginning of the year	372,312	111,945		
Bank statement balance at end of the year	726,410	372,312		
Call Account Deposits				
Rand Merchant Bank, Port Elizabeth				
Account Number - X021906134				
Cashbook balance at beginning of year	60,280,112	55,979,884		
Cashbook balance at end of the year	57,335,333	60,280,112		
Bank statement balance at beginning of the year	60,280,112	55,979,884		
Bank statement balance at end of the year	57,335,333	60,280,112		
Which are disclosed in the Statement of Financial Position as follows:				
Cash and cash equivalents	58,061,743	60,652,424		
Current Account (Primary Account)	726,410	372,312		
Call Account Deposits	57,335,333	60,280,112		
Consolidated Cash Book balance at end of the year	186,617,048	335,503,499		
22 PROPERTY RATES				
<u>Actual</u>				
Residential	557,666,343	525,344,419	557,666,343	525,344,419
Commercial	504,905,239	364,974,993	504,905,239	364,974,993
State	92,960,009	71,872,593	92,960,009	71,872,593
Other	49,993,909	96,331,370	49,993,909	96,331,370
	1,205,525,500	1,058,523,375	1,205,525,500	1,058,523,375
Other includes farms, smallholdings, municipal public service infrastructure and vacant properties. These amounts are reflected excluding VAT.				
Valuations	R'000	R'000	R'000	R'000
Residential	83,360,130	79,153,054	83,360,130	79,153,054
Commercial	35,940,706	26,746,276	35,940,706	26,746,276
State	5,878,929	4,938,573	5,878,929	4,938,573
Other	6,113,951	14,482,987	6,113,951	14,482,987
	131,293,716	125,320,890	131,293,716	125,320,890
23 SERVICE CHARGES				
Sale of Electricity	2,872,412,701	2,819,709,879	2,872,553,059	2,819,880,353
Sale of Water	505,420,422	430,697,703	505,420,422	430,697,703
Service delivery - sale of inventory	3,377,833,123	3,250,407,582	3,377,973,481	3,250,578,056
Refuse Removal	124,745,195	109,483,071	124,745,195	109,483,071
Sewerage and Sanitation charges	308,365,172	273,383,725	308,365,172	273,383,725
Service delivery - sale of services	433,110,367	382,866,796	433,110,367	382,866,796
	3,810,943,490	3,633,274,378	3,811,083,848	3,633,444,852
Refer Restatement Note no. 40.1.12				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014	Restated 2013	2014	Restated 2013
	R	R	R	R
24 GOVERNMENT GRANTS AND SUBSIDIES				
PHB Subsidies (See Note 24.1)	336,533,801	325,728,060	336,533,801	325,728,060
Health Subsidies (See Note 24.2)	8,626,745	6,230,518	8,626,745	6,230,518
Equitable Share Allocation (See Note 24.3)	742,909,000	729,226,000	742,909,000	729,226,000
Finance Management Grant (See Note 24.4)	1,207,888	1,199,655	1,207,888	1,199,655
National Treasury - Accreditation of Municipalities (See Note 24.6)	12,127,257	9,766,344	12,127,257	9,766,344
Provincial Government Grants: Library Services (See Note 24.7)	3,752,000	3,752,000	3,752,000	3,752,000
Public Transport Networks Operations Grant (See Note 24.8.2)	84,044,891	143,210,612	84,044,891	143,210,612
EU Sector Policy Support Project (See Note 24.10)	5,386,616	413,381	5,386,616	413,381
Energy Efficiency & Demand Side Management (See Note 24.11)	11,751,726	0	11,751,726	0
Other Grants (See Note 24.12)	7,883,803	8,556,907	7,736,499	8,131,408
Government Grant Revenue (See Note 24.13)	1,027,686,340	895,330,135	1,027,126,340	895,330,135
National Lotteries Grant (See Note 24.14)	901,491	0	901,491	0
Water Demand Management Grant (See Note 24.15)	0	4,999,332	0	4,999,332
Neighbourhood Partnership development Grant (See Note 24.16)	1,718,128	1,542,600	1,718,128	1,542,600
Urban Settlements Development Grant (See Note 24.18)	4,925,502	1,804,300	4,925,502	1,804,300
Infrastructure Skills Development Grant (See Note 24.19)	9,780,584	3,598,885	9,780,584	3,598,885
AFCON Cup (See Note 24.20)	0	15,923,000	0	15,923,000
Disaster Relief Grant (See Note 24.21)	0	6,730,000	0	6,730,000
EPWP Incentive Grant (See Note 24.22)	21,077,638	7,625,694	21,077,638	7,625,694
Groen Sebenza (SANBI) Grant (See Note 24.23)	244,169	0	244,169	0
United Nations Development Partnership Grant (See Note 24.24)	5,474,686	0	5,474,686	0
Department of Roads and Public Works Grant (See Note 24.28)	5,624,438	0	5,624,438	0
Post Disaster Recovery Grant (See Note 24.29)	37,415,219	0	37,415,219	0
	2,327,071,922	2,165,637,423	2,326,364,618	2,165,211,924

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	24,535,607	8,629,785	24,535,607	8,629,785
Current year receipts	480,142,296	331,331,172	480,142,296	331,331,172
Interest received	4,439,020	1,831,172	4,439,020	1,831,172
Debtor raised	148,378,954	188,680,601	148,378,954	188,680,601
Reversal of prior year accrual	(188,680,601)	(178,334,636)	(188,680,601)	(178,334,636)
Creditor raised - Interest payable	(455,562)	(1,812,794)	(455,562)	(1,812,794)
Interest paid over to Provincial Treasury	(1,831,172)	(18,378)	(1,831,172)	(18,378)
Conditions met - Transferred to Other Income	0	(43,255)	0	(43,255)
Conditions met - Transferred to revenue	(336,533,801)	(325,728,060)	(336,533,801)	(325,728,060)
Conditions still to be met - transferred to liabilities	129,994,741	24,535,607	129,994,741	24,535,607

24.2 Health Subsidies

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

Balance at beginning of year	0	36,267	0	36,267
Current year receipts	6,626,745	63,337,596	6,626,745	63,337,596
Debtor raised	0	0	0	0
Conditions met - Transferred to revenue	(6,626,745)	(6,230,518)	(6,626,745)	(6,230,518)
Reversal of prior year accrual	0	(57,143,345)	0	(57,143,345)
Conditions still to be met - transferred to liabilities	0	0	0	0

24.3 Equitable Share

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

Balance unspent at beginning of year	0	0	0	0
Current year receipts	742,909,000	729,226,000	742,909,000	729,226,000
Transferred to revenue	(742,909,000)	(729,226,000)	(742,909,000)	(729,226,000)
Conditions still to be met - transferred to liabilities	0	0	0	0

24.4 Finance Management Grant

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

Balance unspent at beginning of year	0	0	0	0
Current year receipts	1,250,000	1,250,000	1,250,000	1,250,000
Conditions met - Transferred to Other Income - VAT portion	(42,112)	(50,345)	(42,112)	(50,345)
Conditions met - Transferred to revenue	(1,207,888)	(1,199,655)	(1,207,888)	(1,199,655)
Conditions still to be met - transferred to liabilities	0	0	0	0

24.5 Amphitheatre - Uitenhage - UDDI

This Grant is used to promote Economic development in the Uitenhage and Despatch Development Initiative.

Balance unspent at beginning of year	0	3,773,525	0	3,773,525
Creditor raised - Grant to be paid over to UDDI	0	(3,773,525)	0	(3,773,525)
Conditions still to be met - transferred to liabilities	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
24.6 National Treasury - Accreditation of Municipalities				
This Grant is used for capacity building of employees in the NMBM's Human Settlements Directorate.				
Balance unspent at beginning of year	0	4,879,723	0	4,879,723
Current year receipts	19,997,432	4,886,621	19,997,432	4,886,621
Conditions met - Transferred to revenue	(12,127,257)	(9,766,344)	(12,127,257)	(9,766,344)
Conditions still to be met - transferred to liabilities	7,870,175	0	7,870,175	0
24.7 Provincial Government Grants				
This grant is received from the Provincial Government and used to subsidise Libraries.				
Balance at beginning of year	0	0	0	0
Current year receipts	3,752,000	3,752,000	3,752,000	3,752,000
Conditions met - Transferred to revenue	(3,752,000)	(3,752,000)	(3,752,000)	(3,752,000)
Conditions still to be met - transferred to liabilities	0	0	0	0
24.8.1 Public Transport Infrastructure Grant				
This Grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.				
Balance unspent at beginning of year	278,421,976	340,000,000	278,421,976	340,000,000
Opening Balance for Public Transport Networks Operations	(6,400,000)	0	(6,400,000)	0
Restated Opening Balance	272,021,976	340,000,000	272,021,976	340,000,000
Current year receipts	85,000,000	298,702,000	85,000,000	298,702,000
Conditions met - Transferred to revenue - capital	(313,177,170)	(181,546,499)	(313,177,170)	(181,546,499)
Conditions met - Transferred to Other Income - VAT portion	(43,844,806)	(35,522,913)	(43,844,806)	(35,522,913)
Conditions met - Transferred to revenue	0	(143,210,612)	0	(143,210,612)
Conditions still to be met - transferred to liabilities	0	278,421,976	0	278,421,976
24.8.2 Public Transport Networks Operations Grant				
This grant is to provide supplementary operational funding to Municipalities				
Balance unspent at beginning of year	0	0	0	0
Opening Balance from Public Transport Infrastructure Grant	6,400,000	0	6,400,000	0
Restated Opening Balance	6,400,000	0	6,400,000	0
Current year receipts	100,000,000	0	100,000,000	0
Conditions met - Transferred to Other Income - VAT portion	(12,886,720)	0	(12,886,720)	0
Conditions met - Transferred to revenue	(84,044,891)	0	(84,044,891)	0
Conditions still to be met - transferred to liabilities	9,468,389	0	9,468,389	0
24.9 Integrated National Electrification Programme Grant				
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	0	0
Current year receipts	53,585,000	15,000,000	53,585,000	15,000,000
Conditions met - Transferred to revenue - capital	(47,004,386)	(15,000,000)	(47,004,386)	(15,000,000)
Conditions met - Transferred to Other Income - VAT portion	(6,580,614)	0	(6,580,614)	0
Conditions still to be met - transferred to liabilities	0	0	0	0
24.10 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	31,882,401	285,782	31,882,401	285,782
Current year receipts	0	32,010,000	0	32,010,000
Conditions met - Transferred to revenue	(5,386,616)	(413,381)	(5,386,616)	(413,381)
Conditions met - Transferred to revenue - capital	(13,049,657)	0	(13,049,657)	0
Conditions still to be met - transferred to liabilities	13,446,128	31,882,401	13,446,128	31,882,401
24.11 Energy Efficiency & Demand Side Management				
This Grant is used to fund Energy Efficient Electricity Projects				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	11,999,700	0	11,999,700	0
Conditions met - Transferred to Other Income - VAT portion	(247,974)	0	(247,974)	0
Conditions met - Transferred to revenue	(11,751,726)	0	(11,751,726)	0
Conditions still to be met - transferred to liabilities	0	0	0	0

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	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
24.12 Other Grants				
These are grants received by the NMBM for various purposes.				
Balance unspent at beginning of year	14,034,801	13,896,515	14,034,801	13,471,016
Transfer from USDG Grant - Opening Balance	0	416,074	0	416,074
Current year receipts	22,446,173	13,375,887	21,738,869	13,375,887
Conditions met - Transferred to revenue - capital	(1,558,713)	(5,091,271)	(998,713)	(5,091,271)
Transfer to Other Income	0	(5,497)	0	(5,497)
Conditions met - Transferred to revenue	(7,883,803)	(8,556,907)	(7,736,499)	(8,131,408)
Conditions still to be met - transferred to liabilities	27,038,458	14,034,801	27,038,458	14,034,801
24.13 Government Grant Revenue				
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.				
	1,027,126,340	895,330,135	1,027,126,340	895,330,135
24.14 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	5,605,040	5,605,040
Current year receipts	1,000,000	0	1,000,000	0
Conditions met - Transferred to revenue	(901,491)	0	(901,491)	0
Conditions still to be met - transferred to liabilities	5,703,549	5,605,040	5,703,549	5,605,040
24.15 Water Demand Management Grant				
This grant is used to fund Water Demand Management initiatives				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	0	4,999,332	0	4,999,332
Reversal of prior year accrual	0	0	0	0
Conditions met - Transferred to revenue	0	(4,999,332)	0	(4,999,332)
Conditions still to be met - transferred to liabilities	0	0	0	0
24.16 Neighbourhood Partnership development Grant				
This grant is used for the urban renewal of townships				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	32,121,000	64,062,000	32,121,000	64,062,000
Debtor raised	(2,317,247)	2,317,247	(2,317,247)	2,317,247
Conditions met - Transferred to revenue - capital	(18,377,847)	(64,836,647)	(18,377,847)	(64,836,647)
Conditions met - Transferred to Other Income - VAT	(2,572,899)	0	(2,572,899)	0
Conditions met - Transferred to revenue	(1,718,128)	(1,542,600)	(1,718,128)	(1,542,600)
Conditions still to be met - transferred to liabilities	7,134,879	0	7,134,879	0
24.17 Drought Relief Grant Funding				
This grant is used for drought relief projects				
Balance unspent at beginning of year	0	58,662,229	0	58,662,229
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue - capital	0	(58,662,229)	0	(58,662,229)
Transfer from Other Grants	0	0	0	0
Conditions met - Transferred to Other Income - VAT portion	0	0	0	0
Conditions still to be met - transferred to liabilities	0	0	0	0
24.18 Urban Settlements Development Grant				
This grant is used to improve urban land production to the benefit of poor households as well as improving spatial integration and densities.				
Balance unspent at beginning of year	0	416,074	0	416,074
Transfer Opening Balance to Other Grants	0	(416,074)	0	(416,074)
Current year receipts	727,986,000	593,000,392	727,986,000	593,000,392
Conditions met - Transferred to revenue - capital	(633,845,761)	(570,193,489)	(633,845,761)	(570,193,489)
Conditions met - Transferred to Other Income - VAT portion	(89,214,736)	(21,002,603)	(89,214,736)	(21,002,603)
Conditions met - Transferred to revenue	(4,925,503)	(1,804,300)	(4,925,503)	(1,804,300)
Conditions still to be met - transferred to liabilities	0	0	0	0
24.19 Infrastructure Skills Development Grant				
This grant is used for skills development				
Balance unspent at beginning of year	3,499,803	5,000,000	3,499,803	5,000,000
Current year receipts	8,200,000	2,300,000	8,200,000	2,300,000
Conditions met - Transferred to revenue	(9,780,584)	(3,598,885)	(9,780,584)	(3,598,885)
Conditions met - Transferred to Other Income - VAT portion	(159,131)	(201,312)	(159,131)	(201,312)
Transfer of Roll-over amount	(1,199,803)	0	(1,199,803)	0
Conditions still to be met - transferred to liabilities	560,285	3,499,803	560,285	3,499,803
24.20 AFCON Cup				
This grant is used for the soccer tournament.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	0	15,923,000	0	15,923,000
Conditions met - Transferred to revenue	0	(15,923,000)	0	(15,923,000)
Conditions still to be met - transferred to liabilities	0	0	0	0

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24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
24.21 Disaster Relief Grant				
This grant is used in the event of a disaster.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	0	6,730,000	0	6,730,000
Conditions met - Transferred to revenue	0	(6,730,000)	0	(6,730,000)
Conditions still to be met - transferred to liabilities	0	0	0	0
24.22 EPWP Incentive Grant				
This grant is used to implement expanded public works programme.				
Balance unspent at beginning of year	6,695,716	0	6,695,716	0
Current year receipts	20,885,000	14,696,000	20,885,000	14,696,000
Conditions met - Transferred to revenue	(21,077,639)	(7,625,694)	(21,077,639)	(7,625,694)
Conditions met - Transferred to Other Income - VAT portion	(974,101)	(374,590)	(974,101)	(374,590)
Conditions still to be met - transferred to liabilities	5,528,976	6,695,716	5,528,976	6,695,716
24.23 Groen Sebenza (SANBI) Grant				
This grant is used to provide training material and to cover operational expenditure of the SANBI staff.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	71,053	0	71,053	0
Debtor raised	173,116	0	173,116	0
Conditions met - Transferred to revenue	(244,169)	0	(244,169)	0
Conditions still to be met - transferred to liabilities	0	0	0	0
24.24 United Nations Development Partnership Grant				
This grant is used for technical assistance relating to Infrastructure assets.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	5,474,686	0	5,474,686	0
Conditions met - Transferred to revenue	(5,474,686)	0	(5,474,686)	0
Conditions still to be met - transferred to liabilities	0	0	0	0
24.25 Intergrated City Development Grant				
This grant is used to for the development of more inclusive, liveable, productive and sustainable urban built environments in the metropolitan municipalities.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	3,193,000	0	3,193,000	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	3,193,000	0	3,193,000	0
24.26 VUNA Awards				
This award is used for training within the Revenue Management Directorate.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	60,000	0	60,000	0
Payments to Service Provider	(44,706)	0	(44,706)	0
Conditions still to be met - transferred to liabilities	15,294	0	15,294	0
24.27 Off-Grid Electrification Grant				
This grant is used to promote the socio-economic development of previously disadvantaged communities through household and institutional electrification and the electrification of associated community value-adding facilities.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	22,000,000	0	22,000,000	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	22,000,000	0	22,000,000	0
24.28 Department of Roads and Public Works Grant				
This grant is used to fund the maintenance of Provincial roads in the Metropolitan area				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	5,698,682	0	5,698,682	0
Conditions met - Transferred to revenue	(5,624,438)	0	(5,624,438)	0
Conditions met - Transferred to Other Income	(74,244)	0	(74,244)	0
Conditions still to be met - transferred to liabilities	0	0	0	0
24.29 Post Disaster Recovery Grant				
This grant is used for the maintenance of Infrastructure Assets due to damage caused in the event of disasters.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	71,961,000	0	71,961,000	0
Conditions met - Transferred to revenue	(37,415,219)	0	(37,415,219)	0
Conditions met - Transferred to Other Income - VAT portion	(5,069,702)	0	(5,069,702)	0
Conditions met - Transferred to revenue - capital	(672,807)	0	(672,807)	0
Conditions still to be met - transferred to liabilities	28,803,272	0	28,803,272	0

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	Economic Entity		Municipality	
	2014	Restated 2013	2014	Restated 2013
	R	R	R	R
25 OTHER INCOME				
Fees and Charges	100,177,256	116,242,529	100,177,256	116,242,529
Grave Income	6,212,945	5,392,490	6,212,945	5,392,490
Public Contributions and Donations Revenue	21,133,635	14,582,537	15,746,549	12,503,081
Fuel Levy	434,831,000	437,526,000	434,831,000	437,526,000
Government Grants - VAT recognised	161,534,582	57,959,956	161,534,582	57,959,956
Other Income	90,709,019	173,935,340	90,509,959	173,753,637
	814,598,437	805,638,852	809,012,291	803,377,693
Refer Restatement Note no. 40.1.9				
26 EMPLOYEE RELATED COSTS				
Employee related costs - Salaries and Wages	1,231,288,108	1,091,199,136	1,221,658,089	1,083,759,287
Employee related costs - Contributions for UIF, pensions and medical aids	235,263,054	375,923,558	235,263,054	375,923,558
Travel, motor car, accommodation, subsistence and other allowances	119,943,276	113,294,131	119,835,276	113,186,131
Housing benefits and allowances	6,542,350	7,324,577	6,542,350	7,324,577
Overtime payouts	106,681,263	83,918,848	106,681,263	83,918,848
Performance bonus	22,172,211	20,865,448	21,567,333	20,415,649
Long-service Awards	39,530,816	32,088,638	39,530,816	32,088,638
	1,761,421,078	1,724,614,336	1,751,078,181	1,716,616,686
Refer Restatement Note no. 40.1.5				
Remuneration of the current City Manager - Mr M Mbambisa				
Annual Remuneration	1,000,000	0	1,000,000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	55,048	0	55,048	0
Total	1,055,048	0	1,055,048	0
Remuneration of the former City Manager - Dr L Msengana-Ndlela				
Annual Remuneration	0	766,667	0	766,667
Travel, Subsistence, Relocation expenses and other	94,670	204,423	94,670	204,423
Total	94,670	766,667	94,670	766,667
Remuneration of the Acting Municipal Manager - Mr T Hani				
Annual Remuneration	0	140,665	0	140,665
Total	0	140,665	0	140,665
Remuneration of the Chief Financial Officer - Mr JT Harper				
Annual Remuneration	600,000	0	600,000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	600,000	0	600,000	0
Remuneration of the Chief Operating Officer - Mr M Clay				
Annual Remuneration	300,000	751,500	300,000	751,500
Car allowance	0	120,000	0	120,000
UIF, Medical, Pension Funds, Other	3,000	109,265	3,000	109,265
Total	303,000	980,765	303,000	980,765
Remuneration of the Chief of Staff - Mr B Ntshona				
Annual Remuneration	881,280	713,417	881,280	713,417
UIF, Medical, Pension Funds, Other	13,103	25,619	13,103	25,619
Total	894,383	739,036	894,383	739,036
Remuneration of the Chief of Police - Ms Mathabathe				
Annual Remuneration	531,667	0	531,667	0
Car allowance	10,000	0	10,000	0
UIF, Medical, Pension Funds, Other	11,773	0	11,773	0
Total	553,440	0	553,440	0
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	1,421,837	1,331,396	0	0
Performance Bonuses	200,048	180,881	0	0
Car allowance	60,000	60,000	0	0
Total	1,681,885	1,572,277	0	0
Remuneration of the Chief Financial Officer - MBDA				
Annual Remuneration	799,952	749,664	0	0
Performance Bonuses	111,233	100,576	0	0
Car allowance	24,000	24,000	0	0
Total	935,185	874,240	0	0
Remuneration of the Planning and Development Manager - MBDA				
Annual Remuneration	695,413	661,155	0	0
Performance Bonuses	86,330	68,516	0	0
Car allowance	24,000	24,000	0	0
Total	805,743	753,671	0	0
Remuneration of the Operations Manager - MBDA				
Annual Remuneration	461,133	439,174	0	0
Performance Bonuses	50,725	43,917	0	0
Total	511,858	483,091	0	0
Remuneration of the Planning and Development Manager 2 - MBDA				
Annual Remuneration	681,600	425,000	0	0
Performance Bonuses	81,792	42,500	0	0
Car allowance	0	0	0	0
Total	763,392	467,500	0	0
Remuneration of the Marketing and Communications Manager - MBDA				
Annual Remuneration	650,000	0	0	0
Performance Bonuses	74,750	0	0	0
Total	724,750	0	0	0
Remuneration of Individual Executive Directors				
Corporate Services - Mr M Ndoyana				
Annual Remuneration	1,430,846	0	1,430,846	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	237,376	0	237,376	0
Total	1,668,222	0	1,668,222	0
Economic Development, Tourism and Agriculture - Mr A Qaba				
Annual Remuneration	400,000	719,920	400,000	719,920
Car Allowance	0	100,000	0	100,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	17,279	136,154	17,279	136,154
Total	417,279	956,074	417,279	956,074

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

26 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
Public Health (Vacant)				
Annual Remuneration	0	1,057,086	0	1,057,086
Car Allowance	0	120,000	0	120,000
UIF, Medical, Pension Funds, Other	0	0	0	0
	<u>0</u>	<u>1,177,086</u>	<u>0</u>	<u>1,177,086</u>
Infrastructure and Engineering - Mr EW Shaidi				
Annual Remuneration	1,196,428	979,086	1,196,428	979,086
Car Allowance	90,000	120,000	90,000	120,000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	78,937	78,000	78,937	78,000
	<u>1,365,365</u>	<u>1,177,086</u>	<u>1,365,365</u>	<u>1,177,086</u>
Electricity - Mr S Mathew				
Annual Remuneration	388,000	0	388,000	0
Car Allowance	12,000	0	12,000	0
UIF, Medical, Pension Funds, Other	3,976	0	3,976	0
	<u>403,976</u>	<u>0</u>	<u>403,976</u>	<u>0</u>
Safety and Security - Mr S Brown				
Annual Remuneration	312,585	0	312,585	0
Car Allowance	23,169	0	23,169	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	203,335	0	203,335	0
	<u>539,089</u>	<u>0</u>	<u>539,089</u>	<u>0</u>
Human Settlements - Mr L Petuna				
Annual Remuneration	337,214	0	337,214	0
Car Allowance	14,422	0	14,422	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	107,138	0	107,138	0
	<u>458,774</u>	<u>0</u>	<u>458,774</u>	<u>0</u>

A new Executive Director's position of Sports, Recreation, Arts and Culture was approved by Council in December 2013. This position was filled with effect from 01 July 2014.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014	Restated 2013	2014	Restated 2013
	R	R	R	R
27 REMUNERATION OF COUNCILLORS				
Mayor's Remuneration	1,121,561	1,072,792	1,121,561	1,072,792
Deputy Mayor's Remuneration	897,249	862,760	897,249	862,760
Speaker's Remuneration	897,249	854,523	897,249	854,523
Councillors' Remuneration	50,038,938	48,183,363	50,038,938	48,183,363
Telephone Allowances	2,534,389	1,604,238	2,534,389	1,604,238
3G Allowances	82,883	431,993	82,883	431,993
	55,572,269	53,009,669	55,572,269	53,009,669

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 is an all-inclusive package, with the exception of a Telephone Allowance and a 3G Allowance. The package is within the upper limits of the framework as 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

Uitescio

Miscellaneous

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

Add: Bad debts - levies debtors

	208,145,398	127,517,544	208,089,358	127,493,381
ATTP and Miscellaneous fees and charges	189,321,126	121,302,978	189,321,126	121,302,978
Uitescio	18,312,127	0	18,312,127	0
Miscellaneous	512,145	6,214,566	456,105	6,190,403
	(7,378,524)	282,236,852	(7,378,524)	282,236,852
Contribution to doubtful debts (inclusive of VAT)	187,426,046	444,516,599	187,426,046	444,516,599
Less: VAT portion	20,137,042	40,972,622	20,137,042	40,972,622
Contribution to doubtful debts (excluding VAT)	167,289,004	403,543,977	167,289,004	403,543,977
Less: Bad debts as above	174,667,528	121,302,978	174,667,528	121,302,978
	(7,378,524)	282,240,999	(7,378,524)	282,240,999
Add: Bad debts - levies debtors	0	(4,147)	0	(4,147)
	200,766,874	409,754,396	200,710,834	409,730,233

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	189,339,227	200,012,104	189,339,227	200,012,104
Interest on Other	1,515,480	1,154,904	1,348,011	996,337
Total Finance Cost	190,854,707	201,167,008	190,687,238	201,008,441
Finance cost accrued/ Prior year accrual reversals	(1,860,091)	(3,941,864)	(2,027,560)	(4,100,431)
Finance cost paid	192,714,798	205,108,872	192,714,798	205,108,872

30 BULK PURCHASES

Electricity

Water

Refer Restatement Note no. 40.1.3

Electricity	2,176,041,913	2,115,324,346	2,176,041,913	2,115,324,346
Water	75,516,047	64,668,341	75,516,047	64,668,341
	2,251,557,960	2,179,992,687	2,251,557,960	2,179,992,687

31 GRANTS AND SUBSIDIES PAID

Grants in aid

Grants to Entities

Grants to Other Organisations

Refer Restatement Note no. 40.1.7

Grants in aid	5,738,557	6,006,154	5,738,557	6,006,154
Grants to Entities	(3,545,433)	(2,471,107)	20,277,236	16,293,959
Grants to Other Organisations	17,538,105	15,248,418	17,241,364	15,169,418
	19,731,229	18,783,465	43,257,157	37,469,531

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Economic Entity		Municipality	
	2014	Restated 2013	2014	Restated 2013
	R	R	R	R
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	1,124,865,980	871,866,427	1,124,870,351	872,004,414
Adjustment for:-				
Interest accrued	(15,283,379)	(8,438,326)	(15,283,379)	(8,438,326)
Impairment of receivables	5,533,609	319,674,660	5,533,609	319,650,497
Write down to net realisable value	1,620,874	(2,242,812)	1,620,874	(2,242,812)
Loss on disposal of PPE	1,273,941	94,859,028	1,272,093	94,839,337
Depreciation - Property, plant and equipment	632,483,802	649,090,506	632,333,505	648,940,455
Depreciation - Investment Property	6,117,799	5,367,960	6,117,799	5,367,960
Amortisation	106,364,388	90,671,344	106,354,864	90,637,156
Finance cost accrued	(1,860,091)	(4,100,431)	(2,027,560)	(4,100,431)
Contribution to provisions/ employee benefit obligation - non-current	(100,797,364)	23,357,365	(100,797,364)	23,357,365
Contribution to provisions/ employee benefit obligation - current	(42,310,179)	90,061,195	(42,320,491)	89,965,770
Unrealised gain to Sanlam shares	(644,474)	(419,420)	(644,474)	(419,420)
Impairment of PPE/ Heritage Assets	640,829,081	29,299,742	640,829,081	29,299,742
Share of Loss in Associate	0	239,895	0	0
Operating Surplus before working capital changes	2,358,193,987	2,159,287,133	2,357,858,908	2,158,861,707
(Increase)/Decrease in Inventory	(2,890,787)	4,388,189	(2,890,787)	4,341,300
(Increase)/Decrease in consumer debtors	(412,609,986)	(450,216,003)	(412,609,986)	(450,216,003)
Decrease in other debtors	(1,492,059)	35,333,279	(522,305)	23,462,762
Decrease in VAT	(122,720,766)	(18,422,023)	(122,720,766)	(18,338,833)
Increase in Unspent conditional grants and receipts	(103,918,196)	(76,509,596)	(103,918,196)	(76,084,097)
Increase/(Decrease) in Creditors	79,503,463	67,794,010	80,775,763	75,610,691
Decrease in Long-term Receivables	19,819,415	9,779,481	19,819,415	9,779,481
	1,813,885,071	1,731,434,470	1,815,792,046	1,727,417,008
33 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	1,421,480,088	1,245,378,088	1,421,480,088	1,245,378,088
Bank balances and cash	186,617,048	335,503,499	128,555,305	274,851,075
Total Cash and Cash Equivalents	1,608,097,136	1,580,881,587	1,550,035,393	1,520,229,163
34 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	0	0	0	0
Loans repaid	(105,158,824)	(97,443,690)	(105,158,824)	(97,443,690)
	(105,158,824)	(97,443,690)	(105,158,824)	(97,443,690)
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	10,400,000	10,282,307	10,400,000	10,282,307
Amount paid - current year	(10,400,000)	(10,282,307)	(10,400,000)	(10,282,307)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	19,327	122,045	0	0
Current year audit fee	10,168,418	8,081,727	9,433,238	7,592,392
Amount paid - current year	(10,162,171)	(8,062,400)	(9,433,238)	(7,592,392)
Amount paid - previous year	(19,711)	(122,045)	0	0
Balance unpaid (included in creditors)	5,863	19,327	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
35.3 VAT				
The Net effect of the VAT inputs and VAT output are shown in note 19. All VAT returns have been submitted by the due date throughout the year.				
35.4 PAYE and UIF				
Opening balance	18,356,784	17,264,730	18,243,017	17,174,077
Current year payroll deductions	266,076,633	223,798,306	264,163,133	222,313,861
Amount paid - current year	(243,934,466)	(205,441,522)	(242,170,684)	(204,070,844)
Amount paid - previous year	(18,356,784)	(17,264,730)	(18,243,017)	(17,174,077)
Balance unpaid (included in creditors)	22,142,167	18,356,784	21,992,449	18,243,017
35.5 Pension and Medical Aid Deductions				
Opening balance	0	0	0	0
Current year payroll deductions and Council Contributions	486,837,247	445,087,775	486,837,247	445,087,775
Amount paid - current year	(486,837,247)	(445,087,775)	(486,837,247)	(445,087,775)
Balance unpaid (included in creditors)	0	0	0	0
35.6 Skills Development Levy				
Opening balance	1,191,030	1,182,548	1,191,030	1,182,548
Current year payroll deductions	16,331,403	14,296,689	16,331,403	14,296,689
Amount paid - current year	(14,959,686)	(13,105,659)	(14,959,686)	(13,105,659)
Amount paid - previous year	(1,191,030)	(1,182,548)	(1,191,030)	(1,182,548)
Balance unpaid (included in creditors)	1,371,717	1,191,030	1,371,717	1,191,030
OTHER ADDITIONAL DISCLOSURES:				
35.7 Impairment				
Impairment - land, heritage assets and debtor	640,829,075	29,299,742	640,829,075	29,299,742
The Impairment of Land relates to a reduction in market values, such as (Telkom Park), which was only approved with the March 2014 supplementary valuation roll.				
Heritage Assets	640,829,075	21,081,042	640,829,075	21,081,042
Debtor - Forensic Claim	0	6,518,700	0	6,518,700
	0	1,700,000	0	1,700,000
	640,829,075	29,299,742	640,829,075	29,299,742
35.8 Loss on disposal of Property, plant and equipment				
Loss on disposal of property, plant and equipment	1,272,093	94,839,337	1,272,093	94,839,337
Relates to disposal of property, plant and equipment.				
35.9 Water losses				
The NMBM suffered water losses of 39,043 megalitres (36.3%) amounting to R329.1 million (2013: 27,933 megalitres (28.2%) amounting to R208.4 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 11.% amounting to total accumulative losses of R234.7 million (2013: 10.7% amounting to R224.6 million). Various electricity management interventions are being implemented to curb these losses.				
35.11 Provident Fund				
Opening balance	78,315	59,499	0	0
Amount paid - current year	(1,050,353)	(849,037)	0	0
Expenditure	1,063,911	867,853	0	0
Balance unpaid (included in creditors)	91,873	78,315	0	0
The entity contributes to the Liberty Corporate Selection Group Life Scheme, a defined contribution plan which is required to be actuarially valued. The fund is governed under the Pension Fund Act, 1956 as amended.				
The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 21 members belong to the fund.				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Councillors' arrear consumer accounts
Economic Entity and Municipality

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

	R	R	R
	<u>Total</u>	<u>Arrangements</u>	<u>Outstanding less than 90 days</u>
			<u>Outstanding more than 90 days</u>
30 June 2014			
Councillor TP Adams	964		949
Councillor JA Arends	85		85
Councillor S Baartman	479		470
Councillor XS Banga	552		542
Councillor NC Benya	945	493	452
Councillor XC Bisset	747		736
Councillor F Desi	5		0
Councillor VG Dyantyi	1,415		1397
Councillor FV Frans	272		272
Councillor KE Frans	402		402
Councillor NE Gana	114		114
Councillor AP Gqabi	420		420
Councillor TM Jacobs	1,833		1833
Councillor ZW Jodwana	242		242
Councillor RC Kayser	1,186		1161
Councillor XT Klaas	826		815
Councillor LY Kwitsana	911		633
Councillor TP Louw	1,090		0
Councillor LN Mettavainio (nee Gxavu)	65	1,090	65
Councillor ACG Mfunda	543		543
Councillor BE Mkavu	700		687
Councillor MC Mtanga	905		889
Councillor LC Mwa	499		499
Councillor GM Ncamani	358		358
Councillor VB Ndidi	230		230
Councillor TH Ngcolomba	278		278
Councillor KG Ntshanyana	338		338
Councillor A Nyikilana	914	914	0
Councillor NJ Quluba	2,503		2503
Councillor G Rautenbach	340		340
Councillor LB Stemele	5		0
Councillor NR Tontsi	1,409		1,371
Councillor L Troon	5,556	5,467	89
Councillor E Tshazibani (Williams)	292		292
Councillor VJ Tutu	635		635
Councillor MR Von Buchenroder	11		11
	28,069	7,964	19,651
			454

Economic Entity and Municipality

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

	R	R	R
	<u>Total</u>	<u>Arrangements</u>	<u>Outstanding less than 90 days</u>
			<u>Outstanding more than 90 days</u>
30 June 2013			
Councillor TP Adams	660	0	660
Councillor JA Arends	430	0	430
Councillor S Baartman	1,389	0	1365
Councillor XS Banga	573	0	548
Councillor NC Benya	354	0	354
Councillor XC Bisset	377	0	377
Councillor LM Dano	260	0	260
Councillor MJ De Andrade	226	0	226
Councillor F Desi	208	0	205
Councillor A Du Plessis	153	0	153
Councillor VG Dyantyi	777	0	777
Councillor VF Frans	576	0	576
Councillor NE Gana	135	0	135
Councillor TM Jacobs	653	0	653
Councillor ZW Jodwana	493	0	493
Councillor RC Kayser	421	0	421
Councillor XT Klaas	766	0	756
Councillor MS Madlavu	363	0	269
Councillor NS Magopeni	648	0	648
Councillor NJ Mhlobiso	283	0	283
Councillor L Mlomo	177	0	177
Councillor MC Mtanga	687	0	687
Councillor LC Mwa	287	0	287
Councillor GMA Ncamani	201	0	201
Councillor VB Ndidi	173	0	173
Councillor KG Ntshanyana	271	0	271
Councillor A Nyikilana	2,209	0	2,209
Councillor NJ Quluba	3,191	0	3,191
Councillor G Rautenbach	145	0	145
Councillor FT Sibeko (Bantom)	106	0	106
Councillor LB Stemele	386	0	386
Councillor L Troon	2,640	2,640	0
Councillor E Williams	158	0	158
Councillor VJ Tutu	746	0	746
Councillor MR Von Buchenroder	1,898	0	1,865
	23,020	2,640	20,191
			189

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 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)	0	0	63,206,244	60,456,450

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

Investment in Associate	2014	Restated 2013	2014	Restated 2013
Investment in UITESCO	0	(487,994)	0	20,000
Share of Loss in Associate	0	239,895	0	0
Total Assets	18,776,859	18,776,859	0	0
Total Liabilities	20,240,813	20,240,813	0	0
Total Revenue	0	166,697	0	0
Total Expenses	0	886,368	0	0
Net Loss for the year	0	(719,671)	0	0

2 Section 57 Employees (See note 26)

3 Other Organisations

The Organisations have received the following grants/ payments:

1. Uitenhage Despatch Development Initiative	6,195,930	4,618,800	6,195,930	4,618,800
2. Nelson Mandela Bay Tourism	11,029,930	10,405,590	11,029,930	10,405,590
3. Surf lifesaving Club	89,890	0	89,890	0
Grants/ payments to Other Organisations	17,315,750	15,024,390	17,315,750	15,024,390

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.

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	Economic Entity and Municipality Payments made	
			2014	Restated 2013
J Sigonyela	Umziwoxolo Construction CC	Spouse is a member of the CC	144,921	161,708
B Naran (Councillor)	Protea Enterprises	Spouse is a member of the CC	0	36,363
S Brophy	To Dine for Trading	Child is a member of the CC	131,842	18,345
N Fibi	Mguda Retail Business Enterprises	Spouse is a member of the CC	0	14,440
JW Fitton	Andos Garden Services	Spouse is a member of the CC	83,748	170,200
LH Klerk	Nola Maintenance Builders	Spouse is a member of the CC	49,301	192,485
NC Dywili	Ezamazangwevu Trading	Spouse is a member of the CC	43,663	371,962
A Vaaltyn	Sebenzizane Construction	Spouse is a member of the CC	0	3,000
T Maltji	Pily and Shakes Trading	Spouse is a member of the CC	41,772	545,289
LM Dano	Dixisign	Spouse is a member of the CC	0	9,000
ME Jarvis (Councillor)	Keypoint Consulting CC	Spouse is a member of the CC	56,544	0
Family of employees who has an interest in a supplier			19,532,400	0
			20,084,191	1,522,792

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.

36.3.2 Ex Audit Committee member had an interest in a supplier, during his term as a member.

Mr K Pather Baybus Refurbishers (A family member of an employee also has an interest in the above supplier)	24,056,647	0
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Although a related party relationship does exist, contracts were awarded to certain councillors and officials in which they have an interest. These transactions were made in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 44.

36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2013/14 financial year are detailed as follows in terms of section 39 (1) (a) of the Supply Chain Management Policy:

Deviations: Supply Chain Management Policy	2014		2013	
	No. of Tenders	Payments made	No. of Tenders	Payments made
(i) In an emergency; Considered Irregular Expenditure	3	4,515,318	1	2,000,000 0
(ii) If such goods or services are produced or available from a single provider only; Considered Irregular Expenditure	11	13,093,271	3	5,132,909 1,688,420
(iii) For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile; Considered Irregular Expenditure	1	183,872	3	568,000 40,000
(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	26	27,543,475	92	647,746,326 146,448,555
39 (1) (b) - Ratify any minor breaches of the procurement processes. Considered Irregular Expenditure		0	0	0 0

2. Mandela Bay Development Agency

2014 Financial year:

In accordance with section 39(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R143 061

In accordance with section 39(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R564 949

In accordance with section 39(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R51 345

In accordance with section 39(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 247 545

2013 Financial year:

In accordance with section 39(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R256 275

In accordance with section 39(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R348 420

In accordance with section 39(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R769 500

In accordance with section 39(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 976 955

In accordance with section 39(1)(b) of SCM policy regulations there were deviations from the normal procurement process to the value of R25 641

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

37 CAPITAL COMMITMENTS	Economic Entity		Municipality	
	2014 R	Restated 2013 R	2014 R	Restated 2013 R
Approved and contracted for	425,567,789	593,991,727	425,567,789	593,991,727
Land and Buildings	632,672	1,134,170	632,672	1,134,170
Infrastructure	382,328,301	576,250,143	382,328,301	576,250,143
Community	42,606,816	12,286,742	42,606,816	12,286,742
Other		4,320,672		4,320,672
Approved but not yet contracted for	28,947,307	561,364	28,947,307	561,364
Infrastructure	26,213,951	0	26,213,951	0
Community	0	0	0	0
Other	2,733,356	561,364	2,733,356	561,364
Total	454,515,096	594,553,091	454,515,096	594,553,091
This expenditure will be financed from:				
Fuel Levy	28,321,800		28,321,800	
Department of Minerals and Energy (DME) Grant	6,712,455		6,712,455	
Grants and Subsidies - State	5,295,652	6,971,181	5,295,652	6,971,181
Urban Settlements Development Grant (USDG)	391,119,972	571,621,703	391,119,972	571,621,703
Intergrated Public Transport Systems (IPTS) Grant	2,318,738		2,318,738	
Capital Replacement Reserve	20,746,479	15,960,207	20,746,479	15,960,207
Total	454,515,096	594,553,091	454,515,096	594,553,091

38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (See Note 3)	1,676,325,548	1,807,375,083	1,676,325,548	1,807,375,083
Used to Finance property, plant and equipment - at cost	1,676,325,548	1,807,375,083	1,676,325,548	1,807,375,083
Sub-total	0	0	0	0
Cash set aside for the repayment of long-term liabilities (See Note 3) - This is only the capital portion of the loan.	113,978,027	105,569,056	112,968,098	105,158,824

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 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	1,264,341,149	1,174,047,466	1,259,192,061	1,170,267,359
> 3 months	144,971,818	124,027,671	144,971,818	124,027,671
Other payables				
1-3 months	0	0	0	0
> 3 months	6,877,784	9,935,885	6,171,053	5,738,766
Long term borrowings				
< 12 months	113,978,027	105,569,056	112,968,098	105,158,824
> 12 months	1,579,062,215	1,718,350,944	1,578,057,635	1,716,181,220

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 ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

40 RESTATED PRIOR YEAR COMPARATIVES	Economic Entity Restated 2013 R	Municipality Restated 2013 R
Prior Period Errors:		
Net effect of changes - see details below	17,340,345	17,340,345
Net effect on surplus	<u>17,340,345</u>	<u>17,340,345</u>
Statement of Financial Performance		
40.1.1 Surplus for the year		
Balance as per audited financial statements (as previously reported)	854,526,082	854,664,069
Net effect on surplus	17,340,345	17,340,345
General Expenses (Refer 40.1.2)	7,137,475	7,137,475
Bulk Purchases (Refer 40.1.3)	3,685,982	3,685,982
Contracted Services (Refer 40.1.4)	1,308,741	1,308,741
Employee Related costs (Refer 40.1.5)	(851,848)	(851,848)
Fines (Refer 40.1.6)	191,400	191,400
Grants and Subsidies Paid (Refer 40.1.7)	930,444	930,444
Interest Earned - External Investments (Refer 40.1.8)	(165,530)	(165,530)
Other Income (Refer 40.1.9)	4,355,857	4,355,857
Rental of Facilities and equipment (Refer 40.1.10)	(864,310)	(864,310)
Repairs and Maintenance (Refer 40.1.11)	1,613,011	1,613,011
Service Charges (Refer 40.1.2)	(877)	(877)
Restated surplus for 2012/13	<u>871,866,427</u>	<u>872,004,414</u>
40.1.2 General expenses		
Expense as per Audited financial statements (as previously reported)	784,203,899	768,918,710
Transfer to Creditors	(7,137,475)	(7,137,475)
	<u>777,066,424</u>	<u>761,781,235</u>
General Expenses in the amount of R7 137 475 relates to both creditors not previously accrued for or creditors that have been double accrued for.		
40.1.3 Bulk Purchases		
Expense as per Audited financial statements (as previously reported)	2,183,678,669	2,183,678,669
Transfer to Creditors	(3,685,982)	(3,685,982)
	<u>2,179,992,687</u>	<u>2,179,992,687</u>
Bulk Purchases in the amount of R3 685 982 relates to both creditors not previously accrued for or creditors that have been double accrued for.		
40.1.4 Contracted Services		
Expense as per Audited financial statements (as previously reported)	375,203,322	375,203,322
Transfer to Creditors	(1,308,741)	(1,308,741)
	<u>373,894,581</u>	<u>373,894,581</u>
Contracted Services in the amount of R1 308 741 relates to both creditors not previously accrued for or creditors that have been double accrued for.		
40.1.5 Employee Related Costs		
Expense as per Audited financial statements (as previously reported)	1,723,762,488	1,715,764,840
Transfer to Creditors	851,848	851,848
	<u>1,724,614,336</u>	<u>1,716,616,688</u>
Employee Related Costs in the amount of R851 848 relates to both creditors not previously accrued for or creditors that have been double accrued for.		
40.1.6 Fines		
Income as per Audited financial statements (as previously reported)	28,700,143	28,700,143
Transfer to Creditors	191,400	191,400
	<u>28,891,543</u>	<u>28,891,543</u>
Fines in the amount of R191 400 relates to both creditors not previously accrued for or creditors that have been double accrued for.		
40.1.7 Grants and Subsidies Paid		
Expense as per Audited financial statements (as previously reported)	19,713,909	38,399,975
Transfer to Creditors	(930,444)	(930,444)
	<u>18,783,465</u>	<u>37,469,531</u>
Grants and Subsidies in the amount of R930 444 relates to both creditors not previously accrued for or creditors that have been double accrued for.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2013 R	Municipality Restated 2013 R
40.1.8 Interest Earned - Investments		
Expense as per Audited financial statements (as previously reported)	67,804,266	65,204,102
Transfer to Longterm liabilities	(165,530)	(165,530)
	<u>67,638,736</u>	<u>65,038,572</u>
Interest in the amount of R165 530, relating to the Brookes Bequest, which was not previously capitalised to the loan account.		
40.1.9 Other Income		
Income as per Audited financial statements (as previously reported)	801,282,995	799,021,836
Transfer to Other Debtors	4,355,529	4,355,529
Transfer to VAT Suspense	328	328
	<u>805,638,852</u>	<u>803,377,693</u>
Debtors in the amount of R4 355 529 not accrued for previously relating to Other Income.		
VAT in the amount of R328, has been incorrectly deducted from Other Income.		
40.1.10 Rental of Facilities and Equipment		
Income as per Audited financial statements (as previously reported)	17,418,907	17,418,907
Transfer to Other Debtors	(846,616)	(846,616)
Transfer to Creditors	(17,694)	(17,694)
	<u>16,554,597</u>	<u>16,554,597</u>
Smoothing of Leases in the amount of R846 616, was incorrectly applied in 2012/13 financial year.		
Rental of Facilities and Equipment in the amount of R17 694 relates to both creditors not previously accrued for or creditors that have been double accrued for.		
40.1.11 Repairs and Maintenance		
Expense as per Audited financial statements (as previously reported)	474,436,471	474,385,771
Transfer to Creditors	(1,613,011)	(1,613,011)
	<u>472,823,460</u>	<u>472,772,760</u>
Repairs and Maintenance in the amount of R1 613 011 relates to both creditors not previously accrued for or creditors that have been double accrued for.		
40.1.12 Service Charges		
Income as per Audited financial statements (as previously reported)	3,633,275,255	3,633,445,729
Transfer to Creditors	(877)	(877)
	<u>3,633,274,378</u>	<u>3,633,444,852</u>
Service Charges in the amount of R877 relates to both creditors not previously accrued for or creditors that have been double accrued for.		
Statement of Financial Position		
40.2 Accumulated Surplus		
Closing Balance as per audited financial statements (as previously reported)	4,059,742,399	4,059,303,244
Decrease in Surplus (Refer to Note 40.1.1)	17,340,345	17,340,345
Transfer to Longterm liabilities	(2,394,597)	(2,394,597)
Transfer to Employee benefit Obligation	(125,793,000)	(125,793,000)
Transfer to VAT Refund	(2,013,196)	(2,013,196)
Transfer from Creditors	(553,064)	(553,064)
Transfer from Other Debtors	4,224,581	4,224,581
	<u>(126,529,276)</u>	<u>(126,529,276)</u>
Restated Closing Balance	<u>3,950,553,468</u>	<u>3,950,114,313</u>
40.2.1 Longterm Liabilities		
Balance as per Audited financial statements (as previously reported)	1,715,790,817	1,713,621,093
Transfer from Accumulated Surplus	2,394,597	2,394,597
Transfer from Interest earned - Investments	165,530	165,530
	<u>1,718,350,944</u>	<u>1,716,181,220</u>
Interest in the amount of R2 560 127, relating to the Brookes Bequest, which was not previously capitalised to the loan account.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2013 R	Municipality Restated 2013 R
40.2.2 Employee Benefit Obligation		
Non-Current		
Balance as per Audited financial statements (as previously reported)	1,359,347,079	1,359,347,079
Transfer from Accumulated Surplus	105,742,000	105,742,000
	<u>1,465,089,079</u>	<u>1,465,089,079</u>
Current		
Balance as per Audited financial statements (as previously reported)	94,997,782	94,514,186
Transfer from Accumulated Surplus	20,051,000	20,051,000
	<u>115,048,782</u>	<u>114,565,186</u>

Long service awards and Bonuses, which was not previously actuarially valued by in the amount of, R105 742 000 and R20 051 000 respectively.

40.2.3 Creditors		
Balance as per Audited financial statements (as previously reported)	1,522,543,075	1,514,272,295
Transfer from Various expenditure and VAT	(14,684,286)	(14,684,286)
Transfer from Accumulated Surplus	553,064	553,064
Transfer to Property Plant and Equipment	(2,081,247)	(2,081,247)
	<u>1,506,330,606</u>	<u>1,498,059,826</u>

Creditors in the amount of R14 131 222 relates to both creditors not previously accrued for or creditors that have been double accrued for.

An amount of R2 081 247 relates to both Creditors retention erroneously included in Property, plant and equipment and assets which was not previously accrued for.

40.2.4 Property, plant and equipment		
Balance as per Audited financial statements (as previously reported)	12,551,484,578	12,550,784,118
Transfer from Creditors	(2,081,247)	(2,081,247)
	<u>12,549,403,331</u>	<u>12,548,702,871</u>

An amount of R2 081 247 relates to both Creditors retention erroneously included in Property, plant and equipment and assets which was not previously accrued for.

40.2.5 Consumer debtors - Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	574,933,364	574,933,364
Transfer from VAT Suspense	12,000,000	12,000,000
	<u>586,933,364</u>	<u>586,933,364</u>

Vat in the amount of R12 000 000 was undercharged on a Consumer's account.

40.2.6 Other Debtors		
Balance as per Audited financial statements (as previously reported)	302,805,854	352,633,464
Transfer from Other Income	4,355,529	4,355,529
Transfer from Accumulated Surplus	4,224,581	4,224,581
Transfer to VAT Suspense	824,040	824,040
Transfer to Rental of Facilities and Equipment	(846,616)	(846,616)
	<u>311,363,388</u>	<u>361,190,998</u>

Debtors in the amount of R4 355 529 and R4 224 581 (VAT portion R824 040) not accrued for previously relating to Other Income.

Smoothing of Leases in the amount of R846 616, was incorrectly applied in 2012/13 financial year.

40.2.7 Vat Refund		
Balance as per Audited financial statements (as previously reported)	6,009,255	5,499,737
Transfer from Accumulated Surplus	(2,013,196)	(2,013,196)
Transfer to VAT Suspense	(33,749)	(33,749)
	<u>3,962,310</u>	<u>3,452,792</u>

SARS has disallowed VAT on certain General expenses in the amount of R2 013 196 relating to the 2010/11 and 2011/12 financial years.

VAT in the amount of R33 749, has been transferred to the correct VAT Suspense.

40.2.8 Vat Suspense		
Balance as per Audited financial statements (as previously reported)	43,180,856	43,180,856
Transfer from Creditors	(687,653)	(687,653)
Transfer from Other Income	328	328
Transfer to VAT Refund	33,749	33,749
Transfer from Other Debtors	(824,040)	(824,040)
Transfer from Consumer Debtors	(12,000,000)	(12,000,000)
	<u>29,703,240</u>	<u>29,703,240</u>

Vat in the amount of R12 000 000 was undercharged on a Consumer's account.

VAT in the amount of R33 749, has been transferred to the correct VAT Suspense.

VAT in the amount of R687 653 relates to both creditors not previously accrued for or creditors that have been double accrued for.

Debtors in the amount of R4 355 529 and R4 224 581 (VAT portion R824 040) not accrued for previously relating to Other Income.

VAT in the amount of R328, has been incorrectly deducted from Other Income.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

2014 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.

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.

43 OPERATING LEASE COMMITMENTS

Municipality as Lessee

	Economic Entity		Municipality	
	2014	Restated 2013	2014	Restated 2013
	R	R	R	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:

	2014	Restated 2013	2014	Restated 2013
	R	R	R	R
Buildings	11,005,467	18,604,431	9,384,899	16,397,849
Payable within one year	8,487,532	9,985,994	7,632,310	9,266,171
Payable within two to five years	2,517,935	8,618,437	1,752,589	7,131,678
Photocopier, fax machines and other equipment	11,883,243	8,137,490	11,741,912	7,868,132
Payable within one year	6,306,545	4,091,016	6,246,005	4,049,652
Payable within two to five years	5,576,698	4,046,474	5,495,907	3,818,480
	22,888,710	26,741,921	21,126,811	24,265,981

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:

	2014	Restated 2013	2014	Restated 2013
	R	R	R	R
Land	14,480,000	14,960,000	14,480,000	14,960,000
Receivable within one year	480,000	480,000	480,000	480,000
Receivable within two to five years	1,920,000	1,920,000	1,920,000	1,920,000
Receivable after 5 years	12,080,000	12,560,000	12,080,000	12,560,000
Buildings	31,799,406	33,315,077	31,799,406	33,315,077
Receivable within one year	1,687,038	1,735,863	1,687,038	1,735,863
Receivable within two to five years	3,050,385	4,042,472	3,050,385	4,042,472
Receivable after 5 years	27,061,983	27,536,742	27,061,983	27,536,742
	46,279,406	48,275,077	46,279,406	48,275,077

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	Economic Entity and Municipality	
	2014	Restated 2013
	R	R
Opening Balance - as previously stated	867,436,017	711,969,182
Correction of error - Amounts overstated for 2011 and prior		(2,569,972)
Restatements - refer 44.2 - no.8	0	5,179,893
Restated Opening Balance	867,436,017	714,579,103
Incurred - Current year - Unauthorised Expenditure	103,099,499	270,777,602
Incurred - Current year - Fruitless and Wasteful Expenditure	10,945,957	2,618,712
Incurred - Current year - Irregular Expenditure	284,960,921	198,164,310
Incurred - Current year - Unauthorised Expenditure - Impairment of Land and Buildings	640,829,075	0
Approved by Council	(270,777,602)	(318,698,227)
Transfer to receivables for recovery	0	0
Recoveries	0	(5,483)
Closing Balance	1,636,493,867	867,436,017
Incident/ Disciplinary steps / Criminal Proceedings		
44.1 Unauthorised Expenditure		
Incurred Prior - 2010		1,983,100
Recoveries - prior 2010		(3,290)
Recoveries - 2010		(13,158)
Opening Balance - 01 July 2010		1,966,652
Recoveries - 2011		(13,158)
Opening Balance - 01 July 2011		1,953,494
Incurred - 2012		318,698,227
Recoveries - 2012		(8,772)
Opening Balance - 01 July 2012	272,716,841	320,642,949
Incurred - Current year	743,928,574	270,777,602
Approved by Council	(270,777,602)	(318,698,227)
Recoveries - Current year	0	(5,483)
	745,867,813	272,716,841
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	0	(5,483)
2 Actual expenditure in excess of approved budget votes		
The total actual expenditure, including non-cash flow items such as Impairment Loss amounted to R8 953 200 171 , compared to the approved adjustments budget of R9 482 190 980 . The actual expenditure was thus R528 990 809 below the approved adjustments budget and does not constitute unauthorised expenditure. However, the actual expenditure for certain budget votes exceeded the approved adjustments budget mainly due to non-cash flow items, included in the actual expenditure which could not reasonably have been budgeted for, such as the Impairment Loss in the amount of R640 829 075. This loss occurred due to the reduction in market values of certain land and buildings, which was only approved in the March 2014 supplementary valuation roll.		
Approved by Council	(270,777,602)	(318,698,227)
Total	1,964,886,598	822,070,669
44.2 Irregular Expenditure		
Incurred Prior - 2010		9,584,997
Incurred - 2010		66,835,704
Opening Balance - 01 July 2010		76,420,701
Incurred - 2011		61,488,862
Opening Balance - 01 July 2011		137,909,563
Incurred - 2012		147,177,266
Opening Balance - 01 July 2012	483,251,139	285,086,829
Incurred - Current year	284,960,921	198,164,310
Approved by Council	0	0
	768,212,060	483,251,139
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. Payments have been made to the supplier based on an application in the high court 1902/2011. Also previous amounts have changed due to payments being processed and unpaid amounts being included in payments (2011).		
	0	3,499,669
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.		
	32,186,706	36,201,332
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.		
	661,076	2,201,029

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	Restated 2013
	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2 Irregular Expenditure (Continued)		
4 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.	215,429,967	148,176,975
5 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.	469,581	7,792,871
6 Acting Appointments longer than 3 months		
Certain Senior Managers acted for periods longer than the 3 months in the 2013/14 financial year and no proof could be found on employee files that the MEC gave permission to act longer than 3 months.	236,077	292,434
7 Payment prior to signing of SLA		
The idle time rates were paid despite no SLA having been concluded between the NMBM and the service provider.	4,848,336	0
8 Payments without a valid contract in place		
Payments were made to a Service Provider between 2001 and 2009 without any valid contract in place. The resultant irregular expenditure incurred amounted to R 5 179 893.44. An investigation revealed a largely diminished audit trail. The MPAC Sub Committee (Meeting 5 August 2014) requested a final report to consider a recommendation to the Council in reference of writing off the expenditure. The amount was added to the opening balance.	0	0
9 Nelson Mandela Memorial Services		
National Treasury received a number of requests in this regard, from municipalities seeking guidance pertaining to the costs associated with the Memorial Services. The Minister of Finance then determined that the costs associated with the following activities are not permissible: - Catering (R1 129 601) - T Shirts (R722 100)	1,851,701	0
10 Irregular appointments		
Four mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	507,001	0
Two mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	494,927	0
A strategic advisor in the Executive Mayor's Office was appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	97,954	0
11 Breach of the Supply Chain Management policy		
Irregular appointment of a Service Provider for the Implementation of the IPTS Marketing Strategy	27,107,996	0
12 Breach of the Supply Chain Management policy		
Attendance of meetings with Parliament on the 5 & 12 March 2014. Monies paid by the official and re-imbursment requested. Expenditure is irregular as the NMBM has an appointed Service Provider.	2,000	0
13 Breach of the Supply Chain Management policy		
Expenditure incurred against SCM contract 481 which is outside the scope of work of the said contract.	140,607	0
14 Breach of the Supply Chain Management policy		
Expenditure incurred against SCM contract 193, which expired on 30 June 2013.	4,195	0
15 Breach of the Supply Chain Management policy		
Expenditure incurred for software licences for the BAUD system. The relevant contract expired on 30 June 2013.	31,827	0
16 Breach of the Supply Chain Management policy		
CE 2636 - Upgrading of Zwide Stadium: Expenditure incurred prior to the increase in the contract value being approved by the Bid Adjudication Committee.	508,057	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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	2014	Restated 2013
	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2 Irregular Expenditure (Continued)		
17 Breach of the Supply Chain Management policy Irregular expenditure incurred as certain goods and services were procured prior to the SCM processes being followed.	382,913	0
Total	284,960,921	198,164,310
44.3 Fruitless and Wasteful Expenditure		
Incurring Prior - 2010		4,479,049
Incurring - 2010		3,358,631
Opening Balance - 01 July 2010		7,837,680
Incurring - 2011		98,118,212
Recoveries - 2011		(1,700,000)
Opening Balance - 01 July 2011		104,255,892
Incurring - 2012		4,593,433
Opening Balance - 01 July 2012	111,468,037	108,849,325
Incurring - Current year	10,945,957	2,618,712
Approved by Council	0	0
	122,413,994	111,468,037
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.	1,701,711	587,823
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.	207,607	1,430,889
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. The award was for R2.8 million and is being paid off at R50 000 per month.	600,000	600,000
4 Wasteful expenditure due to overpayment to service provider An overpayment of R4,712M was made to a service provider due to an incorrect calculation of rates and said overpayment was never recovered. Payment documentation could not be traced and the external attorneys withdrew matter from the court role. Also, payments were made to the service provider for "idle time", which was claimed whilst waiting for the previous service provider, who was still operating the site and disputing the early termination of the contract to vacate said site	8,219,974	0
5 Wasteful expenditure due to payment of interest to Service Providers Interest accrued due to late payment of Telkom account	28,848	
Interest accrued due to late payment of Eskom account	8,868	
6 Wasteful expenditure incurred for Missionvale Garden Lots Expenditure incurred for the launch of the Missionvale Garden Lots housing project which was cancelled due to threatened unrest.	178,949	
Total	10,945,957	2,618,712

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		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45a	CONTINGENT LIABILITIES		
	These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters. Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable and able to do so).		
	Possible Contingent liabilities:		
1	Guarantees by Council in respect of general and commercial bank housing	285,982	301,732
2	Swartkops Seesout The claim arises out of an alleged Sewer spillage into the salt pans.	7,157,829	7,157,829
3	Lilwills (Pty) Ltd Awaiting a repayment of a refund from the Budget & Treasury Directorate.	22,838	0
4	Randcivils CC This relates to a claim for unpaid contract price	282,854	0
5	D January The claim arises as a result of injuries sustained by the Plaintiff who fell on a pavement	20,000	0
6	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.	45,000	30,000
7	M Heysen This claim arises from the conduct of traffic officers in effecting an arrest.	35,000	20,000
8	MS Zigwele This relates to a claim against NMBM. MATTER FINALISED	0	20,000
9	Volkswagen SA This relates to a claim against NMBM.	0	47,022
10	BE Heynsen This claim arising from the conduct of traffic officers in effecting an arrest.	30,000	0
11	MD Stephens This claim arises from the minor child who allegedly fell into a ditch.	25,000	0
12	P Mvakela This claim arises from the minor child who allegedly fell into an uncovered drain.	25,000	0
13	J Hiles This claim arises from the Plaintiff falling into a manhole.	45,000	0
14	BC Prince obo AM Prince This claim arises from a minor child breaking a foot at Westering swimming pool.	45,000	0
15	L Hunt The claim arises from the Plaintiff allegedly falling into an open trench.	35,000	0
16	GP Gcakasi The claim arises from the Plaintiff allegedly being ran over by a Lift truck.	60,000	0
17	SN Brooks The claim arises from the Plaintiff allegedly falling into an open drain.	40,000	0
18	J Prince The claim arises from an alleged unlawful arrest.	30,000	0
19	NG Whitebooi The claim arises from Plaintiff allegedly falling down an embankment.	60,000	0
20	VWSA The claim arises for a MVA which was allegedly caused by a municipal vehicle.	80,000	0
21	E Chedrass This claim arises from an alleged unlawful arrest and detention for a drunken driving charge.	0	110,000
22	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.	0	401,355

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		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45a	CONTINGENT LIABILITIES (Continued)		
23	M. Schmidt The claim arises from an unlawful assaulted by a traffic officer who was acting within the course and scope of his employment.	0	108,000
24	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.	0	105,728
25	L R Kalebe This claim arises from an arrest on charges of a warrant by a traffic officer.	0	120,000
26	Campson Trading The claim arises from the breach of a session agreement.	0	139,945
27	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.	10,000	271,802
28	Sky Metro Office The claim arises in respect of the rental agreement between NMBM and Sky Metro Office. MATTER FINALISED	0	347,337
29	NE Nobebe The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	150,000	0
30	N Busosh The claim arises from the wrongful death of a minor	425,000	0
31	L Booysen The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	150,000	0
32	GD Scheuble The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	0	0
33	PJN Kayser Claim for damages to property.	48,333	0
34	SP Lumbe The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	250,000	0
35	Mgoqi The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	250,000	0
36	E Gerber The claim arises as a result of injuries sustained by the Plaintiff who allegedly fell into a ditch.	290,000	0
37	C. Jonathan The claim arises from damage to the Plaintiff's motor vehicle as a result of a pot hole in the road	12,725	0
38	KV Botha The claim arises from alleged damages to the plaintiff's property as a result of an electrical surge.	25,354	0
39	M Kara The claim arises from damages to the Plaintiff's property.	1,250,000	0
40	D Jordan Claim for damage to property as a result of pothole.	53,352	0
41	PM Bhe The claim arises from bodily injuries sustained by the Plaintiff who stepped into a hole.	150,000	0
42	MV Vukapi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	150,000	0
43	D. Jacobs The claim arises as a result of injuries sustained by the Plaintiff who allegedly fell into a ditch.	150,000	0
44	G Nyakasi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	150,000	0
45	NN Manziya The claim arises from the drowning of the Plaintiff's minor child and claiming expenses for emotional shock and funeral costs.	350,000	0

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		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45a	CONTINGENT LIABILITIES (Continued)		
46	P.N. Mcwetyana The claim arises from the electrocution of the minor child of the Plaintiff.	350,000	0
47	E Barnard The claim arises from an alleged fall over an indentation formed on a pavement.	65,000	0
49	Telkom The claim arises from the Plaintiff due to damage of property.	150,000	0
50	Telkom The claim arises from the Plaintiff due to damage of property.	355,000	0
51	DJI Mertz The claim arises from the Plaintiff due to damage of property.	23,290	0
52	A Letsholonyane The claim arises from the Plaintiff due to damage of property.	36,187	0
53	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.	16,000	0
54	Macrovest 102 (Pty) Ltd The claim arises as a result of an alleged contempt of court application launched against NMBM to review the adjudication of a tender.	23,130	0
55	TT Jegels The claim arises from the death of the plaintiff's baby at West End clinic allegedly due to negligence.	0	207,000
56	R Penrose The claim arises from alleged damage to property by opening of the Chelsea water reservoirs.	9,820	0
57	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	30,074	0
58	V. Matroos The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	14,094	0
59	Winston Malgas The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	60,837	0
60	Intsimbi Industrial Manufacturing CC This claim arises due to NMBM reviewing and setting aside the award of a tender.	225,721	0
61	Eastern Cape Power Boat Club This claim arises due to a portion of the Boat Club being demolished and a portion of the land being expropriated.	322,326	0
62	GLS Consulting (Pty) Limited This claim arises from damages during the tender process for SCM375/2011	45,501	0
63	B Ferreira This claim arises from the alleged assault of the Plaintiff by a Traffic Officer.	22,000	0
64	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
65	RL Nel The claim arises from the Plaintiff's late mother who allegedly fell into a ditch and sustained injuries.	10,000	0
66	Tryzone Fourteen(Pty) The claim arises from a dispute, relating to rates and service charges levied by the Municipality.	250,000	0
67	Vatala This relates to a claim against NMBM - Review in labour court.	1,500,000	0
68	HJS Properties The claim arises in respect of a summons issued against NMBM in respect of monies claimed by the Plaintiff for goods supplied.	350,000	599,196
69	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.	0	60,000

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		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45a	CONTINGENT LIABILITIES (Continued)		
70	A A Swartz The claim arises as a result of injuries sustained by a minor who allegedly fell from hoisted cables.	300,000	0
71	AMF The claim arises as a result of an alleged breach of contract.	2,400,000	0
72	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	130,188	0
73	Z M Marwana The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open drain.	700,000	0
74	M P Gcobo Application brought against the Municipality for access to information	150,000	0
75	Total Client Services TCS brought an application against the Municipality to review the awarding of tender 311A	300,000	0
76	S Fretwell This claim arises as a result of the plaintiff tripping over a portion of a telephone cord.	0	100,000
77	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.	0	50,000
78	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.	0	50,000
79	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.	120,000	0
80	N P Kelele The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge into a hole.	1,060,000	0
81	Usen Obot This claim arises from the Plaintiff that alleged staff of the Red Location Museum apparently stated that his work should not have been exhibited as he was of Nigerian descent.	130,000	0
82	Transnet Limited A collision between a Transnet vehicle and Municipal vehicle, allegedly caused by the municipal employee.	54,000	0
83	EV Botha (MFE) The claim arises due to a power failure and plaintiff being deprived of the benefits of having electricity.	30,000	0
84	GS Maloyi The claim arises from the plaintiff, whom allegedly fell into an open drain.	115,000	0
85	NR Ngamntwini The claim arises due to damages to the plaintiff's car.	21,419	0
86	W Makanya This claim arises as a result of an alleged unlawful arrest.	105,000	0
87	AM Lose The claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch at Missionvale.	2,610,000	0
88	N De Jager The claim arises in respect of damages to the plaintiff's car.	40,000	0
89	I Bosch This claim arises as a result of an alleged unlawful detention.	95,000	0
90	Naidoo This claim arises as a result of a motor vehicle collision	51,000	0
91	Januarie This is a public liability claim which arose when building material fell on and injured a child.	380,000	0
92	P Brophy The claim arises due to damages sustained by Plaintiff.	0	54,276
93	J Hanabe The claim arises from injuries sustained by the Plaintiff that allegedly fallen down from an embankment.	0	300,000

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		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45a	CONTINGENT LIABILITIES (Continued)		
94	V.M Matolo This claim arises from injuries sustained by the Plaintiff who allegedly fell into an uncovered manhole.	37,560	97,963
95	Cherry Industrial This claim arises from the Plaintiff who hired certain machines to different directorates and for which no payment was allegedly.	873,555	513,855
96	M P Langson This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	0	50,000
97	D Visser This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	38,000	50,723
98	NE Mabenge The plaintiff sustained injuries as a result of an alleged fall.	0	355,267
99	Jef Engineering This claim arises from the Plaintiff who hired certain machines to different directorates and for which no payment was allegedly made. MATTER FINALISED	0	113,865
100	RM Mtyeko Claim arises as a result of damages sustained by the Plaintiff.	0	742,000
101	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. Mr Calata's attorneys advised that they are not proceeding with the review application. However, they intend to institute a civilclaim against the Municipality for the employer portion of the pension fund	36,659	40,000
102	Coko and Others This relates to a claim against NMBM in respect of 120 contract workers with regards to an alleged unfair dismissal.	0	1,000,000
103	NN Madubedube and 43 others Applicants claiming higher grading of their positions in the Municipality.	0	2,000,000
104	SVP Mafongosi and T Mkumatela The claim arises in respect of an alleged unfair labour practice.	50,000	30,000
105	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.	5,000,000	0
106	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	150,000
107	N van Wyk Claim for injuries sustained as a result of falling into an open drain whilst walking near Bushlilly Drive, Bethelsdorp	100,000	100,000
108	Wayton Development CC Claim for contract that was cancelled as a result of poor work performance	700,000	0
109	Treoflex Trading CC t/a Ozmat Trading Claim for damages as a result of the cancellation of the service agreement for waste management functions.	1,300,000	0
110	South African Fine Wine, Ale & Spirit Merchants Trust Claim for goods sold and delivered	10,000	0
111	AFCON Claim for expenses allegedly incurred on behalf of the Municipality for the 2013 African Cup of Nations.	3,000,000	0
112	TSA Krog Claim arises due to water damage from burst pipe.	70,000	0
113	G. Du preez The claim arises from damages due to bodily injuries sustained by the plaintiff, when she stepped & fell into an open manhole.	40,000	0
114	W Van Wyk This claim arises from an alleged unlawful arrest and detention.	40,000	0
115	L Salaze This relates to a claim against NMBM.	50,000	0
116	L. Kamnqa The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open ditch	220,000	0

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		2014	Restated 2013
		R	R
45a	CONTINGENT LIABILITIES (Continued)		
117	P.M. Mabodla The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open drain.	180,000	0
118	JP Van Dyk This claim arises as a result of an alleged unlawful arrest and detention of the plaintiff.	45,000	0
119	S Cooper The claim arises as a result of a lamp pole which allegedly fell on the head of the plaintiff.	70,000	0
120	Dawn Anne Jefferson Claim arises from alleged negligence after Plaintiff's motor vehicle collided with a drum.	40,000	0
121	Ilze Venter Claim arises from alleged negligence after Plaintiff suffered damages to her motor vehicle caused by a pothole	65,000	0
122	NP Antoni This relates to a claim for alleged negligence	235,000	0
123	AG Fourie This relates to a claim for alleged negligence	401,414	0
124	NS Notshaba This relates to a claim for alleged negligence	150,000	0
125	Bashe The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open drain.	250,000	0
126	SAMWU obo Quza & Others Dispute regarding pay parity referred to SALGBC for arbitration by SAMWU on behalf of various library staff. IMATU joinder application was successful.	80,000	0
127	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	0
128	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	0
129	NC Nxopo The claim arises due to an alleged assault.	160,000	0
130	Mathew Goniwe The claim arises as a result of High court eviction proceedings.	400,000	0
131	Kops The claim is in respect of an Arbitration case at SALGBC.	350,000	0
132	Dorelle Buys This relates to a claim against NMBM in respect of an unfair labour practice dispute.	450,000	0
133	Armstrong Claim against NMBM in respect of breach of employment contract.	550,000	0
134	SAMWU/ Municipal Police Chief Review application launched by SAMWU in Labour Court in respect of the appointment of Ms Mathabathe to the position of municipal chief of police.	250,000	0
135	Nontlantla Xako Claim against NMBM in respect of an unfair labour practice.	1,020,000	0
136	Metrowind The claim arises as result of windfarm owners/developers to stop construction.	200,000	0
137	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.	2,650,000	0
138	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.	20,520,000	0
139	Winston Kayzer The claim arises due to defamation of character.	105,000	0

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		2014	Restated 2013
		R	R
45a	CONTINGENT LIABILITIES (Continued)		
140	Ngqondi This relates to a claim against NMBM. Review of application is set down for hearing on 25 April 2013.	580,000	0
141	Arends This relates to a claim against NMBM in respect of implementation of pay parity.	1,450,000	0
142	Tshabalala This relates to a claim against NMBM. Review of application in Labour Court.	400,000	0
143	Nkomana This relates to a claim against NMBM in respect of unfair labour practice dispute.	730,000	0
144	Mbebe The claim arises from an Interpretation/ application dispute referred to SALGBC.	620,000	0
145	Mortimer This relates to a claim against NMBM. Review of application in Labour Court withdrawn by applicants. Awaiting receipt of Municipality's costs.	250,000	0
146	Mark Filmer Review application in the Labour Court	200,000	0
147	Geza Unfair dismissal dispute referred to SALGBC	150,000	0
148	Masakeni Construction Arbitration in respect of four claims by Masakeni Construction	4,600,000	0
149	SAMWU obo B Ntantiso The applicant was dismissed for abscondment by the Municipality. The applicant launched a review application after the commissioner ruled that the dismissal was fair.	100,000	0
150	ZW Kona This claim arises from an alleged unlawful arrest and assault.	100,000	0
151	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
152	L F Cosa The plaintiff's minor stepped into a partially covered or uncovered drain and allegedly got injured resulting in the claim.	299,000	0
153	P J Booysen The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	40,000	0
154	B V Tozo The claim arises from injuries sustained by the Plaintiff's minor child allegedly falling into a ditch excavated by the NMBM.	100,000	0
155	N Peteni The claim arises from injuries sustained by Ms Peteni, when she allegedly fell into an open drain.	100,000	0
TOTAL CONTINGENT LIABILITIES		90,235,767	15,844,895

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		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45(b)	PROVISION FOR LITIGATION AND CLAIMS		
	<u>Detail of Provision raised in Note 5.2</u>		
1	MS Calata The claim arises as a result of a promotion dispute. MATTER FINALISED	0	20,000
2	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.	0	25,000
3	Tryzone Fourteen(Pty) The claim arises from a dispute, relating to rates and service charges levied by the Municipality.	0	1,500,000
4	Vatala This relates to a claim against NMBM - Review in labour court.	1,500,000	0
5	N. Grundlingh This claim arises from an alleged assault and defamation by a municipal employee.	0	50,000
6	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
7	N P Kelele The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge into a hole.	0	1,000,000
8	Transnet Limited A collision between a Transnet vehicle and Municipal vehicle, allegedly caused by a municipal employee.	0	40,000
9	EV Botha (MFE) The claim arises due to power failure and plaintiff deprived of benefits of having electricity.	0	20,000
10	GS Maloyi The claim arises from the plaintiff, whom allegedly had fallen in an open drain.	0	150,000
11	BA Thumane The claim arises from the plaintiff, in respect of an court order granted in favour of applicants.	0	3,000
12	NR Ngamntwini The claim arises from the plaintiff, in respect of damages to the plaintiff's car.	0	38,000
13	W Makanya This claim arises as a result of an alleged unlawful arrest.	0	60,000
14	AM Lose The claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch at Missionvale.	0	400,000
15	N De jager The claim arises in respect of damages to the plaintiff's car.	0	30,000
16	I Bosch This claim arises as a result of an alleged unlawful detention.	0	130,000
17	RL Judd The claim arises out of injuries sustained from an alleged fall over a raised cracked portion of the sidewalk.	0	100,000
18	Hasty-Tasty Frozen Foods The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	25,000
19	B Mdyogolo The claim arises as a result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	100,000
20	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.	0	15,000
21	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.	0	15,000
22	H Jagger This claim arises from bodily injuries as a result of negligent discharge of a firearm by a traffic officer MATTER SETTLED	0	150,000
23	P.N. Mcwetyana The claim arises from the electrocution of the minor child of the Plaintiff.	0	350,000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45(b)	PROVISION FOR LITIGATION AND CLAIMS (Continued)		
24	D. Jacobs The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	0	150,000
25	E Gerber The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	0	250,000
26	S. Tyali The claim arises as a result of injuries sustained by the Plaintiff's minor who allegedly fallen into an open drain. MATTER SETTLED	0	150,000
27	C. Jonathan The claim arises from damage to the Plaintiffs motor vehicle as a result of a pot hole in the road	0	6,725
28	E Barnard The claim arises from an alleged fall over an indentation formed on a pavement.	0	50,000
29	C Swarts The claim arises from injuries sustained by the Plaintiff from an alleged fall into a manhole.	0	45,000
30	C. Laubscher The claim arises from injuries sustained by the plaintiff, whilst walking she allegedly stepped and fell into an open manhole. MATTER SETTLED	0	59,070
31	KV Botha The claim arises from alleged damages to property as a result of an electrical surge.	0	15,355
32	PM Bhe The claim arises from bodily injuries sustained by the Plaintiff who stepped into a hole.	0	150,000
33	MV Vukapi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	0	150,000
34	G Nyakasi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	0	150,000
35	GD Scheuble The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	0	200,000
36	Telkom The claim arises from the Plaintiff due to damage of property.	0	136,413
37	NN Manziya The claim arises from the Plaintiff due to drowning of minor and claiming expenses for emotional shock and funeral costs.	0	355,560
38	M Kara The claim arises from the Plaintiff due to damage of property.	0	800,000
39	D Jordan Claim for damage to property as a result of pothole.	0	43,352
40	M. Gerber This claim arises from damages to property and bodily injury as a result of the Plaintiff driving into a pot hole. MATTER FINALISED	0	27,588
41	C. Momberg This claim arises from injuries sustained by the plaintiff as a result of a collusion with a municipal vehicle. MATTER FINALISED	0	350,000
42	G. Skene The claim is a result of the Plaintiff's property being damaged by a municipal vehicle. MATTER FINALISED	0	43,322
43	M.C. Kobese The claim arises out of injuries sustained in an alleged fall into an open fire hydrant. MATTER SETTLED	0	18,000
44	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.	0	6,270
45	ZW Kona This claim arises from an alleged unlawful arrest and assault.	0	150,000
46	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	29,725

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45(b)	PROVISION FOR LITIGATION AND CLAIMS (Continued)		
47	L Young This claim arises from an alleged unlawful arrest. MATTER FINALISED	0	40,000
48	L F Cosa The plaintiff's minor stepped into a partially covered or uncovered drain and allegedly got injured resulting in the claim.	0	290,000
49	G. Du preez The claim arises from damages iro of bodily injuries sustained by the plaintiff, when she stepped & fell into an open manhole.	0	20,000
50	W Van Wyk This claim arises from an alleged unlawful arrest and detention.	0	20,000
51	L Salaze This relates to a claim against NMBM.	0	30,000
52	L. Kamnqa The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open ditch	0	200,000
53	P.M. Mabodla The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open drain.	0	100,000
54	JP Van Dyk This claim arises as a result of an alleged unlawful arrest and detention of the plaintiff.	0	25,000
55	S Cooper The claim arises as a result of a lamp pole which allegedly fell on the head of the plaintiff.	0	50,000
56	Dawn Anne Jefferson Claim arises from alleged negligence after Plaintiff's motor vehicle collided with a drum.	0	20,000
57	Ilze Venter Claim arises from alleged negligence after Plaintiff suffered damages to her motor vehicle caused by a pothole	0	45,000
58	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.	0	5,100,000
59	Blue Horizon Bay This represents an opinion furnished on possible claims arising out of flood damages to property and expropriation of land.	0	10,600,000
60	SALA The claim arises as a result of the SALA Pension Fund instituting legal action against the NMBM for increased contributions. MATTER FINALISED	65,550,000	65,500,000
61	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.	4,351,600	4,341,600
62	E. Uithaler The claim arises from labour related matter. MATTER SETTLED	50,000	50,000
63	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	60,000
64	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.	0	2,600,000
65	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.	0	20,500,000
66	Rozetta Williams The claim arises out of the electrocution of her son on an NMBM substation. MATTER FINALISED	0	300,000
67	Winston Kayzer The claim arises due to defamation of character.	0	100,000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45(b)	PROVISION FOR LITIGATION AND CLAIMS (Continued)		
68	Esterhuysen The claim arises from an alleged wrongful arrest. MATTER FINALISED	0	500,000
69	Julies Claim arises in respect of injuries suffered from alleged electrocution. MATTER SETTLED	3,780,000	6,500,000
70	Mckenzie The claim arises due to defamation of character. MATTER FINALISED	20,000	20,000
71	NC Nxopo The claim arises due to an alleged assault.	0	150,000
72	Beldon t/a Beltek Construction This relates to a claim against NMBM. MATTER SETTLED	62,000	62,000
73	Uitenhage Housing Investigation High court Application to declare Deeds of Sale invalid was successfully finalised. MATTER FINALISED	0	200,000
74	Mathew Goniwe The claim arises as a result of High court eviction proceedings.	0	400,000
75	Kops The claim is in respect of an Arbitration at SALGBC.	0	200,000
76	IMATU i.t.o Bubb Unfair labour practice referral to SALGBC. No estimation made by attorney. MATTER FINALISED	200,000	200,000
77	Ngqondi This relates to a claim against NMBM. Review of application is set down for hearing on 25 April 2013.	0	500,000
78	Arends This relates to a claim against NMBM in respect of implementation of pay parity.	0	1,350,000
79	Tshabalala This relates to a claim against NMBM. Review of application in Labour Court.	0	300,000
80	Erf 7704 Chatty This relates to a claim against NMBM in respect of a unit in NU29, Motherwell to be allocated to Beneficiary.	270,000	250,000
81	Jamda This relates to a claim against NMBM in respect of Arbitration case.	500,000	500,000
82	Nkomana This relates to a claim against NMBM in respect of unfair labour practice dispute.	0	700,000
83	Dorelle Buys This relates to a claim against NMBM in respect of unfair labour practice dispute.	0	400,000
84	TP Construction The claim arises from an arbitration and high court application for removal of arbitrator. MATTER FINALISED	0	190,000
85	Sec 57 Managers Matter set down for private arbitration on 09 September with regards to a claim against NMBM. MATTER FINALISED	65,000	100,000
86	Mbebe The claim arises from an Interpretation/ application dispute referred to SALGBC.	0	600,000
87	Nontlantla Xako Claim against NMBM in respect of unfair labour practice.	0	1,200,000
88	Armstrong Claim against NMBM in respect of breach of employment contract.	0	420,000
89	Metrowind The claim arises as result of windfarm owners/developers to stop construction.	0	1,500,000
90	Sec 57 Employees Matter set down for private arbitration on 09 September with regards to a claim against NMBM. MATTER FINALISED	100,000	65,000
91	Mortimer This relates to a claim against NMBM. Review of application in Labour Court withdrawn by applicants. Awaiting receipt of Municipality's costs.	0	200,000
92	Traffic Wardens Dispute regarding pay parity referred to SALGBC for arbitration by SAMWU on behalf of various traffic wardens and administrative staff.	250,000	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)			
93 Algoa Bus Company		0	82,353
	The claim arises as result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.		
94 R Makasi		0	55,000
	The claim arises out of injuries sustained in an alleged fall into a drain which cover was missing.		
95 P J Booysen		0	20,000
	The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.		
96 C W Bouman		0	100,000
	The claim arises from claims that the Plaintiff was allegedly unlawfully and wrongfully assaulted by unknown member/s of the municipal traffic department. MATTER FINALISED		
97 N C Teteni		0	50,000
	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.		
98 B V Tozo		0	100,000
	The claim arises from injuries sustained by the Plaintiff's minor child allegedly falling into a ditch excavated by the NMBM.		
99 S Baskiti		0	100,000
	The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.		
100 Manong Associates		0	70,066
	The claim arises from an agreement of cession by Manong Associates to Surplan, but NMBM never paid Surplan.		
101 N Peteni		0	100,000
	The claim arises from injuries sustained by Ms Peteni, when she allegedly fell into an open drain.		
102 B Mvana		0	100,000
	The claim arises from injuries sustained by Mr Mvana, when he allegedly fell into an open drain.		
103 M.S. Zicwele		0	28,000
	This claim arise arises as a result of allegedly negligent driving by municipal official. MATTER FINALISED		
104 Rashied Johannes		15,000	8,000
	This relates to a claim against NMBM. MATTER SETTLED		
105 Eastern Cape Motors		0	14,512
	This relates to a claim against NMBM. MATTER FINALISED		
106 D. Adams		0	40,000
	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. MATTER FINALISED		
107 BE Heynsen		0	40,000
	This claim arising from the conduct of traffic officers in effecting an arrest.		
108 MD Stephens		0	100,000
	This claim arises from the minor child who allegedly fell into a ditch.		
109 P Mvakela		0	40,000
	This claim arises from the minor child who allegedly fell into an uncovered drain.		
110 TSA Krog		0	25,000
	Claim arises due to water damage from burst pipe.		
111 E. Potgieter		0	95,523
	This relates to a claim that was finalised on 24 April 2007, awaiting judgement. MATTER SETTLED		
112 West South House CC		0	60,000
	The claim arises from damages caused by a burst water pipe resulting in extensive damage to the plaintiff's private property.		
113 RL Nel		0	10,000
	The claim arises from the Plaintiff's late mother who allegedly fell into a ditch and sustained injuries.		
114 E CAR Hire		644,529	500,000
	Claim against the Municipality for unpaid invoices.		
115 E. Ferreira		6,500	6,500
	This claim arises from municipal vehicle bought at an auction which do not have an engine number, the SAPS confiscated the engine.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		Economic Entity and Municipality	
		2014	Restated 2013
		R	R
45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)			
116 C Baartjies		1,000,000	500,000
The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open man hole.			
117 Walter Pretorius		55,000	0
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.			
118 A A Swartz		0	100,000
The claim arises as a result of injuries sustained by a minor who allegedly fell from hoisted cables.			
119 AMF		0	2,000,000
The claim arises as a result of an alleged breach of contract.			
120 J & C Sampson		0	402,378
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. MATTER FINALISED			
121 Buhlebendalo Properties		0	30,188
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			
122 Z M Marwana		0	261,000
The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open drain.			
TOTAL PROVISION REFER NOTE 5.2		78,479,629	139,174,500

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

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

46.2 Claim against Municipality

The 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

Assets that have been transferred are as follows:

	Economic Entity and Municipality	
	2014	Restated 2013
	R	R
	Final	Final
Assets		
Property - Clinics	0	84,006,400
Motor vehicles	0	3,857,213
Equipment and office furniture	0	4,269,331
	0	92,132,944

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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 R188.515 million (2013: R 177.423 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 2013. The funding level of the Share Account is 100.2%, the Preservation fund is 100% and the Pensions Account reflected a funding level of 105.1% as at 30 June 2013.

SALA CONTRIBUTION FUND

The SALA Contribution Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.92%) and their councils (19.18%) is sufficient to fund the benefits accruing from the Fund in the future. The fund is 100% funded.

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 2008, and certified it as being in a financially sound position with the funding level remaining at 100% since the previous valuation date, 30 June 2005. The 30 June 2011 report is not available yet and is expected to be available towards the end of 2014. 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.

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) and is constituted of 3 funds, namely, the Defined Benefit, Defined Contribution and Pensioner account. The fund was certified by the actuary as being in a sound financial condition as at 30 June 2013. The trustees resolved to ring-fence the pensioner assets as at 30 June 2013. The sections are funded at 99.7%, 99.8% and 100%, respectively.

SALA PENSION FUND

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 26.67% (7.92% by the members and 19.18% by their councils). This defined benefit plan, is financially sound, and was 100% funded as at 30 June 2013.

The Nelson Mandela Bay Municipality has used GRAP 25 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 2014. The unfunded liability in respect of past service has been estimated at R70.118 million, of which R65.055 million relates to the non-current portion. It is expected that approximately 7.2% 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	Period ending 30/06/2014
	R'000	R'000
(Defined Benefit Obligation)	56,092	70,118
Plan Assets	0	0
Unfunded Status	56,092	70,118
(Net Liability in Statement of Financial Position)	56,092	70,118

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47 Information on Post Retirement Benefits (Continued)

Changes in the present value of the defined benefit obligation

	Period ending 30/06/2013	Period ending 30/06/2014
	R'000	R'000
Opening Balance	65,795	56,092
(Current Service Cost)	0	738
(Interest Cost)	4,989	4,985
Expected Benefits Paid	(3,368)	(4,831)
Actuarial (Gain)/Loss	(11,324)	13,134
(Closing defined benefit obligation)	56,092	70,118

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

	Period ending 30/06/2013	Period ending 30/06/2014
	R'000	R'000
Expected benefits to be paid	4,021	5,063

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

	Period ending 30/06/2013	Period ending 30/06/2014
(Defined benefit obligation)	56,092	70,118
Experience adjustment: Plan liabilities	0	0

Summary of economic and demographic assumptions (rates per annum)

	Period ending	Period ending
Discount rate	9.20%	8.94%
CPI Assumption	5.80%	7.05%
Post retirement pension inflation	2.90%	3.53%
Pre-retirement pension (salary) inflation	6.80%	8.05%
Real interest rate pension liability	6.10%	5.23%
Real interest rate in-service member liability	2.20%	0.82%
State pension increase rate	5.80%	6.00%
Pre retirement mortality	SA 85-90 rated down by 3 years for females	Based on SA 85-90 mortality tables.
Post retirement mortality	PA(90) rated down 1 year for males and females, plus further 1% future mortality improvement from 2010	Based on PA(90) ultimate mortality tables.
Expected retirement age - Males	63	63
Expected retirement age - Females	58	58
Normal retirement age	65	65
Percentage married at retirement age	90%	90%
In-service member and spouse age difference	Male 3 years older than female	Male 5 years older than female

Discount Rate:

GRAP 25 defines the determination of the discount rate assumption to be used, as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Our discount rate was set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on 30 June 2014.

Our CPI assumption was calculated as the difference between the yield on the R209 nominal yield bond and the R202 real yield bond at the valuation date.

Salary Increases:

Salaries have been assumed to increase by CPI plus 1% in the future.

Pension increases:

We assume that the pension increases awarded to the ex gratia pensioners will be equal to 50% of the increase in CPI, which is consistent with last year's valuation.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47 Information on Post Retirement Benefits (Continued)

Average Retirement Age:

The average retirement age for all male and female employees is assumed to be 63 and 58 years respectively. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age:

The normal retirement age (NRA) for all active employees is assumed to be 65 years.

Mortality Rates:

Mortality before retirement has been based in the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants:

We assumed that the marital status of employees who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependant children. It was assumed that female spouses will be five years younger than their male spouses at retirement and vice versa.

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

Benefit Structure

Medical Aid Scheme Arrangements:

The Municipality offers employees and continuation members (pensioners) 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 aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Contribution Rate Structure:

Members contribute according to the tables of contribution rates, which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Arrangements:

The Municipality has agreed to subsidise the medical aid contributions of retired members as follows:

In accordance with Resolution 8 of the SALGBC (SALGA), all existing and new pensioners (employees currently in service) and their dependants will receive a subsidy ranging between 60% and 70% subject to the maximum (CAP) amount of R3,618.04 (per month, per member) for the period from 1 July 2014 to 30 June 2015. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R3,557.65 in the previous financial year.

The maximum subsidy is expected to increase at 50% of inflation.

Eligible employees should have at least five years of service to qualify for a benefit at retirement.

Valuation Method

The Projected Unit Credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Post Employment Medical Aid Liabilities:

The expected value of each employee and their spouses' future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation. We also allowed for mortality, retirements and withdrawals from service. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further, it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assume that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of Assets:

As at the valuation date, the medical aid liability of the municipality was unfunded, that is, no dedicated assets have been set aside to meet this liability. Therefore, no assets have been considered as part of this valuation.

Valuation Assumptions

Most relevant actuarial assumptions used:

We did not allow for eligible members who are currently not on medical aid. These members will most likely not join a medical aid on retirement. It was also assumed that 100% of members that are currently on medical aid will remain on medical aid once they retire.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47 Information on Post Retirement Benefits (Continued)

Financial Variables:

The two most important financial variables used in our valuation are the discount and medical aid inflation rates. We have assumed the following values for these variables:

Financial Variables	Year Ending 30/06/2013	Year Ending 30/06/2014
Discount rate	9.21%	8.94%
CPI (Consumer Price Inflation)	5.82%	7.05%
Medical Aid Contribution Inflation	7.32%	8.05%
Net Effective Discount Rate	1.77%	0.82%

Discount Rate:

GRAP 25 defines the determination of the discount rate assumption to be used, as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date, on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve. Our discount rate was set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on 30 June 2014.

Medical Aid Inflation:

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional government bond yields (R209) and current index-linked bond yields (R202).

Average Retirement Age:

The average retirement age for all male and female employees is assumed to be 63 and 58 years respectively. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age:

The normal retirement age (NRA) for all active employees is assumed to be 65 years.

Mortality Rates:

Mortality before retirement has been based in the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants:

We assumed that the marital status of employees who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependant children. It was assumed that female spouses will be five years younger than their male spouses at retirement and vice versa.

Detailed Results

The total liability in respect of post-retirement health care benefits amounts to R1,141,585 million as at 30 June 2014 (2013: R1,320.24 million). Provision for R1,141,585 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.

Accrued Liability

The accrued liability is split between the current employees and continuation members (pensioners).

Category	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000
Current (In-Service) Members	531,076,715	663,887,000
Continuation Members (Pensioners)	789,163,203	477,698,000
Total	1,320,240	1,141,585

Unfunded Accrued Liability

	Year ending 30/06/2013 R'000	Year ending 30/06/2014 R'000
Opening Balance	1,299,222	1,320,240
Current Service Cost	50,390	37,043
Interest Cost	116,105	119,464
Expected benefits paid	(39,837)	(38,994)
Actuarial (Gain)/Loss	(105,640)	(296,168)
Closing Balance	1,320,240	1,141,585

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47 Information on Post Retirement Benefits (Continued)

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

Category	Period ending 30/06/2013	Year ending 30/06/2014
	R'000	R'000
Current Service Cost (In-Service members only)	37,042.870	35,038.000
Interest Cost	119,463.891	101,719.000
Actuarial (Gain)/Loss	(105,640.315)	(296,167.679)
Total employee benefits expense	50,866.446	(159,410.679)

Obligation and experience adjustments

Disclosure in terms of GRAP 25

	Period ending 30/06/2013	Year ending 30/06/2014
	R'000	R'000
(Defined benefit obligation)	1,320,239.918	1,141,585.000
Experience adjustments on plan liabilities	0.000	0.000

Disclosure in terms of GRAP 25

	Year Ending 30/06/2013	Year ending 30/06/2014
	R'000	R'000
Expected benefits to be paid during the next financial year	48,631.792	43,824.000

Sensitivity Analysis

To illustrate the sensitivity of the valuation results, the liability has been recalculated using the following assumptions:

Mortality Rate

	-20% Mortality Rate	Valuation Assumption	+20% Mortality Rate
Total Accrued Liability	R 1,209,662,000	R 1,141,585,000	R 1,073,508,000
Interest Cost	R 107,901,000	R 101,719,000	R 95,537,000
Current Service Cost	R 37,193,000	R 35,038,000	R 32,883,000

Medical Aid Inflation

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	R 1,271,725,000	R 1,141,585,000	R 1,024,762,000
Interest Cost	R 113,315,000	R 101,719,000	R 91,310,000
Current Service Cost	R 39,032,000	R 35,038,000	R 31,452,000

Membership Data

According to the information provided, the number of members entitled to receive post-employment medical aid subsidies from the Municipality were:

Category	30-06-2013 Valuation	30-06-2014 Valuation
Current (In Service) Members	5046	4964
Continuation Members (Pensioners)	1361	1315
Total	6407	6279

LONG SERVICE AWARD AND LONG SERVICE BONUS

Introduction

This is the first time that the Municipality commissions a valuation of its Long Service Awards liabilities. We have calculated the value of the liability as at 30 June 2013 based on the 2014 data (removing new members that joined over the year) and our standard 2013 set of assumptions. The purpose of the retrospective valuation was to disclose comparable figures in the financial statements of the Municipality.

Membership Data

According to the information provided, the number of members entitled to receive long service leave awards from the Municipality were:

Gender	Number of Active employees	Salary Weighted average age (Years)	Weighted average past service (Years)
Male	4147	48.04	17.81
Female	1775	43.63	13.03
Total	5922	46.62	16.28

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47 Information on Post Retirement Benefits (Continued)

Long Service Awards Liabilities

Category	30-06-2014 Valuation	30-06-2013 Valuation
Accrued Liability	R 132 595 000	R 125 793 000

Interest and Service Costs

	30-06-2014 Valuation	30-06-2013 Valuation
	To be used in the	To be used in the
	30-Jun-15	30-Jun-14
Category	Actuarial Loss/(Gain) calculation	Actuarial Loss/(Gain) calculation
Interest Cost	R 10 217 000	R 9 203 000
Current Service Cost	R 11 570 000	R 11 434 000

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long Service Bonuses

The expected value of each employee's long service bonus is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. We have converted the awarded leave days into a percentage of the employee's annual salary. The conversion is based on a 250 working day year and therefore the benefits awarded can be expressed as follows:

Completed Years of Service	Long Service Leave Award (Working Days)	Long Service Bonus Award (% of Annual Salary)	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
5	5	2%	4%	(5/250+2%)
10	10	3%	7%	(10/250+3%)
15	15	4%	10%	(15/250+4%)
20	15	5%	11%	(15/250+5%)
25, 30, 35, 40 and 45	15	6%	12%	(15/250+6%)

Long Service Awards

In addition to the above employees are eligible to receive a Long Service Award to the value of R2,500 upon completion of 25 years in service. This amount is assumed to be fixed and will be paid as a cash amount together with the first salary post completion of the 25 year term.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Valuation of Assets

As at the valuation date, the long service bonuses & awards liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Valuation Assumptions**Financial Variables**

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value 30-06-2014 (Current Valuation)	Assumed Value at 30-06-2013 (Preceding Valuation)
Discount Rate	7.96%	7.40%
CPI (Consumer Price Inflation)	6.33%	5.66%
Normal Salary Increase Rate	7.33%	6.66%
Net Effective Discount Rate	0.59%	0.69%

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

Our discount rate was therefore set as the yield of the R208 South African government bond as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47 Information on Post Retirement Benefits (Continued)

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Promotional Salary Increase Rates

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

Average Retirement Age

The average retirement age for male and female employees was assumed to be **63** and **58** years respectively. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be **65** years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate	Withdrawal Rate
	Males	Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

Valuation Input Data

Membership Data

The information below is based on the membership data received from the Municipality. Reconciliation of membership data between valuation dates

The table below contains details of changes in the number of employees eligible to receive long service leave awards between the successive valuation periods:

Eligible male employees

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	183	R 148 279	3.44	R 8 913
30 - 39	773	R 157 309	6.36	R 16 865
40 - 49	1289	R 183 280	15.38	R 33 250
50 - 59	1378	R 187 251	22.94	R 26 787
60 +	524	R 180 183	28.73	R 5 077
Total	4147	R 177 822	17.81	R 23 415

Eligible female employees

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	75	R 190 400	3.37	R 7 989
30 - 39	552	R 192 460	7.32	R 20 290
40 - 49	702	R 197 967	12.86	R 26 590
50 - 59	356	R 198 047	20.82	R 14 129
60 +	90	R 199 129	25.34	R 0
Total	1775	R 196 009	13.03	R 19 997

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47 Information on Post Retirement Benefits (Continued)

Total eligible employees				
Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	258	R 160 523	3.42	R 8 644
30 - 39	1325	R 171 953	6.81	R 18 292
40 - 49	1991	R 188 458	14.44	R 30 902
50 - 59	1734	R 189 467	22.49	R 24 188
60 +	614	R 182 960	28.19	R 4 333
Total	5922	R 183 274	16.28	R 22 390

Detailed Results

On the basis of the information supplied, the benefit policy and the actuarial assumptions used, the value of the Municipality's liability as at the valuation date is set out below.

Accrued Defined Benefit Obligation (ADBO)

The value of the accrued defined benefit obligation in respect of the long service awards is given below.

	30-06-2014 Valuation	30-06-2013 Valuation
Eligible in service employees	R 132 595 000	R 125 793 000

Interest Cost

The Interest Cost represents the accrual of interest on the Accrued Defined Benefit Obligation, allowing for benefit payments, over the corresponding year. This arises because the long service benefits are one year closer to payment. This item should be accounted for in the Statement of profit or loss and other comprehensive income (herein after referred to as the "income statement") according to GRAP 25.

	30-06-2014 Valuation	30-06-2013 Valuation
	To be used in the 30-Jun-15	To be used in the 30-Jun-14
	Actuarial Loss/(Gain) calculation	Actuarial Loss/(Gain) calculation
Interest Cost		
Eligible in service employees	R 10 217 000	R 9 203 000

Current Service Cost

The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

	30-06-2014 Valuation	30-06-2013 Valuation
	To be used in the 30-Jun-15	To be used in the 30-Jun-14
	Actuarial Loss/(Gain) calculation	Actuarial Loss/(Gain) calculation
Current Service Cost		
Eligible in service employees	R 11 570 000	R 11 434 000

Actuarial Loss/(Gain)

The combined Accrued Liability in respect of Long Service Leave Awards is built-up as follows:

Component	Amount
Accrued Liability as at 30 June 2013	R 125 793 000
Current Service Cost (As calculated at 30 June 2013)	R 11 434 000
Interest Cost (As calculated at 30 June 2013)	R 9 203 000
Benefits Paid *	-R 20 051 000
Actuarial Loss/(Gain)	R 6 216 000
Accrued Liability as at 30 June 2014	R 132 595 000

We have calculated the figures as at **30 June 2013** based on the 2014 data (removing new members that joined over the year) and our standard 2013 set of assumptions. This is the first time that the Municipality commissions a valuation of its Long Service Awards liabilities.

The main reasons for the actuarial loss can be attributed to the following factors:

- Changes in economic variables** – Over the past financial year the net effective discount rate reduced from 0.69% to 0.59%. This caused the liability to **increase** by around **R 820,000**.
- Changes in employee data** – Over the past financial year there were 104 new employees that are eligible to receive long service benefits. In addition the number of employees leaving service were lower than allowed for in our mortality and withdrawal assumptions. The net effect of these changes in the data was an **increase** in the liability of around **R 5,396,000**.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47 Information on Post Retirement Benefits (Continued)

Sensitivity Analysis

As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	20% Withdrawal rate
Total Accrued Liability	R 138 441 000	R 132 595 000	R 127 284 000
Current Service Cost	R 12 372 000	R 11 570 000	R 10 866 000
Interest Cost	R 10 714 000	R 10 217 000	R 9 766 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	R 125 306 000	R 132 595 000	R 140 570 000
Current Service Cost	R 10 839 000	R 11 570 000	R 12 382 000
Interest Cost	R 9 608 000	R 10 217 000	R 10 884 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION
ECONOMIC ENTITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2013					
Cost	2,293,640,596	10,727,494,675	3,167,875,238	1,055,015,447	17,244,025,956
Transfers/Adjustments - Costs	1,221,549	16,590,751	1,797,393	27,731,312	47,341,005
Restatement - Cost	282,144	(2,334,893)	(28,090)	(409)	(2,081,248)
Disposal/Impairment	(21,468,392)	(1,293,268)	(108,858,438)	(31,436,664)	(163,056,762)
Transfers/Adjustments - Depreciation	(521,027)	(91,697)	(1,415)	-	(614,139)
Accumulated Depreciation	(115,252,409)	(3,508,997,360)	(418,104,088)	(533,857,624)	(4,576,211,481)
	2,157,902,461	7,231,368,208	2,642,680,600	517,452,062	12,549,403,331
Movement during the year ended 30 June 2014					
Acquisition	358,872	-	-	47,707,225	48,066,097
Capital Under Construction	83,443,186	1,303,278,924	69,533,407	-	1,456,255,517
Transfers / Adjustments - Cost	17,824,008	10,290,757	32,610,477	37,453,066	98,178,308
Transfers / Adjustment - Depreciation	565,631	-	-	-	565,631
Depreciation	(24,930,716)	(424,090,678)	(100,570,999)	(83,457,040)	(633,049,433)
	77,260,981	889,479,003	1,572,885	1,703,251	970,016,120
Carry Value of Disposals/Impairments during the year ended 30 June 2014					
Cost	(630,662,290)	(775,343)	(9,398,117)	(37,440,934)	(678,276,684)
Depreciation	120,196	747,735	2,949,620	32,357,297	36,174,848
	(630,542,094)	(27,608)	(6,448,497)	(5,083,637)	(642,101,836)
Carrying Values at 30 June 2014	1,604,621,348	8,120,819,603	2,637,804,988	514,071,676	12,877,317,615
Summary - Carrying Values at 30 June 2014					
Summary - Cost	1,744,639,673	12,053,251,603	3,153,531,870	1,099,029,043	18,050,452,189
Summary - Accumulated Depreciation	(140,018,325)	(3,932,432,000)	(515,726,882)	(584,957,367)	(5,173,134,574)
	1,604,621,348	8,120,819,603	2,637,804,988	514,071,676	12,877,317,615

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	984,870,822	16,194,442,343
Transfers/Adjustments - Costs	(118,510,611)	(5,606,723)	(28,275,725)	48,328,308	(104,064,751)
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)	(460,109,783)	(3,976,917,308)
	2,140,426,168	6,589,122,791	2,794,689,546	571,659,150	12,095,897,655
Movement during year ended 30 June 2013					
Acquisition	58,066	0	0	21,591,262	21,649,328
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)	(96,973,234)	(649,090,506)
	36,719,416	642,440,400	(63,752,373)	(45,965,124)	569,442,319
Carry Value of Disposals/Impairments during the year ended 30 June 2013					
Cost	(21,468,392)	(1,293,268)	(108,858,438)	(31,467,357)	(163,087,455)
Depreciation	2,225,269	1,098,285	20,601,865	23,225,393	47,150,812
	(19,243,123)	(194,983)	(88,256,573)	(8,241,964)	(115,936,643)
Carrying Values at 30 June 2013	2,157,902,461	7,231,368,208	2,642,680,600	517,452,062	12,549,403,331
Summary - Carrying Values at 30 June 2013					
Summary - Cost	2,273,675,897	10,740,457,265	3,060,786,103	1,051,309,686	17,126,228,951
Summary - Accumulated Depreciation	(115,773,436)	(3,509,089,057)	(418,105,503)	(533,857,624)	(4,576,825,620)
	2,157,902,461	7,231,368,208	2,642,680,600	517,452,062	12,549,403,331

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (CONTINUED)
MUNICIPALITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2013					
Cost	2,293,640,596	10,727,494,675	3,167,875,238	1,053,387,025	17,242,397,534
Transfers/Adjustments - Costs	1,221,549	16,590,751	1,797,393	27,731,312	47,341,005
Restatement - Cost	282,144	(2,334,893)	(28,090)	(409)	(2,081,248)
Disposal/Impairment	(21,468,392)	(1,293,268)	(108,858,438)	(31,436,664)	(163,056,762)
Transfers/Adjustments - Depreciation	(521,027)	(91,697)	(1,415)	-	(614,139)
Accumulated Depreciation	(115,252,409)	(3,508,997,360)	(418,104,088)	(532,929,663)	(4,575,283,520)
	2,157,902,461	7,231,368,208	2,642,680,600	516,751,601	12,548,702,870
Movement during the year ended 30 June 2014					
Acquisition	358,872	-	-	47,626,674	47,985,546
Capital Under Construction	83,443,186	1,303,278,924	69,533,407	-	1,456,255,517
Transfers / Adjustments - Cost	17,824,008	10,290,757	32,610,477	37,453,066	98,178,308
Transfers / Adjustment - Depreciation	565,631	-	-	-	565,631
Depreciation	(24,930,716)	(424,090,678)	(100,570,999)	(83,306,743)	(632,899,136)
	77,260,981	889,479,003	1,572,885	1,772,997	970,085,866
Carry Value of Disposals/Impairments during the year ended 30 June 2014					
Cost	(630,662,290)	(775,343)	(9,398,117)	(37,428,611)	(678,264,361)
Depreciation	120,196	747,735	2,949,620	32,346,823	36,164,374
	(630,542,094)	(27,608)	(6,448,497)	(5,081,788)	(642,099,987)
Carrying Values at 30 June 2014	1,604,621,348	8,120,819,603	2,637,804,988	513,442,810	12,876,688,749
Summary - Carrying Values at 30 June 2014					
Summary - Cost	1,744,639,673	12,053,251,603	3,153,531,870	1,097,332,393	18,048,755,539
Summary - Accumulated Depreciation	(140,018,325)	(3,932,432,000)	(515,726,882)	(583,889,583)	(5,172,066,790)
	1,604,621,348	8,120,819,603	2,637,804,988	513,442,810	12,876,688,749

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	(118,510,611)	(5,606,723)	(28,275,725)	48,328,308	(104,064,751)
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)
	2,140,426,168	6,589,122,791	2,794,689,546	571,061,148	12,095,299,653
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 the 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	2,157,902,461	7,231,368,208	2,642,680,600	516,751,601	12,548,702,870
Summary - Carrying Values at 30 June 2013					
Summary - Cost	2,273,675,897	10,740,457,265	3,060,786,103	1,049,681,264	17,124,600,529
Summary - Accumulated Depreciation	(115,773,436)	(3,509,089,057)	(418,105,503)	(532,929,663)	(4,575,897,659)
	2,157,902,461	7,231,368,208	2,642,680,600	516,751,601	12,548,702,870

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

49 HERITAGE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2013	
Cost	168,958,903
Transfers/Adjustments	5,669,999
Restatement - Cost	29,542,000
Disposal	(6,518,700)
Accumulated Depreciation	-
	197,652,202
Movement during the year ended 30 June 2014	
Acquisition	3,636,401
Transfers / Adjustment	2,371,520
Impairment	-
	6,007,921
Impairment value during the year ended 30 June 2014	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2014	203,660,123
Summary - Carrying Values at 30 June 2014	
Summary - Cost	203,660,123
Summary - Accumulated Impairment	-
	203,660,123

Reconciliation of Carrying Value		Heritage Assets
Restated Carry Value 1 July 2012		
Cost	163,953,009	
Transfers/Adjustments	4,032,046	
Restatement - Cost	29,542,000	
Disposal	0	
Accumulated Depreciation	0	
	197,527,055	
Movement during year ended 30 June 2013		
Acquisition	973,848	
Transfers / Adjustment	5,669,999	
Impairment	(6,518,700)	
	125,147	
Impairment value during year ended 30 June 2013		
Cost	-	
Amortisation	-	
	-	
Carrying Values at 30 June 2013	197,652,202	
Summary - Carrying Values at 30 June 2013		
Summary - Cost	204,170,902	
Summary - Accumulated Impairment	(6,518,700)	
	197,652,202	

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

49 HERITAGE ASSETS RECONCILIATION (CONTINUED)

MUNICIPALITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2013	
Cost	168,729,403
Transfers/Adjustments	5,669,999
Restatement - Cost	29,542,000
Disposal	(6,518,700)
Accumulated Depreciation	-
	197,422,702
Movement during the year ended 30 June 2014	
Acquisition	3,615,401
Transfers / Adjustment	2,371,520
Impairment	-
	5,986,921
Impairment value during the year ended 30 June 2014	
Cost	
Amortisation	-
Carrying Values at 30 June 2014	203,409,623
Summary - Carrying Values at 30 June 2014	
Summary - Cost	203,409,623
Summary - Accumulated Impairment	-
	203,409,623

MUNICIPALITY	
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
Impairment value during year ended 30 June 2013	
Cost	
Amortisation	-
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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

50 INTANGIBLE ASSETS RECONCILIATION
ECONOMIC ENTITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2013	
Cost	476,890,978
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(269,869,459)
	207,021,519
Movement during the year ended 30 June 2014	
Acquisition	66,555,885
Adjustment	-
Amortisation	(106,364,388)
	(39,808,503)
Impairment value during the year ended 30 June 2014	
Cost	0
Amortisation	0
	0
Carrying Values at 30 June 2014	167,213,016
Summary - Carrying Values at 30 June 2014	
Summary - Cost	543,446,863
Summary - Accumulated Amortisation	(376,233,847)
	167,213,016

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2012	
Cost	556,277,417
Transfers/Adjustments	(9,972,497)
Restatement - Amortisation	0
Impairment	(93,075,517)
Accumulated Amortisation	(179,199,093)
	274,030,310
Movement during year ended 30 June 2013	
Acquisition	23,665,975
Adjustment	0
Amortisation	(90,671,344)
	(67,005,369)
Impairment value during year ended 30 June 2013	
Cost	-4,400
Amortisation	978
	-3,422
Carrying Values at 30 June 2013	207,021,519
Summary - Carrying Values at 30 June 2013	
Summary - Cost	569,966,495
Summary - Accumulated Amortisation	(362,944,976)
	207,021,519

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

50 INTANGIBLE ASSETS RECONCILIATION (CONTINUED)
MUNICIPALITY

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2013	
Cost	476,727,447
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(269,723,118)
	207,004,329
Movement during the year ended 30 June 2014	
Acquisition	66,539,177
Adjustment	-
Amortisation	(106,354,864)
	(39,815,687)
Impairment value during the year ended 30 June 2014	
Cost	0
Amortisation	0
	0
Carrying Values at 30 June 2014	167,188,642
Summary - Carrying Values at 30 June 2014	
Summary - Cost	543,266,624
Summary - Accumulated Amortisation	(376,077,982)
	167,188,642

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

51 INVESTMENT PROPERTY RECONCILIATION
ECONOMIC ENTITY AND MUNICIPALITY

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2013	
Cost	219,111,049
Restatement - Cost	-
Transfers/Adjustments	18,715,415
Disposal	-
Restatement - Depreciation	614,139
Accumulated Depreciation	(39,178,113)
	199,262,490
Movement during the year ended 30 June 2014	
Acquisition	-
Transfers/Adjustments	5,209,270
Capital Under Construction	1,086,374
Transfers / Adjustment	(565,631)
Depreciation	(5,552,168)
	177,845
Carry Value of Disposals for the year ended 30 June 2014	
Cost	(2,789)
Depreciation	1,609
	(1,180)
Carrying Values at 30 June 2014	199,439,155
Summary - Carrying Values at 30 June 2014	
Summary - Cost	244,119,319
Summary - Accumulated Depreciation	(44,680,164)
	199,439,155

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2013 as approved by National Treasury.

The Original Budget was approved on 07 June 2013 for the 2013/14 financial year (01 July 2013 to 30 June 2014), and the Final Budget was approved on 27 February 2014.

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 - Investments

Interest increased due to an increase in the investments portfolio.

Interest earned - Outstanding Debtors

Interest increased due to increase in outstanding debtors.

2 Fines

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

3 Licences and Permits

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

4 Government Grants and Subsidies - Capital

Refer to note 55 for reasons

5 Rental of Facilities and Equipment

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

6 Income for Agency Services

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

7 Employee Related Costs

The decrease is as a result of the actuarial valuation of Post Retirement benefits

8 Impairment - receivables

Due to a revision in the method of calculation of the provision based on more relevant information it resulted in a decrease in the provision.

9 Collection Costs

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

10 Impairment - PPE

The impairment is a non-cash variance due to the decrease in certain market values of Land and Buildings based on the March 2014 supplementary valuation roll.

11 Repairs and Maintenance

The underspending in Repairs and Maintenance is due to underspending on maintenance relating to roads, water and sanitation infrastructure assets..

12 Grants and Subsidies Paid

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

	Actual	Budget	Real Variance
Grants and Subsidies Paid before transfer of Rebate for ATTP Consumers	322,426,117	335,511,820	
Grant paid to MBDA - but unspent at end of year - now transferred to Other Debtors	57,181,243		
Total Paid	<u>379,607,360</u>	<u>335,511,820</u>	-13.14%

13 General Expenses

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

14 Loss on Disposal of Property Plant and Equipment

Relates mainly to the disposal of Assets.

54 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE

GENERAL EXPENSES

Is made up as follows:

	Economic entity	Municipality
Cellphone and Telephone	29,080,773	29,080,773
Fleet management services	92,247,477	92,247,477
Petrol, oil and lubricants	56,536,799	56,536,799
Consultants	52,885,804	52,885,804
Legal Expenses	16,814,356	16,814,356
Housing Top structures	363,993,731	363,993,731
Audit Fees - Auditor General	9,433,239	9,433,239
Other sundry general expenses	105,685,624	84,264,167
	<u>726,677,803</u>	<u>705,256,346</u>

CONTRACTED SERVICES

Is made up as follows:

	Economic entity and Municipality
Contract Security	61,465,029
Grass Cutting	19,443,848
Meter reading contracts	10,752,548
Stadium Management fee/ Operational Cost	72,151,000
Transport Operation - IPTS	44,150,194
Edams system	7,081,866
Other small contracts	74,414,854
	<u>289,459,339</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

55 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 2013 as approved by National Treasury.

The Original Budget was approved on 07 June 2013 for the 2013/14 financial year (01 July 2013 to 30 June 2014), and the Final Budget was approved on 27 February 2014.

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)	2014 Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	496,984,150	609,338,765	(112,354,615)	-23	Work was brought forward on the basis of financial reports that were submitted where outstanding commitments were not factored in. This presented a skewed result of unspent funds and therefore projects only planned in 2015 were brought forward to 2014. This matter has been addressed and the reporting rectified. These outcomes were reported to the Department of Transport and NT.
Human Settlements	165,766,210	175,634,030	(9,867,820)	-6	The servicing of additional sites was planned after the adjustments budget was approved and the normal Council policy to approve budget amendments have been followed.
Economic Development & Recreational Services	21,463,000	12,518,289	8,944,711	42	There was a delay in the award of the contract. The contractor only established site in April 2014 and further challenges on site was experienced which caused no work to be executed. This has now been resolved and the contract will be completed in the 2016 financial year.
Safety & Security	13,000,000	5,708,580	7,291,420	56	2 Projects caused a delay in this directorate. The purchase of 2 Fire Engines were delayed due to non-responsive tenderers. A new tender process will re-commence in the 2015 financial year. The Motherwell Thusong Service Center's budget was decentralised into various directorates. It was replanned to incorporate a Customer Care and Traffic and Licensing Centers. This in itself caused a delay with the commencement of the construction process. This process will commence in the 2015 financial year and will only be completed in the 2016 financial year.
Budget & Treasury	27,940,000	23,542,176	4,397,824	16	The delay in the award of the FMT tender was caused by legal matters and therefore there was no performance in the 2014 Financial Year. The purchase of handheld meters was purposely delayed in order to attain handheld terminals with the latest and new technology resulting in reduced pricing per unit. The unspent funds will be utilised in the 2015 financial year.
Public Health	54,101,720	48,008,394	6,093,326	11	The difference is directly attributable to the Upgrading of Van Der Kemp's Kloof Nature reserve project. The tender was only awarded on 9 June 2014 due to SCM challenges. The final phase of this project will be completed in the 2015 financial year.
Corporate Services	44,321,800	43,479,637	842,163	2	
Sanitation Service	247,058,000	227,639,306	19,418,694	8	
Water Service	185,185,690	184,996,165	189,525	0	
Special Projects & Programmes	22,778,850	11,033,558	11,745,292	52	The Motherwell Thusong Service Center was replanned to incorporate a Customer Care and Traffic and Licensing Centers. This in itself caused a delay with the commencement of the construction process. This process will commence in the 2015 financial year and will only be completed in the 2016 financial year. It was further decided to consolidate these budgets within 1 directorate in the 2015 financial year.
Chief Operating Officer	5,000,000	2,235,612	2,764,388	55	The underspending can be attributed to the late appointment of the contractor as a result of uncertainties that had to be resolved within the SCM process. The contract was only awarded on 11 March 2014.
Electricity & Energy	232,049,390	201,908,279	30,141,111	13	The budget underspending relates to the demand component for servicing of electricity connections. Demand is anticipated at the start of a budget process and this demand has not been realised.
NMBM Stadium	75,000,000	29,442,227	45,557,773	61	The majority of the projects within this budget had a commercial component to it. As a result of the investigations on the commercialisation on some of these projects still being underway, the implementation thereof was delayed.
	1,590,648,810	1,575,485,018	15,163,792	1	
CONTROLLED ENTITIES					
Mandela Bay Development Agency	125,000	118,259	6,741	5	
ECONOMIC ENTITY	1,590,773,810	1,575,603,277	15,170,533		

NOTE 56																		
ECONOMIC ENTITY'S: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2014																		
	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
Land & Buildings																		
Buildings	545,720,756	282,144	546,002,900	17,750,919		83,443,186		276,691	646,920,314	115,773,436		115,773,436	(565,631)	24,930,716		120,196	140,018,325	506,901,989
Land	1,727,672,997		1,727,672,997	73,089	358,872			630,385,599	1,097,719,359									1,097,719,359
	2,273,393,753	282,144	2,273,675,897	17,824,008		83,443,186		630,662,290	1,744,639,673	115,773,436		115,773,436	(565,631)	24,930,716		120,196	140,018,325	1,604,621,348
Infrastructure Assets																		
Roads, Sidewalks & Stormwater Network	4,675,468,252	3,448,174	4,678,916,426	10,331,909		565,314,101			5,254,562,436	1,527,000,323		1,527,000,323		188,354,795			1,715,355,118	3,539,207,318
Beach Developments	50,561,437		50,561,437			2,685,377			53,246,814	8,739,577		8,739,577		1,206,366			9,945,943	43,300,871
Electricity Reticulation & Supply	2,220,267,898	(4,266,654)	2,216,001,244	(41,152)		159,241,911	97,338		2,375,104,665	709,165,310		709,165,310		71,492,568	69,730		780,589,148	1,594,516,517
Fencing	21,909,328		21,909,328			1,659,467		678,005	22,890,790	13,358,954		13,358,954		1,796,061		678,005	14,477,010	8,413,780
Sewerage Mains & Purification Works	1,641,359,297	(787,813)	1,640,571,484			219,678,028			1,860,249,512	667,334,792		667,334,792		72,604,424			739,939,216	1,120,310,296
Waste Disposal Facilities	18,216,986		18,216,986						18,216,986	834,058		834,058		98,613			932,671	17,284,315
Water Supply & Reticulation	1,174,474,864	(79,807)	1,174,395,057			281,475,116			1,455,870,173	479,574,577		479,574,577		64,685,900			544,260,477	911,609,696
Dams & Treatment Works	940,534,096	(648,793)	939,885,303			73,224,924			1,013,110,227	103,081,466		103,081,466		23,851,951			126,933,417	886,176,810
	10,742,792,158	(2,334,893)	10,740,457,265	10,290,757		1,303,278,924	97,338	678,005	12,053,251,603	3,509,089,057		3,509,089,057		424,090,678	69,730	678,005	3,932,432,000	8,120,819,603
Community Assets																		
Libraries	30,566,184		30,566,184						30,566,184	8,962,247		8,962,247		1,027,169			9,989,416	20,576,768
Library Books	71,487,962		71,487,962	793,699					72,281,661	15,147,602		15,147,602		3,000,288			18,147,890	54,133,771
Fire Stations	49,271,517	53,000	49,324,517			4,614,477			53,938,994	11,120,280		11,120,280		1,722,758			12,843,038	41,095,956
Cemeteries	43,580,579		43,580,579	396,211		5,977,997			49,954,787	6,648,905		6,648,905		1,562,440			8,211,345	41,743,442
Clinics	2,856,146	8,995	2,865,141						2,865,141	361,133		361,133		86,995			448,128	2,417,013
Community Centres	194,912,401		194,912,401	1,463,223		11,332,876			207,708,500	40,516,657		40,516,657	1,087	6,707,464			47,225,208	160,483,292
Public Conveniences	5,529,948		5,529,948					588,961	4,940,987	2,549,408		2,549,408		187,295		300,883	2,435,208	2,505,167
Swimming Pools	82,535,128		82,535,128						82,535,128	13,843,607		13,843,607		2,546,245			16,389,852	66,145,276
Recreational Facilities	2,511,441,939	(90,085)	2,511,351,854	29,957,344		47,608,057		6,664,788	2,582,252,467	287,508,630		287,508,630	(1,087)	81,613,015		1,741,228	367,379,330	2,214,873,137
Selling & Letting Schemes	68,632,389		68,632,389						66,488,021	31,447,034		31,447,034		2,117,330		907,509	32,656,855	33,831,166
	3,060,814,193	(28,090)	3,060,786,103	32,610,477		69,533,407	2,144,368	7,253,749	3,153,531,870	418,105,503		418,105,503		100,570,999	907,509	2,042,111	515,726,882	2,637,804,988
Other Assets																		
Bins & Containers	3,869,553		3,869,553		1,939,611			14,807	5,794,357	1,495,364		1,495,364		415,395		14,807	1,895,952	3,898,405
Vehicles & Plant	457,059,074		457,059,074	7,163	27,684,538		171,592	7,080,471	477,498,712	277,954,609		277,954,609		44,130,852	163,966	6,984,898	314,936,597	162,562,115
Office Furniture & Fittings	193,208,689	(409)	193,208,280	777,609	5,091,346			23,501,493	175,575,742	153,365,896		153,365,896		8,687,170		20,381,591	141,571,475	34,004,267
Air Monitoring Facilities	73,124		73,124						73,124	7,228		7,228		4,763			11,991	61,133
Security Systems	9,972,497		9,972,497		1,378,261				11,350,758	6,268,887		6,268,887		2,020,151			8,289,038	3,061,720
Tip Sites	294,893,092		294,893,092	31,897,525	1,432,026				328,222,643	32,502,099		32,502,099		11,144,691			43,646,790	284,575,853
Computer Hardware	92,234,065		92,234,065	4,770,769	10,181,443		12,323	6,660,248	100,513,706	62,263,541		62,263,541		17,154,017	10,474	4,801,561	74,605,523	25,908,183
	1,051,310,094	(409)	1,051,309,685	37,453,066	47,707,225		183,915	37,257,019	1,099,029,042	533,857,624		533,857,624		83,457,039	174,440	32,182,857	584,957,366	514,071,676
	17,128,310,198	(2,081,248)	17,126,228,950	98,178,308	48,066,097	1,456,255,517	2,425,621	675,851,063	18,050,452,188	4,576,825,620		4,576,825,620	(565,631)	633,049,432	1,151,679	35,023,169	5,173,134,573	12,877,317,615

NOTE 56 (Continued)																		
ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2014																		
	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	476,890,978		476,890,978		16,708	66,539,177			543,446,863	269,869,459		269,869,459		106,364,388			376,233,847	167,213,016
ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2014																		
	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	237,826,464		237,826,464	5,209,270		1,086,374		2,789	244,119,319	38,563,974		38,563,974	565,631	5,552,168		1,609	44,680,164	199,439,155
ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2014																		
	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	133,204,909		133,204,909			3,615,401			136,820,310	-		-					-	136,820,310
Memorials & Statues	40,798,771		40,798,771	1,715,520					42,514,291	-		-					-	42,514,291
Land	6,655,783		6,655,783						6,655,783	-		-					-	6,655,783
Art Works	16,992,739		16,992,739	677,000					17,669,739	-		-					-	17,669,739
	197,652,202	-	197,652,202	2,392,520	-	3,615,401	-	-	203,660,123	-	-	-	-	-	-	-	-	203,660,123
Grant Totals Assets	18,040,679,842	(2,081,248)	18,038,598,594	105,780,098	48,082,805	1,527,496,469	2,425,621	675,853,852	19,041,678,493	4,885,259,053	-	4,885,259,053	-	744,965,988	1,151,679	35,024,778	5,594,048,584	13,447,629,909

Appendix A - Unaudited ECONOMIC ENTITY						
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014						
2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)		2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)
1,609,809	239,985,947	(238,376,138)	Executive and Council	541,156	186,621,035	(186,079,879)
2,033,403,270	692,659,080	1,340,744,190	Finance and Admin (Split into Budget and Treasury and Corporate Services)	-	-	-
-	-	-	Budget and Treasury	2,361,596,158	331,579,535	2,030,016,623
-	-	-	Corporate Services	11,476,977	302,632,046	(291,155,069)
6,224,424	108,162,584	(101,938,160)	Public Health	258,659,512	479,343,634	(220,684,122)
495,163,536	495,105,493	58,043	Human Settlements	545,799,641	1,182,684,771	(636,885,130)
43,141,597	405,339,589	(362,197,992)	Safety and Security	31,388,317	429,357,697	(397,969,380)
47,814,021	210,830,611	(163,016,590)	Recreation and Cultural Services (with Economic Development)	-	-	-
7,570,264	308,334,697	(300,764,433)	Environmental Services (with Public Health)	-	-	-
253,292,739	323,228,444	(69,935,705)	Waste Management (with Public Health)	-	-	-
461,743,240	429,223,249	32,519,991	Infrastructure and Engineering - R & G	528,562,769	505,932,571	22,630,198
842,375,367	621,850,947	220,524,420	Water	818,135,306	422,088,876	396,046,430
2,978,064,729	2,824,456,809	153,607,920	Electricity and Energy	3,050,138,922	2,672,225,007	377,913,915
101,752,585	105,790,608	(4,038,023)	Economic Development and Recreational Services	144,799,084	333,105,926	(188,306,842)
6,170,040	12,444,419	(6,274,379)	Market (with Economic Development)	-	-	-
672,143,125	301,051,855	371,091,270	Sanitation	645,673,587	324,027,420	321,646,167
-	-	-	NMBM Stadium	46,901,674	166,307,794	(119,406,120)
-	-	-	Special Projects	48,595,684	31,492,124	17,103,560
<u>7,950,468,746</u>	<u>7,078,464,332</u>	<u>872,004,414</u>	Total	<u>8,492,268,787</u>	<u>7,367,398,436</u>	<u>1,124,870,351</u>
Controlled Entities						
69,631,291	69,529,383	101,908	Mandela Bay Development Agency	71,864,122	71,868,493	(4,371)
<u>69,631,291</u>	<u>69,529,383</u>	<u>101,908</u>	Total Controlled Entities	<u>71,864,122</u>	<u>71,868,493</u>	<u>(4,371)</u>
55,566	295,461	(239,895)	Investment in Associate	-	-	-
(64,570,509)	(64,570,509)	-	Less: Intercompany charges	(63,170,898)	(63,170,898)	-
<u>7,955,585,094</u>	<u>7,083,718,667</u>	<u>871,866,427</u>	Total: Economic Entity before taxation	<u>8,500,962,011</u>	<u>7,376,096,031</u>	<u>1,124,865,980</u>
-	-	-	Taxation	-	-	-
<u>7,955,585,094</u>	<u>7,083,718,667</u>	<u>871,866,427</u>	Total	<u>8,500,962,011</u>	<u>7,376,096,031</u>	<u>1,124,865,980</u>

**Appendix B - Unaudited
ECONOMIC ENTITY
DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2014**

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	-	-	-	1,250,000	239,759	382,014	255,363	372,864	1,250,000	N / A	Yes
National Electrification Programme	DME	16,200,000	6,900,000	6,170,000	24,315,000	53,585,000	5,243,911	5,392,694	4,542,478	38,405,917	53,585,000	N / A	Yes
Urban Settlement Development Grant	DPLG	109,197,900	363,993,000	254,795,100	-	727,986,000	81,154,546	161,235,262	95,583,723	390,012,469	727,986,000	N / A	Yes
Transport or PTIS	NT	-	-	185,000,000	-	185,000,000	-	57,566,458	168,541,691	227,845,438	453,953,587	N / A	Yes
Neighbourhood Development Partnership Grant	NT	24,974,000	-	7,147,000	-	32,121,000	25,647	4,279,833	4,821,711	13,541,683	22,668,874	N / A	Yes
Neighbourhood Development Grant - Technical Assistance	NT	-	-	-	-	-	-	-	-	-	-	N / A	Yes
Energy Efficiency & Demand Side Management Grant	NT	-	4,421,700	7,578,000	-	11,999,700	-	597,513	1,970,318	9,432,169	12,000,000	N / A	Yes

**Appendix C - Unaudited
ECONOMIC ENTITY**

TOTAL ACCUMULATED SURPLUS	2014 R	Restated 2013 R
Made up as follows:		
Housing Development Fund	109,731,779	109,731,779
Capital Replacement Reserve	237,365,658	34,903,364
Government Grant Reserve	5,884,817,161	4,896,453,002
Capitalisation Reserve	347,496,052	701,288,210
Donations and Public Contributions Reserves	266,063,068	294,732,255
Self-Insurance Reserve	78,940,556	65,123,047
COVID Reserve	21,413,380	18,104,759
Accumulated Surplus	4,250,436,206	3,950,553,468
	11,196,263,860	10,070,889,884

**Appendix C - Unaudited
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**

TOTAL ACCUMULATED SURPLUS	2014 R	Restated 2013 R
Made up as follows:		
Housing Development Fund	109,731,779	109,731,779
Capital Replacement Reserve	237,365,658	34,903,364
Government Grant Reserve	5,884,817,161	4,896,453,002
Capitalisation Reserve	347,496,052	701,288,210
Donations and Public Contributions Reserves	266,063,068	294,732,255
Self-Insurance Reserve	78,940,556	65,123,047
COVID Reserve	21,413,380	18,104,759
Accumulated Surplus	4,249,493,424	3,950,114,311
	11,195,321,078	10,070,450,727

Reconciliation of Table A1 Budget Summary

Description	2013/2014							2012/13				
	Original Budget	Budget Adjustments (i.t.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
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	1,214,337	40,028	1,254,365	1,205,526		(48,839)	96.1%	99.3%				1,058,523
Service charges	4,089,228	(107,194)	3,982,035	3,810,943		(171,091)	95.7%	93.2%				3,633,274
Investment revenue	45,740	17,120	62,860	83,222		20,362	132.4%	181.9%				68,058
Transfers recognised - operational	1,119,572	319,264	1,438,836	1,300,058		(138,778)	90.4%	116.1%				1,270,307
Other own revenue	931,002	57,039	988,041	1,074,199		86,158	108.7%	115.4%				1,030,092
Total Revenue (excluding capital transfers and contributions)	7,399,879	326,257	7,726,136	7,473,948		(252,188)	96.7%	101.0%				7,060,255
Employee costs	1,972,548	16,085	1,988,633	1,761,421		(227,212)	88.6%	89.3%				1,724,614
Remuneration of councillors	57,199	(478)	56,722	55,572		(1,150)	98.0%	97.2%				53,010
Debt impairment	318,214	(4,020)	314,194	200,767		(113,427)	63.9%	63.1%				409,754
Depreciation & asset impairment	865,807	(68,894)	816,913	1,385,795	622,644	568,882	169.8%	156.4%				774,430
Finance charges	190,534	(967)	189,567	190,855		1,288	100.7%	100.2%				201,167
Materials and bulk purchases	2,829,759	35,719	2,865,478	2,741,331		(124,147)	95.7%	96.9%				2,652,816
Transfers and grants	340,520	(5,008)	335,512	19,731		(315,781)	5.9%	5.8%				18,783
Other expenditure	1,026,331	264,068	1,290,399	1,020,623		(269,776)	79.1%	99.4%		258,576	258,576	1,249,144
Total Expenditure	7,620,913	236,505	7,857,418	7,376,096	622,644	(481,322)	93.9%	96.8%	258,576	258,576		7,083,719
Surplus/(Deficit)	(221,034)	89,752	(131,281)	97,852		229,134	-74.5%	-44.3%				(23,464)
Transfers recognised - capital	709,812	484,296	1,194,108	1,027,014		(167,095)	86.0%	144.7%				895,330
Contributions recognised - capital & contributed assets												
Surplus/(Deficit) after capital transfers & contributions	488,779	574,048	1,062,827	1,124,866		62,039	105.8%	230.1%				871,866
Share of surplus/ (deficit) of associate												
Surplus/(Deficit) for the year	488,779	574,048	1,062,827	1,124,866		62,039	105.8%	230.1%				871,866
Capital expenditure & funds sources												
Capital expenditure												
Transfers recognised - capital	717,512	332,704	1,050,217	1,026,454		(23,763)	97.7%	143.1%				895,330
Public contributions & donations	41,201	7,868	49,069	31,987		(17,082)	65.2%	77.6%				4,410
Borrowing												
Internally generated funds	418,564	158,277	576,841	517,138		(59,703)	89.7%	123.6%				296,077
Total sources of capital funds	1,177,277	498,850	1,676,127	1,575,579		(100,548)	94.0%	133.8%				1,195,817
Cash flows												
Net cash from (used) operating	1,307,169	70,053	1,377,222	1,787,228		410,006	129.8%	136.7%				1,713,660
Net cash from (used) investing	(1,218,292)	6,747,483	5,529,191	(1,661,126)		(7,190,316)	-30.0%	136.3%				(1,259,158)
Net cash from (used) financing	(105,159)	2,935	(102,224)	(98,887)		3,337	96.7%	94.0%				(88,600)
Cash/cash equivalents at the year end	998,222	7,386,848	8,385,070	1,608,097		(6,776,973)	19.2%	161.1%				1,580,882

560,003

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

Description	2013/2014								2012/2013			
	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
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	2,134,729	67,445	2,202,174	2,373,274		171,101	107.8%	111.2%				2,136,804
Executive and council	316	(47)	269	272		4	101.3%	86.2%				809
Budget and treasury office	2,123,759	58,356	2,182,116	2,358,792		176,676	108.1%	111.1%				2,121,501
Corporate services	10,654	9,136	19,790	14,211		(5,579)	71.8%	133.4%				14,494
Community and public safety	322,553	786	323,339	414,757		91,418	128.3%	128.6%				426,712
Community and social services	20,559	8,236	28,795	24,882		(3,913)	86.4%	121.0%				16,252
Sport and recreation	50,511	(21,320)	29,192	23,273		(5,919)	79.7%	46.1%				40,212
Public safety	34,567	1,100	35,667	13,754		(21,913)	38.6%	39.8%				28,264
Housing	216,702	12,867	229,569	349,673		120,104	152.3%	161.4%				335,685
Health	213	(97)	117	3,175		3,058	2722.3%	1487.5%				6,297
Economic and environmental services	290,653	339,099	629,752	370,743		(259,008)	58.9%	127.6%				371,233
Planning and development	263,021	267,803	530,824	202,687		(328,137)	38.2%	77.1%				340,557
Road transport	22,996	71,033	94,029	159,189		65,160	169.3%	692.2%				26,499
Environmental protection	4,636	263	4,899	8,868		3,969	181.0%	191.3%				4,178
Trading services	4,638,869	(82,509)	4,556,359	4,298,259		(258,100)	94.3%	92.7%				4,108,604
Electricity	3,228,278	(92,884)	3,135,394	3,003,165		(132,228)	95.8%	93.0%				2,920,789
Water	612,284	1,093	613,377	638,308		24,932	104.1%	104.3%				563,590
Waste water management	522,097	8,294	530,391	421,441		(108,949)	79.5%	80.7%				418,975
Waste management	276,210	988	277,198	235,344		(41,854)	84.9%	85.2%				205,249
Other	13,075	1,437	14,513	16,915		2,402	116.6%	129.4%				16,902
Total Revenue - Standard	7,399,879	326,257	7,726,137	7,473,948		(252,188)	96.7%	101.0%				7,060,255
Expenditure - Standard												
Governance and administration	1,171,776	(35,540)	1,136,236	701,819	-	(434,417)	61.8%	59.9%	-	31,816	31,816	952,813
Executive and council	187,544	637	188,181	159,387		(28,794)	84.7%	85.0%		31,816	31,816	143,223
Budget and treasury office	581,695	(8,483)	573,212	307,541		(265,670)	53.7%	52.9%				591,437
Corporate services	402,537	(27,693)	374,843	234,891		(139,953)	62.7%	58.4%				218,154
Community and public safety	1,123,750	218,813	1,342,563	1,309,529	612,684	(33,034)	97.5%	116.5%	-	95,826	95,826	1,295,936
Community and social services	155,515	9,498	165,013	150,626		(14,387)	91.3%	96.9%				140,412
Sport and recreation	157,848	(1,358)	156,490	144,938		(11,552)	92.6%	91.8%				134,565
Public safety	382,732	12,115	394,846	414,341	17,043	19,495	104.9%	108.3%		42,768	42,768	392,079
Housing	270,540	201,024	471,564	420,623	595,641	(50,941)	89.2%	155.5%				361,554
Health	157,115	(2,466)	154,649	179,001		24,352	115.7%	113.9%		53,059	53,059	267,326
Economic and environmental services	1,025,199	103,160	1,128,359	1,651,962	9,960	523,603	146.4%	161.1%	-	-	-	1,074,209
Planning and development	503,896	37,305	541,201	1,109,957		568,757	205.1%	220.3%				640,753
Road transport	218,145	53,699	271,843	426,894	9,960	155,050	157.0%	195.7%				168,431
Environmental protection	303,159	12,156	315,315	115,111		(200,204)	36.5%	38.0%				265,024
Trading services	4,245,854	(29,275)	4,216,579	3,700,584	-	(515,995)	87.8%	87.2%	-	130,934	130,934	3,748,229
Electricity	2,912,251	(49,707)	2,862,545	2,683,568		(178,976)	93.7%	92.1%		56,985	56,985	2,654,306
Water	596,018	5,369	601,387	448,490		(152,897)	74.6%	75.2%		73,949	73,949	516,328
Waste water management	500,393	10,709	511,103	375,878		(135,225)	73.5%	75.1%				392,906
Waste management	237,192	4,353	241,544	192,647		(48,897)	79.8%	81.2%				184,689
Other	54,334	(20,653)	33,681	12,202		(21,480)	36.2%	22.5%				12,532
Total Expenditure - Standard	7,620,913	236,505	7,857,418	7,376,096	622,644	(481,322)	93.9%	96.8%	-	258,576	258,576	7,083,719
Surplus/(Deficit) for the year	(221,034)	89,752	(131,281)	97,852		229,134	-74.5%	-44.3%	-	(258,576)	(258,576)	(23,464)

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

Vote Description R thousand	2013/2014								2012/2013			
	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
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Budget and Treasury	2,123,774	58,354	2,182,127	2,359,483		177,356	108.1%	111.1%				2,121,642
Vote 2 - Public Health	283,496	7,248	290,744	254,865		(35,879)	87.7%	89.9%				219,044
Vote 3 - Human Settlements	240,805	202,056	442,861	369,563		(73,297)	83.4%	153.5%				354,940
Vote 4 - Economic Development and Recreational Services	148,589	8,816	157,405	151,858		(5,548)	96.5%	102.2%				153,620
Vote 5 - Corporate Services	4,033	10,664	14,697	11,477		(3,220)	78.1%	284.6%				10,213
Vote 6 - Rate and General Engineers	103,485	77,775	181,260	146,535		(34,725)	80.8%	141.6%				162,065
Vote 7 - Water Services	612,284	1,093	613,377	638,308		24,932	104.1%	104.3%				563,591
Vote 8 - Sanitation Services	522,097	8,294	530,391	421,181		(109,209)	79.4%	80.7%				418,975
Vote 9 - Electricity and Energy	3,228,278	(92,884)	3,135,394	3,003,165		(132,228)	95.8%	93.0%				2,920,789
Vote 10 - Executive and Council	620	(1)	619	541		(78)	87.4%	87.3%				1,610
Vote 11 - Safety and Security	57,504	1,100	58,604	31,388		(27,215)	53.6%	54.6%				48,948
Vote 12 - Nelson Mandela Bay Stadium	27,248	33,165	60,413	46,902		(13,511)	77.6%	172.1%				59,887
Vote 13 - Strategic Programmes Directorate	47,668	10,578	58,246	38,681		(19,565)	66.4%	81.1%				24,932
Example 14 - Vote14												
Example 15 - Vote15												
Total Revenue by Vote	7,399,879	326,257	7,726,137	7,473,948		(252,188)	96.7%	101.0%				7,060,255
Expenditure by Vote to be appropriated												
Vote 1 - Budget and Treasury	560,699	(8,753)	551,946	289,857		(262,089)	52.5%	51.7%				547,070
Vote 2 - Public Health	717,283	17,846	735,129	480,477		(254,652)	65.4%	67.0%		53,059	(53,059)	693,360
Vote 3 - Human Settlements	381,431	205,613	587,044	1,183,300	595,641	596,256	201.6%	310.2%				499,669
Vote 4 - Economic Development and Recreational Services	360,231	(4,672)	355,559	341,903		(13,655)	96.2%	94.9%				330,669
Vote 5 - Corporate Services	413,520	(27,539)	385,981	307,401		(78,580)	79.6%	74.3%				278,874
Vote 6 - Rate and General Engineers	451,659	44,314	495,972	509,049	9,960	13,077	102.6%	112.7%				441,426
Vote 7 - Water Services	596,018	5,369	601,387	440,556		(160,832)	73.3%	73.9%		73,949	(73,949)	523,915
Vote 8 - Sanitation Services	442,496	16,247	458,743	324,622		(134,121)	70.8%	73.4%				335,738
Vote 9 - Electricity and Energy	2,912,251	(49,707)	2,862,545	2,683,568		(178,976)	93.7%	92.1%		56,985	(56,985)	2,653,923
Vote 10 - Executive and Council	216,869	4,057	220,926	188,152		(32,774)	85.2%	86.8%		31,816	(31,816)	173,044
Vote 11 - Safety and Security	392,935	12,088	405,023	429,404	17,043	24,381	106.0%	109.3%		42,768	(42,768)	407,279
Vote 12 - Nelson Mandela Bay Stadium	129,487	13,384	142,871	166,308		23,437	116.4%	128.4%				173,586
Vote 13 - Strategic Programmes Directorate	46,033	8,259	54,292	31,498		(22,794)	58.0%	68.4%				25,165
Example 14 - Vote14												
Example 15 - Vote15												
Total Expenditure by Vote	7,620,913	236,505	7,857,418	7,376,096	622,644	(481,322)	93.9%	96.8%	-	258,576	(258,576)	7,083,719
Surplus/(Deficit) for the year	(221,033)	89,752	(131,281)	97,852		229,134	-74.5%	-44.3%				

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

Description	2013/2014								2012/2013			
	Original Budget	Budget Adjustments (i.t.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
Revenue By Source												
Property rates	1,214,337	40,028	1,254,365	1,205,526		(48,839)	96.1%	99.3%				1,058,523
Property rates - penalties & collection charges			-			-	-	-				
Service charges - electricity revenue	3,070,366	(107,194)	2,963,173	2,872,413		(90,760)	96.9%	93.6%				2,819,710
Service charges - water revenue	498,414		498,414	505,420		7,007	101.4%	101.4%				430,698
Service charges - sanitation revenue	343,381		343,381	308,365		(35,016)	89.8%	89.8%				273,384
Service charges - refuse revenue	177,067		177,067	124,745		(52,322)	70.5%	70.5%				109,483
Service charges - other												
Rental of facilities and equipment	21,461	(138)	21,322	17,907		(3,416)	84.0%	83.4%				16,555
Interest earned - external investments	45,740	17,120	62,860	83,222		20,362	132.4%	181.9%				68,058
Interest earned - outstanding debtors	171,724	75	171,799	217,463		45,663	126.6%	126.6%				166,835
Dividends received												
Fines	34,809	(305)	34,504	12,808		(21,695)	37.1%	36.8%				28,892
Licences and permits	10,394	236	10,630	9,328		(1,302)	87.8%	89.7%				10,263
Agency services	1,484	(1)	1,483	2,095		612	141.3%	141.1%				1,909
Transfers recognised - operational	1,119,572	319,264	1,438,836	1,300,058		(138,778)	90.4%	116.1%				1,270,307
Other revenue	691,130	57,173	748,303	814,598		66,296	108.9%	117.9%				805,639
Gains on disposal of PPE												
Total Revenue (excluding capital transfers and contributions)	7,399,879	326,257	7,726,136	7,473,948		(252,188)	96.7%	101.0%				7,060,255
Expenditure By Type												
Employee related costs	1,972,548	16,085	1,988,633	1,761,421		(227,212)	88.6%	89.3%				1,724,614
Remuneration of councillors	57,199	(478)	56,722	55,572		(1,150)	98.0%	97.2%				53,010
Debt impairment	318,214	(4,020)	314,194	200,767		(113,427)	63.9%	63.1%				409,754
Depreciation & asset impairment	885,807	(68,894)	816,913	1,385,795	622,644	568,882	169.6%	156.4%				774,430
Finance charges	190,534	(967)	189,567	190,855		1,288	100.7%	100.2%				201,167
Bulk purchases	2,292,123	(42,219)	2,249,904	2,251,558		1,654	100.1%	98.2%				2,179,993
Other materials	537,635	77,939	615,574	489,773		(125,801)	79.6%	91.1%				472,823
Contracted services	326,625	(22,858)	303,767	289,459		(14,308)	95.3%	88.6%				373,895
Transfers and grants	340,520	(5,008)	335,512	19,731		(315,781)	5.8%	5.8%				18,783
Other expenditure	699,707	286,925	986,632	729,892		(256,740)	74.0%	104.3%		258,576	258,576	780,410
Loss on disposal of PPE				1,272		1,272	#DIV/0!	#DIV/0!				94,839
Total Expenditure	7,620,913	236,505	7,857,418	7,376,096	622,644	(481,322)	93.9%	96.8%	-	258,576	258,576	7,083,719
Surplus/(Deficit)	(221,034)	89,752	(131,281)	97,852		229,134	-74.5%	-44.3%				(23,464)
Transfers recognised - capital	709,812	484,296	1,194,108	1,027,014		(167,095)	86.0%	144.7%				895,330
Contributions recognised - capital												
Contributed assets												
Surplus/(Deficit) after capital transfers & contributions	488,779	574,048	1,062,827	1,124,866		62,039	105.8%	230.1%				871,866
Taxation												
Surplus/(Deficit) after taxation	488,779	574,048	1,062,827	1,124,866		62,039	105.8%	230.1%				871,866
Attributable to minorities												
Surplus/(Deficit) attributable to municipality	488,779	574,048	1,062,827	1,124,866		62,039	105.8%	230.1%				871,866
Share of surplus/ (deficit) of associate												
Surplus/(Deficit) for the year	488,779	574,048	1,062,827	1,124,866		62,039	105.8%	230.1%				871,866

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

Vote Description	2013/2014							2012/2013				
	Original Budget	Total Budget (Adjustments (L.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 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
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Budget and Treasury	10,300	17,640	27,940	23,542		(4,398)	84%	229%				12,862
Vote 2 - Public Health	40,110	13,992	54,102	48,307		(5,795)	89%	120%				15,925
Vote 3 - Human Settlements	165,934	1,169	165,766	175,634	9,868		106%	106%				148,096
Vote 4 - Economic Development and Recreational Services	65,577	41,964	108,541	12,314		(94,827)	12%	19%				30,406
Vote 5 - Corporate Services	39,000	5,322	44,322	43,480		(842)	98%	111%				19,001
Vote 6 - Rate and General Engineers	157,098	339,886	496,984	608,745	111,417	111,761	122%	387%				356,082
Vote 7 - Water Services	184,650	536	185,186	184,996		(190)	100%	100%	6,932	6,932		264,805
Vote 8 - Sanitation Services	251,000	(3,942)	247,058	228,233		(18,825)	92%	91%				168,584
Vote 9 - Electricity and Energy	210,557	21,492	232,049	201,908		(30,141)	87%	96%	5,269	5,269		126,204
Vote 10 - Executive and Council	5,000	-	5,000	2,236		(2,764)	45%	45%				10,069
Vote 11 - Safety and Security	13,000	-	13,000	5,709		(7,291)	44%	44%				2,872
Vote 12 - Nelson Mandela Bay Stadium	-	75,000	75,000	29,442		(45,558)	39%	#DIV/0!				-
Vote 13 - Strategic Programmes Directorate	35,651	(12,272)	22,779	11,034		(11,745)	48%	31%				40,912
Example 14 - Vote14	-	-	-	-		-	-	-				-
Example 15 - Vote15	-	-	-	-		-	-	-				-
Capital multi-year expenditure	1,177,277	488,850	1,676,127	1,575,579	121,284	(100,548)	94%	134%	-	12,202	12,202	1,195,817
Single-year expenditure												
Vote 1 - Budget and 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	1,177,277	488,850	1,676,127	1,575,579	121,284	(100,548)	94%	134%	-	12,202	12,202	1,195,817
Capital Expenditure - Standard												
Governance and administration	54,300	97,962	152,262	98,700	-	(53,562)	65%	182%	-	-	-	41,932
Executive and council	5,000	75,000	80,000	31,678		(48,322)	40%	634%				10,069
Budget and treasury office	10,300	17,640	27,940	23,542		(4,398)	84%	229%				12,862
Corporate services	39,000	5,322	44,322	43,480		(842)	98%	111%				19,001
Community and public safety	194,034	4,937	198,971	194,199	9,868	(4,772)	98%	100%	-	-	-	159,453
Community and social services	8,000	(300)	7,700	999		(6,701)	13%	12%				-
Sport and recreation	6,000	5,335	11,335	11,002		(333)	97%	183%				7,895
Public safety	13,000	-	13,000	5,709		(7,291)	44%	44%				2,872
Housing	165,934	(168)	165,766	175,634	9,868		106%	106%				148,096
Health	1,100	70	1,170	865		(314)	73%	78%				590
Economic and environmental services	269,036	368,443	637,479	652,316	111,417	14,839	102%	242%	-	-	-	431,398
Planning and development	86,628	24,057	110,685	11,347		(99,338)	10%	13%				63,343
Road transport	157,098	339,886	496,984	608,745	111,417	111,761	122%	387%				356,162
Environmental protection	25,310	4,500	29,810	32,225		2,415	108%	127%				11,893
Trading services	659,907	27,508	687,415	630,362	-	(57,052)	92%	96%	-	12,202	12,202	563,035
Electricity	210,557	21,492	232,049	201,908		(30,141)	87%	96%	5,269	5,269		126,204
Water	184,650	536	185,186	184,996		(190)	100%	100%	6,932	6,932		264,805
Waste water management	251,000	(3,942)	247,058	228,233		(18,825)	92%	91%				168,584
Waste management	13,700	9,422	23,122	15,225		(7,897)	66%	111%				3,442
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	1,177,277	488,850	1,676,127	1,575,579	121,284	(100,548)	94%	134%	-	12,202	12,202	1,195,817
Funded by:												
National Government	709,812	318,704	1,028,517	1,012,405		(16,112)	98%	143%				895,330
Provincial Government	-	-	-	-		-	-	-				-
District Municipality	-	-	-	-		-	-	-				-
Other transfers and grants	7,700	14,000	21,700	14,048		(7,652)	65%	182%				-
Transfers recognised - capital	717,512	332,704	1,050,217	1,026,454	-	(23,763)	98%	143%	-	-	-	895,330
Public contributions & donations	41,201	7,868	49,069	31,987	-	(17,082)	65%	78%	-	-	-	4,410
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	418,564	158,277	576,841	517,138		(59,703)	90%	134%				296,077
Total Capital Funding	1,177,277	488,850	1,676,127	1,575,579	-	(100,548)	94%	134%	-	-	-	1,195,817

Reconciliation of Table A7 Budgeted Cash Flows

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	5,496,481	18,937	5,515,418	5,019,415	(496,004)	91.0%	91.3%	4,941,726
Government - operating	1,106,417	267,631	1,374,048	1,505,562	131,514	109.6%	136.1%	1,299,677
Government - capital	809,186	91,200	900,386	920,097	19,711	102.2%	113.7%	895,330
Interest	45,240	17,370	62,610	82,578	19,968	131.9%	182.5%	67,639
Dividends			-		-	-	-	
Payments								
Suppliers and employees	(5,934,034)	(323,601)	(6,257,635)	(5,525,335)	732,300	88.3%	93.1%	(5,270,485)
Finance charges	(190,534)	(664)	(191,198)	(192,715)	(1,517)	100.8%	101.1%	(205,109)
Transfers and Grants	(25,587)	(820)	(26,407)	(22,372)	4,035	84.7%	87.4%	(15,118)
NET CASH FROM/(USED) OPERATING ACTIVITIES	1,307,169	70,053	1,377,222	1,787,228	410,006	129.8%	136.7%	1,713,660
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE		7,222,146,654	7,222,147		(7,222,147)	-	-	
Decrease (Increase) in non-current debtors		-	-		-	-	-	
Decrease (increase) other non-current receivables				19,819	19,819			9,779
Decrease (increase) in non-current investments								
Payments								
Capital assets	(1,218,292)	(474,664)	(1,692,956)	(1,680,945)	12,011	99.3%	138.0%	(1,268,937)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(1,218,292)	6,747,483	5,529,191	(1,661,126)	(7,190,316)	-30.0%	136.3%	(1,259,158)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans								
Borrowing long term/refinancing								
Increase (decrease) in consumer deposits		2,935	2,935	6,837	3,902	233.0%		7,995
Payments								
Repayment of borrowing	(105,159)		(105,159)	(105,724)	(565)	100.5%	100.5%	(96,595)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(105,159)	2,935	(102,224)	(98,887)	3,337	96.7%	94.0%	(88,600)
NET INCREASE/ (DECREASE) IN CASH HELD	(16,282)	6,820,471	6,804,189	27,216				365,902
Cash/cash equivalents at the year begin:	1,014,504	566,378	1,580,882	1,580,882				1,214,979
Cash/cash equivalents at the year end:	998,222	7,386,848	8,385,070	1,608,097	(6,776,973)	19.2%	161.1%	1,580,882