

MANDELA BAY DEVELOPMENT AGENCY NPC

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(Registration Number: 2003/017900/08)

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MANDELA BAY DEVELOPMENT AGENCY NPC
DIRECTORS' REPORT

The Directors have pleasure in submitting their report for the entity, which forms part of the audited financial statements of the Non Profit Company for the year ended 30 June 2015.

Establishment

The Nelson Mandela Bay Municipality (NMBM), with the assistance of the Industrial Development Corporation (IDC) established the Mandela Bay Development Agency (the entity) to project manage urban regeneration of the inner metro precinct with a view to promoting economic and tourism development. The original geographical area for which the entity was responsible for included *inter alia*, the Port Elizabeth Central Business District (CBD), Central Hill, the existing harbour,

Over the past eleven years, the MBDA has implemented a number of urban renewal projects, precinct upgrades, security and cleansing programmes as well as other strategic and ad hoc assignments that are collectively changing the face of Nelson Mandela Bay and reinvigorating the economic life in key developing nodes and precincts and which has resulted in an expansion of its mandate area.

General review

The entity has received conditional grants during the period under review from the NMBM for urban regeneration projects, operational expenses and property, plant and equipment in terms of the budget submitted to them.

The MBDA has been expanded to include the rejuvenation of neglected township areas, from the initial focus on central business districts only and going forward this initiative is planned to gain more momentum as the challenges of inequalities in townships and other previously disadvantaged areas are addressed by the NMBM. To date the MBDA has played a key role particularly in addressing the urban decay and degeneration in the inner cities of Port Elizabeth and Uitenhage and the municipal infrastructure and environmental upgrading projects that it has implemented to date has been widely welcomed and positively received by various key stakeholders.

Legislation

The entity complied with all the relevant sections of the Companies Act 71 of 2008, the Companies Amendment Act 3 of 2011 and the Local Government: Municipal Finance Management Act 56 of 2003.

Financial results

The financial results are set out in the attached annual financial statements.

Key activities

In Progress / Completed Projects

During the period under review the Agency completed the Kings Beach Upgrade Phase 3 project and this precinct has now become a valuable tourism asset for the City and is a well utilised facility by both residents and tourists. The Donkin Reserve Upgrade Phase 4 project has also been signed off and this site is now a firmly established landmark in Port Elizabeth with its South African flag being the highest and largest in the country. The Sakhasonke and Sawule Street projects in Walmer Gqebera were also completed being amongst the Agency's first Black township urban renewal projects while the Helenvale Precinct Upgrade Phase 3 project was also completed. The Bird Street / Belmont Terrace Upgrade project Phase 4 is also nearing completion and the Trinder Square upgrade that forms part of this project has been a welcome intervention for the community in the area with criminal activities having reduced. The Tramways Building Phase 1 construction has progressed well with sign off expected early in the 2015/16 period with MBDA planning to relocate to its new headquarters by October 2015. This redevelopment of a derelict municipal asset must also be seen in the context of an investment into the Baakens Valley precinct which is planned to become a new leisure and tourism precinct in time to come. The New Brighton sportsfield in Zondi Street has now been completed with the facility being used regularly by a ladies soccer team based in the neighbourhood.

MANDELA BAY DEVELOPMENT AGENCY NPC
DIRECTORS' REPORT

New Projects

Township renewal projects are a significant addition to the MBDA's responsibilities and have been identified as core to future evolution of the agency's mandate. Township populations are increasing, putting pressure on already-stressed infrastructure, alongside the social problems that come with high levels of poverty and unemployment. There is a need to ensure that these previously-marginalised areas, a geospatial legacy of apartheid, are integrated equitably into the city and are able to offer amenable living, working and recreation environments. The Singapi Street Upgrade project is the MBDA's first major project in the Black townships and is progressing well with the second phase commencing in the 2015/16 period. The Zola Nqini Statue concept and design for Uitenhage Market Square has now received approval from the community and military veterans and the bust will be cast and installed during the 2015/16 period. The Veeplaas carwash, creative industries and business incubator projects have progressed fairly well despite some challenges with regard to municipal regulations and these will be carried forward into 2015/16 for completion and operation. The Qaqawuli Community Hall is also progressing well and will be completed in 2015/16.

Future Projects

During 2015/16 the Agency plans to commence with the design planning of the Vuyisile Mini Square Upgrade which is a key project planned in the City Hall precinct and which forms part of the civic and cultural precinct that is planned for that node, with linkages to the Baakens Valley and port precincts. The Agency plans to also purchase its first property in the form of an erf in the Baakens Valley which is a heritage site and which has multi-purpose zoning rights. The famous Campanile monument will also undergo a structural assessment so that this important tourism asset can be restored to a state that is structurally safe and sound. The Helenvale SPUU infrastructure projects will also commence in line with the approved Masterplan and will be a key focus of attention over the next few years. Planning for the redevelopment of the New Brighton swimming pool will commence in 2015/16 and a park in the Schauderville / Korsten area will also be upgraded in line with a masterplan that is presently being finalised.

The directors once again wish to record their concern at the current financial challenges of the parent municipality to the extent that this could affect future operating and capital budget allocations to the entity and could result in the future viability of the entity being jeopardised. Indeed this has also impacted on the ongoing maintenance costs of the entity's completed projects and which are meant to be performed by the NMBM, but which are having to be funded by the entity due to the present budget constraints.

Directors and Secretary

The non-executive directors of the company 1 September 2014 to 30 June 2015 were:

Motse Maxwell Mfuleni (Chairman)

Darryl Alfred Dennis Resigned on 16 March 2015

Nomalizo Jessie Mandaba

Melikhaya Lucky Gosani

Monde Ngonyama

Samkelo Dlulane

Chantal du Pisani Resigned on 03 March 2015

Mncebisi Griffiths Sitoto

Donovan Nadison Resigned on 12 June 2015

Khulile Nzo

Vuyo Zitumane

Nqaba Mhlaba

Luvuyo Bono

Danny Jordaan Resigned on 14 May 2015

MANDELA BAY DEVELOPMENT AGENCY NPC
DIRECTORS' REPORT

The non-executive directors of the company till 31 August 2014 were:

Sakumzi Justice Macozoma (Chairperson)

Phillip Hugo Gutsche (Deputy Chairperson)

Daniel Alexander Jordaan

Lulama Monica Prince

Wilhela Magda Gie

Hannah Sadiki

Alfred da Costa

Renganayagee Kisten

Preparer of annual financial statements:

Zwelithini Gagayi (Financial Accountant)

The company secretary is Ashwin Badra Daya whose business and postal addresses are:

Postal Address:

Mandela Bay Development Agency
P.O. Box 74
Port Elizabeth
6000

Business Address:

2nd Floor
Business Connexion Building
106 Park Drive
Central
Port Elizabeth
6001

MANDELA BAY DEVELOPMENT AGENCY NPC**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

	Notes	2015 R	RESTATED 2014 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Accumulated Surplus		1 496 677	903 741
Non Current Liabilities			
Construction Contract Retention Creditors	2	505 468	1 004 580
Current Liabilities			
Trade and Other Payables	3	9 231 194	6 237 419
Provisions	4	32 481	44 109
Unspent Conditional Grants	5, 27	48 994 792	60 314 188
Short term portion of Construction Contract Retention Creditors	2	2 700 260	1 009 929
TOTAL NET ASSETS AND LIABILITIES		62 960 872	69 513 966
ASSETS			
Non-current Assets			
Property, Plant & Equipment	6	1 496 677	903 741
Intangible Assets	7	1 352 480	879 367
Current Assets			
Trade and Other Receivables	8, 27	61 464 195	68 610 225
Deposits	9	7 805 341	10 546 382
Cash and Cash Equivalents	10	2 100	2 100
		53 656 754	58 061 743
TOTAL ASSETS		62 960 872	69 513 966

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	NOTES	2015 R	RESTATED 2014 R
Revenue from Exchange Transactions		53 325 614	39 767 871
- Nelson Mandela Bay Municipality Grants		53 325 614	39 207 871
- Department of Arts and Culture Grants		-	560 000
Revenue from non Exchange Transactions		46 002 906	31 609 450
- Nelson Mandela Bay Municipality Grants		31 799 579	23 534 927
- Department of Arts and Culture Grants		-	147 304
- Eastern Cape Development Corporation Grants		3 089 743	343 200
- KfW Bank Grants		7 669 853	4 397 025
- National Lotteries Board Grants		110 772	646 861
- Interest Received		3 332 959	2 540 132
TOTAL REVENUE		99 328 520	71 377 322
OTHER INCOME			
Other Income	12	394 203	199 060
TOTAL INCOME		99 722 723	71 576 382
EXPENDITURE		99 129 787	71 619 792
Audit Fees		440 287	644 895
Athenaeum Building Operating Costs		88 949	69 117
Bad Debts		16 794	-
Bank Charges		17 429	17 355
Capital Projects Cost		53 128 564	39 600 402
CBD Facilities		2 650 051	1 801 255
Cleaning, Safety & Security		24 767	70 883
Cleansing Plan Project		4 062 139	3 804 815
Consumables		7 966	30 717
Course Fees, Education & Training		231 317	187 441
Department of Arts and Culture Expenses	30	64 831	147 304
Depreciation and amortisation	6, 7	195 598	159 820
Directors' Expenses		50 894	27 089
Donations & Social Responsibility		484 927	296 741
ECDC Expenses		201 272	-
Electricity, Water & Rates		187 397	140 358
Employee Related Costs	13	11 691 724	10 342 896
Entertainment		105 061	85 545
EPWP Project		1 949 563	-
Equipment Lease & Rentals		75 102	78 440
Helenvale Urban Renewal Program		625 459	917 776
Helenvale Resource Centre Operating Costs		1 184 516	773 011
Helenvale SPUU Expenses	31	7 669 853	4 397 025
Insurance		94 106	81 739
Interest Paid	15	197 050	167 469
IT Support Costs & Computer Expenses		119 343	101 035
Legal Fees		319 035	230 679
National Lotteries Board Expenses	28	110 772	625 861
Office Decor & Fittings		23 455	23 249
Office Relocation costs		11 435	-
Office Rentals		858 640	722 246
Postage & Courier		8 142	3 460
Printing & Stationery		133 538	72 958
Professional & Consultant Fees		625 838	168 138
Provision for Doubtful Debts		48 585	56 040
Public Relations & Marketing		3 533 031	2 307 382
Recruitment Costs		30 370	40 750
Refreshments		48 661	35 113
Repairs & Maintenance		98 464	75 839
Security Plan Project		2 732 806	1 666 503
Strategic Spatial Framework Studies	29	3 934 161	1 089 650
Subscriptions		128 783	72 921
Sundry Expenses		70 812	20 937
Telephone & Fax		222 320	191 651
Travel & Accommodation		625 982	273 289
SURPLUS/(DEFICIT) FOR THE YEAR		592 936	(43 410)

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	R	R
	Accumulated Surplus	Total
Balance at 1 July 2013	947 151	947 151
Deficit for the year	(43 410)	(43 410)
Balance at 1 July 2014	903 741	903 741
Surplus for the year	592 936	592 936
Balance at 30 June 2015	1 496 677	1 496 677

Note: The accumulated surplus of the entity represents revenue relating to grants received for the purchase of property, plant and equipment. The accumulated surplus will increase when new assets are purchased and reduce as these assets are depreciated over their useful lives.

MANDELA BAY DEVELOPMENT AGENCY NPC**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	2014 R
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Gross cash receipts from Nelson Mandela Bay Municipality		93 516 161	73 249 663
Gross cash receipts from ECDC, DAC and others		6 034 582	5 710 977
Cash paid to suppliers and employees		(106 475 270)	(83 728 685)
<i>Cash utilised in operations</i>	14	(6 924 527)	(4 768 045)
Interest received		3 332 959	2 295 623
NET CASH FLOW FROM OPERATING ACTIVITIES		(3 591 569)	(2 472 422)
<u>CASH FROM INVESTING ACTIVITIES</u>			
Proceeds from sale of property, plant and equipment		9 742	-
Purchase of property, plant and equipment	6	(678 544)	(101 551)
Purchase of intangible assets	7	(144 619)	(16 708)
NET CASH FROM INVESTING ACTIVITIES		(813 420)	(118 259)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4 404 989)	(2 590 681)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		58 061 743	60 652 424
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	53 656 754	58 061 743

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Statement of Financial Performance	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Explanations
	R	R	R	R	R	
REVENUE						
Revenue from Exchange Transactions						
Nelson Mandela Bay Municipality Grants	91 129 855	3 912 259	95 042 114	53 325 614	41 716 500	
Agency Services	40 000	20 000	60 000	73 199	(13 199)	
Tender Fees	100 000	-	100 000	119 797	(19 797)	
Donation Received	-	120 000	120 000	151 767	(31 767)	
Interest Received	2 600 000	400 000	3 000 000	3 332 959	(332 959)	
Sundry Income	32 000	8 000	40 000	49 441	(9 441)	
	93 901 855	4 460 259	98 362 114	57 052 776	(41 309 338)	
Revenue from non Exchange Transactions						
Nelson Mandela Bay Municipality Grants	37 031 581	2 229 283	39 260 864	31 799 580	7 461 284	
Eastern Cape Development Corporation Grants	3 110 300	-	3 110 300	3 089 743	3 089 743	
KfW Bank Grants	5 000 000	-	5 000 000	7 669 853	7 669 853	
National Lotteries Board Grants	286 800	-	286 800	110 772	110 772	
	45 428 681	2 229 283	47 657 964	42 669 948	18 331 652	-
TOTAL REVENUE	139 330 536	6 689 542	146 020 078	99 722 723	(22 977 686)	-
EXPENDITURE						
Audit Fees	478 498	-	478 498	440 287	(38 211)	
Athenaeum Club Operating Costs	500 000	-	500 000	88 949	(411 051)	Note 32 (1)
Bad Debts	-	17 000	17 000	16 794	(206)	
Bank Charges	5 958	12 000	17 958	17 429	(529)	
Capital Projects Cost	90 946 256	-	90 946 256	53 128 564	(37 817 692)	Note 32 (2)
CBD Facilities	2 693 940	-	2 693 940	2 650 051	(43 889)	
Cleaning & Safety	73 971	(20 000)	53 971	24 767	(29 204)	Note 32 (3)
Cleansing Plan Project	4 488 715	-	4 488 715	4 062 139	(426 576)	
Consumables	8 000	-	8 000	7 966	(34)	
Course Fees, Education & Training	201 817	30 000	231 817	231 317	(500)	
Department of Arts and Culture Expenses	-	328 494	328 494	64 831	(263 663)	Note 32 (4)
Depreciation and amortisation	213 311	(17 000)	196 311	195 598	(713)	
Directors' Expenses	30 911	20 000	50 911	50 894	(17)	
Donations & Social Responsibility	500 259	-	500 259	484 927	(15 332)	
ECDC Expenses	221 830	-	221 830	201 272	(20 558)	
Electricity, Water & Rates	136 062	60 000	196 062	187 397	(8 665)	
Emerging Contractors Development Programme	500 000	-	500 000	-	(500 000)	Note 32 (5)
Employee Related Costs	12 279 736	-	12 279 736	11 691 724	(588 012)	
Entertainment	92 316	12 800	105 116	105 061	(56)	
EPWP Project	-	3 792 000	3 792 000	1 949 563	(1 842 437)	Note 32 (6)
Equipment Lease & Rentals	69 712	6 067	75 779	75 102	(677)	
Helenvale Urban Renewal Program	757 506	-	757 506	625 459	(132 047)	
Helenvale Resource Centre Operating Costs	1 226 989	-	1 226 989	1 184 516	(42 473)	
Helenvale SPUU	5 000 000	-	5 000 000	7 669 853	2 669 853	Note 32 (7)
Insurance	104 051	-	104 051	94 106	(9 945)	
Interest Paid	183 599	35 000	218 599	197 050	(21 549)	
IT Support Costs & Computer Expenses	393 965	15 000	408 965	119 343	(289 622)	Note 32 (8)
Korsten / Schauderville Parks	500 000	-	500 000	-	(500 000)	Note 32 (9)
Legal Fees	368 189	(40 000)	328 189	319 035	(9 154)	
National Lottery Fund Expenses	286 800	-	286 800	110 772	(176 028)	Note 32 (10)
Office Decor & Fittings	24 536	-	24 536	23 455	(1 081)	
Office Relocation costs	-	196 300	196 300	11 435	(184 865)	Note 32 (11)
Office Rentals	780 093	80 000	860 093	858 640	(1 453)	
Postage & Courier	16 573	-	16 573	8 142	(8 431)	Note 32 (12)
Printing & Stationery	83 082	52 000	135 082	133 538	(1 544)	
Professional & Consultant Fees	1 329 579	(702 000)	627 579	625 838	(1 741)	
Provision for Doubtful Debts	-	49 000	49 000	48 585	(415)	
Public Relations & Marketing	3 033 555	500 000	3 533 555	3 533 031	(524)	
Recruitment Costs	59 250	-	59 250	30 370	(28 880)	Note 32 (13)
Refreshments	197 144	(143 884)	53 260	48 661	(4 599)	
Repairs & Maintenance	197 144	-	197 144	98 464	(98 680)	Note 32 (14)
Security Plan Project	2 626 166	2 500 000	5 126 166	2 732 806	(2 393 360)	Note 32 (15)
Strategic Spatial Implementation Framework Studies	7 544 233	-	7 544 233	3 934 161	(3 610 072)	Note 32 (16)
Subscriptions	129 079	-	129 079	128 783	(296)	
Sundry Expenses	72 443	-	72 443	70 812	(1 631)	
Telephone & Fax	255 428	-	255 428	222 320	(33 108)	
Travel & Accommodation	476 604	150 000	626 604	625 982	(622)	
TOTAL EXPENDITURE	139 087 301	6 932 777	146 020 078	99 129 787	(46 890 291)	
NET SURPLUS FOR THE YEAR	243 235	(243 235)	-	592 936		

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Statement of Financial Position

	<u>Approved Budget</u> <u>R</u>	<u>Adjustments</u> <u>R</u>	<u>Final Budget</u> <u>R</u>	<u>Actual Amounts</u> <u>on Comparable</u> <u>Basis</u>	<u>Difference</u> <u>Between Final</u> <u>Budget and Actual</u> <u>R</u>	<u>Explanations</u>
Computer Equipment	300 114	100 000	400 114	258 780	(141 334)	
Computer Software	650 380	-150 000	500 380	144 619	(355 761)	
Office Equipment	52 247	-	52 247	8 757	(43 490)	
Furniture & Fittings	50 000	50 000	100 000	3 004	(96 996)	
Motor Vehicles	150 000	339 050	489 050	408 003	(81 047)	
TOTAL EXPENDITURE	1 202 741	339 050	1 541 791	823 162	(718 629)	Note 32 (17)

1.1 REPORTING ENTITY

Mandela Bay Development Agency is a municipal entity (registered non-profit company) with the Nelson Mandela Bay Municipality (NMBM) as its parent municipality. The entity's registered address is The City Hall, Port Elizabeth. The entity is situated in the Nelson Mandela Bay Municipality of the Eastern Cape Province. The entity has been established by the NMBM with the assistance of the Industrial Development Corporation (IDC) to project manage urban regeneration of the inner metro precinct and emerging development nodes in Nelson Mandela Bay with a view to promoting economic and tourism development.

1.2 BASIS FOR PRESENTATION

1.2.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practices (GRAP) Financial Reporting Framework as set by the Accounting Standards Board (ASB) and prescribed by the Minister of Finance in Directive 5.

1.2.2 Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention or fair value if stated as such.

1.2.3 Use of Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 4 – Provisions

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

Note 6 – Property, Plant & Equipment

The estimated useful lives of all property, plant and equipment were revised as part of the annual assessment process and was based on latest replacement cost.

Note 11 – Amounts due to Funders of Construction Contracts

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

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of financial performance as incurred.

Items of property, plant and equipment are depreciated using the straight line basis at rates that will reduce the book values to estimated residual values over the anticipated useful lives of the assets concerned. The principal useful lives used for this purpose are:

Assets	Useful life in Years
- Computer Equipment	3 - 8
- Office Equipment	5 - 10
- Furniture and Fittings	10
- Motor Vehicles	4 - 5
- Containers	15

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Surpluses or deficits on the disposal of assets are credited or charged to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date

Heritage assets refer to works of art that have been acquired or constructed by the entity and are not depreciated, but are assessed at each balance sheet date whether there is an impairment, in which case the entity shall estimate the recoverable amount of the heritage asset.

1.6 INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary asset without physical substance and are carried at cost less accumulated amortisation and impairments.

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. The annual amortisation rates are based on the following estimated average asset lives:

Assets	Useful life in Years
- Computer Software	3 – 5

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

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

1.7 CONSTRUCTION CONTRACTS

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

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

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

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

1.8 FINANCIAL INSTRUMENTS

1.8.1 Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The entity had no financial assets at fair value through profit or loss, held to maturity investments or available-for-sale financial assets.

1.8.2 Trade and other Receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

1.8.3 Impairment of Financial Assets

The company assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

1.8.4 Derecognition of financial assets and liabilities

1.8.4.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired; or the entity retains the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the entity has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

1.8.5 Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The entity's financial liabilities include trade and other payables as well as construction contract retention creditors.

1.8.5.1 Construction Contract Retention Creditors

The entity received grant funding from its parent municipality to undertake certain infrastructure development projects. It accounts for costs incurred on construction of these infrastructure development projects using the percentage of completion method which is certified by the consulting engineer.

Retentions payable within 12 months after financial year end is treated as current and any retentions payable over 12 months after financial year end is treated as long term.

1.8.6 Loans and Borrowings

After initial recognition, trade and other payables and construction contract retention creditors are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well through the amortisation schedule.

1.9 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Cash in the statement of financial position comprises of cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at fair value.

1.10 PROVISIONS AND CONTINGENCIES

A provision is recognised when the entity has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the estimate of the expenditure required to settle the present obligation at the statement of financial position date.

After their initial recognition contingent liabilities recognised are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised but disclosed in the annual financial statements.

1.11 REVENUE RECOGNITION

1.11.1 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion.

When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest

Interest is recognised on a time-apportioned basis, in surplus or deficit.

1.11.2 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.12 VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amount of Value Added Tax except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of trade and other receivables or trade and other payables in the statement of financial position.

1.13 UNSPENT CONDITIONAL GRANTS

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

1.14 COMPARATIVE INFORMATION**1.14.1 Current year comparatives :**

Budgeted amounts have been included in the annual financial statements for the current year only.

1.14.2 Prior year comparatives :

When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. (Refer to note 27 for the impact of the prior period restatement on the prior year comparatives).

1.15 TAXATION

The entity has received a tax exemption certificate from South African Revenue Services.

1.16 OPERATING LEASES

Operating leases do not transfer to the entity substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

1.17 RETIREMENT BENEFITS

The policy of the company is to provide retirement benefits for all its employees. The company has a defined contribution plan. Current contributions to the retirement benefit plan operated for employees are charged against the income in the period to which they relate.

1.18 STATEMENTS IN ISSUE BUT NOT YET ADOPTED

The following standards of GRAP in issue have not yet been adopted. Management has not yet had an opportunity to consider the potential impact of adoption of these standards.

Standard of GRAP	Effective Date
GRAP 20 Related party disclosures	No effective date gazetted to date
GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor	No effective date gazetted to date
GRAP 108 Standard of GRAP on Statutory Receivables	No effective date gazetted to date

	2015	2014
	R	R
2 CONSTRUCTION CONTRACT RETENTION CREDITORS		
Mawethu Civils - Kings Beach Triangle Upgrade Phase 2B	52 484	312 334
Ngelethu Construction - Donkin Reserve Upgrade Phase 4	-	198 530
Techni Civils - Bird Street/Belmont Terrace Upgrade Phase 2	218 776	327 638
Techni Civils - Bird Street/Belmont Terrace Upgrade Phase 3	356 074	-
GVK Siyazama - Tramways Building Redevelopment Phase 1A	1 785 129	1 004 580
Qingqani MaAfrika - New Brighton Sportsfield Upgrade	-	50 389
Andile Truck Hire - Sakhasonke Access Road	-	8 448
DDP Valuers - Strand Street Fountain rehabilitation	-	4 684
B.R.O Civils - Kings Beach Triangle Upgrade Ph3	-	99 016
Qingqani MaAfika - Sakhasonke Village Park	31 597	8 890
Skhothahla Construction - Veeplaas Creative Industries	32 255	-
Lulama Caka - Veeplaas Carwash	28 782	-
Techni Civils - Singapi Street Upgrade	513 217	-
Gau Flora - Sawule Street Park	38 019	-
Tewo Building & Civil - Qaqawuli Community Hall	91 818	-
Alex Maintenance - Helenvale Precinct Phase 3	57 576	-
	<u>3 205 727</u>	<u>2 014 509</u>
Less: Short term portion transferred to Current Liabilities	<u>(2 700 260)</u>	<u>(1 009 929)</u>
	<u>505 468</u>	<u>1 004 580</u>

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

3 TRADE AND OTHER PAYABLES

Trade Creditors	6 774 526	1 552 410
PAYE	175 058	142 387
UIF	16 026	7 330
Audit fees	479 888	5 863
Staff leave	458 738	377 519
Performance Bonuses	597 707	604 878
13th Cheque	182 409	141 998
Provident Fund	104 484	91 874
Accruals	442 357	3 313 160
	<u>9 231 194</u>	<u>6 237 419</u>

Trade and other payables are non-interest bearing and are settled within 30 days of receipt of invoice.

4 PROVISIONS

Workmen's Compensation

Balance at beginning of year	44 109	33 797
Current year provision	32 481	44 109
Adjustment for underprovision	(17 583)	(29 077)
Expenditure incurred	(26 526)	(4 721)
Balance at end of year	<u>32 481</u>	<u>44 109</u>
TOTAL	<u>32 481</u>	<u>44 109</u>

	2015 R	RESTATED 2014 R
5 UNSPENT CONDITIONAL GRANTS	48 994 792	60 314 188
National Lotteries Board (NLB)	169 708	280 480
Opening Balance	280 480	927 341
Grants for the year	-	-
Capital expenditure portion of grant recognised as Revenue	-	-
Operating expenditure portion of grant recognised as Revenue	(110 772)	(646 861)
Eastern Cape Development Corporation (ECDC)	57 358	36 800
Opening Balance	36 800	-
Grants for the year	3 110 301	380 000
Recognised as Revenue	(3 089 743)	(343 200)
Department of Arts and Culture (DAC)	-	-
Opening Balance	-	-
Grants for the year	-	701 754
Capital expenditure portion of grant recognised as Revenue	-	(560 000)
Operating expenditure portion of grant recognised as Revenue	-	(141 754)
HURP/SPUU (KfW Funded)	-	-
Opening Balance	-	-
Transferred to Accounts Receivable	1 760 255	-
Grants for the year	-	4 397 025
Operating expenditure portion of grant recognised as Revenue	(1 760 255)	(4 397 025)
Nelson Mandela Bay Municipality (NMBM)	48 767 727	59 996 908
Opening Balance	59 996 908	51 252 948
Grants for the year	73 896 011	71 486 760
Capital project expenditure portion of grant recognised as Exchange Revenue	(53 325 614)	(39 207 871)
Operating and capital expenditure portion of grant recognised as Non-Exchange Revenue	(31 799 579)	(23 534 927)
Interest Received	3 332 959	2 540 132
Sundry Income	394 203	199 060
Property Plant & Equipment (excl Heritage Assets)	(823 162)	(97 259)
Operating expenses	(34 703 578)	(26 176 861)
Made up as follows:		
Capital Projects in progress - Contract Creditors (refer to note 11)	48 994 792 *	60 314 188 *
Other (Operating grants, interest received, sundry income etc)	38 238 440	45 491 452
National Lotteries Board Grant	10 529 287	14 505 457
Eastern Cape Development Corporation Grant	169 708	280 480
	57 358	36 800

5 UNSPENT CONDITIONAL GRANTS (CONTINUED)

* The Agency's capital projects typically are multi-year in nature and span over 24 to 36 months with the first year normally starting slowly due to the complexities around planning, legislative compliance (EIA/Heritage), public participation, design, masterplanning and tender document preparation phases. The Unspent Conditional Grants total at 30 June 2015 comprised mainly of:

Project Name	Unspent Grants at 30 June 2015	Project Status
Bird Street / Belmont Terrace Upgrade Phase 4	2 423 408	Project rolled over to 2015/16 financial year.
Strand Street Upgrade Phase 5 (Campanile)	3 500 000	Project rolled over to 2015/16 financial year.
Zola Nqini Statue - Uitenhage	604 725	Project in progress and rolled over to 2015/16 financial year .
Uitenhage Market Square - Electricity Building	500 000	Project cancelled, funds rolled over and reallocated in 2015/16 financial year.
Baakens Street Circle Art Works	440 000	Project cancelled, funds rolled over and reallocated in 2015/16 financial year.
Donkin Reserve Environmental Upgrade Phase 4	492 245	Project rolled over to 2015/16 financial year.
Kings Beach Southern Beachfront Upgrade - Phase 3	37 296	Project completed, in defects liability period.
Red Location Upgrade - Singaphi Road Phase 1	2 623 672	Project is 88% complete and will be completed in 2015/16 financial year.
Refurbishment of Tramways Phase 1 A & B	5 325 601	Project is 80% complete and will be completed in 2015/16 financial year.
Refurbishment of Tramways Phase 2A	7 500 000	This phase of the project will commence in 2015/16 financial year.
New Brighton Sportsfield	503 923	Project completed, savings rolled over and reallocated in 2015/16 financial
Qaqawuli Community Hall - New Brighton	713 615	Project rolled over to 2015/16 financial year.
Sakhasonke Access Road - Gqebera	50 642	Project completed, savings rolled over and reallocated in 2015/16 financial
Sakhasonke Village Park – Gqebera	676 835	Project completed, savings rolled over and reallocated in 2015/16 financial
Sawule Street Playpark - Gqebera	191 599	Project rolled over to 2015/16 financial year.
Carwash - Gqeberha	5 106	Project cancelled, funds rolled over and reallocated in 2015/16 financial year.
Veepplaas Carwash	819 495	Project rolled over to 2015/16 financial year.
Veepplaas Creative Industries/Informal Trading Area	1 926 692	Project rolled over to 2015/16 financial year.
Business Incubator Upgrade - Veepplaas	2 306 611	Project rolled over to 2015/16 financial year.
Helenvale Precinct Upgrade Phase 3	220 680	Project completed, in defects liability period.
Acquisition of Immoveable Property	2 979 510	Purchase of property in progress and transfer will occur in 2015/16 financial year
Vuyisile Mini Square Upgrade	4 000 000	Project rolled over to 2015/16 financial year.
Interest & Sundry Income	3 727 161	Rolled over into the 2015/16 financial year
Operating Costs	6 689 454	Committed costs / savings, rolled over into the 2015/16 financial year

6 PROPERTY, PLANT AND EQUIPMENT

2015
R

	Cost			Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal		Closing Balance
Computer Equipment	743 336	258 780	(164 334)	837 782	510 044	76 303	(129 705)	456 642	381 140
Office Equipment	213 959	8 757	-	222 715	87 471	28 556	-	116 027	106 688
Furniture & Fittings	410 679	3 004	-	413 683	290 644	22 699	-	313 343	100 340
Motor Vehicles	249 364	408 003	-	657 367	150 014	39 931	-	189 944	467 423
Containers	62 120	-	-	62 120	12 418	3 313	-	15 731	46 389
Heritage Assets	250 500	-	-	250 500	-	-	-	-	250 500
	1 929 958	678 544	(164 334)	2 444 168	1 050 592	170 801	(129 705)	1 091 688	1 352 480

2014
R

	Cost			Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal		Closing Balance
Computer Equipment	697 861	57 798	(12 323)	743 336	467 568	52 950	(10 474)	510 044	233 292
Office Equipment	191 206	22 753	-	213 959	55 666	31 805	-	87 471	126 488
Furniture & Fittings	410 679	-	-	410 679	255 147	35 497	-	290 644	120 035
Motor Vehicles	249 364	-	-	249 364	123 283	26 731	-	150 014	99 351
Containers	62 120	-	-	62 120	9 105	3 313	-	12 418	49 702
Heritage Assets	229 500	21 000	-	250 500	-	-	-	-	250 500
	1 840 730	101 551	(12 323)	1 929 958	910 769	150 297	(10 474)	1 050 592	879 367

NOTE

No item of Property, Plant and Equipment has been pledged as security for liabilities.

7 INTANGIBLE ASSETS

2015
R

	Cost			Accumulated Amortisation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal		Closing Balance
Computer Software	180 239	144 619	-	324 858	155 865	24 796	-	180 661	144 197
	180 239	144 619	-	324 858	155 865	24 796	-	180 661	144 197

2014
R

	Cost			Accumulated Amortisation				Carrying Value	
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal		Closing Balance
Computer Software	163 531	16 708	-	180 239	146 341	9 524	-	155 865	24 374
	163 531	16 708	-	180 239	146 341	9 524	-	155 865	24 374

	2015 R	RESTATED 2014 R
8 TRADE AND OTHER RECEIVABLES		
Trade Debtors	3 159 308	9 509 774
Provision for Bad debts	(146 669)	(98 084)
Interest Receivable	484 697	283 551
HURP/SPUU (KfW Funded)	1 760 255	-
Prepayments	14 859	7 171
Sundry Debtors	20 000	22 455
VAT	2 512 892	821 516
	7 805 341	10 546 382
Trade debtors: Ageing		
Current (0 - 30 days)	1 177 876	5 718 491
31 - 60 days	496 590	6 718 140
61 - 90 days	462 030	8 160
91 + days	1 022 812	98 083
	3 159 308	12 542 875
NOTE		
<i>Interest receivable, sundry debtors and VAT are all current.</i>		
9 DEPOSITS		
Telkom	2 100	2 100
	2 100	2 100
10 CASH AND CASH EQUIVALENTS		
<i>The entity has the following bank accounts</i>		
<u>Current Accounts (Primary Accounts)</u>		
NedBank, Govan Mbeki Avenue, Port Elizabeth Account Number -		
Cashbook balance at beginning of year	-	-
Cashbook balance at end of the year	435 692	-
Bank statement balance at beginning of the year	-	-
Bank statement balance at end of the year	435 692	-
First National Bank, Govan Mbeki Avenue, Port Elizabeth Account Number - 62244870748		
Cashbook balance at beginning of year	726 410	372 312
Cashbook balance at end of the year	83 628	726 410
Bank statement balance at beginning of the year	726 410	726 410
Bank statement balance at end of the year	83 628	726 410
<i>Call Account Deposits</i>		
Nedbank, Port Elizabeth Account Number -		
Cashbook balance at beginning of year	-	-
Cashbook balance at end of the year	24 142 826	-
Bank statement balance at beginning of the year	-	-
Bank statement balance at end of the year	24 142 826	-
Rand Merchant Bank, Port Elizabeth Account Number - X021906134		
Cashbook balance at beginning of year	57 335 333	60 280 112
Cashbook balance at end of the year	28 994 607	57 335 333
Bank statement balance at beginning of the year	57 335 333	60 280 112
Bank statement balance at end of the year	28 994 607	57 335 333

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

Cash and Cash Equivalents	53 656 754	58 061 743
Current Account (Primary Account)	519 320	726 410
Call Account Deposits	53 137 434	57 335 333

All amounts of Cash and Cash Equivalents are available for use by the entity.

11 AMOUNTS DUE TO FUNDERS OF CONSTRUCTION CONTRACTS

Cumulative Construction costs incurred	(122 845 304)	(102 100 824)
Cumulative Advances received	161 083 744	147 592 276
Amounts due to funders of construction contracts	<u>38 238 440</u>	<u>45 491 452</u>
(Refer to note 5)		

	2015 R	2014 R
12 OTHER INCOME		
Request for Proposal Document Fees	51 347	64 893
Sundry income	69 441	-
Kiosk Rentals	68 450	68 134
Helenvale Resource Centre Income	32 582	28 150
Public Toilet Fees	20 617	35 602
Discount Received	-	2 282
Donations Received	151 767	-
	394 203	199 060
13 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	8 758 631	7 765 643
Employee related costs - Social Contributions	2 119 771	1 864 376
Car allowances	108 000	108 000
Long Service Bonus	107 615	-
Performance bonus	597 707	604 878
Total Employee Related Costs	11 691 724	10 342 896
Remuneration of the Chief Executive Officer		
Annual Remuneration including social contributions	1 532 381	1 421 837
Car allowance	60 000	60 000
Long Service Bonus (5/10 years)	55 877	-
Performance bonus	175 321	200 048
Total	1 823 579	1 681 885
Remuneration of Chief Financial Officer		
Annual Remuneration including social contributions	861 418	799 952
Car allowance	24 000	24 000
Long Service Bonus (5/10 years)	32 463	-
Performance bonus	101 823	111 233
Total	1 019 704	935 185
Remuneration of Planning & Development Manager (Inner City)		
Annual Remuneration including social contributions	748 361	695 413
Car allowance	24 000	24 000
Long Service Bonus (5 years)	11 436	-
Performance bonus	92 683	86 330
Total	876 480	805 743
Remuneration Operations Manager		
Annual Remuneration including social contributions	494 749	461 133
Performance bonus	56 896	50 725
Long Service Bonus (5 years)	7 839	-
Total	559 484	511 858
Remuneration of Planning & Development Manager (Townships)		
Annual Remuneration including social contributions	731 765	681 600 *
Performance bonus	84 153	81 792
Total	815 918	763 392
* - Pro-rated over 8.5 months		
Remuneration of Marketing and Communications Manager		
Annual Remuneration including social contributions	723 580	650 000
Performance bonus	86 830	74 750
Total	810 410	724 750

	2015	2014
	R	R
14 CASH GENERATED FROM / (UTILISED IN) OPERATIONS		
Surplus/(Deficit) for the year	592 936	(43 410)
Depreciation	195 598	159 820
Loss on disposal of property, plant and equipment	24 887	1 848
Interest Received	(3 332 959)	(2 295 623)
Increase in provisions for doubtful debts	48 585	56 040
(Decrease)/Increase in provisions	(11 628)	10 312
Operating loss before working capital changes:	<u>(2 482 581)</u>	<u>(2 111 012)</u>
Increase/(Decrease) in Trade and other Payables	2 993 775	(1 272 300)
(Decrease)/Increase in Unspent Conditional Grants	(11 319 396)	10 918 301
Increase/(Decrease) in Construction Contract Retention Creditors	1 191 218	(565 447)
Decrease / (Increase) in Trade and other Receivables	2 692 456	(11 737 587)
<i>Cash generated from / (utilised in) operations</i>	<u>(6 924 527)</u>	<u>(4 768 045)</u>
15 INTEREST PAID		
Interest on fair valuing of Retention Creditors	<u>197 050</u>	<u>167 469</u>
	<u>197 050</u>	<u>167 469</u>

This amount relates to a book entry with respect to the valuation of retention creditors at financial year end and is reversed once the retention is paid.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
16 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
16.1 Audit fees		
Opening balance	5 863	19 327
Current year audit fee	20 325	735 180
Amount paid - current year	(20 325)	(728 933)
Previous year audit fees adjustment	479 888	-
Amount paid - previous year	(5 863)	(19 711)
Balance unpaid	479 888	5 863
16.2 PAYE and UIF		
Opening balance	149 718	113 767
Current year payroll deductions	2 386 999	1 913 500
Amount paid - current year	(2 195 914)	(1 763 782)
Amount paid - previous year	(149 718)	(113 767)
Balance unpaid	191 085	149 718
16.3 Performance Bonuses		
Opening balance	604 878	449 799
Amount paid	(604 878)	(449 799)
Provisions for the year	597 707	604 878
Balance unpaid	597 707	604 878
16.4 Provident Fund		
Opening balance	91 874	78 315
Amount paid	(1 210 444)	(1 050 353)
Expenditure	1 223 054	1 063 911
Balance unpaid	104 484	91 874

The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 25 members belong to the fund.

16.5 Supply Chain Management Policy

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R393 555.

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R785 579.

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 780.

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 638 624.

16.6 Non-Compliance

Management is not aware of any non-compliance with the Municipal Finance Management Act 56 of 2003.

	2015	RESTATED
	R	2014
		R

17 VALUE ADDED TAX

As at 30 June 2015 all VAT returns have been submitted timeously to the South African Revenue Services.

18 RELATED PARTIES

18.1 Relations

Parent Municipality	Nelson Mandela Bay Municipality
Funder	Industrial Development Corporation
Funder	National Lotteries Board
Funder	Eastern Cape Development Corporation
Funder	Department of Arts and Culture
Funder	KfW Bank

18.2 Related party balances

Amounts included in Trade and Other Receivables (Trade and Other Payables) regarding related parties

Nelson Mandela Bay Municipality	900 587	12 423 851
Department of Arts & Culture	-	5 550
Eastern Cape Development Corporation	2 070 442	-
KfW Bank	1 760 255	-

These balances have no fixed terms and conditions.

Refer to note 5 relating to NMBM, IDC, ECDC, NLB and KfW unspent conditional grants.

19 KEY MANAGEMENT PERSONNEL

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly including any director of MBDA:

Chief Executive Officer:	Pierre Voges
Chief Financial Officer:	Ashwin Daya
Planning and Development Manager:	Dorelle Sapere
Operations Manager:	Mcebisi Ncalu
Planning and Development Manager:	Eldrid Uithaler
Marketing and Communications Manager:	Luvuyo Bangazi

Their short term employee benefits are disclosed in note 13.

20 CONTINGENT LIABILITY

We are not aware of the existence of any contingent liabilities at the financial year end.

21 CONTINGENT ASSETS

We are not aware of the existence of any contingent assets at the financial year end.

22 IN-KIND DONATIONS

No in-kind donations and/or assistance was received during the financial year that would require adjustments to the annual financial statements.

23 POST BALANCE SHEET EVENTS

No events post balance sheet date occurred that would require adjustments to the annual financial statements.

	2015 R	2014 R
24 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
24.1 UNAUTHORISED EXPENDITURE		
No such expenditure was incurred by the entity.		
24.2 IRREGULAR EXPENDITURE		
Balance at beginning of year	-	-
Incurred during the year	-	-
Condoned by the Board	-	-
Balance at end of year	<u>-</u>	<u>-</u>
No such expenditure was incurred by the entity.		
24.3 FRUITLESS AND WASTEFUL EXPENDITURE		
Balance at beginning of year	-	-
Incurred during the year	55 191	-
Condoned by the Board	-	-
Balance at end of year	<u>55 191</u>	<u>-</u>

Fruitless and wasteful expenditure incurred during the year related to an overseas trip by the CEO and two directors, with the directors travel arrangements being cancelled due to late receipt of visas, resulting in wasted expenditure being incurred. The Board subsequently wrote off this expenditure in September 2015.

25 OPERATING LEASES

The following are the total minimum future lease payments

	0 - 1 year	1 - 5 years
Office plants rental	5 994	-
Public toilets rental	112 147	90 254
Office rental	343 653	-
SPUU copier rental	12 612	7 357
MBDA copiers rentals	29 874	49 962

NOTE: The entity is the lessee for all these leases.

	2015	RESTATED
	R	2014
		R
26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES		
The entity's principal financial liabilities comprise Trade and Other Payables. The entity's financial assets comprise Trade and Other Receivables (excluding VAT Receivables) and cash and short-term deposits.		
Classification of Financial Instruments		
Financial Assets		
Loans and Receivables*	57 188 948	67 786 609
Financial Liabilities		
At amortised cost	12 436 921	8 251 928
<i>* Loans and receivable excludes VAT Receivable</i>		

26.1 Interest Rate Risk

The entity's exposure to the risk of changes in market interest rates relates primarily to the entity's positive bank balance. As part of the process of managing the entity's interest rate risk, the entity's income and operating cash flows are substantially independent of changes in the market rates.

Interest Rate Risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on profit before taxation (through the impact on floating rate borrowings). There is no impact on equity.

Cash and cash equivalents	53 656 754	58 061 743
Effect of a 100 basis point movement in the interest rate	(536 568)	(580 617)

26.2 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity mainly transacts with entities who provides grants to fund operations and projects. Trade Receivables at year end consist mainly of the Nelson Mandela Bay Municipality.

26.3 Liquidity Risk

Liquidity Risk Management

The entity manages its liquidity risk by ensuring sufficient cash reserves to settle liabilities.

Liquidity Tables

The following table details the entity's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the debt can be required to pay. Tables include both interest and principal cash flows.

30-Jun-15	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Trade and Other Payables	9 231 194	-	-	-
Construction Contract Retention Creditors	-	-	2 700 260	505 468
	<u>9 231 194</u>	<u>-</u>	<u>2 700 260</u>	<u>505 468</u>
30-Jun-14	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Trade and Other Payables	6 237 419	-	-	-
Construction Contract Retention Creditors	-	-	1 009 929	1 004 580
	<u>6 237 419</u>	<u>-</u>	<u>1 009 929</u>	<u>1 004 580</u>

26.4 Foreign Currency Risk

The entity is not exposed to foreign currency risk as all trading was done locally.

27 PRIOR PERIOD RESTATEMENT

The prior period restatements related to the following items:

<i>Statement of Financial Position</i>	<u>Previously Stated</u>	<u>Change</u>	<u>Restated</u>
	<u>2014</u>		<u>2014</u>
(a) Trade and Other Receivables	13 614 302	(3 067 920)	10 546 382
(b) Trade and Other Payables	(6 520 936)	283 518	(6 237 418)
(c) Unspent Conditional Grants (NMBM)	(63 098 590)	2 784 402	(60 314 188)
(d) Property plant and Equipment	879 367	-	879 367
Furniture & Fittings - at cost	427 871	(17 192)	410 679
Furniture & Fittings - accumulated depreciation	(272 339)	17 192	(255 147)
Net impact on Statement of financial position		-	

(a) **Trade and Other Receivables**

During 2014/15 the NMBM decided that the Rugby Sevens Joint Venture profit share of R3 538 175 (incl. VAT) be paid over to EP Rugby. Since the MBDA had already invoiced the NMBM for this amount, a credit note was then issued thus reducing the debtors and unspent grants balances by this amount.

(b) **Trade and Other Payables**

During 2013/14 the security services provider invoices were over accrued.

(c) **Unspent Conditional Grants (NMBM)**

Adjustments (a) and (b) resulted in an adjustment to Unspent Conditional Grants.

28 NATIONAL LOTTERIES BOARD EXPENSES

These expenses relate to an arts grant that was awarded to the entity by the National Lotteries Board (NLB).

29 STRATEGIC SPATIAL FRAMEWORK STUDIES

These expenses relate to economic feasibility and development studies and are partly funded by the Eastern Cape Development Corporation (ECDC) and Industrial Development Corporation (IDC).

30 DEPARTMENT OF ARTS AND CULTURE EXPENSES

These expenses relate to an arts grant that was awarded to the entity by the Department of Arts and Culture (DAC).

31 HELENVALE SPUU EXPENSES

These expenses relate to a foreign donor funded project between Nelson Mandela Bay Municipality and KfW Bank, Germany where the entity has been appointed to be the project implementation agent on behalf of the parent municipality.

NOTE 32 - VARIANCE EXPLANATION OF STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

1. Savings incurred rolled over into 2015/16 financial year.
2. Refer to note 5 on page 18.
3. Savings incurred rolled over into 2015/16 financial year.
4. Funding from DAC did not materialise.
5. Programme forwarded to 2015/16 financial year.
6. Committed costs rolled over into 2015/16 financial year.
7. Exchange rate differences/funding delays
8. Savings incurred rolled over into 2015/16 financial year.
9. Committed and rolled over to 2015/16 financial year.
10. Committed and rolled over to 2015/16 financial year.
11. Savings incurred rolled over into 2015/16 financial year.
12. Savings incurred rolled over into 2015/16 financial year.
13. Savings incurred rolled over into 2015/16 financial year.
14. Savings incurred rolled over into 2015/16 financial year.
15. Committed and rolled over to 2015/16 financial year.
16. Study costs (from IDC) committed and rolled over to 2015/16 financial year.
17. There was an overall saving of 47% on the property, plant and equipment budget for the financial year, and which related to savings incurred during the financial period.