

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Actual 2014 R	Restated 2013 R
NET ASSETS AND LIABILITIES			
Net Assets			
Total Accumulated Surplus		11 180 437 683	10 061 959 586
Non-current Liabilities			
		3 193 940 450	3 432 861 399
Long-term Liabilities	3	1 578 057 635	1 716 181 220
Employee Benefit Obligation	4.1	1 304 649 729	1 465 089 079
Non-current Provisions	4.2	311 233 086	251 591 100
Current Liabilities			
		2 279 245 040	2 314 792 251
Consumer Deposits	7	100 347 533	93 158 571
Current Employee Benefit Obligation	5.1	81 594 517	114 565 186
Current Provisions	5.2	129 824 678	139 174 500
Creditors - Exchange Transactions	8	1 588 791 064	1 498 059 826
Unspent Conditional Grants and Receipts	9	265 719 150	364 675 344
Current Portion of Long-term Liabilities	3	112 968 098	105 158 824
Total Net Assets and Liabilities		<u>16 653 623 173</u>	<u>15 809 613 236</u>
ASSETS			
Non-current Assets			
		13 454 350 425	13 184 323 056
Property, Plant and Equipment (PPE)	10	12 872 221 755	12 548 702 870
Heritage Assets	11	203 409 623	197 422 702
Intangible Assets	12	167 188 642	207 004 329
Investment Property	13	199 439 155	199 262 490
Investments	14	0	20 000
Long-term Receivables - Exchange Transactions	15	6 734 606	27 499 304
Long-term Receivables - Non-exchange Transactions	15	5 356 644	4 411 361
Current Assets			
		3 199 272 748	2 625 290 180
Inventory	16	107 225 607	105 955 694
Consumer Debtors - Exchange Transactions	17	846 657 686	586 933 364
Consumer Debtors - Non-exchange Transactions	17	203 595 569	24 433 716
Other Debtors - Exchange Transactions	18	331 009 120	351 875 817
VAT Refund	19	118 583 727	3 452 792
VAT Suspense	19	38 117 111	30 527 280
Current Portion of Long-term Receivables - Exchange Tran	15	80	80
Short-term Investments	20	2 526 748	1 882 274
Short-term Investment Deposits	20	1 421 480 088	1 245 378 088
Bank Balances and Cash	21	130 077 012	274 851 075
Total Assets		<u>16 653 623 173</u>	<u>15 809 613 236</u>

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 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%	
3 633 444 852	Service Charges	23 3 811 653 520	4 089 228 290	(107 193 590)	3 982 034 700	170 381 180	4%	
65 038 572	Interest earned - Investments	80 037 422	43 240 040	17 119 910	60 359 950	(20 321 946)	-34%	1
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%	1
28 891 542	Fines	12 808 381	34 808 730	(304 890)	34 503 840	21 695 459	63%	2
10 262 803	Licences and Permits	9 328 146	10 394 240	235 540	10 629 780	1 301 634	12%	3
1 269 881 789	Government Grants and Subsidies - Operating	24 1 295 003 291	1 119 572 470	317 206 250	1 436 778 720	141 775 429	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%	4
16 554 597	Rental of Facilities and Equipment	17 906 720	21 460 590	(138 310)	21 322 280	3 415 560	16%	5
1 908 520	Income for Agency Services	2 094 655	1 484 000	(1 200)	1 482 800	(611 855)	-41%	6
799 111 133	Other Income	25 812 929 016	690 879 530	57 173 100	748 052 630	(64 876 386)	-9%	
7 946 202 186	Total Revenue	8 491 847 390	8 106 941 410	807 777 920	8 914 719 330	422 871 940		
EXPENDITURE								
1 716 616 688	Employee Related Costs	26 1 750 402 267	1 963 367 120	13 712 440	1 977 079 560	226 677 293	11%	7
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	28 186 057 236	318 213 910	(4 029 940)	314 183 970	128 126 734	41%	8
3 103 857	Collection Costs	3 214 202	4 435 190	0	4 435 190	1 220 988	28%	9
373 894 581	Contracted Services	285 966 572	326 624 690	(22 857 590)	303 767 100	17 800 528	6%	
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%	10
472 772 760	Repairs and Maintenance	486 507 758	537 635 270	77 938 820	615 574 090	129 066 332	21%	11
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 2 237 636 959	2 292 123 340	(42 219 350)	2 249 903 990	12 267 031	1%	
37 469 531	Grants and Subsidies Paid	31 43 157 338	401 269 200	879 380	402 148 580	358 991 242	89%	12
761 781 235	General Expenses	747 260 118	682 602 530	278 920 540	961 523 070	214 262 952	22%	13
94 839 337	Loss on Disposal of Property Plant and Equipment	35.8 1 272 093	0	0	0	(1 272 093)	100%	14
7 078 464 332	Total Expenditure	7 373 369 293	7 659 812 000	231 605 170	7 891 417 170	518 047 877		
867 737 854	Surplus for the year	1 118 478 097	447 129 410	576 172 750	1 023 302 160	(95 175 937)		

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

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

	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2012 as previously reported	9 324 975 588
Restatements (Refer note 40.2)	(130 753 857)
Restated Balance at 01 July 2012	9 194 221 731
Surplus for the year as previously reported	854 664 070
Decrease in Surplus (Refer note 40.1.1)	13 073 785
Restated Surplus for the year	867 737 855
Restated Balance at 30 June 2013	10 061 959 586
Balance at 01 July 2013	10 061 959 586
Surplus for the year	1 118 478 097
Balance at 30 June 2014	11 180 437 683

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

	Note	Actual 2014 R	Restated 2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		7 550 963 864	7 208 188 901
- Sale of goods and services, fines and taxes levied		4 843 795 464	4 790 005 676
- Grants		2 424 951 625	2 194 582 000
- Interest received		282 216 775	223 601 225
Cash paid to suppliers and employees		(5 738 117 106)	(5 480 771 893)
- Employee Costs		(1 860 493 743)	(1 652 923 801)
- Suppliers		(3 684 908 565)	(3 622 739 220)
- Interest paid	29	(192 714 798)	(205 108 872)
CAH GENERATED FROM OPERATIONS	32	1 812 846 759	1 727 417 008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE		(1 597 538 256)	(1 219 604 577)
Purchase of Intangible assets		(66 539 177)	(23 651 413)
Purchase of Investment Property		(6 295 644)	(18 754 231)
Purchase of Heritage Assets		(5 986 921)	(6 621 347)
NET CASH FLOW FROM INVESTING ACTIVITIES		(1 676 359 998)	(1 268 631 568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Non-current Liabilities (external loan funding)	34	(105 158 824)	(97 443 690)
NET CASH FLOW FROM FINANCING ACTIVITIES		(105 158 824)	(97 443 690)
NET CHANGE IN CASH AND CASH EQUIVALENTS		31 327 937	361 341 750
Cash and cash equivalents at the beginning of the year		1 520 229 163	1 158 887 413
Cash and cash equivalents at the end of the year	33	1 551 557 100	1 520 229 163

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

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

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

Housing Revolving Fund

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

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

HOUSING RESERVES

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

Community Facilities

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

Replacement and Renewals

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

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

2 COID RESERVE

Balance at the beginning of the year	18 104 759	15 135 948
Premiums received - transfer from accumulated surplus	5 497 341	4 601 114
Expenditure funded during the year - transfer to accumulated	(2 188 720)	(1 632 303)
Balance at the end of the year	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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	Restated 2013 R
3. LONG-TERM LIABILITIES		
Financial Liabilities:		
Development Bank of Southern Africa (DBSA)	454 611 711	493 540 599
Amalgamated Banks of South Africa (ABSA)	105 000 000	158 863 151
Rand Merchant Bank	446 825 947	456 371 395
Nedbank	669 887 890	698 599 938
Total External Loans	1 676 325 548	1 807 375 083
Brookes Bequest	14 700 185	13 964 961
Total Long-term Liabilities	1 691 025 733	1 821 340 044
Less : Current portion transferred to current liabilities	112 968 098	105 158 824
Development Bank of Southern Africa (DBSA)	41 862 114	37 979 548
Amalgamated Banks of South Africa (ABSA)	30 000 000	30 000 000
Rand Merchant Bank	10 593 062	9 589 011
Nedbank	30 512 922	27 590 265
	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.

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

	2014 R	Restated 2013 R
4.1 EMPLOYEE BENEFIT OBLIGATION		
Gratuity Benefit	32 565 729	35 667 682
Post Retirement Benefits	1 162 816 000	1 323 679 397
Long Service Awards and Long Service Bonus	109 268 000	105 742 000
Total Employee Benefit Obligation	1 304 649 729	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
Contributions to Obligation	(3 101 953)	140 437
Balance at end of year	32 565 729	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
Movement in obligation	(160 863 397)	(496 602)
Balance at end of year	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
Contributions to Obligation	3 526 000	0
Balance at end of year	109 268 000	105 742 000

4.2 NON-CURRENT PROVISIONS

Rehabilitation of Landfill sites	267 291 647	235 394 122
Rehabilitation of Swartkops River	43 941 439	16 196 978
Total Non-current Provisions	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
Contributions to Provision	31 897 525	22 190 691
Balance at end of year	267 291 647	235 394 122

Rehabilitation of Swartkops River

Balance at beginning of year	16 196 978	14 674 139
Contributions to Provision - unwinding of discount factor	27 744 461	1 522 839
Balance at end of year	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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	Restated 2013 R
5 EMPLOYEE BENEFITS AND PROVISIONS		
5.1 CURRENT EMPLOYEE BENEFIT OBLIGATION		
Gratuity Liability	5 777 027	6 506 921
Post Retirement Benefits	48 887 000	52 652 930
Performance Bonus Liability	3 603 490	6 120 017
Task Evaluation liability	0	29 234 318
Long service awards and long service bonuses	23 327 000	20 051 000
Total Current Employee Benefit Obligation	81 594 517	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
Contributions to Obligation	2 946 812	3 672 722
Expenditure incurred	(3 676 706)	(3 690 218)
Balance at end of year	5 777 027	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
Contributions to Obligation	46 552 739	58 697 803
Expenditure incurred	(50 318 669)	(46 885 873)
Balance at end of year	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	6 120 017	4 938 092
Contributions to Obligation	(2 427 677)	1 181 925
Expenditure incurred	(88 850)	0
Balance at end of year	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
Contributions to Obligation	0	0
Expenditure incurred	(29 234 318)	0
Balance at end of year	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
Contributions to Obligation	3 276 000	0
Expenditure incurred	0	0
Balance at end of year	23 327 000	20 051 000

5.2 CURRENT PROVISIONS

Provision for Litigation and Claims	129 824 678	139 174 500
Total Current Provisions	129 824 678	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
Provision utilised	(20 594 074)	(10 094 537)
Contributions to Provision	11 244 252	87 083 948
Balance at end of year	129 824 678	139 174 500

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

	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
Interest	1 348 011	996 337
	100 347 533	93 158 571
Guarantees held in lieu of Electricity and Water Deposits	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	1 221 531 839	1 170 267 359
Payments Received in Advance	70 696 327	55 932 466
Staff leave	144 745 275	141 264 960
Other Creditors	6 172 892	5 738 766
Retentions	144 999 911	124 027 671
Operating Leases	644 820	828 604
Total Creditors	1 588 791 064	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

PHB Subsidies (See Note 24.1)	129 994 741	24 535 607
NT- Accreditation of Municipalities (See Note 24.6)	7 870 175	0
Public Transport Networks Operations Grant (See Note 24.8.2)	9 468 389	278 421 976
EU Sector Policy Support Policy (See Note 24.10)	13 446 128	31 882 401
Other Grants (See Note 24.12)	27 038 458	14 034 801
National Lotteries Grant (See Note 24.14)	5 703 549	5 605 040
Disaster Relief Grant (See Note 24.21)	0	0
Infrastructure Skills Development Grant (See Note 24.19)	560 286	3 499 803
EPWP Incentive Grant (See Note 24.22)	6 647 743	6 695 716
Neighbourhood Partnership Development Grant (See Note 24.16)	7 134 880	0
Integrated City Development Grant (See Note 24.25)	3 193 000	0
Vuna Awards (See Note 24. 26)	15 294	0
Off-Grid Electrification Grant (See Note 24.27)	22 000 000	0
Post Disaster Recovery Grant (See Note 24.29)	32 646 507	0
Total Unspent Conditional Grants and Receipts	265 719 150	364 675 344

10 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2014

	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	1 744 164 768	140 018 325	1 604 146 443
Infrastructure Assets	12 050 850 150	3 932 432 000	8 118 418 150
Community Assets	3 153 396 094	515 726 882	2 637 669 212
Other Assets	1 095 877 533	583 889 583	511 987 950
	18 044 288 545	5 172 066 790	12 872 221 755

No assets were pledged as security

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

Refer to Note 48 for reconciliation.

As at 30 June 2013

	Cost	Accumulated Depreciation/ Impairment	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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11 HERITAGE ASSETS

As at 30 June 2014

	R	R	R
	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	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

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

12 INTANGIBLE ASSETS

As at 30 June 2014

	R	R	R
	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	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

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

13 INVESTMENT PROPERTY

As at 30 June 2014

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	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

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	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 Steeple Dale 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

17 CONSUMER DEBTORS

	R	R	R
As at 30 June 2014	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	2 636 859 628	(1 589 914 908)	1 046 944 720
Rates and General	708 555 071	(504 959 502)	203 595 569
Electricity	924 475 514	(350 755 842)	573 719 672
Water	544 455 423	(386 046 641)	158 408 782
Refuse	191 914 152	(154 745 709)	37 168 443
Sanitation	267 459 468	(193 407 214)	74 052 254
House Rentals	24 191 741	(20 883 206)	3 308 535
Total	2 661 051 369	(1 610 798 114)	1 050 253 255

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	203 595 569
Consumer debtors - Exchange Transactions	846 657 686
	1 050 253 255

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
<u>Rates and General: Ageing</u>		
Current (0-30 days)	89 574 850	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	708 555 071	533 301 448
<u>Electricity: Ageing</u>		
Current (0-30 days)	453 734 228	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	924 475 514	786 689 467
<u>Water: Ageing</u>		
Current (0-30 days)	96 547 155	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	544 455 423	481 422 491
<u>Refuse: Ageing</u>		
Current (0-30 days)	18 391 372	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	191 914 152	152 170 509

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

17 CONSUMER DEBTORS (Continued)	2014 R	Restated 2013 R
Sanitation: Ageing		
Current (0-30 days)	36 935 689	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	267 459 468	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)	155 521 308	513 552 862	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	1 361 995 744	1 231 308 288	67 747 337
Gross Consumer Debtors			2 661 051 369
Less: Impairment allowance			(1 610 798 114)
Net Consumer Debtors for the period ended 30 June 2014			1 050 253 255

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

Reconciliation of the Impairment Allowance

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

	2014 R	Restated 2013 R
Neither past due nor impaired		
Current (0-30 days)	1 050 253 255	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
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18 OTHER DEBTORS	2014	Restated 2013
	R	R
Government Grants and Subsidies	154 479 140	192 785 534
Interest on External Investments	15 283 379	8 921 089
Operating lease accruals	1 955 890	2 063 471
Sundry Debtors	120 401 595	93 922 813
Entity - MBDA	57 181 243	54 182 910
	349 301 247	351 875 817
Provision for Bad Debts - Uitesco	(18 292 127)	0
	331 009 120	351 875 817

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	118 583 727	3 452 792
VAT Suspense	38 117 111	30 527 280

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
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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
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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
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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
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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
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1 421 480 088	1 245 378 088
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FINANCIAL INSTRUMENTS - INVESTMENTS

Sanlam Shares

2 526 748	1 882 274
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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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	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
Cash Book balance at end of the year	<u>130 077 012</u>	<u>274 851 075</u>
Bank Balance at beginning of the year	214 988 377	125 695 962
Bank Balance at end of the year	<u>179 170 678</u>	<u>214 988 377</u>
Which are disclosed in the Statement of Financial Position as follows:		
Bank balances and cash	<u>130 077 012</u>	<u>274 851 075</u>
Bank guarantees held with:	Standard Bank	Standard Bank
Performance Guarantee	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
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
22 PROPERTY RATES		
<u>Actual</u>		
Residential	557 666 343	525 344 419
Commercial	504 905 239	364 974 993
State	92 960 009	71 872 593
Other	49 993 909	96 331 370
	<u>1 205 525 500</u>	<u>1 058 523 375</u>
Other includes farms, smallholdings, municipal public service infrastructure and vacant properties. These amounts are reflected excluding VAT.		
<u>Valuations</u>		
Residential	R'000 83 360 130	R'000 79 153 054
Commercial	35 940 706	26 746 276
State	5 878 929	4 938 573
Other	6 113 951	14 482 987
	<u>131 293 716</u>	<u>125 320 890</u>
23 SERVICE CHARGES		
Sale of Electricity	2 872 448 589	2 819 880 353
Sale of Water	506 094 564	430 697 703
Service delivery - sale of inventory	<u>3 378 543 153</u>	<u>3 250 578 056</u>
Refuse Removal	124 745 195	109 483 071
Sewerage and Sanitation charges	308 365 172	273 383 725
Service delivery - sale of services	<u>433 110 367</u>	<u>382 866 796</u>
	<u>3 811 653 520</u>	<u>3 633 444 852</u>
Refer Restatement Note no. 40.1.12		

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

	2014 R	Restated 2013 R
24 GOVERNMENT GRANTS AND SUBSIDIES		
PHB Subsidies (See Note 24.1)	336 533 801	325 728 060
Health Subsidies (See Note 24.2)	6 626 745	6 230 518
Equitable Share Allocation (See Note 24.3)	742 909 000	729 226 000
Finance Management Grant (See Note 24.4)	1 207 888	1 199 655
National Treasury - Accreditation of Municipalities (See Note 24.6)	12 127 257	9 766 344
Provincial Government Grants: Library Services (See Note 24.7)	3 752 000	3 752 000
Public Transport Networks Operations Grant (See Note 24.8.2)	84 044 891	143 210 612
EU Sector Policy Support Project (See Note 24.10)	5 386 616	413 381
Energy Efficiency & Demand Side Management (See Note 24.11)	11 751 726	0
Other Grants (See Note 24.12)	7 736 499	8 131 408
Government Grant Revenue (See Note 24.13)	1 026 453 533	895 330 135
National Lotteries Grant (See Note 24.14)	901 491	0
Water Demand Management Grant (See Note 24.15)	0	4 999 332
Neighbourhood Partnership development Grant (See Note 24.16)	1 718 128	1 542 600
Urban Settlements Development Grant (See Note 24.18)	4 925 502	1 804 300
Infrastructure Skills Development Grant (See Note 24.19)	9 780 584	3 598 885
AFCON Cup (See Note 24.20)	0	15 923 000
Disaster Relief Grant (See Note 24.21)	0	6 730 000
EPWP Incentive Grant (See Note 24.22)	19 958 872	7 625 694
Groen Sebenza (SANBI) Grant (See Note 24.23)	244 169	0
United Nations Development Partnership Grant (See Note 24.24)	5 474 686	0
Department of Roads and Public Works Grant (See Note 24.28)	4 924 600	0
Post Disaster Recovery Grant (See Note 24.29)	34 998 836	0
	2 321 456 824	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
Current year receipts	480 142 296	331 331 172
Interest received	4 439 020	1 831 172
Debtor raised	148 378 954	188 680 601
Reversal of prior year accrual	(188 680 601)	(178 334 636)
Creditor raised - Interest payable	(455 562)	(1 812 794)
Interest paid over to Provincial Treasury	(1 831 172)	(18 378)
Conditions met - Transferred to Other Income	0	(43 255)
Conditions met - Transferred to revenue	(336 533 801)	(325 728 060)
Conditions still to be met - transferred to liabilities	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
Current year receipts	6 626 745	63 337 596
Debtor raised	0	0
Conditions met - Transferred to revenue	(6 626 745)	(6 230 518)
Reversal of prior year accrual	0	(57 143 345)
Conditions still to be met - transferred to liabilities	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
Current year receipts	742 909 000	729 226 000
Transferred to revenue	(742 909 000)	(729 226 000)
Conditions still to be met - transferred to liabilities	0	0

24.4 Finance Management Grant

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

Balance unspent at beginning of year	0	0
Current year receipts	1 250 000	1 250 000
Conditions met - Transferred to Other Income - VAT portion	(42 112)	(50 345)
Conditions met - Transferred to revenue	(1 207 888)	(1 199 655)
Conditions still to be met - transferred to liabilities	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
Creditor raised - Grant to be paid over to UDDI	0	(3 773 525)
Conditions still to be met - transferred to liabilities	0	0

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

24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	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
Current year receipts	19 997 432	4 886 621
Conditions met - Transferred to revenue	(12 127 257)	(9 766 344)
Conditions still to be met - transferred to liabilities	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
Current year receipts	3 752 000	3 752 000
Conditions met - Transferred to revenue	(3 752 000)	(3 752 000)
Conditions still to be met - transferred to liabilities	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
Opening Balance for Public Transport Networks Operations	(6 400 000)	0
Restated Opening Balance	272 021 976	340 000 000
Current year receipts	85 000 000	298 702 000
Conditions met - Transferred to revenue - capital	(313 177 170)	(181 546 499)
Conditions met - Transferred to Other Income - VAT portion	(43 844 806)	(35 522 913)
Conditions met - Transferred to revenue	0	(143 210 612)
Conditions still to be met - transferred to liabilities	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
Opening Balance from Public Transport Infrastructure Grant	6 400 000	0
Restated Opening Balance	6 400 000	0
Current year receipts	100 000 000	0
Conditions met - Transferred to Other Income - VAT portion	(12 886 720)	0
Conditions met - Transferred to revenue	(84 044 891)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	53 585 000	15 000 000
Conditions met - Transferred to revenue - capital	(47 004 386)	(15 000 000)
Conditions met - Transferred to Other Income - VAT portion	(6 580 614)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	0	32 010 000
Conditions met - Transferred to revenue	(5 386 616)	(413 381)
Conditions met - Transferred to revenue - capital	(13 049 657)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	11 999 700	0
Conditions met - Transferred to Other Income - VAT portion	(247 974)	0
Conditions met - Transferred to revenue	(11 751 726)	0
Conditions still to be met - transferred to liabilities	0	0

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

	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	13 471 016
Transfer from USDG Grant - Opening Balance	0	416 074
Current year receipts	21 738 869	13 375 887
Conditions met - Transferred to revenue - capital	(998 713)	(5 091 271)
Transfer to Other Income	0	(5 497)
Conditions met - Transferred to revenue	(7 736 499)	(8 131 408)
Conditions still to be met - transferred to liabilities	27 038 458	14 034 801
24.13 Government Grant Revenue		
Government Grants and Subsidies.		
	1 026 453 533	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
Current year receipts	1 000 000	0
Conditions met - Transferred to revenue	(901 491)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	0	4 999 332
Reversal of prior year accrual	0	0
Conditions met - Transferred to revenue	0	(4 999 332)
Conditions still to be met - transferred to liabilities	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
Current year receipts	32 121 000	64 062 000
Debtor raised	(2 317 247)	2 317 247
Conditions met - Transferred to revenue - capital	(18 377 847)	(64 836 647)
Conditions met - Transferred to Other Income - VAT	(2 572 899)	0
Conditions met - Transferred to revenue	(1 718 128)	(1 542 600)
Conditions still to be met - transferred to liabilities	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
Current year receipts	0	0
Conditions met - Transferred to revenue - capital	0	(58 662 229)
Transfer from Other Grants	0	0
Conditions met - Transferred to Other Income - VAT portion	0	0
Conditions still to be met - transferred to liabilities	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
Transfer Opening Balance to Other Grants	0	(416 074)
Current year receipts	727 986 000	593 000 392
Conditions met - Transferred to revenue - capital	(633 845 761)	(570 193 489)
Conditions met - Transferred to Other Income - VAT portion	(89 214 736)	(21 002 603)
Conditions met - Transferred to revenue	(4 925 503)	(1 804 300)
Conditions still to be met - transferred to liabilities	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
Current year receipts	8 200 000	2 300 000
Conditions met - Transferred to revenue	(9 780 584)	(3 598 885)
Conditions met - Transferred to Other Income - VAT portion	(159 131)	(201 312)
Transfer of Roll-over amount	(1 199 803)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	0	15 923 000
Conditions met - Transferred to revenue	0	(15 923 000)
Conditions still to be met - transferred to liabilities	0	0

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

	2014 R	Restated 2013 R
24 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
24.21 Disaster Relief Grant		
This grant is used in the event of a disaster.		
Balance unspent at beginning of year	0	0
Current year receipts	0	6 730 000
Conditions met - Transferred to revenue	0	(6 730 000)
Conditions still to be met - transferred to liabilities	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
Current year receipts	20 885 000	14 696 000
Conditions met - Transferred to revenue	(19 958 872)	(7 625 694)
Conditions met - Transferred to Other Income - VAT portion	(974 101)	(374 590)
Conditions still to be met - transferred to liabilities	6 647 743	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
Current year receipts	71 053	0
Debtor raised	173 116	0
Conditions met - Transferred to revenue	(244 169)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	5 474 686	0
Conditions met - Transferred to revenue	(5 474 686)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	3 193 000	0
Conditions met - Transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	60 000	0
Payments to Service Provider	(44 706)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	22 000 000	0
Conditions met - Transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	4 998 844	0
Conditions met - Transferred to revenue	(4 924 600)	0
Conditions met - Transferred to Other Income	(74 244)	0
Conditions still to be met - transferred to liabilities	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
Current year receipts	71 961 000	0
Conditions met - Transferred to revenue	(34 998 836)	0
Conditions met - Transferred to Other Income - VAT portion	(4 315 657)	0
Conditions still to be met - transferred to liabilities	32 646 507	0

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

	2014	Restated 2013
	R	R
25 OTHER INCOME		
Fees and Charges	102 389 629	115 234 329
Grave Income	6 212 945	5 392 490
Public Contributions and Donations Revenue	15 746 549	12 503 081
Fuel Levy	434 831 000	437 526 000
Government Grants - VAT recognised	160 780 538	57 959 956
Other Income	92 968 355	170 495 277
	812 929 016	799 111 133
Refer Restatement Note no. 40.1.9		
26 EMPLOYEE RELATED COSTS		
	2014	Restated 2013
	R	R
Employee related costs - Salaries and Wages	1 221 024 919	1 083 759 287
Employee related costs - Contributions for UIF, pensions and medical aids	235 220 310	375 923 558
Travel, motor car, accommodation, subsistence and other allowances	119 835 276	113 186 131
Housing benefits and allowances	6 542 350	7 324 577
Overtime payouts	106 681 263	83 918 848
Performance bonus	21 567 333	20 415 649
Long-service Awards	39 530 816	32 088 638
	1 750 402 267	1 716 616 688
Refer Restatement Note no. 40.1.5		
Remuneration of the current City Manager - Mr M Mbambisa		
Annual Remuneration	1 000 000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	55 048	0
Total	1 055 048	0
Remuneration of the former City Manager - Dr L Msengana-Ndlela		
Annual Remuneration	0	766 667
Travel, Subsistence, Relocation expenses and other	94 670	204 423
Total	94 670	766 667
Remuneration of the Acting Municipal Manager - Mr T Hani		
Annual Remuneration	0	140 665
Total	0	140 665
Remuneration of the Chief Financial Officer - Mr JT Harper		
Annual Remuneration	600 000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0
Total	600 000	0
Remuneration of the Chief Operating Officer - Mr M Clay		
Annual Remuneration	300 000	751 500
Car allowance	0	120 000
UIF, Medical, Pension Funds, Other	3 000	109 265
Total	303 000	980 765
Remuneration of the Chief of Staff - Mr B Ntshona		
Annual Remuneration	881 280	713 417
UIF, Medical, Pension Funds, Other	13 103	25 619
Total	894 383	739 036
Remuneration of the Chief of Police - Ms Mathabathe		
Annual Remuneration	531 667	0
Car allowance	10 000	0
UIF, Medical, Pension Funds, Other	11 773	0
Total	553 440	0
Remuneration of Individual Executive Directors		
Corporate Services - Mr M Ndozana		
Annual Remuneration	1 430 846	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	237 376	0
	1 668 222	0
Economic Development, Tourism and Agriculture - Mr A Qaba		
Annual Remuneration	400 000	719 920
Car Allowance	0	100 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	17 279	136 154
	417 279	956 074

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

26 EMPLOYEE RELATED COSTS (Continued)	2014 R	Restated 2013 R
Public Health (Vacant)		
Annual Remuneration	0	1 057 086
Car Allowance	0	120 000
UIF, Medical, Pension Funds, Other	0	0
	<u>0</u>	<u>1 177 086</u>
Infrastructure and Engineering - Mr EW Shaidi		
Annual Remuneration	1 196 428	979 086
Car Allowance	90 000	120 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	78 937	78 000
	<u>1 365 365</u>	<u>1 177 086</u>
Electricity - Mr S Mathew		
Annual Remuneration	388 000	0
Car Allowance	12 000	0
UIF, Medical, Pension Funds, Other	3 976	0
	<u>403 976</u>	<u>0</u>
Safety and Security - Mr S Brown		
Annual Remuneration	312 585	0
Car Allowance	23 169	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	203 335	0
	<u>539 089</u>	<u>0</u>
Human Settlements - Mr L Petuna		
Annual Remuneration	337 214	0
Car Allowance	14 422	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	107 138	0
	<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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

Uitesco

Miscellaneous

	193 435 760	127 493 381
ATTP and Miscellaneous fees and charges	174 667 528	121 302 978
Uitesco	18 312 127	0
Miscellaneous	456 105	6 190 403

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

	(7 378 524)	282 236 852
Contribution to doubtful debts (inclusive of VAT)	187 426 046	444 516 599
Less: VAT portion	20 137 042	40 972 622
Contribution to doubtful debts (excluding VAT)	167 289 004	403 543 977
Less: Bad debts as above	174 667 528	121 302 978
	(7 378 524)	282 240 999
Add: Bad debts - levies debtors	0	(4 147)

186 057 236 **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
Interest on Other	1 348 011	996 337
Total Finance Cost	190 687 238	201 008 441
Finance cost accrued/ Prior year accrual reversals	(2 027 560)	(4 100 431)
Finance cost paid	192 714 798	205 108 872

30 BULK PURCHASES

Electricity

Water

Electricity	2 162 047 483	2 115 324 346
Water	75 589 476	64 668 341
	2 237 636 959	2 179 992 687

Refer Restatement Note no. 40.1.3

31 GRANTS AND SUBSIDIES PAID

Grants in aid

Grants to Entities

Grants to Other Organisations

Grants in aid	5 638 738	6 006 154
Grants to Entities	20 277 236	16 293 959
Grants to Other Organisations	17 241 364	15 169 418
	43 157 338	37 469 531

Refer Restatement Note no. 40.1.7

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

	2014	Restated 2013
	R	R
32 CASH GENERATED FROM OPERATIONS		
Surplus for the year	1 118 478 097	867 737 854
Adjustment for:-		
Interest accrued	(15 283 379)	(8 438 326)
Impairment of receivables	5 533 609	319 650 497
Write down to net realisable value	1 620 874	(2 242 812)
Loss on disposal of PPE	1 272 093	94 839 337
Depreciation - Property, plant and equipment	632 333 505	648 940 455
Depreciation - Investment Property	6 117 799	5 367 960
Amortisation	106 354 864	90 637 156
Finance cost accrued	(2 027 560)	(4 100 431)
Contribution to provisions/ employee benefit obligation - non-current	(100 797 364)	23 357 365
Contribution to provisions/ employee benefit obligation - current	(42 320 491)	89 965 770
Unrealised gain to Sanlam shares	(644 474)	(419 420)
Impairment of PPE/ Heritage Assets	640 829 081	29 299 742
Operating Surplus before working capital changes	2 351 466 654	2 154 595 147
(Increase)/Decrease in Inventory	(2 890 787)	4 341 300
(Increase)/Decrease in consumer debtors	(426 127 657)	(450 216 003)
Decrease in other debtors	(5 664 106)	27 729 322
Decrease in VAT	(122 720 766)	(18 338 833)
Increase in Unspent conditional grants and receipts	(98 956 194)	(76 084 097)
Increase/(Decrease) in Creditors	97 920 200	75 610 691
Decrease in Long-term Receivables	19 819 415	9 779 481
	1 812 846 759	1 727 417 008
33 CASH AND CASH EQUIVALENTS		
Short-term Investment Deposits	1 421 480 088	1 245 378 088
Bank balances and cash	130 077 012	274 851 075
Total Cash and Cash Equivalents	1 551 557 100	1 520 229 163
34 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	0	0
Loans repaid	(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
Council subscriptions	10 400 000	10 282 307
Amount paid - current year	(10 400 000)	(10 282 307)
Balance unpaid (included in creditors)	0	0
35.2 Audit Fees		
Opening balance	0	0
Current year audit fee	9 433 238	7 592 392
Amount paid - current year	(9 433 238)	(7 592 392)
Amount paid - previous year	0	0
Balance unpaid (included in creditors)	0	0

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

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	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	18 243 017	17 174 077
Current year payroll deductions	264 163 133	222 313 861
Amount paid - current year	(242 170 684)	(204 070 844)
Amount paid - previous year	(18 243 017)	(17 174 077)
Balance unpaid (included in creditors)	21 992 449	18 243 017
35.5 Pension and Medical Aid Deductions		
Opening balance	0	0
Current year payroll deductions and Council Contributions	486 837 247	445 087 775
Amount paid - current year	(486 837 247)	(445 087 775)
Balance unpaid (included in creditors)	0	0
35.6 Skills Development Levy		
Opening balance	1 191 030	1 182 548
Current year payroll deductions	16 331 403	14 296 689
Amount paid - current year	(14 959 686)	(13 105 659)
Amount paid - previous year	(1 191 030)	(1 182 548)
Balance unpaid (included in creditors)	1 371 717	1 191 030
OTHER ADDITIONAL DISCLOSURES:		
35.7 Impairment		
Impairment - land, heritage assets and debtor	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.		
	640 829 075	21 081 042
Heritage Assets	0	6 518 700
Debtor - Forensic Claim	0	1 700 000
	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
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 11.4% amounting to total accumulative losses of R248.2 million (2013: 10.7% amounting to R224.6 million). Various electricity management interventions are being implemented to curb these losses.		

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

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Councillors' arrear consumer accounts

Councillors had arrear accounts outstanding for more than 90 days as at:	R <u>Total</u>	R <u>Arrangements</u>	R <u>Outstanding less than 90 days</u>	R <u>Outstanding more than 90 days</u>
30 June 2014				
Councillor TP Adams	964		949	15
Councillor JA Arends	85		85	
Councillor S Baartman	479		470	9
Councillor XS Banga	552		542	10
Councillor NC Benya	945	493	452	
Councillor XC Bisset	747		736	11
Councillor F Desi	5		0	5
Councillor VG Dyantyi	1 415		1 397	18
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		1 833	
Councillor ZW Jodwana	242		242	
Councillor RC Kayser	1 186		1 161	25
Councillor XT Klaas	826		815	11
Councillor LY Kwitsana	911		633	278
Councillor TP Louw	1 090	1 090	0	
Councillor LN Mettavinio (nee Gxavu)	65		65	
Councillor ACG Mfunda	543		543	
Councillor BE Mkavu	700		687	13
Councillor MC Mtanga	905		889	16
Councillor LC Mtwana	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		2 503	
Councillor G Rautenbach	340		340	
Councillor LB Semele	5		0	5
Councillor NR Tontsi	1 409		1 371	38
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

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

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

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2014	Restated 2013
	R	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)	<u>66 636 760</u>	<u>60 456 450</u>
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Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

2 Section 57 Employees (See note 26)**3 Other Organisations**

The Organisations have received the following grants/ payments:

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

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	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 Enterprizes	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	Ezamangwevu 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 Maliti	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
			<u>551 791</u>	<u>1 522 792</u>

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

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

36.4 Supply Chain Management Policy

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 36 (1) (a) of the Supply Chain Management Policy:

Deviations: Supply Chain Management Policy	2014			2013	
	Considered Irregu Expenditure	No. of Tenders	Payments made	No. of Tenders	Payments made
(i) In an emergency; Considered Irregular Expenditure	4 073 276	8	9 291 358	1	2 000 000 0
(ii) If such goods or services are produced or available from a single provider only; Considered Irregular Expenditure	0	12	20 571 364	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	0	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	107 084 755	83	374 036 411	92	647 746 326 146 448 555
36 (1) (b) - Ratify any minor breaches of the procurement processes. Considered Irregular Expenditure	0	2	879 039	0	0 0



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

37 CAPITAL COMMITMENTS	2014 R	Restated 2013 R
Approved and contracted for	425 567 789	593 991 727
Land and Buildings	632 672	1 134 170
Infrastructure	382 328 301	576 250 143
Community	42 606 816	12 286 742
Other		4 320 672
Approved but not yet contracted for	28 947 307	561 364
Infrastructure	26 213 951	0
Community	0	0
Other	2 733 356	561 364
Total	454 515 096	594 553 091
This expenditure will be financed from:		
Fuel Levy	28 321 800	
Department of Minerals and Energy (DME) Grant	6 712 455	
Grants and Subsidies - State	5 295 652	6 971 181
Urban Settlements Development Grant (USDG)	391 119 972	571 621 703
Integrated Public Transport Systems (IPTS) Grant	2 318 738	
Capital Replacement Reserve	20 746 479	15 960 207
Total	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
Used to Finance property, plant and equipment - at cost	1 676 325 548	1 807 375 083
Sub-total	0	0
Cash set aside for the repayment of long-term liabilities (See Note 3) - This is only the capital portion of the loan.	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 NMBM has secured standby credit facilities in the form of an overdraft facility with its banker in order to cater for any unexpected temporary shortfall in operating funds. The maximum exposure to liquidity risk is the trade creditors and long term borrowings. Consumer deposits have a low exposure to liquidity risk.

The following table details the NMBM's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the NMBM can be required to pay. The table includes both estimated interest and principal cash flows. A sensitivity analysis was not considered to be necessary.

Trade payables

1-3 months	1 221 531 839	1 170 267 359
> 3 months	144 999 911	124 027 671

Other payables

1-3 months	0	0
> 3 months	6 172 892	5 738 766

Long term borrowings

< 12 months	112 968 098	105 158 824
> 12 months	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. 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

Currency risk

The NMBM undertakes certain transactions denominated in foreign currencies, either directly through the import of goods and services, or

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

	Restated 2013 R
40 RESTATED PRIOR YEAR COMPARATIVES	
<u>Prior Period Errors:</u>	
Net effect of changes - see details below	13 073 785
Net effect on surplus	<u>13 073 785</u>
<u>Statement of Financial Performance</u>	
40.1.1 Surplus for the year	
Balance as per audited financial statements (as previously reported)	854 664 069
Net effect on surplus	13 073 785
General Expenses (Refer 40.1.2)	7 137 475
Bulk Purchases (Refer 40.1.3)	3 685 982
Contracted Services (Refer 40.1.4)	1 308 741
Employee Related costs (Refer 40.1.5)	(851 848)
Fines (Refer 40.1.6)	191 400
Grants and Subsidies Paid (Refer 40.1.7)	930 444
Interest Earned - External Investments (Refer 40.1.8)	(165 530)
Other Income (Refer 40.1.9)	89 297
Rental of Facilities and equipment (Refer 40.1.10)	(864 310)
Repairs and Maintenance (Refer 40.1.11)	1 613 011
Service Charges (Refer 40.1.2)	(877)
Restated surplus for 2012/13	<u>867 737 854</u>
40.1.2 General expenses	
Expense as per Audited financial statements (as previously reported)	768 918 710
Transfer to Creditors	(7 137 475)
	<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
Transfer to Creditors	(3 685 982)
	<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
Transfer to Creditors	(1 308 741)
	<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)	1 715 764 840
Transfer to Creditors	851 848
	<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
Transfer to Creditors	191 400
	<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)	38 399 975
Transfer to Creditors	(930 444)
	<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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Restated 2013
R**

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.1.8 Interest Earned - Investments

Expense as per Audited financial statements (as previously reported)	65 204 102
Transfer to Longterm liabilities	(165 530)
	<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)	799 021 836
Transfer to Other Debtors	88 969
Transfer to VAT Suspense	328
	<u>799 111 133</u>

Debtors in the amount of R88 969 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
Transfer to Other Debtors	(846 616)
Transfer to Creditors	(17 694)
	<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)	474 385 771
Transfer to Creditors	(1 613 011)
	<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)	3 633 445 729
Transfer to Creditors	(877)
	<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)	4 059 303 244
Decrease in Surplus (Refer to Note 40.1.1)	13 073 785

Transfer to Longterm liabilities	(2 394 597)
Transfer to Employee benefit Obligation	(125 793 000)
Transfer to VAT Refund	(2 013 196)
Transfer from Creditors	(553 064)
	<u>(130 753 857)</u>

Restated Closing Balance	<u>3 941 623 172</u>
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40.2.1 Longterm Liabilities

Balance as per Audited financial statements (as previously reported)	1 713 621 093
Transfer from Accumulated Surplus	2 394 597
Transfer from Interest earned - Investments	165 530
	<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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2013 R
40.2.2 Employee Benefit Obligation	
Non-Current	
Balance as per Audited financial statements (as previously reported)	1 359 347 079
Transfer from Accumulated Surplus	105 742 000
	<u><u>1 465 089 079</u></u>
Current	
Balance as per Audited financial statements (as previously reported)	94 514 186
Transfer from Accumulated Surplus	20 051 000
	<u><u>114 565 186</u></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)	1 514 272 295
Transfer from Various expenditure and VAT	(14 684 286)
Transfer from Accumulated Surplus	553 064
Transfer to Property Plant and Equipment	(2 081 247)
	<u><u>1 498 059 826</u></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)	12 550 784 118
Transfer from Creditors	(2 081 247)
	<u><u>12 548 702 871</u></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
Transfer from VAT Suspense	12 000 000
	<u><u>586 933 364</u></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)	352 633 464
Transfer from Other Income	88 969
Transfer to Rental of Facilities and Equipment	(846 616)
	<u><u>351 875 817</u></u>

Debtors in the amount of R88 969 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)	5 499 737
Transfer from Accumulated Surplus	(2 013 196)
Transfer to VAT Suspense	(33 749)
	<u><u>3 452 792</u></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
Transfer from Creditors	(687 653)
Transfer from Other Income	328
Transfer to VAT Refund	33 749
Transfer from Consumer Debtors	(12 000 000)
	<u><u>30 527 280</u></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.

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE 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

2014
R

Restated 2013
R

The Municipality normally enters into a lease agreement over 3 years for most of the Operating leases.

Future minimum lease payments under non-cancellable operating leases:

Buildings

Payable within one year
 Payable within two to five years

9 384 899 **16 397 849**

7 632 310	9 266 171
1 752 589	7 131 678

Photocopier, fax machines and other equipment

Payable within one year
 Payable within two to five years

11 741 912 **7 868 132**

6 246 005	4 049 652
5 495 907	3 818 480

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:

Land

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

14 480 000 **14 960 000**

480 000	480 000
1 920 000	1 920 000
12 080 000	12 560 000

Buildings

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

31 799 406 **33 315 077**

1 687 038	1 735 863
3 050 385	4 042 472
27 061 983	27 536 742

46 279 406 **48 275 077**

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

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2014	Restated 2013
	R	R
Opening Balance - as previously stated	5 195 708 439	711 969 182
Restatement - Irregular Expenditure - SCM	0	2 142 720 656
Restatements - refer 44.2 - no.8	0	5 179 893
Restated Opening Balance	5 195 708 439	2 859 869 731
Incurred - Current year	3 147 050 750	2 654 542 418
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	8 712 810 662	5 195 708 439

Incident/ Disciplinary steps / Criminal Proceedings

44.1 Unauthorised Expenditure

1 Unauthorised expenditure incurred regarding the provision of catering services at the funeral of the late P. Ngingi

Municipal Official incurred unauthorised catering services which was irrelevant to council business. Disciplinary action was instituted against the official concerned and he was ordered to repay the amount in question. Regular monthly instalments are being deducted from the relevant employee salary and credited to vote 1474 - 5716.

Recovered 0 (5 483)

2 Actual expenditure in excess of approved budget votes

743 928 574 270 777 602

The total actual expenditure, including non-cash flow items such as Impairment Loss amounted to **R8 943 604 467**, compared to the approved adjustments budget of **R9 482 065 980**. The actual expenditure was thus **R538 461 513** 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 **473 150 972** **(47 926 108)**

44.2 Irregular Expenditure

1 Irregular expenditure as a result of fronting.

A person registered four employees from another company he owns as members of a CC to comply with the NMBM BEE requirements. The CC was awarded a water and waste disposal contract and payments to an approximate value of almost R 30 Million was made to the CC to date (November 2011). The CC was a front, resulting in the financial gain to him and his other business. The case was reported to the SAPS, case number: Humewood CAS 549/08/2011. Contract with CC cancelled by Council. 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 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.	111 158 031	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 2012/13 financial year and no proof could be found on employee files that the MEC gave permission to act longer than 3 months.	0	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	1 851 701	0
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)		
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
NOTES TO THE 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)		
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
18 Breach of the Supply Chain Management policy As most of the SCM tender files did not contain the required documentation to satisfy audit requirements, the associated expenditure has been deemed to be irregular. Although all the documentation are not on the SCM tender files, the relevant goods were delivered and the relevant services were rendered.	3 147 050 750	2 654 542 418
Total	3 327 503 658	2 852 706 728
44.3 Fruitless and Wasteful Expenditure		
1 Wasted expenditure as a result of the premature signing of a letter An official signed an acceptance letter for a R90 million contract, prior to the Municipal Manager signing the Bid Adjudication recommendation. The appointment of the contractor was retracted. The contractor is busy with civil litigation against council, resulting in wasted legal costs.	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.	7 914 519	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	10 640 502	2 618 712

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

	2014 R	Restated 2013 R
45a CONTINGENT LIABILITIES		
These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters. Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable and able to do so).		
Possible Contingent liabilities:		
1 Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to:	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 G Volstruis The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment.	0	30 000
5 M Heysen This claim arises from the conduct of traffic officers in effecting an arrest.	0	20 000
6 MS Zigwele This relates to a claim against NMBM. MATTER FINALISED	0	20 000
7 Volkswagen SA This relates to a claim against NMBM.	0	47 022
8 E Chedress This claim arises from an alleged unlawful arrest and detention for a drunken driving charge.	0	110 000
9 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
10 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
11 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
12 L R Kalebe This claim arises from an arrest on charges of a warrant by a traffic officer.	0	120 000
13 Campson Trading The claim arises from the breach of a session agreement.	0	139 945
14 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.	0	271 802
15 Sky Metro Office The claim arises in respect of the rental agreement between NMBM and Sky Metro Office. MATTER FINALISED	0	347 337
16 NE Nobebe The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	150 000	0
17 N Busosh The claim arises from the wrongful death of a minor	425 000	0
18 L Booysen The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	150 000	0

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

45a CONTINGENT LIABILITIES (Continued)	2014 R	Restated 2013 R
19 GD Scheuble The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	0	0
20 PJN Kayser Claim for damages to property.	48 333	0
21 SP Lumbe The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	250 000	0
22 Mgoqi The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	250 000	0
23 E Gerber The claim arises as a result of injuries sustained by the Plaintiff who allegedly fell into a ditch.	290 000	0
24 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
25 KV Botha The claim arises from alleged damages to the plaintiff's property as a result of an electrical surge.	25 354	0
26 M Kara The claim arises from damages to the Plaintiff's property.	1 250 000	0
27 D Jordan Claim for damage to property as a result of pothole.	53 352	0
28 PM Bhe The claim arises from bodily injuries sustained by the Plaintiff who stepped into a hole.	150 000	0
29 MV Vukapi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	150 000	0
30 D. Jacobs The claim arises as a result of injuries sustained by the Plaintiff who allegedly fell into a ditch.	150 000	0
31 G Nyakasi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	150 000	0
32 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
33 P.N. Mcwetyana The claim arises from the electrocution of the minor child of the Plaintiff.	350 000	0
34 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
35 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
36 TT Jegels The claim arises from the death of the plaintiff's baby at West End clinic allegedly due to negligence.	0	207 000
37 R Penrose The claim arises from alleged damage to property by opening of the Chelsea water reservoirs.	9 820	0
38 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	30 073	0

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

45a CONTINGENT LIABILITIES (Continued)	2014 R	Restated 2013 R
39 V. Matroos The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	14 094	0
40 Winston Malgas The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	60 837	0
41 Intsimbi Industrial Manufacturing CC This claim arises due to NMBM reviewing and setting aside the award of a tender.	225 721	0
42 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
43 GLS Consulting (Pty) Limited This claim arises from damages during the tender process for SCM375/2011	45 501	0
44 B Ferreira This claim arises from the alleged assault of the Plaintiff by a Traffic Officer.	22 000	0
45 HJS Properties The claim arises in respect of a summons issued against NMBM in respect of monies claimed by the Plaintiff for goods supplied.	0	599 196
46 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
47 S Fretwell This claim arises as a result of the plaintiff tripping over a portion of a telephone cord.	0	100 000
48 ZA Sokutu The claim arises as a result of a motor vehicle accident, the plaintiff alleging that the municipality driver was the sole cause of the collision.	0	50 000
49 L Valentine The claim arises as a result of a motor vehicle accident, the plaintiff alleging that the municipality driver was the sole cause of the collision.	0	50 000
50 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.	60 000	0
51 N P Kelele The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge into a hole.	980 000	0
52 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.	80 000	0
53 Transnet Limited A collision between a Transnet vehicle and Municipal vehicle, allegedly caused by the municipal employee.	34 000	0
54 EV Botha (MFE) The claim arises due to a power failure and plaintiff being deprived of the benefits of having electricity.	5 000	0
55 GS Maloyi The claim arises from the plaintiff, whom allegedly fell into an open drain.	100 000	0
56 NR Ngamntwini The claim arises due to damages to the plaintiff's car.	11 419	0

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

	2014 R	Restated 2013 R
45a CONTINGENT LIABILITIES (Continued)		
57 W Makanya This claim arises as a result of an alleged unlawful arrest.	80 000	0
58 AM Lose The claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch at Missionvale.	2 510 000	0
59 N De Jager The claim arises in respect of damages to the plaintiff's car.	20 000	0
60 I Bosch This claim arises as a result of an alleged unlawful detention.	80 000	0
61 Naidoo This claim arises as a result of a motor vehicle collision	31 000	0
62 Januarie This is a public liability claim which arose when building material fell on and injured a child.	300 000	0
63 P Brophy The claim arises due to damages sustained by Plaintiff.	0	54 276
64 J Hanabe The claim arises from injuries sustained by the Plaintiff that allegedly fallen down from an embankment.	0	300 000
65 V.M Matolo This claim arises from injuries sustained by the Plaintiff who allegedly fell into an uncovered manhole.	37 560	97 963
66 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
67 M P Langson This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	0	50 000
68 D Visser This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	38 000	50 723
69 NE Mabenge The plaintiff sustained injuries as a result of an alleged fall.	0	355 267
70 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
71 RM Mtyeko Claim arises as a result of damages sustained by the Plaintiff.	0	742 000
72 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	0	40 000
73 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
74 NN Madubedube and 43 others Applicants claiming higher grading of their positions in the Municipality.	0	2 000 000
75 SVP Mafongosi and T Mkumatela The claim arises in respect of an alleged unfair labour practice.	50 000	30 000
76 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

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

45a CONTINGENT LIABILITIES (Continued)	2014 R	Restated 2013 R
77 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
78 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
79 Wayton Development CC Claim for contract that was cancelled as a result of poor work performance	700 000	0
80 Treoflex Trading CC t/a Ozmatt Trading Claim for damages as a result of the cancellation of the service agreement for waste management functions.	1 300 000	0
81 South African Fine Wine, Ale & Spirit Merchants Trust Claim for goods sold and delivered	10 000	0
82 AFCON Claim for expenses allegedly incurred on behalf of the Municipality for the 2013 African Cup of Nations.	3 000 000	0
83 TSA Krog Claim arises due to water damage from burst pipe.	70 000	0
84 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
85 W Van Wyk This claim arises from an alleged unlawful arrest and detention.	40 000	0
86 L Salaze This relates to a claim against NMBM.	50 000	0
87 L. Kamnqa The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open ditch	220 000	0
88 P.M. Mabodla The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open drain.	180 000	0
89 JP Van Dyk This claim arises as a result of an alleged unlawful arrest and detention of the plaintiff.	45 000	0
90 S Cooper The claim arises as a result of a lamp pole which allegedly fell on the head of the plaintiff.	70 000	0
91 Dawn Anne Jefferson Claim arises from alleged negligence after Plaintiff's motor vehicle collided with a drum.	40 000	0
92 Ilze Venter Claim arises from alleged negligence after Plaintiff suffered damages to her motor vehicle caused by a pothole	65 000	0
93 NP Antoni This relates to a claim for alleged negligence	235 000	0
94 AG Fourie This relates to a claim for alleged negligence	401 414	0
95 NS Notshaba This relates to a claim for alleged negligence	150 000	0
96 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

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

	2014 R	Restated 2013 R
45a CONTINGENT LIABILITIES (Continued)		
97 Tommy Lamont	2 600 000	0
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.		
98 Blue Horizon Bay	2 600 000	0
This represents an opinion furnished on possible claims arising out of flood damages to property and expropriation of land.		
99 NC Nxopo	50 000	0
The claim arises due to an alleged assault.		
100 Mathew Goniwe	300 000	0
The claim arises as a result of High court eviction proceedings.		
101 Kops	100 000	0
The claim is in respect of an Arbitration case at SALGBC.		
102 Jamda	100 000	0
This relates to a claim against NMBM in respect of an Arbitration case.		
103 Dorelle Buys	50 000	0
This relates to a claim against NMBM in respect of an unfair labour practice dispute.		
104 Armstrong	80 000	0
Claim against NMBM in respect of breach of employment contract.		
105 SAMWU/ Municipal Police Chief	150 000	0
Review application launched by SAMWU in Labour Court in respect of the appointment of Ms Mathabathe to the position of municipal chief of police.		
106 Traffic Wardens	150 000	0
Dispute regarding pay parity referred to SALGBC for arbitration by SAMWU on behalf of various traffic wardens and administrative staff.		
107 Nontlantla Xako	900 000	0
Claim against NMBM in respect of an unfair labour practice.		
108 Metrowind	100 000	0
The claim arises as result of windfarm owners/developers to stop construction.		
TOTAL CONTINGENT LIABILITIES	36 857 864	15 844 895
Restated as per finding - cases listed under Provision for Litigation and Claims - Where the Possible amount exceeded the Probable amount as per the Attorney's confirmation:		
109 MS Calata	0	80 000
Armstrong	0	80 000
R Makasi	0	20 000
P J Booysen	0	80 000
C W Bouman	0	500 000
N C Teteni	0	201 000
B V Tozo	0	551 000
S Baskiti	0	401 000
N Peteni	0	200 000
B Mvana	0	200 000
	0	2 313 000
RESTATED TOTAL CONTINGENT LIABILITIES	36 857 864	18 157 895

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

45(b) PROVISION FOR LITIGATION AND CLAIMS	2014 R	Restated 2013 R
<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 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 civil claim against the Municipality for the employer portion of the pension fund	36 659	0
3 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
4 Tryzone Fourteen(Pty) The claim arises from a dispute, relating to rates and service charges levied by the Municipality.	250 000	1 500 000
5 Vatala This relates to a claim against NMBM - Review in labour court.	1 500 000	0
6 N. Grundlingh This claim arises from an alleged assault and defamation by a municipal employee.	0	50 000
7 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.	50 000	80 000
8 N P Kelele The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge into a hole.	80 000	1 000 000
9 Transnet Limited A collision between a Transnet vehicle and Municipal vehicle, allegedly caused by a municipal employee.	20 000	40 000
10 EV Botha (MFE) The claim arises due to power failure and plaintiff deprived of benefits of having electricity.	25 000	20 000
11 GS Maloyi The claim arises from the plaintiff, whom allegedly had fallen in an open drain.	15 000	150 000
12 BA Thumane The claim arises from the plaintiff, in respect of a court order granted in favour of applicants.	0	3 000
13 NR Ngamntwini The claim arises from the plaintiff, in respect of damages to the plaintiff's car.	10 000	38 000
14 W Makanya This claim arises as a result of an alleged unlawful arrest.	25 000	60 000
15 AM Lose The claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch at Missionvale.	100 000	400 000
16 N De Jager The claim arises in respect of damages to the plaintiff's car.	20 000	30 000
17 I Bosch This claim arises as a result of an alleged unlawful detention.	15 000	130 000
18 Naidoo This claim arises as a result of a motor vehicle collision	20 000	0
19 Januarie This is a public liability claim which arose when building material fell on and injured a child.	80 000	0

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

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2014 R	Restated 2013 R
20 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.	60 000	0
21 RL Judd The claim arises out of injuries sustained from an alleged fall over a raised cracked portion of the sidewalk.	0	100 000
22 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
23 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
24 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
25 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
26 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
27 P.N. Mcwetyana The claim arises from the electrocution of the minor child of the Plaintiff.	0	350 000
28 D. Jacobs The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	0	150 000
29 E Gerber The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	0	250 000
30 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
31 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
32 E Barnard The claim arises from an alleged fall over an indentation formed on a pavement.	65 000	50 000
33 C Swarts The claim arises from injuries sustained by the Plaintiff from an alleged fall into a manhole.	0	45 000
34 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
35 KV Botha The claim arises from alleged damages to property as a result of an electrical surge.	0	15 355
36 PM Bhe The claim arises from bodily injuries sustained by the Plaintiff who stepped into a hole.	0	150 000
37 MV Vukapi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	0	150 000
38 G Nyakasi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	0	150 000

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

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2014 R	Restated 2013 R
39 GD Scheuble The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	0	200 000
40 Telkom The claim arises from the Plaintiff due to damage of property.	150 000	136 413
41 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
42 M Kara The claim arises from the Plaintiff due to damage of property.	0	800 000
43 D Jordan Claim for damage to property as a result of pothole.	0	43 352
44 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
45 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
46 G. Skene The claim is a result of the Plaintiff's property being damaged by a municipal vehicle. MATTER FINALISED	0	43 322
47 Telkom The claim arises from the Plaintiff due to damage of property.	355 000	0
48 DJI Mertz The claim arises from the Plaintiff due to damage of property.	23 290	0
49 A Letsholonyane The claim arises from the Plaintiff due to damage of property.	36 187	0
50 M.C. Kobese The claim arises out of injuries sustained in an alleged fall into an open fire hydrant. MATTER SETTLED	0	18 000
51 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
52 ZW Kona This claim arises from an alleged unlawful arrest and assault.	100 000	150 000
53 B.J 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	29 725
54 L Young This claim arises from an alleged unlawful arrest. MATTER FINALISED	0	40 000
55 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	290 000
56 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
57 W Van Wyk This claim arises from an alleged unlawful arrest and detention.	0	20 000
58 L Salaze This relates to a claim against NMBM.	0	30 000
59 L. Kamnqa The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open ditch	0	200 000

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

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2014 R	Restated 2013 R
60 P.M. Mabodla The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open drain.	0	100 000
61 JP Van Dyk This claim arises as a result of an alleged unlawful arrest and detention of the plaintiff.	0	25 000
62 S Cooper The claim arises as a result of a lamp pole which allegedly fell on the head of the plaintiff.	0	50 000
63 Dawn Anne Jefferson Claim arises from alleged negligence after Plaintiff's motor vehicle collided with a drum.	0	20 000
64 Ilze Venter Claim arises from alleged negligence after Plaintiff suffered damages to her motor vehicle caused by a pothole	0	45 000
65 Tommy Lamont The claim is against various defendants for past and future hospital expenses, loss of income and general damages for shock, pain and suffering and loss of the amenities of life. The defendants have applied to join the Municipality as a third party and claim that in the event of the court holding them liable to the plaintiff, that they are entitled to a contribution from the Municipality.	2 500 000	5 100 000
66 Blue Horizon Bay This represents an opinion furnished on possible claims arising out of flood damages to property and expropriation of land.	8 000 000	10 600 000
67 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
68 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
69 E. Uithaler The claim arises from labour related matter. MATTER SETTLED	50 000	50 000
70 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
71 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	2 600 000
72 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	20 500 000
73 Rozetta Williams The claim arises out of the electrocution of her son on an NMBM substation. MATTER FINALISED	0	300 000
74 Winston Kayzer The claim arises due to defamation of character.	105 000	100 000
75 Esterhuyse The claim arises from an alleged wrongful arrest. MATTER FINALISED	0	500 000
76 Julies Claim arises in respect of injuries suffered from alleged electrocution. MATTER SETTLED	3 780 000	6 500 000
77 Mckenzie The claim arises due to defamation of character. MATTER FINALISED	20 000	20 000

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

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2014 R	Restated 2013 R
78 NC Nxopo The claim arises due to an alleged assault.	110 000	150 000
79 Beldon t/a Beltek Construction This relates to a claim against NMBM. MATTER SETTLED	62 000	62 000
80 Uitenhage Housing Investigation High court Application to declare Deeds of Sale invalid was successfully finalised. MATTER FINALISED	0	200 000
81 Mathew Goniwe The claim arises as a result of High court eviction proceedings.	100 000	400 000
82 Kops The claim is in respect of an Arbitration at SALGBC.	250 000	200 000
83 IMATU i.t.o Bubb Unfair labour practice referral to SALGBC. No estimation made by attorney. MATTER FINALISED	200 000	200 000
84 Ngqondi This relates to a claim against NMBM. Review of application is set down for hearing on 25 April 2013.	580 000	500 000
85 Arends This relates to a claim against NMBM in respect of implementation of pay parity.	1 450 000	1 350 000
86 Tshalalala This relates to a claim against NMBM. Review of application in Labour Court.	400 000	300 000
87 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
88 Jamda This relates to a claim against NMBM in respect of Arbitration case.	400 000	500 000
89 Nkomana This relates to a claim against NMBM in respect of unfair labour practice dispute.	730 000	700 000
90 Dorelle Buys This relates to a claim against NMBM in respect of unfair labour practice dispute.	400 000	400 000
91 TP Construction The claim arises from an arbitration and high court application for removal of arbitrator. MATTER FINALISED	0	190 000
92 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
93 Mbebe The claim arises from an Interpretation/ application dispute referred to SALGBC.	620 000	600 000
94 Nontlantla Xako Claim against NMBM in respect of unfair labour practice.	120 000	1 200 000
95 Armstrong Claim against NMBM in respect of breach of employment contract.	470 000	420 000
96 Metrowind The claim arises as result of windfarm owners/developers to stop construction.	100 000	1 500 000
97 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
98 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	200 000

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

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2014 R	Restated 2013 R
99 Mark Filmer Review application in the Labour Court	200 000	0
100 Geza Unfair dismissal dispute referred to SALGBC	150 000	0
101 Masakeni Construction Arbitration in respect of four claims by Masakeni Construction	4 600 000	0
102 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.	100 000	0
103 Traffic Wardens Dispute regarding pay parity referred to SALGBC for arbitration by SAMWU on behalf of various traffic wardens and administrative staff.	100 000	0
104 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
105 Algoa Bus Company The claim arises as result of a municipal vehicle being involved in an accident with the plaintiff's vehicle.	0	82 353
106 R Makasi The claim arises out of injuries sustained in an alleged fall into a drain which cover was missing.	0	55 000
107 P J Booyesen The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	40 000	20 000
108 C W Bouman The claim arises from claims that the Plaintiff was allegedly unlawfully and wrongfully assaulted by unknown member/s of the municipal traffic department. MATTER FINALISED	0	100 000
109 N C Teteni The claim arises from injuries sustained by the Plaintiff allegedly slipping and falling due to excessive water and/or mud caused by a continually running public tap.	0	50 000
110 B V Tozo The claim arises from injuries sustained by the Plaintiff's minor child allegedly falling into a ditch excavated by the NMBM.	100 000	100 000
111 S Baskiti The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	0	100 000
112 Manong Associates The claim arises from an agreement of cession by Manong Associates to Surplan, but NMBM never paid Surplan.	0	70 066
113 N Peteni The claim arises from injuries sustained by Ms Peteni, when she allegedly fell into an open drain.	100 000	100 000
114 B Mvana The claim arises from injuries sustained by Mr Mvana, when he allegedly fell into an open drain.	0	100 000
115 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	0
116 M.S. Zicwele This claim arises as a result of allegedly negligent driving by municipal official. MATTER FINALISED	0	28 000
117 Rashied Johannes This relates to a claim against NMBM. MATTER SETTLED	15 000	8 000
118 Eastern Cape Motors This relates to a claim against NMBM. MATTER FINALISED	0	14 512

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

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2014 R	Restated 2013 R
119 D. Adams The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment. MATTER FINALISED	0	40 000
120 BE Heynsen This claim arising from the conduct of traffic officers in effecting an arrest.	30 000	40 000
121 MD Stephens This claim arises from the minor child who allegedly fell into a ditch.	25 000	100 000
122 P Mvakela This claim arises from the minor child who allegedly fell into an uncovered drain.	25 000	40 000
123 J Hiles This claim arises from the Plaintiff falling into a manhole.	45 000	0
124 BC Prince obo AM Prince This claim arises from a minor child breaking a foot at Westering swimming pool.	45 000	0
125 L Hunt The claim arises from the Plaintiff allegedly falling into an open trench.	35 000	0
126 GP Gcakasi The claim arises from the Plaintiff allegedly being ran over by a Lift truck.	60 000	0
127 SN Brooks The claim arises from the Plaintiff allegedly falling into an open drain.	40 000	0
128 J Prince The claim arises from an alleged unlawful arrest.	30 000	0
129 NG Whitebooi The claim arises from Plaintiff allegedly falling down an embankment.	60 000	0
130 VWSA The claim arises for a MVA which was allegedly caused by a municipal vehicle.	80 000	0
131 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	0
132 M Heynsen This claim arises from the conduct of traffic officers in effecting an arrest.	35 000	0
133 TSA Krog Claim arises due to water damage from burst pipe.	0	25 000
134 E. Potgieter This relates to a claim that was finalised on 24 April 2007, awaiting judgement. MATTER SETTLED	0	95 523
135 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	60 000
136 RL Nel The claim arises from the Plaintiff's late mother who allegedly fell into a ditch and sustained injuries.	10 000	10 000
137 E CAR Hire Claim against the Municipality for unpaid invoices.	664 529	500 000
138 E. Ferreira This claim arises from municipal vehicle bought at an auction which do not have an engine number, the SAPS confiscated the engine.	6 500	6 500

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

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2014 R	Restated 2013 R
139 C Baartjies The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open man hole.	1 000 000	500 000
140 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.	55 000	0
141 A A Swartz The claim arises as a result of injuries sustained by a minor who allegedly fell from hoisted cables.	300 000	100 000
142 AMF The claim arises as a result of an alleged breach of contract.	2 400 000	2 000 000
143 J & C Sampson This is a claim against the Municipality and SAPS for alleged failure to display any prominent warnings signs on the flooded road the Plaintiff was travelling. It is alleged that as a result of the Municipality's failure, the Plaintiff who was four (4) months pregnant at the time was trapped in the floodwaters and as a result lost her unborn baby. MATTER FINALISED	0	402 378
144 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	30 188
145 Z M Marwana The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open drain.	700 000	261 000
146 M P Gcobo Application brought against the Municipality for access to information	150 000	0
147 Total Client Services TCS brought an application against the Municipality to review the awarding of tender 311A	300 000	0
148 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	0
TOTAL PROVISION REFER NOTE 5.2	129 824 678	139 174 500

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

46 (a) SUBSEQUENT EVENTS

46.1 Kabuso Report

Pursuant to a court judgement of 20 October 2011, the Kabuso report was made public.

The Department of Local Government and Traditional Affairs, Eastern Cape appointed KABUSO to conduct a forensic investigation into various matters at the Municipality. The primary purpose being to investigate possible irregular, unauthorised, wasteful and fruitless expenditure relating to the management and implementation of various projects.

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

46.2 Claim against Municipality

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 transfer of the function was effective from 01 January 2012, but the actual services and employees were only transferred as from 01 July 2012. The transfer of Primary Health Care Services is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority.

Assets that have been transferred are as follows:

	2014	Restated 2013
	<u>R</u>	<u>R</u>
Assets	Final	Final
Property - Clinics	0	84 006 400
Motor vehicles	0	3 857 213
Equipment and office furniture	0	4 269 331
	<u>0</u>	<u>92 132 944</u>

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE 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 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
	R'000	R'000
(Defined benefit obligation)	56 092	70 118
Experience adjustment: Plan liabilities	0	0

Summary of economic and demographic assumptions (rates per annum)

	Period ending 30/06/2013	Period ending 30/06/2014
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 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 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: R1,320,240 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	118,105	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 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 R'000	Year ending 30/06/2014 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 R'000	Year ending 30/06/2014 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 R'000	Year ending 30/06/2014 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 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	17.61
Female	1775	43.63	13.03
Total	5922	46.62	16.28

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE 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

Category	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	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 work therefore the benefits awarded can be expressed as follows:

Completed Years of Service	Long Service Leave Award (Working Days)	Long Service Bonus Award	Total Long Service Benefit Award	Formula used to calculate Total Long Service Benefit Award
		(% of Annual Salary)	(% of Annual Salary)	
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 v 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 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 2014/06/30	Assumed Value at 30-06-2013
	(Current Valuation)	(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 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 cur 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 30 of June 2014.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE 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 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 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 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.

ADBO	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 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

	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 Service Awards liabilities.

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

- 1. 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.
- 2. 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 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 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 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 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%	Valuation	20%
	Withdrawal rate	Assumption	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	Valuation	+1% Normal salary
	inflation	Assumption	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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

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)	(418 104 089)	(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	-	-	46 171 814	46 530 686
Capital Under Construction	82 968 281	1 300 877 471	69 397 631	-	1 453 243 383
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)
	76 786 076	887 077 550	1 437 109	318 137	965 618 872
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	1 604 146 443	8 118 418 150	2 637 669 212	511 987 950	12 872 221 755
Summary - Carrying Values at 30 June 2014					
Summary - Cost	1 744 164 768	12 050 850 150	3 153 396 094	1 095 877 533	18 044 288 545
Summary - Accumulated Depreciation	(140 018 325)	(3 932 432 000)	(515 726 882)	(583 889 583)	(5 172 066 790)
	1 604 146 443	8 118 418 150	2 637 669 212	511 987 950	12 872 221 755

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

50 INTANGIBLE ASSETS RECONCILIATION

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

51 INVESTMENT PROPERTY RECONCILIATION

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

52 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: At Amortised Cos
Financial liabilities: At amortised cos
Financial Assets: At Fair Value

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

The amounts relating to financial instruments reflected below approximates fair value

	2014			2013	
	Financial Instruments at Amortised Cost R	Non financial assets R	Total R	Financial Instruments at Amortised Cost R	Non financial assets R
ASSETS					
Property, Plant and Equipment		12 872 221 755	12 872 221 755		12 548 702 870
Heritage Assets		203 409 623	203 409 623		197 422 702
Intangible Assets		167 188 642	167 188 642		207 004 329
Investment Property		199 439 155	199 439 155		199 262 490
Investments	0		0	20 000	
Long-term Receivables - Exchange Transactions	6 734 606		6 734 606	27 499 304	
Long-term Receivables - Non-exchange Transactions		5 356 644	5 356 644		4 411 361
Inventory		107 225 607	107 225 607		105 955 694
Consumer debtors - Exchange Transactions	846 657 686		846 657 686	586 933 364	
Consumer debtors - Non-exchange Transactions		203 595 569	203 595 569		24 433 716
Other Debtors	331 009 120		331 009 120	351 875 817	
VAT		118 583 727	118 583 727		3 452 792
VAT Suspense		38 117 111	38 117 111		30 527 280
Current portion of long-term receivables	80		80	80	
Short-term investment deposits (excluding Sanlam Shares)	1 421 480 088		1 421 480 088	1 245 378 088	
Bank balances and cash	130 077 012		130 077 012	274 851 075	
	2 735 958 592	13 915 137 833	16 651 096 425	2 486 557 728	13 321 173 234

	2014			2013	
	Financial Instruments at Amortised Cost R	Non financial liabilities R	Total R	Financial Instruments at Amortised Cost R	Non financial liabilities R
LIABILITIES					
Long-term Liabilities	1 578 057 635		1 578 057 635	1 716 181 220	
Employee Benefit Obligation		1 304 649 729	1 304 649 729		1 465 089 079
Non-current Provisions		311 233 086	311 233 086		251 591 100
Consumer deposits	100 347 533		100 347 533	93 158 571	
Current Employee Benefit Obligation		81 594 517	81 594 517		114 565 186
Current Provisions		129 824 678	129 824 678		139 174 500
Creditors	1 588 791 064		1 588 791 064	1 498 059 826	
Unspent Conditional Grants and Receipts		265 719 150	265 719 150		364 675 344
Current Portion of Long-term Liabilities	112 968 098		112 968 098	105 158 824	
	3 380 164 331	2 093 021 160	5 473 185 490	3 412 558 441	2 335 095 209

Net Assets	11 180 437 683	11 180 437 683	10 061 959 586
Financial Asset at Fair Value		Financial Asset at Fair Value	
Sanlam Shares - Valued at the open market value	2 526 748	(2 526 748)	1 882 274
	(641 678 989)	0	(924 118 439)

	2014	2013
Financial Asset at amortised cost		
Opening balance	2 486 557 728	2 043 221 643
Net other movements	249 400 864	443 336 085
Closing balance	2 735 958 592	2 486 557 728
Financial liabilities at amortised cost		
Opening balance	3 412 558 441	3 438 802 052
Net other movements	(32 394 110)	(26 243 611)
Closing balance	3 380 164 331	3 412 558 441

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE 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 54 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

13 General Expenses

Major items included in General Expenses:	R
Top Structures	363 841 049
Fleet Management Services	92 247 477
Petrol, oil and lubricants	56 535 356

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.

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

54 EXPLANATION FOR CAPITAL VARIANCES:

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 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	608 400 655	(111 416 505)	-22	Work was brought forward on the basis of firm were submitted where outstanding commitment in. This presented a skewed result of unspent projects only planned in 2015 were brought forward matter has been addressed and the reporting outcomes were reported to the Department of
Human Settlements	165 766 210	175 634 030	(9 867 820)	-6	The servicing of additional sites was planned budget was approved and the normal Council budget amendments have been followed.
Economic Development & Recreational Services	21 463 000	12 217 088	9 245 912	43	There was a delay in the award of the contract established site in April 2014 and further challenges experienced which caused no work to be executed been resolved and the contract will be completed financial year.
Safety & Security	13 000 000	5 708 580	7 291 420	56	2 Projects caused a delay in this directorate. Fire Engines were delayed due to non-response tender process will re-commence in the 2015 Motherwell Thusong Service Center's budget into various directorates. It was replanned to Customer Care and Traffic and Licensing Centre caused a delay with the commencement of the process. This process will commence in the 2016 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 matters and therefore there was no performance Financial Year. The purchase of handheld meters delayed in order to attain handheld terminals technology resulting in reduced pricing per unit will be utilised in the 2015 financial year.
Public Health	54 101 720	47 928 795	6 172 925	11	The difference is directly attributable to the Ump's Kloof Nature reserve project. The tender on 9 June 2014 due to SCM challenges. The project will be completed in the 2015 financial year.
Corporate Services	44 321 800	43 334 329	987 471	2	
Sanitation Service	247 058 000	227 639 306	19 418 694	8	
Water Service	185 185 690	183 548 517	1 637 173	1	
Special Projects & Programmes	22 778 850	11 033 558	11 745 292	52	The Motherwell Thusong Service Center was incorporate a Customer Care and Traffic and Licensing Centre. This in itself caused a delay with the construction process. This process will commence financial year and will only be completed in the 2016 financial year and will only be completed in the 2016 financial year. It was further decided to consolidate these budgets into one 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 local contractor as a result of uncertainties that halted the SCM process. The contract was only awarded in 2014.
Electricity & Energy	232 049 390	200 350 151	31 699 239	14	The budget underspending relates to the demand servicing of electricity connections. Demand load started at a budget process and this demand has
NMBM Stadium	75 000 000	29 442 227	45 557 773	61	The majority of the projects within this budget component to it. As a result of the investigation commercialisation on some of these projects the implementation thereof was delayed.
	1 590 648 810	1 571 015 024	19 633 786	1	

NOTE 55																		
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2014																		
	COST									ACCUMULATED DEPRECIATION								Carrying Value
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	
Land & Buildings																		
Buildings	545 720 756	282 144	546 002 900	17 750 919		82 968 281		276 691	646 445 409	115 773 436		115 773 436	(565 631)	24 930 716		120 196	140 018 325	506 427 084
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	358 872	82 968 281	-	630 662 290	1 744 164 768	115 773 436	-	115 773 436	(565 631)	24 930 716	-	120 196	140 018 325	1 604 146 443
Infrastructure Assets																		
Roads, Sidewalks & Stormwater Network	4 675 468 252	3 448 174	4 678 916 426	10 331 909		565 133 541			5 254 381 876	1 527 000 323		1 527 000 323		188 354 795			1 715 355 118	3 539 026 758
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)		159 062 044	97 338		2 374 924 798	709 165 310		709 165 310		71 492 568	69 730		780 588 148	1 594 336 650
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			219 084 650			1 859 656 134	667 334 792		667 334 792		72 604 424			739 939 216	1 119 716 918
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			280 027 468			1 454 422 525	479 574 577		479 574 577		64 685 900			544 260 477	910 162 048
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	-	1 300 877 471	97 338	678 005	12 050 850 150	3 509 089 057	-	3 509 089 057	-	424 090 678	69 730	678 005	3 932 432 000	8 118 418 150
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			4 478 701			53 803 218	11 120 280		11 120 280		1 722 758			12 843 038	40 960 180
Cemeteries	43 580 579		43 580 579	396 211		5 977 997			49 953 787	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		2 435 820	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				2 144 368		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	-	69 397 631	2 144 368	7 253 749	3 153 396 094	418 105 503	-	418 105 503	-	100 570 999	907 509	2 042 111	515 726 882	2 637 669 212
Other Assets																		
Bins & Containers	3 807 433		3 807 433		1 939 611			14 807	5 732 237	1 486 259		1 486 259		412 082		14 807	1 883 534	3 848 703
Vehicles & Plant	456 809 710		456 809 710	7 163	27 684 538		171 592	7 080 471	477 249 348	277 831 326		277 831 326		44 104 121	163 966	6 984 898	314 786 583	162 462 765
Office Furniture & Fittings	192 589 612	(409)	192 589 203	777 609	5 068 593			23 501 493	174 933 912	153 037 891		153 037 891		8 519 868		20 381 591	141 176 168	33 757 744
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						9 972 497	6 268 887		6 268 887		2 020 151			8 289 038	1 683 459
Tip Sites	294 893 092		294 893 092	31 897 525	1 355 427				328 146 044	32 502 099		32 502 099		11 144 691			43 646 790	284 499 254
Computer Hardware	91 536 204		91 536 204	4 770 769	10 123 645			6 660 248	99 770 370	61 795 973		61 795 973		17 101 067		4 801 561	74 095 479	25 674 891
	1 049 681 673	(409)	1 049 681 264	37 453 066	46 171 814	-	171 592	37 257 019	1 095 877 533	532 929 663	-	532 929 663	-	83 306 743	163 966	32 182 857	583 889 583	511 987 950
	17 126 681 777	(2 081 248)	17 124 600 529	98 178 308	46 530 686	1 453 243 383	2 413 298	675 851 063	18 044 288 545	4 575 897 659	-	4 575 897 659	(565 631)	632 899 136	1 141 205	35 023 169	5 172 066 790	12 872 221 755

NOTE 55 (Continued)																		
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: 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	476 727 447		476 727 447			66 539 177			543 266 624	269 723 118		269 723 118		106 354 864			376 077 982	167 188 642
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: 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
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: 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	16 763 239		16 763 239	656 000					17 419 239	-		-					-	17 419 239
	197 422 702	-	197 422 702	2 371 520	-	3 615 401	-	-	203 409 623	-	-	-	-	-	-	-	-	203 409 623
Grant Totals Assets	18 038 658 390	(2 081 248)	18 036 577 142	105 759 098	46 530 686	1 524 484 335	2 413 298	675 853 852	19 035 084 111	4 884 184 751	-	4 884 184 751	-	744 806 168	1 141 205	35 024 778	5 592 824 936	13 442 259 175

Appendix A

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)		2014 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)
2 029 136 710	692 659 080	1 336 477 630	Finance and Admin (Split into Budget and Treasury and Corporate Services)	-	-	-
-	-	-	Budget and Treasury	2 361 174 761	337 550 392	2 023 624 369
-	-	-	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>7 946 202 186</u>	<u>7 078 464 332</u>	<u>867 737 854</u>	Total	<u>8 491 847 390</u>	<u>7 373 369 293</u>	<u>1 118 478 097</u>

Appendix B
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 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	38 948 182	54 127 265	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	231 484 283	569 457 814	N / A	Yes
Transport or PTIS	NT	-	-	185 000 000	-	185 000 000	-	57 566 458	168 541 691	225 606 439	451 714 588	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	12 423 688	21 550 879	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
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

TOTAL ACCUMULATED SURPLUS	2014	Restated 2013
	R	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	4 234 610 029	3 941 623 170
	11 180 437 683	10 061 959 586