

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2015

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 107, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with the Act.



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

31 August 2015

Date

City Manager

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2015**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2015

General Information

Legal form of entity	Metropolitan Municipality
Nature of business and principal activities	Local Government
Mayoral Committee	
Executive Mayor	Cllr D.A Jordaan
Councillors	Cllr P.S Ndoni (Deputy Executive Mayor) Cllr M.E Hermans (Speaker) Cllr L Suka (Chief Whip) Cllr A.C.G Mfunda (Infrastructure and Engineering and Electricity and Energy) Cllr B Lobishe (Roads and Transport) Cllr F Sibeko (Corporate Services) Cllr F Desi (Safety and Security) Cllr Z Jodwana (Economic Development, Tourism and Agriculture) Cllr A Mama (Youth, Sport and Culture) Cllr J Seale (Public Health) Cllr N Tontsi (Human Settlements) Cllr R Riordan (Budget and Treasury)
Accounting Officer (City Manager)	M Mbambisa
Chief Financial Officer (CFO)	J.T Harper
Chief Operating Officer (COO)	M Clay
Chief of Staff	B Ntshona
Metro Police Chief	M Mathabathe
Executive Directors	M Ndoyana (Corporate Services) A Qaba (Economic Development, Tourism and Agriculture) N Nqwazi (Sports, Recreation, Arts and Culture) T Mokonyane (Acting - Public Health) L Petuna (Human Settlements) S Mathew (Electricity and Energy) E.W Shaidi (Infrastructure and Engineering) S Brown (Safety and Security)
Registered Office	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	Actual 2015 R	Restated 2014 R
NET ASSETS AND LIABILITIES			
Net Assets			
Total Accumulated Funds		12 020 875 705	11 152 844 354
Non-current Liabilities			
		3 171 083 574	3 193 972 175
Long-term Liabilities	3	1 471 966 017	1 578 057 635
Employee Benefit Obligation	4.1	1 369 345 626	1 304 681 454
Non-current Provisions	4.2	329 771 931	311 233 086
Current Liabilities			
		2 115 934 120	2 294 333 402
Current Employee Benefit Obligation	5.1	72 246 987	81 605 533
Current Provisions	5.2	85 649 120	78 479 629
Consumer Deposits	6	111 852 356	100 347 533
Creditors - Exchange Transactions	7	1 570 784 178	1 660 176 408
Unspent Conditional Grants and Receipts	8	171 308 712	260 756 201
Current Portion of Long-term Liabilities	3	104 092 767	112 968 098
Total Net Assets and Liabilities		17 307 893 399	16 641 149 931
ASSETS			
Non-current Assets			
		14 096 802 114	13 459 948 370
Property, Plant and Equipment (PPE)	9	13 521 293 484	12 877 819 700
Heritage Assets	10	214 387 338	203 409 623
Intangible Assets	11	144 558 653	167 188 642
Investment Property	12	198 263 713	199 439 155
Long-term Receivables - Exchange Transactions	13	9 033 206	6 734 606
Long-term Receivables - Non-exchange Transactions	13	9 265 720	5 356 644
Current Assets			
		3 211 091 285	3 181 201 561
Current Portion of Long-term Receivables - Exchange Transactions	13	80	80
Inventory	14	124 216 338	104 273 575
Consumer Debtors - Exchange Transactions	15	904 697 309	841 041 601
Consumer Debtors - Non-exchange Transactions	15	229 399 410	195 273 797
Other Debtors - Exchange Transactions	16	516 817 699	353 156 209
VAT Refund	17	29 158 035	89 079 115
VAT Receivable	17	12 208 367	45 815 043
Short-term Investments	18	2 714 566	2 526 748
Short-term Investment Deposits	18	1 252 259 152	1 421 480 088
Bank Balances and Cash	19	139 620 329	128 555 305
Total Assets		17 307 893 399	16 641 149 931

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015

Restated 2014 R		Actual 2015 R	Approved Original Budget 2015 R	Adjustments 2015 R	Approved Final Budget 2015 R	Variance between Final Budget and Actual R	%	No.	
REVENUE									
Exchange revenue									
3 812 473 405	Service Charges	21.1	4 045 139 247	4 325 027 020	(42 999 940)	4 282 027 080	236 887 833	6%	
80 037 422	Interest earned - Investments		79 773 591	63 192 430	0	63 192 430	(16 768 979)	-27%	1
644 474	Interest earned - Fair Value Adjustment		187 818	0	0	0	0		
144 355 632	Interest earned - Outstanding Debtors		100 648 253	133 106 600	(39 309 090)	93 797 510	(6 850 743)	-7%	
9 328 146	Licences and Permits		9 695 407	11 364 580	0	11 364 580	1 669 173	15%	2
19 458 980	Rental of Facilities and Equipment		17 812 293	22 327 400	(98 730)	22 228 670	4 416 377	20%	3
2 094 655	Income for Agency Services		2 246 257	1 574 540	626 960	2 201 500	(44 757)	-2%	
368 481 590	Other Income	23	469 669 116	250 306 240	48 923 970	299 230 210	(170 438 906)	-57%	4
0	Gain on disposal of Property Plant and Equipment	35.9	829 981			(829 981)		100%	5
Non-exchange revenue									
1 205 525 500	Property Rates	20	1 332 134 909	1 373 532 540	0	1 373 532 540	41 397 631	3%	
73 281 472	Interest earned - Outstanding Debtors		50 391 214	49 892 470	0	49 892 470	(498 744)	-1%	
61 409 438	Fines	21.2	39 643 657	36 836 270	(26 039 420)	10 796 850	(28 846 807)	-267%	6
1 299 282 534	Government Grants and Subsidies - Operating	22	1 481 999 453	1 327 259 000	233 092 340	1 560 351 340	78 351 887	5%	
1 027 126 340	Government Grants and Subsidies - Capital	22	784 204 088	846 775 460	51 055 945	897 831 405	113 627 317	13%	7
434 831 000	Fuel levy	23	459 329 000	458 879 000	0	458 879 000	(450 000)	0%	
15 746 549	Public Contributions	23	64 974 026	50 000 000	0	50 000 000	(14 974 026)	-30%	4
0	Interest earned - SARS		1 771 238	0	0	0	(1 771 238)	100%	8
0	Dividends received		220 233	0	0	0	(220 233)	100%	9
8 554 077 137	Total Revenue		8 940 669 781	8 950 073 550	225 252 035	9 175 325 585	234 655 804		
EXPENDITURE									
1 751 338 060	Employee Related Costs	24	2 163 779 764	2 184 414 520	(6 257 560)	2 178 156 960	14 377 196	1%	
55 918 386	Remuneration of Councillors	25	58 161 095	60 975 910	0	60 975 910	2 814 815	5%	
200 710 834	Impairment - receivables	26	407 361 185	341 918 970	(2 581 390)	339 337 580	(68 023 605)	-20%	10
3 214 203	Collection Costs		2 970 073	4 701 300	0	4 701 300	1 731 227	37%	11
192 320 643	Finance cost	27	179 901 286	179 580 800	152 560	179 733 360	(167 926)	0%	
0	Interest and Penalties	27	26 694 717	0	0	0	(26 694 717)	100%	12
2 251 557 960	Bulk Purchases	28	2 454 439 281	2 386 982 500	67 718 900	2 454 701 400	262 119	0%	
43 376 480	Grants and Subsidies Paid	29	56 829 048	440 052 910	21 546 360	461 599 270	404 770 222	88%	13
292 161 571	Contracted Services	30.1	306 794 676	374 836 670	(52 542 300)	322 294 370	15 499 694	5%	
713 433 680	General Expenses	30.2	1 022 490 977	894 140 520	380 580 260	1 274 720 780	252 229 803	20%	14
490 231 703	Repairs and Maintenance		560 392 399	607 473 610	15 517 490	622 991 100	62 598 701	10%	
632 333 505	Depreciation - Property, Plant and Equipment	31.1	734 614 642	862 359 280	(37 219 130)	825 140 150	25 612 279	3%	
6 117 799	Depreciation - Investment Property	31.2	6 037 056	0	0	0	0	0%	
106 354 864	Amortisation	31.3	58 876 173	0	0	0	0	0%	
692 967 399	Impairment - Other	35.7	32 783 129	0	0	0	(32 783 129)	100%	15
1 272 093	Loss on Disposal of Property Plant and Equipment	35.8	512 929	0	0	0	(512 929)	100%	16
7 433 309 180	Total Expenditure		8 072 638 430	8 337 436 990	386 915 190	8 724 352 180	651 713 750		
1 120 767 957	Surplus for the year		868 031 351	612 636 560	(161 663 155)	450 973 405	(417 057 946)		
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 2015	
	<u>Accumulated Surplus</u>
	R
Balance at 01 July 2013 as previously reported	10 070 450 730
Restatements (Refer note 40.2)	(38 374 333)
Restated Balance at 01 July 2013	10 032 076 397
Surplus for the year as previously reported	1 124 870 351
Decrease in Surplus (Refer note 40.1.1)	(4 102 394)
Restated Surplus for the year	1 120 767 957
Restated Balance at 30 June 2014	11 152 844 354
Balance at 01 July 2014	11 152 844 354
Surplus for the year	868 031 351
Balance at 30 June 2015	12 020 875 705

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	Actual 2015 R	Restated 2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		8 495 732 536	7 897 580 605
- Sale of goods and services, fines and taxes levied		6 103 605 673	5 190 412 205
- Grants		2 172 707 958	2 424 951 625
- Dividends received		220 233	0
- Interest received		219 198 672	282 216 775
Cash paid to suppliers and employees		(7 108 594 722)	(6 072 511 286)
- Employee Costs		(2 049 341 642)	(1 861 386 795)
- Suppliers		(4 850 393 560)	(4 018 409 693)
- Finance Cost	27	(208 859 520)	(192 714 798)
CAH GENERATED FROM OPERATIONS	32	1 387 137 814	1 825 069 319
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE		(1 379 045 604)	(1 602 419 372)
Purchase of Intangible assets		(36 246 184)	(66 539 177)
Purchase of Investment Property		(6 056 124)	(6 295 644)
Purchase of Heritage Assets		(10 977 715)	(5 986 921)
NET CASH FLOW FROM INVESTING ACTIVITIES		(1 432 325 627)	(1 681 241 114)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in Non-current Liabilities (external loan funding)		0	(8 863 151)
Repayment of Non-current Liabilities (external loan funding)	33	(112 968 099)	(105 158 824)
NET CASH FLOW FROM FINANCING ACTIVITIES		(112 968 099)	(114 021 975)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(158 155 912)	29 806 230
Cash and cash equivalents at the beginning of the year		1 550 035 393	1 520 229 163
Cash and cash equivalents at the end of the year	34	1 391 879 481	1 550 035 393

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	Restated 2014
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 Funds.

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	21 413 380	18 104 759
Premiums received - transfer from accumulated surplus	5 136 637	5 497 341
Expenditure funded during the year - transfer to accumulated surplus	(1 718 821)	(2 188 720)
Balance at the end of the year	24 831 196	21 413 380

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

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 2015

	2015 R	Restated 2014 R
3. LONG-TERM LIABILITIES		
Financial Liabilities:		
Development Bank of Southern Africa (DBSA)	411 715 278	454 611 711
Amalgamated Banks of South Africa (ABSA)	75 000 000	105 000 000
Rand Merchant Bank	436 262 056	446 825 947
Nedbank	637 507 985	669 887 890
Total External Loans	1 560 485 319	1 676 325 548
Brookes Bequest	15 573 465	14 700 185
Total Long-term Liabilities	1 576 058 784	1 691 025 733
Less : Current portion transferred to current liabilities	104 092 767	112 968 098
Development Bank of Southern Africa (DBSA)	28 081 918	41 862 114
Amalgamated Banks of South Africa (ABSA)	30 000 000	30 000 000
Rand Merchant Bank	11 200 036	10 593 062
Nedbank	34 810 813	30 512 922
	1 471 966 017	1 578 057 635

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. A capital amount of R30 000 000 and interest of R11 561 055 was repaid during the financial year. (2014: Capital repaid R30 000 000 and Interest paid R15 072 226)

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. A capital amount of R31 952 612 and interest of R3 871 989 was repaid during the financial year. (2014: Capital repaid R29 145 061 and Interest paid R6 679 540)

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. A capital amount of R9 909 502 and interest of R45 393 231 was repaid during the financial year. (2014: Capital repaid R8 834 487 and Interest paid R46 468 246)

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. A capital amount of R30 512 922 and interest of R74 255 075 was repaid during the financial year. (2014: Capital repaid R27 590 265 and Interest paid R77 177 732)

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. A capital amount of R10 593 062 and interest of R44 964 992 was repaid during the financial year. (2014: Capital repaid R9 589 011 and Interest paid R45 969 043)

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 5.94% per annum.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	Restated 2014 R
4.1 EMPLOYEE BENEFIT OBLIGATION		
Gratuity Benefit	30 859 879	32 597 454
Post Retirement Benefits	1 223 674 216	1 162 816 000
Long Service Awards and Long Service Bonus	114 811 531	109 268 000
Total Employee Benefit Obligation	1 369 345 626	1 304 681 454

Refer to Note 47 for the full reconciliation and disclosures.

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	32 597 454	35 667 682
Movement in Obligation	(1 737 575)	(3 070 228)
Balance at end of year	30 859 879	32 597 454

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 223 674 216

Balance at beginning of year	1 162 816 000	1 323 679 397
Movement in Obligation	60 858 216	(160 863 397)
Balance at end of year	1 223 674 216	1 162 816 000

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	109 268 000	105 742 000
Contributions to Obligation	5 543 531	3 526 000
Balance at end of year	114 811 531	109 268 000

4.2 NON-CURRENT PROVISIONS

Rehabilitation of Landfill sites	284 015 733	267 291 647
Rehabilitation of Swartkops River	45 756 198	43 941 439
Total Non-current Provisions	329 771 931	311 233 086

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R136,194,301 for the Arlington Tip site, R57,871,477 for the Koedoeskloof Tip site and R89,949,955 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 2019 (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 4.7%. The projected amounts are discounted to the present value at the long term Treasury Bond rate of 1.75%, 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	267 291 647	235 394 122
Contributions to Provision	16 724 086	31 897 525
Balance at end of year	284 015 733	267 291 647

Rehabilitation of Swartkops River

Balance at beginning of year	43 941 439	16 196 978
Contributions to Provision - unwinding of discount factor	1 814 759	27 744 461
Balance at end of year	45 756 198	43 941 439

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 2015

	2015 R	Restated 2014 R
5 EMPLOYEE BENEFITS AND PROVISIONS		
5.1 CURRENT EMPLOYEE BENEFIT OBLIGATION		
Gratuity Liability	4 842 003	5 788 043
Post Retirement Benefits	46 856 876	48 887 000
Performance Bonus Liability	3 117 531	3 603 490
Long service awards and long service bonuses	17 430 577	23 327 000
Total Current Employee Benefit Obligation	72 246 987	81 605 533

Refer to Note 47 for the full reconciliation and disclosures.

Gratuity Obligation

This obligation is in respect of the short-term liability relating to gratuities payable to employees that were not previously members of a pension fund.

Balance at beginning of year	5 788 043	6 506 921
Contributions to Obligation	2 923 074	2 957 828
Expenditure incurred	(3 869 114)	(3 676 706)
Balance at end of year	4 842 003	5 788 043

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	48 887 000	52 652 930
Contributions to Obligation	53 233 258	46 552 739
Expenditure incurred	(55 263 382)	(50 318 669)
Balance at end of year	46 856 876	48 887 000

Performance bonus liability

This obligation is in respect of the short-term liability relating to performance bonuses payable to Section 57 employees, based on a maximum of 14% of their all-inclusive remuneration package paid as per regulation 32(2) of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006.

Balance at beginning of year	3 603 490	6 120 017
Movement in Obligation	(485 959)	(2 427 677)
Expenditure incurred	0	(88 850)
Balance at end of year	3 117 531	3 603 490

Task Evaluation Liability

The obligation is in respect of task evaluation.

Balance at beginning of year	0	29 234 318
Expenditure incurred	0	(29 234 318)
Balance at end of year	0	0

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	23 327 000	20 051 000
Movement in Obligation	(5 896 423)	3 276 000
Balance at end of year	17 430 577	23 327 000

5.2 CURRENT PROVISIONS

Provision for Litigation and Claims	85 649 120	78 479 629
Total Current Provisions	85 649 120	78 479 629

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	78 479 629	139 174 500
Provision utilised	(30 766 137)	(71 939 123)
Contributions to Provision	37 935 628	11 244 252
Balance at end of year	85 649 120	78 479 629

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	Restated 2014 R
6 CONSUMER DEPOSITS		
Electricity and Water	110 379 842	98 999 522
Interest	1 472 514	1 348 011
	<u>111 852 356</u>	<u>100 347 533</u>

Guarantees held in lieu of Electricity and Water Deposits 11 568 314 6 968 595
 Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.

7 CREDITORS - EXCHANGE TRANSACTIONS

Trade creditors	1 139 336 739	1 295 739 006
Payments Received in Advance	86 734 136	70 696 327
Staff leave	176 279 015	144 745 275
Other Creditors	5 869 960	3 379 162
Retentions	162 348 957	144 971 818
Operating Leases	215 371	644 820
Total Creditors	<u>1 570 784 178</u>	<u>1 660 176 408</u>

Refer Restatement Note no. 40.2.2

Financial liabilities:

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R162 348 957, which could be settled within the next 12 months.

No creditors are secured

8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

8.1 Conditional Grants from other spheres of Government

PHB Subsidies (See Note 22.1)	9 752 718	129 994 741
Smart Grid initiative Grant (See Note 22.5)	1 809 900	0
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.6.1)	13 973 784	7 870 175
Municipal Human Settlements Capacity Grant (See Note 22.6.2)	23 235 275	0
Public Transport Infrastructure Grant (See Note 22.8.1)	61 482 240	0
Public Transport Networks Operations Grant (See Note 22.8.2)	0	9 468 389
EU Sector Policy Support Project (See Note 22.10)	10 366 175	13 446 128
Other Grants (See Note 22.12)	22 612 802	27 037 511
National Lotteries Grant (See Note 22.14)	4 693 537	5 703 549
Neighbourhood Partnership Development Grant (See Note 22.16)	1 118 343	7 134 880
Infrastructure Skills Development Grant (See Note 22.18)	248 644	560 286
EPWP Incentive Grant (See Note 22.19)	0	5 528 976
Integrated City Development Grant (See Note 22.22)	0	3 193 000
Vuna Awards (See Note 22. 23)	15 294	15 294
Off-Grid Electrification Grant (See Note 22.24)	22 000 000	22 000 000
Post Disaster Recovery Grant (See Note 22.26)	0	28 803 272
	<u>171 308 712</u>	<u>260 756 201</u>

Total Unspent Conditional Grants and Receipts

The unspent portion on grants represent cash.

Refer Restatement Note no. 40.2.1

9 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2015

	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	1 835 943 827	177 517 485	1 658 426 342
Infrastructure Assets	13 197 183 378	4 478 988 532	8 718 194 846
Community Assets	3 217 437 931	619 326 861	2 598 111 070
Other Assets	1 176 294 941	629 733 715	546 561 226
	<u>19 426 860 077</u>	<u>5 905 566 593</u>	<u>13 521 293 484</u>

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 2014

	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	1 740 483 005	140 018 325	1 600 464 680
Infrastructure Assets	12 058 021 462	3 932 432 000	8 125 589 462
Community Assets	3 153 531 870	515 726 882	2 637 804 988
Other Assets	1 097 850 153	583 889 583	513 960 570
	<u>18 049 886 490</u>	<u>5 172 066 790</u>	<u>12 877 819 700</u>

Refer Restatement Note no. 40.2.3

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

10 HERITAGE ASSETS

As at 30 June 2015

Heritage Assets

	R	R	R
	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	214 387 338	0	214 387 338
	214 387 338	0	214 387 338

Refer to Note 49 for reconciliation.

As at 30 June 2014

Heritage Assets

	Cost	Accumulated Impairment	Carrying Value
Heritage Assets	203 409 623	0	203 409 623
	203 409 623	0	203 409 623

11 INTANGIBLE ASSETS

As at 30 June 2015

Computer Software

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2014

Computer Software

	R	R	R
	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	579 512 808	434 954 155	144 558 653
	579 512 808	434 954 155	144 558 653

	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

12 INVESTMENT PROPERTY

As at 30 June 2015

Land & Buildings

No assets were pledged as security

Refer to Note 51 for reconciliation.

As at 30 June 2014

Land & Buildings

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	248 623 192	50 359 479	198 263 713
	248 623 192	50 359 479	198 263 713

	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

Description of Investment Property:

Nelson Mandela Bay Logistics Park
Kings Beach
Springs Resort
Telkom Park
Mc Arthur Bath
Willows Resort
Beachview Resort
Van Stadens Resort
St Georges Park Resort and Wells estate
Motherwell Depot
Africa Timbers in Korsten
Mercado centre
Fresh Produce Market
Incinerator and Gas works
Something Good
Korsten Depot
Port Elizabeth RD Steeledale Reinforcing
PE Central Shop
North End Workshop
Moselville Old Post Office
Market Value of Investment Property

	2015 R	Restated 2014 R
Nelson Mandela Bay Logistics Park	102 300 000	102 300 000
Kings Beach	30 400 000	30 400 000
Springs Resort	2 141 000	2 141 000
Telkom Park	45 200 000	45 200 000
Mc Arthur Bath	12 290 000	12 290 000
Willows Resort	246 430 000	246 430 000
Beachview Resort	6 250 000	6 250 000
Van Stadens Resort	5 250 000	5 250 000
St Georges Park Resort and Wells estate	117 500 000	117 500 000
Motherwell Depot	15 000 000	15 000 000
Africa Timbers in Korsten	1 990 000	1 990 000
Mercado centre	22 830 000	22 830 000
Fresh Produce Market	5 500 000	5 500 000
Incinerator and Gas works	26 730 000	26 730 000
Something Good	4 200 000	4 200 000
Korsten Depot	1 600 000	1 600 000
Port Elizabeth RD Steeledale Reinforcing	980 000	980 000
PE Central Shop	490 000	490 000
North End Workshop	66 000	66 000
Moselville Old Post Office	1 250 000	1 250 000
Market Value of Investment Property	648 397 000	648 397 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	Restated 2014 R
12 INVESTMENT PROPERTY (Continued)		
Additional Disclosure:		
The NMBM applies the Cost Model		
The Market Value was determined by professional valuers of the NMBM who are experts in this field as at 30 June 2015:		
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.		
	2015	Restated 2014
Rental revenue included in surplus for following Investment Property:	R	R
Beachview resort	240 000	240 000
Van Stadens Resort	240 000	240 000
Direct Operating expenses that generated rental revenue	0	0
13 LONG-TERM RECEIVABLES		
Sporting and Other Bodies	180	260
Other Debtors	50 315	50 315
Consumer Debtors	18 248 511	12 040 755
Rate and General	9 265 720	5 356 644
Electricity	3 590 679	2 975 490
Water	2 195 112	1 665 443
Refuse	1 132 893	826 873
Sewerage	1 846 402	1 216 305
Insurance	217 705	0
	18 299 006	12 091 330
Less current portion:		
Sporting and Other Bodies	80	80
Current Portion of Long-term Receivables	80	80
Long-term Receivables	18 298 926	12 091 250
Long-term Receivables - Exchange Transactions	9 033 206	6 734 606
Long-term Receivables - Non-exchange Transactions	9 265 720	5 356 644
	18 298 926	12 091 250
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 9% per annum.		
CONSUMER DEBTORS		
The current portion is disclosed in note 15 - Consumer Debtors.		
14 INVENTORY		
Raw Materials	125 682 541	106 012 765
Finished Goods	98 809	143 144
Water Finished Goods - at cost (refer to note 28 for cost of inventory sold)	95 106 709	85 238 477
Consumable Goods	11 038 673	7 016 348
	19 438 350	13 614 796
Less: Provision for Obsolete Stock	(1 466 203)	(1 739 190)
	124 216 338	104 273 575
No inventory was pledged as security		
Refer Restatement Note no. 40.2.8		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15 CONSUMER DEBTORS

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
As at 30 June 2015			
Service Debtors	2 909 536 328	(1 779 155 689)	1 130 380 639
Rates and General	788 704 395	(559 304 985)	229 399 410
Electricity	1 025 597 494	(417 123 714)	608 473 780
Water	570 285 223	(410 151 769)	160 133 454
Refuse	221 296 570	(176 025 922)	45 270 648
Sanitation	303 652 646	(216 549 299)	87 103 347
House Rentals	22 933 207	(19 217 127)	3 716 080
Total	2 932 469 535	(1 798 372 816)	1 134 096 719

Consumer debtors are made up as follows:

Consumer debtors - Non-exchange Transactions	229 399 410
Consumer debtors - Exchange Transactions	904 697 309
	1 134 096 719

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 2014

	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	2 622 921 771	(1 589 914 908)	1 033 006 863
Rates and General	700 233 299	(504 959 502)	195 273 797
Electricity	921 294 026	(350 755 842)	570 538 184
Water	542 786 678	(386 046 641)	156 740 037
Refuse	191 772 243	(154 745 709)	37 026 534
Sanitation	266 835 525	(193 407 214)	73 428 311
House Rentals	24 191 741	(20 883 206)	3 308 535
Total	2 647 113 512	(1 610 798 114)	1 036 315 398

Refer Restatement Note no. 40.2.4**Consumer debtors are made up as follows:**

Consumer debtors - Non-exchange Transactions	195 273 797
Consumer debtors - Exchange Transactions	841 041 601
	1 036 315 398

Rates and General: Ageing

	2015 R	Restated 2014 R
Current (0-30 days)	97 401 007	81 253 078
31 - 60 Days	38 946 251	32 034 238
61 - 90 Days	22 528 982	19 063 379
Over 90 Days	629 828 155	567 882 604
Total	788 704 395	700 233 299

Electricity: Ageing

	2015 R	Restated 2014 R
Current (0-30 days)	475 646 406	450 552 740
31 - 60 Days	59 162 278	46 628 599
61 - 90 Days	40 962 246	28 710 608
Over 90 Days	449 826 564	395 402 079
Total	1 025 597 494	921 294 026

Water: Ageing

	2015 R	Restated 2014 R
Current (0-30 days)	89 452 850	94 878 410
31 - 60 Days	32 878 319	41 291 952
61 - 90 Days	24 684 913	24 018 541
Over 90 Days	423 269 141	382 597 775
Total	570 285 223	542 786 678

Refuse: Ageing

	2015 R	Restated 2014 R
Current (0-30 days)	20 240 186	18 249 463
31 - 60 Days	12 025 924	11 034 544
61 - 90 Days	5 902 003	6 042 877
Over 90 Days	183 128 457	156 445 359
Total	221 296 570	191 772 243

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15 CONSUMER DEBTORS (Continued)	2015 R	Restated 2014 R
Sanitation: Ageing		
Current (0-30 days)	43 086 448	36 311 746
31 - 60 Days	19 569 964	22 498 899
61 - 90 Days	14 861 978	13 454 896
Over 90 Days	226 134 256	194 569 984
Total	303 652 646	266 835 525

Housing Rentals: Ageing		
Current (0-30 days)	650 387	680 390
31 - 60 Days	947 153	1 035 996
61 - 90 Days	4 991 231	552 551
Over 90 Days	16 344 436	21 922 804
Total	22 933 207	24 191 741

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 2015			
Current (0-30 days)	169 533 544	540 074 365	16 869 375
31 - 60 Days	81 460 573	75 741 758	6 327 558
61 - 90 Days	54 873 285	55 696 190	3 361 878
Over 90 Days	1 210 359 519	693 807 333	24 364 157
Gross Consumer Debtors by Customer classification	1 516 226 921	1 365 319 646	50 922 968
Gross Consumer Debtors			2 932 469 535
Less: Impairment allowance			(1 798 372 816)
Net Consumer Debtors for the period ended 30 June 2015			1 134 096 719

Summary of Debtors by Customer Classification

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
30 June 2014			
Current (0-30 days)	145 176 508	510 379 991	26 369 328
31 - 60 Days	76 157 919	63 330 431	15 035 878
61 - 90 Days	51 523 757	37 168 262	3 150 833
Over 90 Days	1 078 792 760	617 256 733	22 771 112
Gross Consumer Debtors by Customer classification	1 351 650 944	1 228 135 417	67 327 151
Gross Consumer Debtors			2 647 113 512
Less: Impairment allowance			(1 610 798 114)
Net Consumer Debtors for the year ended 30 June 2014			1 036 315 398

	2015 R	Restated 2014 R
Reconciliation of the Impairment Allowance		
Balance at beginning of year	1 610 798 114	1 598 039 596
Contributions to Impairment allowance	444 667 158	187 426 046
	2 055 465 272	1 785 465 642
Bad debts written off against the Impairment allowance	(257 092 457)	(174 667 528)
Balance at end of year	1 798 372 815	1 610 798 114

Financial Assets have been classified as loans and receivables

The consumer debtors are billed interest at 9% per annum on overdue accounts.

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

	2015 R	Restated 2014 R
Neither past due nor impaired		
Current (0-30 days)	1 134 096 719	1 036 315 398

Consumer Debtors for which an impairment allowance was raised

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)	1 798 372 815	1 610 798 114
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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16 OTHER DEBTORS	2015 R	Restated 2014 R
Government Grants and Subsidies	290 121 939	154 479 140
Interest on External Investments	13 385 624	15 283 379
Operating lease accruals	2 549 888	2 823 086
Sundry Debtors	180 689 923	141 681 488
Entity - MBDA	48 362 452	57 181 243
	535 109 826	371 448 336
Provision for Bad Debts - Uitesco	(18 292 127)	(18 292 127)
	516 817 699	353 156 209

Refer Restatement Note no. 40.2.5

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

17 VAT Refund / VAT Receivable

VAT Refund	29 158 035	89 079 115
VAT Receivable	12 208 367	45 815 043

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

The VAT Receivable 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. 40.2.6 and 40.2.7

18 SHORT-TERM INVESTMENTS & INVESTMENT DEPOSITS

DEPOSITS

ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 6.03% (2014: 5.78%) during the current audit period.	275 000 000	245 000 000
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 6.02% (2014: 5.83%) during the current audit period.	275 000 000	290 000 000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 5.50% (2014: 5.25 %) during the current audit period.	105 607 152	255 607 152
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 6.20% (2014: 5.88%) during the current audit period.	300 500 000	330 500 000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 6.37% (2014: 5.89%) during the current audit period.	296 152 000	300 372 936
	1 252 259 152	1 421 480 088

FINANCIAL INSTRUMENTS - INVESTMENTS

Sanlam Shares	2 714 566	2 526 748
	2 714 566	2 526 748

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 714 566 (2014: R 2 526 748) determined on the open market share price as at 30 June 2015. 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 R104 092 767 (2014: R112 968 098) 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 2015

	2015 R	Restated 2014 R
19 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	128 555 305	274 851 075
Cash Book balance at end of the year	<u>139 620 329</u>	<u>128 555 305</u>
Bank Balance at beginning of the year	179 170 678	214 988 377
Bank Balance at end of the year	<u>114 066 794</u>	<u>179 170 678</u>
Which are disclosed in the Statement of Financial Position as follows:		
Bank balances and cash	<u>139 620 329</u>	<u>128 555 305</u>
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.	836 189	2 875 329
20 PROPERTY RATES		
<u>Actual</u>		
Residential	607 505 821	557 666 343
Commercial	562 055 291	504 905 239
State	101 969 829	92 960 009
Other	60 603 968	49 993 909
	<u>1 332 134 909</u>	<u>1 205 525 500</u>
As per the Municipal Property Rates Act, the date of valuation was 1 July 2012, with the implementation date being 1 July 2013.		
*Other includes Agricultural, Public Service Infrastructure and Vacant Properties. These amounts are reflected excluding VAT.		
<u>Valuations</u>	R'000	R'000
Residential	84 317 736	83 360 130
Commercial	36 483 208	35 940 706
State	5 783 429	5 878 929
Other	6 445 702	6 113 951
	<u>133 030 075</u>	<u>131 293 716</u>
21.1 SERVICE CHARGES		
Sale of Electricity	3 072 892 972	2 873 942 616
Sale of Water	517 622 761	505 420 422
Service delivery - sale of inventory	<u>3 590 515 733</u>	<u>3 379 363 038</u>
Refuse Removal	130 907 080	124 745 195
Sewerage and Sanitation charges	323 716 434	308 365 172
Service delivery - sale of services	<u>454 623 514</u>	<u>433 110 367</u>
	<u>4 045 139 247</u>	<u>3 812 473 405</u>
Refer Restatement Note no. 40.1.11		
21.2 FINES		
Fines	<u>39 643 657</u>	<u>61 409 438</u>
Included in Fines above are Traffic fines shown as follows:		
Fines issued for the year	36 831 810	63 593 570
Impaired, based on collection rate	(31 144 372)	(52 138 324)
Net fines collected	<u>5 687 438</u>	<u>11 455 246</u>
Refer Restatement Note no. 40.1.6		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

22 GOVERNMENT GRANTS AND SUBSIDIES	2015 R	Restated 2014 R
PHB Subsidies (See Note 22.1)	428 289 586	336 533 801
Health Subsidies (See Note 22.2)	0	6 626 745
Equitable Share Allocation (See Note 22.3)	761 606 000	742 909 000
Finance Management Grant (See Note 22.4)	1 202 266	1 207 888
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.6.1)	2 556 654	12 127 257
Municipal Human Settlements Capacity Grant (See Note 22.6.2)	13 648 697	0
Provincial Government Grants: Library Services (See Note 22.7)	7 390 000	3 752 000
Public Transport Networks Operations Grant (See Note 22.8.2)	67 871 622	84 044 891
Integrated National Electrification Programme Grant (See Note 22.9)	0	0
EU Sector Policy Support Project (See Note 22.10)	2 814 922	5 386 616
Energy Efficiency & Demand Side Management (See Note 22.11)	9 313 581	11 751 726
Other Grants (See Note 22.12)	9 031 981	7 737 446
Government Grant Revenue (See Note 22.13)	784 204 088	1 027 126 340
National Lotteries Grant (See Note 22.14)	1 010 012	901 491
CDC Walmer Intervention Funding Grant (See Note 22.15)	49 453 043	0
Neighbourhood Partnership Development Grant (See Note 22.16)	0	1 718 128
Urban Settlements Development Grant (See Note 22.17)	69 167 779	4 925 502
Infrastructure Skills Development Grant (See Note 22.18)	8 251 887	9 780 584
EPWP Incentive Grant (See Note 22.19)	17 454 850	21 077 638
Groen Sebenza (SANBI) Grant (See Note 22.20)	581 196	287 478
United Nations Development Partnership Grant (See Note 22.21)	0	5 474 686
Integrated City Development Grant (See Note 22.22)	3 682 231	0
Department of Roads and Public Works Grant (See Note 22.25)	3 357 583	5 624 438
Post Disaster Recovery Grant (See Note 22.26)	25 315 563	37 415 219
	2 266 203 541	2 326 408 874

Refer Restatement Note no. 40.1.3

22.1 PHB Subsidies

This Grant is received from Provincial Government and is used for the construction of low cost housing.

Balance at beginning of year	129 994 741	24 535 607
Current year receipts	221 857 807	480 142 296
Interest received	3 144 027	4 439 020
Debtor raised	233 922 515	148 378 954
Reversal of prior year accrual	(143 293 738)	(188 680 601)
Creditor raised - Interest payable	0	(455 562)
Interest paid over to Provincial Treasury	(7 583 048)	(1 831 172)
Conditions met - Transferred to revenue	(428 289 586)	(336 533 801)
Conditions still to be met - transferred to liabilities	9 752 718	129 994 741

22.2 Health Subsidies

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

Balance at beginning of year	0	0
Current year receipts	0	6 626 745
Debtor raised	0	0
Conditions met - Transferred to revenue	0	(6 626 745)
Reversal of prior year accrual	0	0
Conditions still to be met - transferred to liabilities	0	0

22.3 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	761 606 000	742 909 000
Transferred to revenue	(761 606 000)	(742 909 000)
Conditions still to be met - transferred to liabilities	0	0

22.4 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	(47 734)	(42 112)
Conditions met - Transferred to revenue	(1 202 266)	(1 207 888)
Conditions still to be met - transferred to liabilities	0	0

22.5 Smart Grid Initiative

This Grant is used to develop innovative, interactive and improved technological solutions to deal with revenue enhancement.

Balance unspent at beginning of year	0	0
Current year receipts	2 250 000	0
Conditions met - Transferred to revenue - capital	(440 100)	0
Conditions still to be met - transferred to liabilities	1 809 900	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

22 GOVERNMENT GRANTS AND SUBSIDIES (Continued)	2015 R	Restated 2014 R
22.6.1 Provincial Department of Human Settlements: Accreditation Grant		
This Grant is used for capacity building of employees in the NMBM's Human Settlements Directorate.		
Balance unspent at beginning of year	7 870 175	0
Current year receipts	8 660 263	19 997 432
Conditions met - Transferred to revenue	(2 556 654)	(12 127 257)
Conditions still to be met - transferred to liabilities	13 973 784	7 870 175
22.6.2 Municipal Human Settlements Capacity Grant		
This Grant is used to ensure effective management of Human Settlements programmes at the local government level in line with the Accreditation framework.		
Balance unspent at beginning of year	0	0
Current year receipts	37 707 000	0
Conditions met - Transferred to revenue	(13 648 697)	0
Conditions met - Transferred to Other Income - VAT portion	(823 028)	0
Conditions still to be met - transferred to liabilities	23 235 275	0
22.7 Provincial Government Grants: Library Services		
This grant is received from the Provincial Government and used to subsidise Libraries.		
Balance at beginning of year	0	0
Current year receipts	7 390 000	3 752 000
Conditions met - Transferred to revenue	(7 390 000)	(3 752 000)
Conditions still to be met - transferred to liabilities	0	0
22.8.1 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	0	278 421 976
Opening Balance for Public Transport Networks Operations	0	(6 400 000)
Restated Opening Balance	0	272 021 976
Current year receipts	167 500 000	85 000 000
Conditions met - Transferred to revenue - capital	(92 998 035)	(313 177 170)
Conditions met - Transferred to Other Income - VAT portion	(13 019 725)	(43 844 806)
Conditions met - Transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	61 482 240	0
22.8.2 Public Transport Networks Operations Grant		
This grant is to provide supplementary operational funding to Municipalities		
Balance unspent at beginning of year	9 468 389	0
Opening Balance from Public Transport Infrastructure Grant	0	6 400 000
Restated Opening Balance	9 468 389	6 400 000
Current year receipts	62 500 000	100 000 000
Conditions met - Transferred to Other Income - VAT portion	(4 096 767)	(12 886 720)
Conditions met - Transferred to revenue	(67 871 622)	(84 044 891)
Conditions still to be met - transferred to liabilities	0	9 468 389
22.9 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	18 000 000	53 585 000
Conditions met - Transferred to revenue - capital	(15 789 480)	(47 004 386)
Conditions met - Transferred to Other Income - VAT portion	(2 210 520)	(6 580 614)
Conditions still to be met - transferred to liabilities	0	0
22.10 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	13 446 128	31 882 401
Current year receipts	0	0
Conditions met - Transferred to revenue	(2 814 922)	(5 386 616)
Conditions met - Transferred to revenue - capital	(265 032)	(13 049 657)
Conditions still to be met - transferred to liabilities	10 366 174	13 446 128

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	Restated 2014 R
22.11 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	10 000 000	11 999 700
Conditions met - Transferred to Other Income - VAT portion	(686 419)	(247 974)
Conditions met - Transferred to revenue	(9 313 581)	(11 751 726)
Conditions still to be met - transferred to liabilities	0	0
22.12 Other Grants		
These are grants received by the NMBM for various purposes.		
Balance unspent at beginning of year	27 037 511	14 034 801
Current year receipts	6 608 560	21 738 869
Conditions met - Transferred to revenue - capital	(2 001 287)	(998 713)
Transfer to Other Income	0	0
Conditions met - Transferred to revenue	(9 031 981)	(7 737 446)
Conditions still to be met - transferred to liabilities	22 612 803	27 037 511
22.13 Government Grant Revenue		
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.		
	784 204 088	1 027 126 340
22.14 National Lotteries Grant		
This grant is used to fund Art and Culture programmes		
Balance unspent at beginning of year	5 703 549	5 605 040
Current year receipts	0	1 000 000
Conditions met - Transferred to revenue	(1 010 012)	(901 491)
Conditions still to be met - transferred to liabilities	4 693 537	5 703 549
22.15 CDC Walmer Intervention Funding Grant		
This grant is used to speed up service delivery intervention in Walmer Gqebera township.		
Balance unspent at beginning of year	0	0
Current year receipts	0	0
Debtor raised	49 453 043	0
Conditions met - Transferred to revenue	(49 453 043)	0
Conditions still to be met - transferred to liabilities	0	0
22.16 Neighbourhood Partnership Development Grant		
This grant is used for the urban renewal of townships		
Balance unspent at beginning of year	7 134 879	0
Transfer to E-share	(7 134 808)	0
Current year receipts	9 000 000	32 121 000
Debtor raised	-	(2 317 247)
Conditions met - Transferred to revenue - capital	(6 913 799)	(18 377 847)
Conditions met - Transferred to Other Income - VAT	(967 929)	(2 572 899)
Conditions met - Transferred to revenue	-	(1 718 128)
Conditions still to be met - transferred to liabilities	1 118 343	7 134 879
22.17 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	0
Current year receipts	828 863 000	727 986 000
Conditions met - Transferred to revenue - capital	(665 796 355)	(633 845 761)
Conditions met - Transferred to Other Income - VAT portion	(93 898 866)	(89 214 736)
Conditions met - Transferred to revenue	(69 167 779)	(4 925 503)
Conditions still to be met - transferred to liabilities	0	0
22.18 Infrastructure Skills Development Grant		
This grant is used for skills development		
Balance unspent at beginning of year	560 285	3 499 803
Current year receipts	8 000 000	8 200 000
Conditions met - Transferred to revenue	(8 251 887)	(9 780 584)
Conditions met - Transferred to Other Income - VAT portion	(59 755)	(159 131)
Transfer of Roll-over amount	0	(1 199 803)
Conditions still to be met - transferred to liabilities	248 643	560 285

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	Restated 2014 R
22 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.19 EPWP Incentive Grant		
This grant is used to implement expanded public works programme.		
Balance unspent at beginning of year	5 528 976	6 695 716
Current year receipts	13 439 000	20 885 000
Conditions met - Transferred to revenue	(17 454 850)	(21 077 639)
Conditions met - Transferred to Other Income - VAT portion	(1 513 126)	(974 101)
Conditions still to be met - transferred to liabilities	0	5 528 976
22.20 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	440 392	71 053
Debtor raised	140 804	216 425
Conditions met - Transferred to revenue	(581 196)	(287 478)
Conditions still to be met - transferred to liabilities	0	0
22.21 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	0	5 474 686
Conditions met - Transferred to revenue	0	(5 474 686)
Conditions still to be met - transferred to liabilities	0	0
22.22 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	3 193 000	0
Transfer to E-share	(3 193 000)	0
Current year receipts	4 133 000	3 193 000
Conditions met - Transferred to revenue	(3 682 231)	0
Conditions met - Transferred to Other Income - VAT portion	(450 769)	0
Conditions still to be met - transferred to liabilities	0	3 193 000
22.23 VUNA Awards		
This award is used for training within the Revenue Management Directorate.		
Balance unspent at beginning of year	15 294	0
Current year receipts	0	60 000
Payments to Service Provider	0	(44 706)
Conditions still to be met - transferred to liabilities	15 294	15 294
22.24 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	22 000 000	0
Current year receipts	0	22 000 000
Conditions met - Transferred to revenue	0	0
Conditions still to be met - transferred to liabilities	22 000 000	22 000 000
22.25 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	3 502 936	5 698 682
Conditions met - Transferred to revenue	(3 357 583)	(5 624 438)
Conditions met - Transferred to Other Income	(145 353)	(74 244)
Conditions still to be met - transferred to liabilities	0	0
22.26 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	28 803 272	0
Current year receipts	0	71 961 000
Conditions met - Transferred to revenue	(25 315 563)	(37 415 219)
Conditions met - Transferred to Other Income - VAT portion	(3 487 709)	(5 069 702)
Conditions met - Transferred to revenue - capital	0	(672 807)
Conditions still to be met - transferred to liabilities	0	28 803 272

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	Restated 2014
	R	R
23 OTHER INCOME		
Fees and Charges	132 142 387	106 460 808
Grave Income	7 088 794	6 212 945
Public Contributions and Donations Revenue	64 974 026	15 746 549
Fuel Levy	459 329 000	434 831 000
Government Grants - VAT recognised	120 984 155	161 534 582
Settlement - New Billing system	46 100 000	0
Settlement - NMBM Stadium	76 845 262	0
Other Income	86 508 518	94 273 255
	993 972 142	819 059 139
Refer Restatement Note no. 40.1.8		
24 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	1 353 123 311	1 221 902 698
Employee related costs - Contributions for UIF, pensions and medical aids	495 354 531	235 263 054
Travel, motor car, accommodation, subsistence and other allowances	123 721 451	119 850 546
Housing benefits and allowances	7 187 979	6 542 350
Overtime payouts	121 677 656	106 681 263
Performance bonus	27 134 361	21 567 333
Long-service Awards	35 580 475	39 530 816
	2 163 779 764	1 751 338 060
Refer Restatement Note no. 40.1.5		
Remuneration of the current City Manager		
Annual Remuneration	2 000 000	1 000 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	244 987	55 048
Total	2 244 987	1 055 048
Remuneration of the former City Manager		
Final claim settlement	3 170 128	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	94 670
Total	3 170 128	94 670
Remuneration of the Chief Financial Officer		
Annual Remuneration	1 800 000	600 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	179 970	0
Total	1 979 970	600 000
Remuneration of the Chief Operating Officer		
Annual Remuneration	1 800 000	300 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	16 883	3 000
Total	1 816 883	303 000
Remuneration of the former Chief of Staff		
Annual Remuneration	1 254 828	881 280
Travel, Subsistence, UIF, Medical, Pension Funds, Other	108 067	13 103
Total	1 362 895	894 383
Remuneration of the Chief of Police		
Annual Remuneration	1 268 270	531 667
Car allowance	120 000	10 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	53 489	11 773
Total	1 441 759	553 440
Remuneration of Individual Executive Directors		
Corporate Services		
Annual Remuneration	1 600 000	1 430 846
Travel, Subsistence, UIF, Medical, Pension Funds, Other	51 418	237 376
	1 651 418	1 668 222
Economic Development, Tourism and Agriculture		
Annual Remuneration	1 408 000	400 000
Car Allowance	192 000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	73 458	17 279
	1 673 458	417 279

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24 EMPLOYEE RELATED COSTS (Continued)	2015 R	Restated 2014 R
Infrastructure and Engineering		
Annual Remuneration	1 600 000	1 196 428
Car Allowance	0	90 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	17 054	78 937
	1 617 054	1 365 365
Electricity		
Annual Remuneration	1 456 000	388 000
Car Allowance	144 000	12 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	149 225	3 976
	1 749 225	403 976
Safety and Security		
Annual Remuneration	1 460 992	312 585
Car Allowance	139 008	23 169
Travel, Subsistence, UIF, Medical, Pension Funds, Other	20 706	203 335
	1 620 706	539 089
Human Settlements		
Annual Remuneration	1 468 000	337 214
Car Allowance	132 000	14 422
Travel, Subsistence, UIF, Medical, Pension Funds, Other	81 335	107 138
	1 681 335	458 774
Sports, Recreation, Arts and Culture		
Annual Remuneration	1 420 000	0
Car Allowance	180 000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	51 535	0
	1 651 535	0

The Executive Director:Public Health was the only position that was vacant during the current financial year.

25 REMUNERATION OF COUNCILLORS	R	R
Mayor's Remuneration	1 030 099	1 121 561
Deputy Mayor's Remuneration	931 757	897 249
Speaker's Remuneration	951 083	897 249
Councillors' Remuneration	52 305 768	50 038 938
Telephone Allowances	2 516 988	2 534 389
3G Allowance	425 400	429 000
	58 161 095	55 918 386

Refer Restatement Note no. 40.1.15

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

In accordance with the Councillors' remuneration package; the structure is an all-inclusive package, with the exception of a Telephone Allowance and a 3G Allowance. The package is within the upper limits of the framework as envisaged in section 219 of the Constitution.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	Restated 2014
26 IMPAIRMENT - RECEIVABLES		
Bad debts consists of the following:		
Bad debts expense	259 808 374	208 089 358
ATTP and Miscellaneous fees and charges	257 092 457	189 321 126
Uitesco	0	18 312 127
Miscellaneous	2 715 917	456 105
Net Contribution to doubtful debts	147 552 811	(7 378 524)
Contribution to doubtful debts (inclusive of VAT)	444 667 158	187 426 046
Less: VAT portion	40 021 890	20 137 042
Contribution to doubtful debts (excluding VAT)	404 645 268	167 289 004
Less: Bad debts as above	257 092 457	174 667 528
	147 552 811	(7 378 524)
	407 361 185	200 710 834
27 FINANCE COSTS		
Interest on External Loans	177 174 212	189 339 227
Interest on Other	2 727 073	2 981 416
Finance Cost	179 901 285	192 320 643
Interest and Penalties	26 694 718	0
Total Finance Cost	206 596 003	192 320 643
Finance cost accrued/ Prior year accrual reversals	(2 263 517)	(394 155)
Finance cost paid	208 859 520	192 714 798
Refer Restatement Note no. 40.1.13		
28 BULK PURCHASES		
Electricity	2 362 484 236	2 176 041 913
Water	91 955 045	75 516 047
	2 454 439 281	2 251 557 960
29 GRANTS AND SUBSIDIES PAID		
Grants in aid	7 055 169	5 857 880
Grants to Entities	31 420 075	20 277 236
Grants to Other Organisations	18 353 804	17 241 364
	56 829 048	43 376 480
Refer Restatement Note no. 40.1.12		
30 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE		
30.1 Contracted Services		
Is made up as follows:		
Contract Security	94 994 743	61 465 029
Grass Cutting	19 954 380	19 443 848
Meter reading contracts	11 459 262	10 752 548
Stadium Management fee/ Operational Cost	58 704 708	64 844 185
Transport OperationS - IPTS	54 300 760	44 150 194
Edams system	6 674 631	7 081 866
Other minor contracts	60 706 192	84 423 901
	306 794 676	292 161 571
Refer Restatement Note no. 40.1.4		
30.2 General Expenses		
Is made up as follows:		
Cellphone and Telephone	30 490 741	29 080 773
Fleet management services	82 859 080	92 247 477
Petrol, oil and lubricants	52 465 844	54 737 035
Consultants	54 441 513	52 885 804
Legal Expenses incurred	35 355 498	29 116 415
Legal Expenses - Provision for litigation claims	39 168 383	(57 785 881)
RDP Housing - Top structures	396 075 607	363 993 731
Audit Fees - Auditor General	12 046 474	9 433 239
Hiring of equipment and machinery	23 565 209	17 356 632
Operating levies funded projects	51 199 759	49 304 097
Electricity - Dams, treatment works and pump stations	30 574 799	20 714 947
Industry capacity building expenses	20 151 616	0
RDP Housing - Toilet structures	63 597 887	0
Chemicals	36 141 638	39 641 407
Other Sundry General Expenses	94 356 929	12 708 004
	1 022 490 977	713 433 680
Refer Restatement Note no. 40.1.2		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2015 R	Restated 2014 R
35.3 VAT		
The Net effect of the VAT inputs and VAT output are shown in note 17. All VAT returns have been submitted by the due date throughout the year.		
35.4 PAYE and UIF		
Opening balance	21 992 449	18 243 017
Current year payroll deductions	283 015 827	264 163 133
Amount paid - current year	(258 612 221)	(242 170 684)
Amount paid - previous year	(21 992 449)	(18 243 017)
Balance unpaid (included in creditors)	24 403 606	21 992 449
35.5 PENSION AND MEDICAL DEDUCTIONS		
Opening balance	0	0
Current year payroll deductions and Council Contributions	534 712 959	486 837 247
Amount paid - current year	(534 712 959)	(486 837 247)
Balance unpaid (included in creditors)	0	0
35.6 SKILLS DEVELOPMENT LEVY		
Opening balance	1 371 717	1 191 030
Current year payroll deductions	17 192 213	16 331 403
Amount paid - current year	(15 778 455)	(14 959 686)
Amount paid - previous year	(1 371 717)	(1 191 030)
Balance unpaid (included in creditors)	1 413 758	1 371 717
OTHER ADDITIONAL DISCLOSURES:		
35.7 IMPAIRMENT - OTHER		
Impairment - land and buildings	1 638 757	640 829 075
Impairment - Traffic Fines	31 144 372	52 138 324
	32 783 129	692 967 399
Refer Restatement Note no. 40.1.14		
The Impairment of Land relates to a reduction in market values as per the valuation roll.		
The Impairment of Traffic Fines was based on the collection rate of fines.		
35.8 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Loss on disposal of property, plant and equipment	512 929	1 272 093
Relates to disposal of various redundant property, plant and equipment.		
35.9 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Sale of motor vehicles	829 981	0
Relates to the disposal of motor vehicles which are past their useful lives.		
35.10 WATER LOSSES		
The NMBM suffered water losses of 46,643 megalitres (42.7%) amounting to R148 million (2014: 33,421 megalitres (36.3%) amounting to R113.5 million) during the year. The value of the water losses have been based on cost for both years, compared to previously being based on the selling price. Various water demand management interventions are being implemented to curb water losses of which the planning took place during the 2014/15 financial year and will be implemented during the 2015/16 financial year.		
35.11 ELECTRICITY LOSSES		
The NMBM suffered electricity losses of 12% amounting to total accumulative losses of R244.4 million (2014: 11% amounting to R234.7 million). Various electricity management interventions are being implemented to curb these losses of which the planning took place during the 2014/15 financial year and will be implemented during the 2015/16 financial year.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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:

	<u>R</u> <u>Arrangements</u>	<u>R</u> <u>Outstanding</u> <u>more than 90</u> <u>days</u>
30 June 2015		
Councillor TP Adams		13
Councillor XC Bisset		12
Councillor MS Jodwana		281
Councillor ZW Jodwana		8
Councillor RC Kayser		665
Councillor XT Klaas		7
Councillor V Knoetze		88
Councillor MC Mtanga		644
Councillor LC Mtwa		15
Councillor KG Ntshanyana		127
Councillor NJ Quluba		274
Councillor LM Semele		4
Councillor L Troon		
	<u>2 734</u>	<u>2 138</u>

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

	<u>Outstanding</u> <u>more than 90</u> <u>days</u>
30 June 2014	
Councillor TP Adams	15
Councillor S Baartman	9
Councillor XS Banga	10
Councillor XC Bisset	11
Councillor F Desi	5
Councillor VG Dyantyi	18
Councillor RC Kayser	25
Councillor XT Klaas	11
Councillor LY Kwitsana	278
Councillor BE Mkavu	13
Councillor MC Mtanga	16
Councillor LB Semele	5
Councillor NR Tontsi	38
	<u>454</u>

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>78 131 720</u>	<u>63 206 244</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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

36	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)	2015	Restated 2014
		R	R
	36.2 List of Entities and related transactions (Continued)		
2	Section 57 Employees (See note 24)		
3	Other Organisations		
	The Organisations have received the following grants/ payments:		
	1. Uitenhage Despatch Development Initiative	6 567 690	6 195 930
	2. Nelson Mandela Bay Tourism	11 691 730	11 029 930
	3. Surf lifesaving Club	94 385	89 890
	Grants/ payments to Other Organisations	18 353 805	17 315 750

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.

36.3.1 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	
			2015	Restated 2014
J Sigonyela	Umziwoxolo Construction CC	Spouse is a member of the CC	0	169 580
B Naran (Councillor)	Protea Enterprises	Spouse is a member of the CC	0	0
S Brophy	To Dine for Trading	Child is a member of the CC	98 060	140 233
JW Fitton	Andos Garden Services	Spouse is a member of the CC	0	83 748
LH Klerk	Nola Maintenance Builders	Spouse is a member of the CC	0	49 301
NC Dywili	Ezamangwevu Trading	Spouse is a member of the CC	0	43 663
T Maliti	Pily and Shakes Trading	Spouse is a member of the CC	0	170 371
ME Jarvis (Councillor)	Keypoint Consulting CC	Spouse is a member of the CC	54 606	56 544
Family of employees who have an interest in a supplier			16 622 093	20 822 789
			16 774 759	21 536 229

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

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

Mr K Pather	Baybus Refurbishers	0	24 056 647
(A family member of an employee also has an interest in the above supplier)			

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 2014/15 financial year are detailed as follows in terms of section 39 (1) (a) of the Supply Chain Management Policy:

Deviations: Supply Chain Management Policy	2015	2014
	Payments made	Payments made
(i) In an emergency;	2 112 233	0
(ii) If such goods or services are produced or available from a single provider only;	3 885 761	485 048
(iii) For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;	0	183 872
(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	11 716 365	4 122 523
39 (1) (b) - Ratify any minor breaches of the procurement processes.	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

37 CAPITAL COMMITMENTS	2015 R	Restated 2014 R
Approved and contracted for	601 729 646	425 567 789
Land and Buildings	0	632 672
Infrastructure	583 140 379	382 328 301
Community	18 589 267	42 606 816
Approved but not yet contracted for	9 933 738	28 947 307
Infrastructure	0	26 213 951
Community	9 933 738	0
Other	0	2 733 356
Total	611 663 384	454 515 096
This expenditure will be financed from:		
Fuel Levy	41 484 326	28 321 800
Equitable Share (E-Share)	21 958 893	0
Department of Minerals and Energy (DME) Grant	0	6 712 455
Grants and Subsidies - State	0	5 295 652
Urban Settlements Development Grant (USDG)	544 512 410	391 119 972
Intergrated Public Transport Systems (IPTS) Grant	0	2 318 738
Capital Replacement Reserve	3 707 755	20 746 479
Total	611 663 384	454 515 096
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (See Note 3)	1 560 485 319	1 676 325 548
Used to Finance property, plant and equipment - at cost	1 560 485 319	1 676 325 548
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.	104 092 767	112 968 098

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	1 139 336 739	1 295 739 006
> 3 months	162 348 957	144 971 818
Other payables		
1-3 months	0	0
> 3 months	5 869 960	3 379 162
Long term borrowings		
< 12 months	104 092 767	112 968 098
> 12 months	1 471 966 017	1 578 057 635

Credit risk

The NMBM manages credit risk in its borrowing and investing activities by dealing with only A-rated financial institutions, and by spreading its exposure over a range of such institutions in accordance with its approved Cash Management and Investments Policy. Credit risk relating to consumer debtors is managed in accordance with NMBM's credit control and debt collection policy. The NMBM's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in Note 15 to the financial statements. The maximum exposure to credit risk is the consumer debtors, which may reduce as a result of non-payment by debtors. The NMBM has assessed the credit risk of all other financial assets and conclude that no significant credit risk exists.

Refer to note 52 for table.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39 FINANCIAL RISK MANAGEMENT (Continued)

Fair value interest risk

The NMBM is exposed to fair value interest rate risk on its external loan liabilities, which are all fixed interest rates. The fair value of financial assets and liabilities are disclosed and compared with their carrying values. See note 52 for fair values of all financial liabilities. SANLAM shares is the only financial instrument and has a very low risk exposure and have been disclosed at the Market value of the share as at 30 June.

Currency risk

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

40 RESTATED PRIOR YEAR COMPARATIVES

Restated 2014
R

Prior Period Errors:

Net effect of changes - see details below **(4 102 394)**

Net effect on surplus **(4 102 394)**

Statement of Financial Performance

40.1.1 Surplus for the year

Balance as per audited financial statements (as previously reported) **1 124 870 351**

Net effect on surplus **(4 102 394)**

General Expenses (Refer 40.1.2)	(8 177 334)
Government Grants and Subsidies (Refer 40.1.3)	44 256
Contracted Services (Refer 40.1.4)	(2 702 232)
Employee Related costs (Refer 40.1.5)	(259 880)
Fines (Refer 40.1.6)	48 601 057
Interest Earned - Outstanding Debtors (Refer 40.1.7)	174 372
Other Income (Refer 40.1.8)	10 046 848
Rental of Facilities and equipment (Refer 40.1.9)	1 552 260
Repairs and Maintenance (Refer 40.1.10)	(534 129)
Service Charges (Refer 40.1.11)	1 389 557
Grants and Subsidies Paid (Refer 40.1.12)	(119 323)
Finance Cost (Refer 40.1.13)	(1 633 405)
Impairment - Other (Refer 40.1.14)	(52 138 324)
Remuneration of Councillors (Refer 40.1.15)	(346 117)

Restated surplus for 2013/14 **1 120 767 957**

40.1.2 General expenses

Expense as per Audited financial statements (as previously reported) **705 256 346**

Transfer to Creditors	7 024 393
Transfer to Other Debtors	(82 476)
Transfer to VAT Refund	(1 716 615)
Transfer from Inventory	2 952 032
	713 433 680

General Expenses in the amount of R8 177 334 (net effect) relates to both creditors not previously accrued for or creditors that have been double accrued for.

40.1.3 Government Grants and Subsidies

Expense as per Audited financial statements (as previously reported) **2 326 364 618**

Transfer from Unspent Conditional Grants and Receipts	948
Transfer from Other Debtors	43 308
	2 326 408 874

Government Grants and Subsidies, in the amount of R44 256, which have not been funded.

40.1.4 Contracted Services

Expense as per Audited financial statements (as previously reported) **289 459 339**

Transfer from Creditors	10 021 030
Transfer to VAT Refund	(7 318 798)
	292 161 571

VAT in the amount of R7 318 798, which was not previously claimed.

Contracted services in the amount of R10 021 030, which was not previously accrued for.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Restated 2014 R
40.1.5 Employee Related Costs	
Expense as per Audited financial statements (as previously reported)	1 751 078 181
Transfer to Other Debtors	(201 101)
Transfer from Creditors	544 333
Transfer to VAT Receivable/ Refund	(83 352)
	<u><u>1 751 338 061</u></u>
Employee related expenditure/ deductions in the amount of R259 880 (net effect) not accrued for previously.	
40.1.6 Fines	
Income as per Audited financial statements (as previously reported)	12 808 381
Transfer to Other Debtors	(3 537 267)
Transfer from Impairment	52 138 324
	<u><u>61 409 438</u></u>
Fines in the amount of R3 537 264 relates to both debtors not previously accrued for or debtors that have been over accrued for.	
Impairment of fines in the amount of R52 138 324, which was based on the fines collection rate.	
40.1.7 Interest Earned - Outstanding Debtors	
Expense as per Audited financial statements (as previously reported)	217 462 732
Transfer from Other Debtors	174 372
	<u><u>217 637 104</u></u>
Interest in the amount of R174 372, which was not previously accrued for.	
40.1.8 Other Income	
Income as per Audited financial statements (as previously reported)	809 012 291
Transfer to Other Debtors	9 700 731
Transfer from Remuneration of Councillors	346 117
	<u><u>819 059 139</u></u>
Debtors in the amount of R9 700 731 not accrued for previously relating to Other Income.	
Recoveries of data connectivity in the amount of R346 117 have been transferred to Other Income	
40.1.9 Rental of Facilities and Equipment	
Income as per Audited financial statements (as previously reported)	17 906 720
Transfer from Other Debtors	1 552 260
	<u><u>19 458 980</u></u>
Debtors relating to Rental of facilities in the amount of R1 552 260, not accrued for previously.	
40.1.10 Repairs and Maintenance	
Expense as per Audited financial statements (as previously reported)	489 697 574
Transfer to VAT Refund	(553 400)
Transfer from Creditors	1 087 529
	<u><u>490 231 703</u></u>
VAT on Repairs and Maintenance in the amount of R469 134 not previously claimed.	
Repairs and Maintenance in the amount of R1 087 529, not accrued for previously.	
40.1.11 Service Charges	
Income as per Audited financial statements (as previously reported)	3 811 083 848
Transfer from Other Debtors	1 389 557
	<u><u>3 812 473 405</u></u>
Debtors in the amount of R1 389 557 not accrued for previously relating to Service Charges.	
40.1.12 Grants and Subsidies Paid	
Income as per Audited financial statements (as previously reported)	43 257 157
Transfer to Creditors	119 323
	<u><u>43 376 480</u></u>
Grants and Subsidies in the amount of R119 323, which was not previously accrued for.	

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Restated 2014
R

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.1.13 Finance Cost

Income as per Audited financial statements (as previously reported)

190 687 238

Transfer to Creditors

1 633 405

192 320 643

Finance Cost in the amount of R1 633 405, which was not previously accrued for.

40.1.14 Impairment - Other

Income as per Audited financial statements (as previously reported)

640 829 075

Transfer to Creditors

52 138 324

692 967 399

Impairment of fines in the amount of R52 138 324, which was based on the fines collection rate.

40.1.15 Remuneration of Councillors

Income as per Audited financial statements (as previously reported)

55 572 269

Transfer to Other Income

346 117

55 918 386

Recoveries of data connectivity in the amount of R346 117 have been transferred to Other Income.

Statement of Financial Position

40.2 Accumulated Surplus

Closing Balance as per audited financial statements (as previously reported)

4 249 493 427

Decrease in Surplus (Refer to Note 40.1.1)

(4 102 394)

Transfer to Consumer Debtors

(420 186)

Transfer to Property, Plant and Equipment

(3 638 908)

Transfer to VAT Refund

(37 072 173)

Transfer from Creditors

(5 600 807)

Transfer from Other Debtors

8 357 741

(38 374 333)

Restated Closing Balance

4 207 016 700

40.2.1 Unspent Conditional Grants and Receipts

Balance as per Audited financial statements (as previously reported)

260 757 148

Transfer to Government Grants and Subsidies

(947)

260 756 201

Government Grants and Subsidies, in the amount of R947, which have not been funded.

40.2.2 Creditors - Exchange Transactions

Balance as per Audited financial statements (as previously reported)

1 626 421 354

Transfer from Various expenditure and VAT

22 880 770

Transfer from Accumulated Surplus

5 600 807

Transfer from VAT Receivable

(173 588)

Transfer to Other Debtors

9 426

Transfer from Property Plant and Equipment

5 437 639

1 660 176 408

Expenditure in the amount of R22 880 770 (net effect) relates to creditors not previously accrued for or incorrectly accrued for.

Vat in the amounts of R173 588 relates to various expenditure which was either not accrued for or double accrued for.

Receipts in the amount of R9 426 and R5 295 from a Creditor was incorrectly accounted for in the incorrect financial year.

Property Plant and Equipment in the amount of R5 437 639, which was not previously accrued for.

40.2.3 Property, plant and equipment

Balance as per Audited financial statements (as previously reported)

12 876 688 749

Transfer to Accumulated Surplus

(3 638 908)

Transfer to Creditors

4 769 859

12 877 819 700

An amount of R517 760 relates to VAT to be added back as per SARS audit and an amount of R4 156 668, relates to Land and Buildings not belonging to NMBM.

Property Plant and Equipment in the amount of R4 769 859, which was not previously accrued for.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Restated 2014
R

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)

40.2.4 Consumer debtors - Non-Exchange Transactions

Balance as per Audited financial statements (as previously reported)	195 693 983
Transfer to Accumulated Surplus	(420 186)
	<u>195 273 797</u>

A receipt from a Government debtor for rates was incorrectly receipted in a prior financial year as a Government Grants and Subsidy.

40.2.5 Other Debtors

Balance as per Audited financial statements (as previously reported)	335 182 500
Transfer from Other Income	9 700 731
Transfer from Accumulated Surplus	8 357 741
Transfer from Creditors	9 426
Transfer to Employee Related Costs	201 101
Transfer to Fines	(3 537 264)
Transfer from General Expenses	82 476
Transfer from Government Grants and Subsidies	43 309
Transfer from Interest Earned - Outstanding Debtors	174 372
Transfer from Service Charges	1 389 557
Transfer from Rental of Facilities and Equipment	1 552 260
	<u>353 156 209</u>

Debtors in the amount of R9 700 731, R1 389 557 and R1 552 260 not accrued for previously relating to Other Income, Service Charges and Rental of facilities.

Employee related expenditure/ deductions in the amount of R201 101 not accrued for previously.

Fines in the amount of R3 537 264 relates to both debtors not previously accrued for or debtors that have been over accrued for.

General Expenses in the amount of R82 476, was not previously correctly accrued for.

Government Grants and Subsidies, in the amount of R43 309, which have not been funded.

Interest in the amount of R174 372, which was not previously accrued for.

A receipt in the amount of R9 426 from a Creditor was incorrectly accounted for in the incorrect financial year.

Debtors in the amount of R8 357 741 not accrued for previously relating to prior financial years.

40.2.6 Vat Refund

Balance as per Audited financial statements (as previously reported)	118 583 727
Transfer from Contracted Services	7 318 798
Transfer from Employee Related Costs	83 352
Transfer from General Expenses	1 716 615
Transfer to Accumulated Surplus	(37 072 173)
Transfer from Repairs and Maintenance	553 400
Transfer to VAT Receivable	(2 104 605)
	<u>89 079 114</u>

SARS have disallowed and allowed VAT on certain General expenses in the amount of R1 716 615 (net effect) and R37 072 173 in respect of prior financial years.

VAT in the amount of R7 318 798, relating to Contracted Services, which was not previously claimed.

Employee related expenditure/ deductions in the amount of R83 352 not accrued for previously.

VAT on Repairs and Maintenance in the amount of R553 400 not previously claimed.

40.2.7 Vat Receivable

Balance as per Audited financial statements (as previously reported)	40 765 490
Transfer from Creditors	(349 908)
Transfer to Creditors	3 294 856
Transfer from VAT Refund	2 104 605
	<u>45 815 043</u>

Vat in the amount of R5 049 553 (net effect), relates to various expenditure not previously accrued for.

40.2.8 Inventory

Balance as per Audited financial statements (as previously reported)	107 225 607
Transfer to General Expenses	(2 952 032)
	<u>104 273 575</u>

Inventory in the amount of R2 952 032, was incorrectly raised as a stock variance in General Expenses.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
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

2015 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.

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.

43 OPERATING LEASE COMMITMENTS

Municipality as Lessee

2015
R

Restated 2014
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

7 492 288

15 002 400

5 314 631

9 572 384

2 177 657

5 430 016

Photocopier, fax machines and other equipment

Payable within one year
 Payable within two to five years

10 788 811

13 054 705

6 109 697

6 465 549

4 679 114

6 589 156

18 281 099

28 057 105

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

14 000 000

14 480 000

480 000

480 000

1 920 000

1 920 000

11 600 000

12 080 000

Buildings

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

31 822 009

34 048 804

1 890 649

2 226 794

3 462 016

4 874 362

26 469 344

26 947 648

45 822 009

48 528 804

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	Restated 2014
	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2 Irregular Expenditure (Continued)		
4 Breach of the Supply Chain Management policy A breach occurred with respect to the procurement of certain goods and services via the informal tendering process whereby orders were split to avoid formal tendering processes.	0	469 581
5 Acting Appointments longer than 3 months Certain Senior Managers acted for periods longer than the 3 months in the 2013/14 financial year and no proof could be found on employee files that the MEC gave permission to act longer than 3 months.	0	236 077
6 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, therefore all payments made before signing the SLA are irregular. The expenditure was incurred in 2011/12 but the investigation was only completed in 2013/14.	0	4 848 336
7 Nelson Mandela Memorial Services National Treasury received a number of requests in this regard, from municipalities seeking guidance pertaining to the costs associated with the Memorial Services. The Minister of Finance then determined that the costs associated with the following activities are not permissible: - Catering (R1 129 601) - T Shirts (R722 100)	0	1 851 701
8 Irregular appointments Four mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011. 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. Two mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	0	507 001
9 Breach of the Supply Chain Management policy Irregular appointment of a Service Provider for the Implementation of the IPTS Marketing Strategy, therefore as per MM resolution 2133, all expenditure to be irregular	-	27 107 996
10 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-imburement requested. Expenditure is irregular as the NMBM has an appointed Service Provider.	-	2 000
11 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
12 Breach of the Supply Chain Management policy Expenditure incurred against SCM contract 193, which expired on 30 June 2013.	-	4 195
13 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
14 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
15 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
Total	237 405 522	82 006 191
Total amount approved by Council for in respect of ALL cases	(8 184 320)	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	Restated 2014
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)	R	R
44.2 Irregular Expenditure (Continued)		
16 Irregular Expenditure review by Internal Audit		
The review process entailed extracting and analysing the payment information for all formal bids for the period 2010/11 to 2014/15 financial years. This information was then used to trace the relevant bid files / supporting documents, which were then assessed against a comprehensive irregular expenditure checklist. In addition, certain payments relating to formal bid awards appearing under the informal bid awards module were identified. These amounts were added to the schedule of formal bid award payments, and evaluated against the same irregular expenditure checklist. The combination of these amounts is therefore deemed to be a complete summary of all formal payments made during the period under review as set out below:		
Non-compliance with regards to the Formal Bid process		
Opening Balance - 01 July 2013	212 827 460	17 114 905
Incurred - Current year	446 311 126	195 712 555
	<u>659 138 586</u>	<u>212 827 460</u>
Non-compliance with regards to the Deviations		
Opening Balance - 01 July 2013	242 061 471	49 551 568
Incurred - Current year	249 243 035	192 509 903
	<u>491 304 506</u>	<u>242 061 471</u>
Total	1 150 443 092	454 888 931
Deduct: Expenditure previously disclosed		
Irregular Expenditure		
2013/14	(247 675 697)	(184 378 307)
2014/15	(217 964 900)	(63 297 390)
	<u>(465 640 597)</u>	<u>(247 675 697)</u>
Fruitless and Wasteful Expenditure		
2013/14	(11 709 508)	(1 187 823)
2014/15	(300 000)	(10 521 685)
	<u>(12 009 508)</u>	<u>(11 709 508)</u>
Balance remainder as Irregular	672 792 987	195 503 726
17 Limitation of scope		
Incurred - Current year	2 778 651 003	2 875 062 980

This item is has not been included in the Irregular expense calculation, because it is impracticable in terms of GRAP 1 to determine whether the tender files are indeed Irregular or Regular as described below:

These payments were considered to be a limitation of scope because it relates to old tender files for awards made 2013/12 and prior where the contract award files or documentation could not be provided for or had missing compulsory documentation or could not be linked to a formal contract file or award. This was due to the fact that tender files were previously decentralised and kept with the Directorates and have only been centralised recently.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	Restated 2014
	R	R
44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.3 Fruitless and Wasteful Expenditure		
Opening Balance - 01 July 2013	122 413 994	111 468 037
Incurrred - Current year	1 265 661	10 945 957
Approved by Council - Other	(198 938)	0
	<u>123 480 717</u>	<u>122 413 994</u>
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. MPAC disussing the item.	0	1 701 711
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. Matter to be referred to Labour Relations.	965 661	207 607
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. To date R1.3 million has been paid by Council	300 000	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. MPAC disussing the matter Amount previously stated - R 7 914 519 Amount now stated - R 8 219 974 Difference - R 305 455	0	8 219 974
5 Wasteful expenditure due to payment of interest to Service Providers		
Interest accrued due to late payment of Telkom account	0	28 848
Interest accrued due to late payment of Eskom account	0	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.	0	178 949
Total amount approved by Council for in respect of ALL cases	(198 938)	0
Total	<u><u>1 066 723</u></u>	<u><u>10 945 957</u></u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	Restated 2014 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	241 980	285 982
2 Swartkops Seesout	13 000 000	7 157 829
The claim arises out of an alleged Sewer spillage into the salt pans.		
3 Lilwills (Pty) Ltd	22 838	22 838
Awaiting a repayment of a refund from the Budget & Treasury Directorate.		
4 Randcivils CC	825 597	282 854
This relates to a claim for unpaid contract price		
5 D January	0	20 000
The claim arises as a result of injuries sustained by the Plaintiff who fell on a pavement		
6 G Volstruis	50 000	45 000
The claim arises as a result of injuries sustained by the plaintiff when he was allegedly assaulted by traffic officers who were acting within the course and scope of their employment.		
7 M Heysen	25 000	35 000
This claim arises from the conduct of traffic officers in effecting an arrest.		
8 Volkswagen SA	35 000	0
This relates to a claim against NMBM.		
9 BE Heynsen	15 000	30 000
This claim arising from the conduct of traffic officers in effecting an arrest.		
10 MD Stephens	45 000	25 000
This claim arises from the minor child who allegedly fell into a ditch.		
11 P Mvakela	15 000	25 000
This claim arises from the minor child who allegedly fell into an uncovered drain.		
12 J Hiles	15 000	45 000
This claim arises from the Plaintiff falling into a manhole.		
13 BC Prince obo AM Prince	0	45 000
This claim arises from a minor child breaking a foot at Westering swimming pool.		
14 L Hunt	75 000	35 000
The claim arises from the Plaintiff allegedly falling into an open trench.		
15 GP Gcakasi	25 000	60 000
The claim arises from the Plaintiff allegedly being ran over by a Lift truck.		
16 SN Brooks	0	40 000
The claim arises from the Plaintiff allegedly falling into an open drain.		
17 J Prince	25 000	30 000
The claim arises from an alleged unlawful arrest.		
18 NG Whitebooi	70 000	60 000
The claim arises from Plaintiff allegedly falling down an embankment.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45a CONTINGENT LIABILITIES (Continued)	2015 R	Restated 2014 R
19 VWSA The claim arises for a MVA which was allegedly caused by a municipal vehicle.	25 000	80 000
20 E Chedress This claim arises from an alleged unlawful arrest and detention for a drunken driving charge.	110 000	0
21 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.	80 728	0
22 L Francis The claim arises from injuries sustained by Mr Francis, when he allegedly fell into an uncovered hole on the pavement and sustained injuries as a direct result thereof.	271 802	10 000
23 NE Nobebe The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	0	150 000
24 N Busosh The claim arises from the wrongful death of a minor	300 000	425 000
25 L Booysen The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	300 000	150 000
26 P JN Kayser Claim for damages to property.	48 333	48 333
27 SP Lumbe The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	250 000	250 000
28 Mgoqi The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	250 000	250 000
29 E Gerber The claim arises as a result of injuries sustained by the Plaintiff who allegedly fell into a ditch.	0	290 000
30 C. Jonathan The claim arises from damage to the Plaintiff's motor vehicle as a result of a pot hole in the road	10 000	12 725
31 KV Botha The claim arises from alleged damages to the plaintiff's property as a result of an electrical surge.	0	25 354
32 M Kara The claim arises from damages to the Plaintiff's property.	1 350 000	1 250 000
33 D Jordan Claim for damage to property as a result of pothole.	15 000	53 352
34 PM Bhe The claim arises from bodily injuries sustained by the Plaintiff who stepped into a hole.	0	150 000
35 MV Vukapi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	200 000	150 000
36 D. Jacobs The claim arises as a result of injuries sustained by the Plaintiff who allegedly fell into a ditch.	300 000	150 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	Restated 2014 R
45a CONTINGENT LIABILITIES (Continued)		
37 G Nyakasi The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	200 000	150 000
38 NN Manziya The claim arises from the drowning of the Plaintiff's minor child and claiming expenses for emotional shock and funeral costs.	0	350 000
39 P.N. Mcwetyana The claim arises from the electrocution of the minor child of the Plaintiff.	500 000	350 000
40 E Barnard The claim arises from an alleged fall over an indentation formed on a pavement. MATTER SETTLED.	0	65 000
41 Telkom The claim arises from the Plaintiff due to damage of property.	0	150 000
42 Telkom The claim arises from the Plaintiff due to damage of property.	0	355 000
43 DJI Mertz The claim arises from the Plaintiff due to damage of property.	0	23 290
44 A Letsholonyane The claim arises from the Plaintiff due to damage of property.	0	36 187
45 Dumisa Design and Advertising The claim arises as a result of damages suffered by Dumisa Design and Advertising due to an alleged breach of contract by the Municipality.	57 651	16 000
46 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.	0	23 130
47 R Penrose The claim arises from alleged damage to property by opening of the Chelsea water reservoirs.	0	9 820
48 Clover SA (Pty) Ltd This claim against the NMBM is for the alleged loss of profit and increased cost of working and other consequential losses flowing from the alleged breach by the NMBM of its duty of care to ensure continuous and consistent water supply	0	30 073
49 V. Matroos The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	62 385	14 094
50 Winston Malgas The claim arises as a result of the Plaintiff suing the municipality for an alleged unlawful arrest.	62 660	60 837
51 Intsimbi Industrial Manufacturing CC This claim arises due to NMBM reviewing and setting aside the award of a tender.	0	225 721
52 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.	0	322 326
53 GLS Consulting (Pty) Limited This claim arises from damages during the tender process for SCM375/2011	0	45 501
54 B Ferreira This claim arises from the alleged assault of the Plaintiff by a Traffic Officer.	102 495	22 000
55 West South House CC The claim arises from damages caused by a burst water pipe resulting in extensive damage to the plaintiff's private property.	0	60 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45a CONTINGENT LIABILITIES (Continued)	2015 R	Restated 2014 R
56 RL Nel The claim arises from the Plaintiff's late mother who allegedly fell into a ditch and sustained injuries.	19 270	10 000
57 Tryzone Fourteen(Pty) The claim arises from a dispute, relating to rates and service charges levied by the Municipality.	1 200 000	250 000
58 Vatala This relates to a claim against NMBM - Review in labour court.	1 500 000	1 500 000
59 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	350 000
60 A A Swartz The claim arises as a result of injuries sustained by a minor who allegedly fell from hoisted cables.	220 000	300 000
61 AMF The claim arises as a result of an alleged breach of contract.	17 687 246	2 400 000
62 Buhlebendalo Properties Claim against the Municipality for damages allegedly suffered due to a deposit of sand into its Resort caused by a burst waterpipe allegedly attributable to the negligence of employees of the Municipality	30 188	130 188
63 Z M Marwana The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open drain.	904 500	700 000
64 M P Gcobo Application brought against the Municipality for access to information	150 000	150 000
65 Total Client Services TCS brought an application against the Municipality to review the awarding of tender 311A	0	300 000
66 TA Vikiva The claim arises as a result of injuries sustained by a minor child due to playing on a merry-go-round belonging to the NMBM.	0	120 000
67 N P Kelele The claim arises from injuries sustained by the Plaintiff who allegedly fell off a bridge into a hole.	0	1 060 000
68 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.	0	130 000
69 Transnet Limited A collision between a Transnet vehicle and Municipal vehicle, allegedly caused by the municipal employee.	0	54 000
70 EV Botha (MFE) The claim arises due to a power failure and plaintiff being deprived of the benefits of having electricity.	0	30 000
71 GS Maloyi The claim arises from the plaintiff, whom allegedly fell into an open drain.	0	115 000
72 NR Ngamntwini The claim arises due to damages to the plaintiff's car.	0	21 419
73 W Makanya This claim arises as a result of an alleged unlawful arrest.	0	105 000
74 AM Lose The claim arises from injuries sustained by the Plaintiff who allegedly fell into a ditch at Missionvale.	0	2 610 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45a CONTINGENT LIABILITIES (Continued)	2015 R	Restated 2014 R
75 N De Jager The claim arises in respect of damages to the plaintiff's car.	0	40 000
76 I Bosch This claim arises as a result of an alleged unlawful detention.	0	95 000
77 Naidoo This claim arises as a result of a motor vehicle collision	0	51 000
78 Januarie This is a public liability claim which arose when building material fell on and injured a child.	0	380 000
79 P Brophy The claim arises due to damages sustained by Plaintiff.	100 000	0
80 J Hanabe The claim arises from injuries sustained by the Plaintiff that allegedly fallen down from an embankment.	250 000	0
81 V.M Matolo This claim arises from injuries sustained by the Plaintiff who allegedly fell into an uncovered manhole.	0	37 560
82 Cherry Industrial This claim arises from the Plaintiff who hired certain machines to different directorates and for which no payment was allegedly.	0	873 555
83 D Visser This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	0	38 000
84 NE Mabenge The plaintiff sustained injuries as a result of an alleged fall.	480 000	0
85 RM Mtyeko Claim arises as a result of damages sustained by the Plaintiff.	950 000	0
86 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	36 659
87 SVP Mafongosi and T Mkumatela The claim arises in respect of an alleged unfair labour practice.	50 000	50 000
88 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.	7 000 000	5 000 000
89 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	0	150 000
90 N van Wyk Claim for injuries sustained as a result of falling into an open drain whilst walking near Bushlilly Drive, Bethelsdorp	800 000	100 000
91 Wayton Development CC Claim for contract that was cancelled as a result of poor work performance	2 000 000	700 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	Restated 2014 R
45a CONTINGENT LIABILITIES (Continued)		
92 Treoflex Trading CC t/a Ozmatt Trading Claim for damages as a result of the cancellation of the service agreement for waste management functions.	1 500 000	1 300 000
93 South African Fine Wine, Ale & Spirit Merchants Trust Claim for goods sold and delivered	0	10 000
94 AFCON Claim for expenses allegedly incurred on behalf of the Municipality for the 2013 African Cup of Nations.	3 800 000	3 000 000
95 TSA Krog Claim arises due to water damage from burst pipe.	170 000	70 000
96 G. Du preez The claim arises from damages due to bodily injuries sustained by the plaintiff, when she stepped & fell into an open manhole.	0	40 000
97 W Van Wyk This claim arises from an alleged unlawful arrest and detention.	0	40 000
98 L Salaze This relates to a claim against NMBM.	0	50 000
99 L. Kamnqa The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open ditch	401 000	220 000
100 P.M. Mabodla The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open drain.	300 000	180 000
101 JP Van Dyk This claim arises as a result of an alleged unlawful arrest and detention of the plaintiff.	50 000	45 000
102 S Cooper The claim arises as a result of a lamp pole which allegedly fell on the head of the plaintiff.	100 000	70 000
103 Dawn Anne Jefferson Claim arises from alleged negligence after Plaintiff's motor vehicle collided with a drum.	26 126	40 000
104 Ilze Venter Claim arises from alleged negligence after Plaintiff suffered damages to her motor vehicle caused by a pothole	91 713	65 000
105 NP Antoni This relates to a claim for alleged negligence	550 000	235 000
106 AG Fourie This relates to a claim for alleged negligence	742 828	401 414
107 NS Notshoba This relates to a claim for alleged negligence	300 000	150 000
108 Bashe The claim arises as a result of injuries sustained by the Plaintiff falling into an alleged open drain.	500 000	250 000
109 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.	0	80 000
110 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.	2 960 000	5 100 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45a CONTINGENT LIABILITIES (Continued)	2015 R	Restated 2014 R
111 Blue Horizon Bay This represents an opinion furnished on possible claims arising out of flood damages to property and expropriation of land.	0	10 600 000
112 NC Nxopo The claim arises due to an alleged assault.	0	160 000
113 Mathew Goniwe The claim arises as a result of High court eviction proceedings.	0	400 000
114 Kops The claim is in respect of an Arbitration case at SALGBC.	0	350 000
115 Dorelle Buys This relates to a claim against NMBM in respect of an unfair labour practice dispute.	0	450 000
116 Armstrong Claim against NMBM in respect of breach of employment contract.	770 000	550 000
117 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.	300 000	250 000
118 Nontlantla Xako Claim against NMBM in respect of an unfair labour practice.	170 000	1 020 000
119 Metrowind The claim arises as result of windfarm owners/developers to stop construction.	0	200 000
120 DM Jackson Claim against NMBM for damages as a result of a pole top fire on the Plaintiff's property, which caused a portion of his farm to catch fire.	455 638	2 650 000
121 Cape Joint Pension Fund This represents an opinion in relation to a claim by the Cape Joint pension fund against the municipality for increased pension contributions.	0	20 520 000
122 Winston Kayzer The claim arises due to defamation of character.	0	105 000
123 Ngqondi This relates to a claim against NMBM. Review of application is set down for hearing on 25 April 2013.	0	580 000
124 Arends This relates to a claim against NMBM in respect of implementation of pay parity.	0	1 450 000
125 Tshabalala This relates to a claim against NMBM. Review of application in Labour Court.	0	400 000
126 Nkomana This relates to a claim against NMBM in respect of unfair labour practice dispute.	0	730 000
127 Mbebe The claim arises from an Interpretation/ application dispute referred to SALGBC.	0	620 000
128 Mortimer This relates to a claim against NMBM. Review of application in Labour Court withdrawn by applicants. Awaiting receipt of Municipality's costs.	0	250 000
129 Mark Filmer Review application in the Labour Court	0	200 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45a CONTINGENT LIABILITIES (Continued)	2015 R	Restated 2014 R
130 Geza Unfair dismissal dispute referred to SALGBC	0	150 000
131 Masakeni Construction Arbitration in respect of four claims by Masakeni Construction	4 900 000	4 600 000
132 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.	0	100 000
133 ZW Kona This claim arises from an alleged unlawful arrest and assault.	0	100 000
134 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
135 L F Cosa The plaintiff's minor stepped into a partially covered or uncovered drain and allegedly got injured resulting in the claim.	0	299 000
136 P J Booysen The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	0	40 000
137 B V Tozo The claim arises from injuries sustained by the Plaintiff's minor child allegedly falling into a ditch excavated by the NMBM.	601 000	100 000
138 N Peteni The claim arises from injuries sustained by Ms Peteni, when she allegedly fell into an open drain.	300 000	100 000
139 Erf 7704 Chatty This relates to a claim against NMBM in respect of a unit in NU29, Motherwell to be allocated to Beneficiary.	420 000	0
140 B Mvana The claim arises from injuries sustained by Mr Mvana, when he allegedly fell into an open drain.	300 000	0
141 Z Njokweni The claim arises in respect of alleged damages caused by an exploding electrical box	97 000	0
142 A Samdaan The claim arises in respect of alleged damages to the Plaintiff's motor vehicle	2 500	0
143 Vivian England The claim arises from a damaged water pipe that burst which caused damages to the Plaintiff's property.	115 000	0
144 SEP Thomson The claim arises from injuries sustained by the Plaintiff who allegedly tripped and fell on an irregular road surface.	45 000	0
145 LR Mfundisi The claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	25 000	0
146 DW Steenmakery The claim arises in respect of damages arising from failure to install an additional electricity meter.	490 719	0
147 RE Alberts The claim arises due to a water pipe that burst which caused damages to the Plaintiff's property.	190 837	0

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

45a CONTINGENT LIABILITIES (Continued)	2015 R	Restated 2014 R
148 T Faku The claim arises from injuries sustained by the Plaintiff who allegedly fell slipped and fell.	10 000	0
149 XE Jack The claim arises in respect of an unlawful arrest and detention.	100 000	0
150 M Mhluzi The claim arises from injuries sustained by the Plaintiff who allegedly fell into a drain.	550 000	0
151 M McDonald The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell.	300 000	0
152 RC Hanslo The claim arises as a result of bodily injuries sustained by the Plaintiff due to an assault.	120 000	0
153 IM Douglas The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell.	250 000	0
154 ZM Nako The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell.	300 000	0
155 M Basson The claim arises as a result of bodily injuries sustained by the Plaintiff due to an assault.	150 000	0
156 G Adams The claim arises in respect of alleged damages to the Plaintiff's vehicle as a result of a pothole in the road.	4 106	0
157 VM Goba The claim arises as a result of injuries sustained by the Plaintiff's minor son who fell into a pit/ drain.	500 000	0
158 MM Geleba The claim arises as a result of injuries sustained by the Plaintiff who fell into an open excavation.	750 000	0
159 Malamlela The claim arises as a result of unfair dismissal dispute by the Plaintiff who instituted a review application in Labour court.	300 000	0
160 Umzali Civils Insurance claim against NMBM for damage to the work as a result of torrential rain.	3 600 000	0
161 S Zine Claim against NMBM in respect of alleged damages to the Plaintiff's vehicle as a result of a pothole.	900 000	0
162 T Mkumatela The claim arises in respect of an alleged unfair labour practice.	800 000	0
163 Jooste Claim against NMBM for damages as a result of a perimeter rail gate allegedly falling onto the Plaintiff's minor child, which resulted in bodily injuries.	700 000	0
TOTAL CONTINGENT LIABILITIES	82 360 865	90 235 767

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45(b) PROVISION FOR LITIGATION AND CLAIMS	2015 R	Restated 2014 R
<u>Detail of Provision raised in Note 5.2</u>		
1 Vatala This relates to a claim against NMBM - Review in labour court.	0	1 500 000
3 E Gerber The claim arises as a result of injuries sustained by the Plaintiff who allegedly fallen into a ditch.	300 000	0
4 KV Botha The claim arises from alleged damages to property as a result of an electrical surge.	35 000	0
5 PM Bhe The claim arises from bodily injuries sustained by the Plaintiff who stepped into a hole.	200 000	0
8 GD Scheuble The claim arises from bodily injuries sustained by the Plaintiff who slipped and fell.	200 000	0
9 Telkom The claim arises from the Plaintiff due to damage of property.	30 000	0
10 Telkom The claim arises from the Plaintiff due to damage of property.	400 000	0
11 L F Cosa The plaintiff's minor stepped into a partially covered or uncovered drain and allegedly got injured resulting in the claim. MATTER SETTLED	400 000	0
12 SALA The claim arises as a result of the SALA Pension Fund instituting legal action against the NMBM for increased contributions. MATTER FINALISED	41 225 863	65 550 000
13 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.	4 751 600	4 351 600
14 E. Uithaler The claim arises from labour related matter. MATTER SETTLED	0	50 000
15 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	0	60 000
16 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.	20 920 000	0
17 Julies Claim arises in respect of injuries suffered from alleged electrocution. MATTER SETTLED	430 000	3 780 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2015 R	Restated 2014 R
18 Mckenzie The claim arises due to defamation of character. MATTER FINALISED	0	20 000
19 NC Nxopo The claim arises due to an alleged assault.	360 000	0
20 Beldon t/a Beltek Construction This relates to a claim against NMBM. MATTER SETTLED	0	62 000
21 IMATU i.t.o Bubb Unfair labour practice referral to SALGBC. No estimation made by attorney. MATTER FINALISED	0	200 000
22 Ngqondi This relates to a claim against NMBM. Review of application in the Labour Court and await judgement	780 000	0
23 Tshabalala This relates to a claim against NMBM. Review of application in Labour Court.	600 000	0
24 Erf 7704 Chatty This relates to a claim against NMBM in respect of a unit in NU29, Motherwell to be allocated to Beneficiary.	0	270 000
25 Jamda This relates to a claim against NMBM in respect of Arbitration case.	0	500 000
26 Nkomana This relates to a claim against NMBM in respect of unfair labour practice dispute.	150 000	0
28 Sec 57 Managers Matter set down for private arbitration on 09 September with regards to a claim against NMBM. MATTER FINALISED	0	65 000
30 Sec 57 Employees Matter set down for private arbitration on 09 September with regards to a claim against NMBM. MATTER FINALISED	0	100 000
31 Traffic Wardens Dispute regarding pay parity referred to SALGBC for arbitration by SAMWU on behalf of various traffic wardens and administrative staff.	0	250 000
32 P J Booyesen The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	100 000	0
33 S Baskiti The claim arises from injuries sustained by the Plaintiff when he allegedly fell into an open drain.	451 000	0
35 M.S. Zicwele This claim arise arises as a result of allegedly negligent driving by municipal official. MATTER FINALISED	15 000	0
36 Rashied Johannes This relates to a claim against NMBM. MATTER SETTLED	0	15 000

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2015 R	Restated 2014 R
37 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. MATTER FINALISED	30 000	0
38 E CAR Hire Claim against the Municipality for unpaid invoices.	1 443 942	644 529
39 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
40 C Baartjies The Claim arises as result of injuries sustained by Plaintiff as a result of an alleged open man hole.	450 000	1 000 000
41 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	55 000
42 WK Construction Summons issued out of High Court - case no. 1033/14 , 1503/14 AND 3339/13	6 600 000	0
44 Roslyn van Greunen Claim against NMBM in respect of unfair labour practice.	500 000	0
45 M Sihawu Claim against NMBM in respect of overtime to which he claims to be entitled to.	150 000	0
47 Masakeni Construction Claim against NMBM in respect of case no.1203/15 to allow for the validity period of a tender to lapse without offering any extension.	500 000	0
50 BC Prince obo AM Prince This claim arises from a minor child breaking a foot at Westering swimming pool.	186 000	0
51 SN Brooks The claim arises from the Plaintiff who allegedly fell into an open drain.	15 000	0
52 TT Jegels The claim arises in respect of the death of the plaintiff's baby at West End clinic, allegedly due to negligence. MATTER FINALISED.	60 000	0
53 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.	2 814 008	0

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

45(b) PROVISION FOR LITIGATION AND CLAIMS (Continued)	2015 R	Restated 2014 R
55 D January The claim arises as a result of injuries sustained by the Plaintiff who fell on a pavement.	15 000	0
59 NE Nobebe The claim arises as a result of injuries sustained by the Plaintiff who allegedly slipped and fell	200 000	0
63 DJI Mertz The claim arises from the Plaintiff due to damage of property.	35 000	0
64 A Letsholonyane The claim arises from the Plaintiff due to damage of property.	46 187	0
70 M P Langson This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	50 000	0
71 SAMWU obo McFarlane and 21 Others Claim against NMBM in respect of unfair labour practice.	300 000	0
82 V.M Matolo This claim arises from injuries sustained by the Plaintiff who allegedly fell into an uncovered manhole.	340 000	0
83 Cherry Industrial This claim arises from the Plaintiff who hired certain machines to different directorates and for which no payment was allegedly.	50 000	0
84 D Visser This claim arises from injuries sustained by the Plaintiff who allegedly fell into an open manhole.	150 000	0
86 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	30 000	0
153 IN Soyana The claim arises due to a street electric pole that allegedly fell over the Plaintiff's house.	200 000	0
SAMWU obo employees during strike action Claim against NMBM in respect of unfair labour practice	100 000	0
98 G. Du preez The claim arises from damages due to bodily injuries sustained by the plaintiff, when she stepped & fell into an open manhole.	29 020	-
TOTAL PROVISION REFER NOTE 5.2	85 649 120	78 479 629

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

46 SUBSEQUENT EVENTS

46.1 Kabuso Report

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

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

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

The current status of the aforementioned matter is that Attorneys have been instructed to proceed with arbitration and to institute civil proceedings to recover monies for unauthorised expenditure incurred , eviction notices has been issued and letters of demand for recovery has been issued and served.

46.2 IPTS Investigation

National Treasury has conducted a forensic investigation on the IPTS project. A preliminary report was tabled, which implicated two officials of serious misconduct. The two officials have been suspended, but one official has since resigned. Another draft report was tabled in Council on 27 August 2015, which recommended that criminal charges be instituted against three officials and entities. Council adopted the recommendations and the City Manager was mandated to proceed with criminal charges.

46.3 Morrison Report

Council appointed Advocate Morrison from Gobodo Forensic Services to investigate allegations of serious misconduct against two Senior Managers. Advocate Morrison tabled his report in Council on 27 August 2015 and Council recommended:

- Further investigations against one Senior Manager
- Disciplinary action be instituted against the other Senior Manager

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

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 R214.429 million (2014: R 188.515 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

General Description

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.

Employees who were under the age of 55 when appointed and who have at least ten years' service at retirement, will receive an annual ex-gratia pension calculated as:

Annual salary * 1/47 * Years of non-pensionable service

An employee's widow will get 50% of the accrued (full service) pension on the employee's death. This is subject to a maximum of the Government Old Age Pension and will cease at age 60.

Pensions increase in line with those granted by the Cape Joint Pension Fund and increases at 50% of CPI inflation.

Detailed Results

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 2015. The unfunded liability in respect of past service has been estimated at R42.459 million, of which R39.346 million relates to the non-current portion. It is expected that approximately 7.3% of the amount provided will be expensed per annum.

Past and Future Changes in the Accrued Liability

The table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
Opening Accrued Liability	70 118 000	42 459 081	42 827 091
Current service cost	0	0	0
Interest cost	6 046 000	3 459 998	3 490 206
Benefits paid	-5 063 000	-3 091 988	-3 113 490
total Annual Expense	983 000	368 010	376 716
Actuarial Loss / (Gain)	-28 641 919		
Closing Accrued Liability	42 459 081	42 827 091	43 203 807

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 Information on Post Retirement Benefits (Continued)

Balance Sheet Figures

Unfunded Accrued Liability		
Balance Sheet	Year ending 30/06/2014	Year ending 30/06/2015
Fair Value of Plan Assets		
Accrued Liability	70 118 000	42 459 081
Unfunded Accrued Liability	70 118 000	42 459 081
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	70 118 000	42 459 081

Amounts to be recognised in profit or loss for the year (period)		
Category	Year ending 30/06/2014	Year ending 30/06/2015
Current Service Cost (In-Service members only)	738 000	0
Interest Cost	4 985 000	6 046 000
Actuarial (Gain)/Loss	13 134 000	-28 641 919
Total employee benefits expense	18 857 000	-22 595 919

KEY ASSUMPTIONS

Key Financial Assumptions:

GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Key Financial Assumptions

Assumption	Value p.a.
Discount rate	8.45%
Salary Increase Rate	7.40%
Pension Increase Rate	3.20%
Net Effective Discount Rate (Current employees)	0.98%
Net Effective Discount Rate (Pensioners)	5.09%

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.45% per annum has been used. The corresponding index-linked yield at this term is 1.46%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

The rate is calculated by using a liability-weighted average of yields for the three components of the liability. For each of the three liability components, yields were determined by looking at the average term of the liability component and finding the fixed-interest and index-linked gilt yields at the relevant duration of the JSE (Best Decency) Zero Coupon bond yield curve. The results are as shown below:

Component	Liability Average Term (Years)	Fixed-Interest Yield	Index-Linked Yields
Employees' post retirement annuity	17.9	9.37%	1.85%
Death-in-service liability	5.9	8.17%	1.60%
Pensioners' liability	3.9	7.82%	1.18%
Liability-weighted yields	9.58	8.45%	1.46%

CPI Inflation Rate:

This assumption is used to calculate the estimated growth in pensions of the eligible retirees.

An expected inflation assumption of 6.40% was obtained from the differential between market yields on index-linked bonds (1.46%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.45%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1 + 8.45\% - 0.50\%) / (1 + 1.46\%)$

Thus, a pension increase rate of 3.20% per annum over the expected term of the liability has been assumed, which is 50% of the estimate of CPI inflation over the same term. This assumption reflects a post retirement interest rate of 5.09%.

Demographic Assumptions:

Demographic assumptions are about the future characteristics of eligible employees and pensioners who are eligible for ex-gratia benefits.

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted for female lives.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 Information on Post Retirement Benefits (Continued)

Post-retirement Mortality:
PA(90) ultimate table.

Withdrawal from Service:

If an eligible employee leaves, the employer's liability in respect of that employee ceases.

Withdrawal rates

Age	Withdrawal Rate	Withdrawal Rate
	Males	Females
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
>55	1%	1%

Average Retirement Age:

The normal retirement age for eligible employees is 65. It has been assumed that these employees will retire at the average retirement age of 63 for males and 58 for females, which then implicitly allows for expected rate of early and ill-health retirement.

Family Profile:

It has been assumed that husbands will be five years older than their wives.

Ex-Gratia Arrangement Assumptions:

It was assumed that employer's ex-gratia arrangements would remain as they are and that the level of benefits in respect of such would remain unchanged, with the exception of allowing for inflationary adjustments.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Sensitivity Analysis

The results are based on a number of assumptions. The extent to which the actual liability faced by the Municipality in the future differs from these results will depend on the extent to which actual expenditure differs from the assumptions made.

Sensitivity Results

The liability at Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease and increase in the assumed average retirement age; and
- (v) A 50% decrease in the assumed withdrawal rates.

The table below summarises the results of the sensitivity analysis:

Sensitivity Analysis on the Accrued Liability

Assumption	Change	Employees	Pensioners	Total Liability	% Change
Central Assumptions:		17 653 226	24 805 855	42 459 081	
Benefit increase rate	+1%	19 348 255	26 474 294	45 822 548	8%
	-1%	16 175 921	23 303 206	39 479 127	-7%
Discount Rate	+1%	16 349 577	23 384 919	38 734 497	-9%
	-1%	20 471 167	26 404 871	46 876 038	10%
Post retirement mortality	-1 yr	18 037 535	25 619 190	43 656 725	3%
Average retirement age	-1 yr	19 659 381	24 805 855	44 465 235	5%
Withdrawal Rate	-50%	18 434 599	24 805 855	43 240 453	2%

The table below summarises the results of this analysis on the interest costs for the year ending 30 June 2015.

Assumption	Change	Interest cost	% Change
Central Assumptions		6 046 000	
Pension Increase Rate	-1%	6 735 000	11%
	-1%	5 458 000	-10%
	-20%	6 467 000	7%
	+20%	5 696 000	-6%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 Information on Post Retirement Benefits (Continued)

History of Liabilities, Assets and Experience Adjustments

The table summarises the accrued liabilities and the plan assets for the current period and the previous four periods

History of liabilities and assets

Liability History	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015
Accrued Liability	18 176 726	65 795 000	56 092 327	70 118 000	42 459 081
Fair value of plan asset	0	0	0	0	0
Surplus / (Deficit)	-18 176 726	-65 795 000	-56 092 327	-70 118 000	-42 459 081

History of experience adjustments: Gains and Losses (R Millions)

Experience adjustments	Year Ending 30/06/2014	Year ending 30/06/2015
Plan liabilities	7 300 000	-29 564 840
Plan assets	0	0

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 R3,871.00 (per month, per member) for the period from 1 July 2015 to 30 June 2016. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R3,618.04 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.

Detailed Results

The total liability in respect of post-retirement health care benefits amounts to R1,228.072 million as at 30 June 2015 (2014: R1,141.585 million). Provision for R1,228.072 million has been made (non-current R1,184.307 million, current R43.765 million). It is expected that approximately 3.6% of the amount provided will be expensed per annum. This is dependent on the accuracy of the assumptions below.

Past and Future Changes in the Accrued Liability

The table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
Opening Accrued Liability	1 141 585 000	1 228 072 012	1 332 540 624
Current service cost	35 038 000	40 399 544	44 009 882
Interest cost	101 719 000	107 833 956	117 015 383
Benefits paid	-43 824 000	-43 764 888	-47 298 084
total Annual Expense	92 933 000	104 468 612	113 727 181
Actuarial Loss / (Gain)	-6 445 988		
Closing Accrued Liability	1 228 072 012	1 332 540 624	1 446 267 805

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 Information on Post Retirement Benefits (Continued)

Balance Sheet Figures

Unfunded Accrued Liability

Balance Sheet	Year ending 30/06/2014	Year ending 30/06/2015
Fair Value of Plan Assets		
Accrued Liability	1 141 585 000	1 228 072 012
Unfunded Accrued Liability	1 141 585 000	1 228 072 012
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	1 141 585 000	1 228 072 012

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

Category	Year ending 30/06/2014	Year ending 30/06/2015
Current Service Cost (In-Service members only)	35 038 000	35 038 000
Interest Cost	101 719 000	101 719 000
Actuarial (Gain)/Loss	-296 167 679	-6 445 988
Total employee benefits expense	-159 410 679	130 311 012

KEY ASSUMPTIONS

Key Financial Assumptions:

GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date. The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year:

Assumption	Year Ending 30/06/2014	Year Ending 30/06/2015
Discount rate	8.94%	8.94%
CPI (Consumer Price Inflation)	7.05%	
Health care cost inflation rate	8.05%	8.07%
Net Effective Discount Rate	0.82%	0.80%

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.94% per annum has been used. The corresponding index-linked yield at this term is 1.75%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

Component	Liability Average Term (Years)	Fixed-Interest Yield	Index-Linked Yields
In-service members' retirement liability	16.77	9.34%	1.82%
Death-in-service liability	3.42	7.69%	1.04%
Continuation members' liability	9.14	8.49%	1.70%
Liability-weighted yields	13.8	8.94%	1.75%

Health Care Cost Inflation Rate:

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

A health care cost inflation rate of 8.07% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.57%.

The next contribution increase is assumed to occur with effect from 1 January 2016.

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.

Replacement Ratio:

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic Assumptions:

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 Information on Post Retirement Benefits (Continued)

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted for female lives.

Post-retirement Mortality:

PA(90) ultimate table.

Withdrawal from Service:

If an in-service member leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. The assumed withdrawal rates are set out below:

Withdrawal rates

Age	Withdrawal Rate Males	Withdrawal Rate Females
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
>55	1%	1%

Average Retirement Age:

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

Continuation of Membership:

It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family Profile (Retirees):

It has been assumed that married employees will remain married at retirement and 90% of single in-service members on a health care arrangement will be married. Further, it has been assumed that husbands will be five years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Medical Scheme Options:

It has been assumed that continuation members will remain on the same medical scheme and option. In-service members are assumed to remain on the same medical scheme and option should they continue to receive the subsidy after retirement.

Other Assumptions:

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined. In Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.

Plan Assets:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Sensitivity Analysis

The results are based on a number of assumptions. The extent to which the actual liability faced by the Municipality in the future differs from these results will depend on the extent to which actual expenditure differs from the assumptions made.

The table below summarises the results of the sensitivity analysis:

Sensitivity Analysis on the Accrued Liability (R millions)

Assumption	Change	In-Service	Continuation	Total	% Change
Central Assumptions:		713.170	514.902	1 228.072	
Health care inflation	+1%	736.922	529.691	1 266.613	3%
	-1%	679.040	496.800	1 175.840	-4%
Discount Rate	+1%	611.858	474.771	1 086.629	-12%
	-1%	839.323	561.571	1 400.894	14%
Post retirement mortality	-1 yr	729.351	531.627	1 260.978	3%
Average retirement age	-1 yr	777.067	514.902	1 291.969	5%
Continuation of membership at retirement	-10%	645.420	514.902	1 160.322	-6%

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 Information on Post Retirement Benefits (Continued)

The table below summarises the results of this analysis on the current service cost and interest costs for the year ending 30 June 2015.

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central Assumptions		35 038 000	101 719 000	136 757 000	
Health care inflation	+1%	31 452 000	91 310 000	122 762 000	-10%
	-1%	39 032 000	113 315 000	152 347 000	11%
	-20%	37193000	107901000	145 094 000	6
Mortality	+20%	32 883 000	95 537 000	128 420 000	-6%

History of Liabilities, Assets and Experience Adjustments

The table summarises the accrued liabilities and the plan assets for the current period and the previous four periods

History of liabilities and assets (R Millions)

Liability History	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015
Accrued Liability	1097.722	1299.222	1 320.240	1 141.585	1 228.072
Fair value of plan asset	0	0	0	0	0
Surplus / (Deficit)	-1097.722	-1299.222	-1320.24	-1141.585	-1228.072

History of experience adjustments: Gains and Losses (R Millions)

Experience adjustments	Year Ending 30/06/2014	Year ending 30/06/2015
Liabilities: (Gain) / Loss	140.000	-2.385
Assets: Gain / (Loss)	0.000	0.000

LONG SERVICE AWARD AND LONG SERVICE BONUS

Description of the Long Service Award Arrangement

Long Service Bonuses:

Long service benefits are awarded in the form of leave days and a percentage of annual salary. The awarded leave days have been converted into a percentage of the employee's annual salary, for valuation purposes. The conversion is based on a 250 working day year.

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.

The table below describes the benefits awarded.

Long Service Awards for levels of past service:

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

Reconciliation of opening and closing accrued liability values

Past year and future projected liability

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017
Opening Accrued Liability	132 595 000	132 242 108	135 956 781
Current service cost	11 570 000	11 416 388	12 314 334
Interest cost	10 217 000	9 728 862	9 947 246
Expected benefit vestings	-23 327 000	-17 430 577	-19 343 094
Total Annual Expense	-1 540 000	3 714 673	2 918 486
Actuarial Loss / (Gain)	1 187 108		
Accrued Liability	132 242 108	135 956 781	138 875 267

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 Information on Post Retirement Benefits (Continued)

Net Liability to reflect in the Balance Sheet

Net Liability in Balance Sheet	Year ending 30/06/2015	Year ending 30/06/2016
Opening Balance	132 595 000	132 242 108
Current service cost	11 570 000	11 416 388
Interest cost	10 217 000	9 728 862
Expected return on plan assets	0	0
Transitional Liability Recognised	0	0
Actuarial (Gain) / Loss Recognised in P&L	1 187 108	
Past service cost Recognised	0	0
Effect of curtailment / Settlement	0	0
Miscellaneous Item	0	0
Net Periodic Cost Recognised in P&L	22 974 108	21 145 250
Expected benefit vestings	-23 327 000	-17 430 577
Transitional Liability Recognised outside P&L	0	0
Actuarial (Gain) / Loss Recognised outside P&L	0	0
Closing Balance	132 242 108	135 956 781
Current Portion of Liability	17 430 577	19 343 094
Non-Current Portion of Liability	114 811 531	116 613 687

Key Assumptions

Key Financial Assumptions

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

Assumption	Value p.a.
Discount Rate	7.87%
General Salary Inflation (Long Term)	7.00%
Net Effective Discount Rate	0.81%

The salaries used in the valuation include an assumed increase on 1 July 2015 of 7%.
The next salary increase was assumed to take place on 1 July 2016.

Key Demographic Assumptions

Assumption	Value		
Average retirement age	63 for males; 58 for females		
Mortality during employment	SA 85-90		
Withdrawal from service	Age	Rate	
		Female	Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	1%	1%

Detailed Assumptions

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 7.87% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.28%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

The average duration of the total liability is 6.16 years.

Salary Inflation Rate:

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.

The assumption is traditionally split into two components, namely, General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 Information on Post Retirement Benefits (Continued)

General Salary Inflation:

The expected inflation of 6% was obtained from the differential between market yields and index-linked bonds (1.28%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.87%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1 + 7.87\% - 0.50\%) / (1 + 1.28\%)) - 1$.

Thus a general salary inflation rate of 7.00% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.81%.

Demographic Assumptions

Promotional Salary Scale:

The annual inflation rates below are in addition to the General Salary Inflation assumption of 7.00% per annum for all employees.

Age Band	Additional promotional scale
20 - 25	5%
25 - 30	4%
30 - 35	3%
35 - 40	2%
40 - 45	1%
45 and over	0%

Pre-Retirement Mortality:

SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:

The normal retirement age is 65. It has been assumed that male employees will retire at age 63 and female employees will retire at age 58 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

LSA Arrangement Assumptions

It was assumed that the employer's LSA arrangements would remain unchanged, and that the level of benefits would remain unchanged, with the exception of allowing for inflationary adjustments.

Plan Assets:

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

Sensitivity Analysis

The liability at Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

Assumption	Change	Liability	% Change
Central Assumptions		132 242	
General salary inflation	+1%	139 599	6%
	-1%	125 486	-5%
Discount Rate	+1%	125 062	-5%
	-1%	104 213	6%
Average retirement age	-2 yrs	115 145	-13%
	+2 yrs	149 218	13%
Withdrawal rates	-50%	148 954	13%

Sensitivity analysis on current service cost and interest costs for the year ending 30 June 2015

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central Assumptions		11 570 000	10 217 000	21 787 000	
General salary inflation	+1%	12 382 000	10 884 000	23 266 000	7%
	-1%	10 839 000	9 608 000	20 447 000	-6%
Withdrawal rates	-20%	12 372 000	10 714 000	23 086 000	6%
	+20%	10866000	9766000	20632000	-5%

History of Liabilities, Assets and Experience Adjustments

History of liabilities and assets

	Year ending 30/06/2013	Year ending 30/06/2014	Year ending 30/06/2015
Accrued Liability	125 793 000	132 595 000	132 242 108
Fair value of Plan Assets	0	0	0
Surplus / (Deficit)	-125 793 000	-132 595 000	-132 242 108

History of experience adjustments: (Gains) and Losses

	Year ending 30/06/2014	Year ending 30/06/2015
Liabilities: (Gain) / Loss	5 396 000	2 786 938
Assets: Gain / (Loss)	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2014					
Cost	1 744 639 673	12 053 251 603	3 153 531 869	1 097 332 394	18 048 755 539
Transfers/Adjustments - Costs					
Restatement - Cost	(4 156 668)	4 769 859	-	517 760	1 130 951
Disposal/Impairment					
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(140 018 325)	(3 932 432 000)	(515 726 882)	(583 889 583)	(5 172 066 790)
	1 600 464 680	8 125 589 462	2 637 804 987	513 960 571	12 877 819 700
Movement during the year ended 30 June 2015					
Acquisition	95 873 527	1 139 161 916	65 009 201	79 000 960	1 379 045 604
Depreciation	(37 575 241)	(546 556 532)	(104 082 564)	(46 400 305)	(734 614 642)
	58 298 286	592 605 384	(39 073 363)	32 600 655	644 430 962
Carry Value of Disposals/Impairments during the year ended 30 June 2015					
Cost	(412 705)		(1 103 139)	(566 173)	(2 072 017)
Depreciation	76 081		482 585	556 173	1 114 839
	(336 624)	-	(620 554)	-	(957 178)
Carrying Values at 30 June 2015	1 658 426 342	8 718 194 846	2 598 111 070	546 561 226	13 521 293 484
Summary - Carrying Values at 30 June 2015					
Summary - Cost	1 835 943 827	13 197 183 378	3 217 437 931	1 176 294 941	19 426 860 077
Summary - Accumulated Depreciation	(177 517 485)	(4 478 988 532)	(619 326 861)	(629 733 715)	(5 905 566 593)
	1 658 426 342	8 718 194 846	2 598 111 070	546 561 226	13 521 293 484

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	(3 874 524)	2 434 966	(28 090)	517 351	(950 297)
Disposal/Impairment	(21 468 392)	(1 293 268)	(108 858 438)	(31 436 664)	(163 056 762)
Transfers/Adjustments - Depreciation	(521 027)	(91 697)	(1 415)	-	(614 139)
Accumulated Depreciation	(115 252 409)	(3 508 997 360)	(418 104 088)	(532 929 663)	(4 575 283 520)
	2 153 745 793	7 236 138 067	2 642 680 600	517 269 361	12 549 833 821
Movement during year ended 30 June 2014					
Acquisition	358 872	-	-	47 626 674	47 985 546
Capital Under Construction	83 443 186	1 303 278 924	69 533 407	-	1 456 255 517
Transfers / Adjustments - Cost	17 824 008	10 290 757	32 610 477	37 453 066	98 178 308
Transfers / Adjustment - Depreciation	565 631	-	-	-	565 631
Depreciation	(24 930 716)	(424 090 678)	(100 570 999)	(83 306 743)	(632 899 136)
	77 260 981	889 479 003	1 572 885	1 772 997	970 085 866
Carry Value of Disposals/Impairments during the year ended 30 June 2014					
Cost	(630 662 290)	(775 343)	(9 398 117)	(37 428 611)	(678 264 361)
Depreciation	120 196	747 735	2 949 620	32 346 823	36 164 374
	(630 542 094)	(27 608)	(6 448 497)	(5 081 788)	(642 099 987)
Carrying Values at 30 June 2014	1 600 464 680	8 125 589 462	2 637 804 988	513 960 570	12 877 819 700
Summary - Carrying Values at 30 June 2014					
Summary - Cost	1 740 483 005	12 058 021 462	3 153 531 870	1 097 850 153	18 049 886 490
Summary - Accumulated Depreciation	(140 018 325)	(3 932 432 000)	(515 726 882)	(583 889 583)	(5 172 066 790)
	1 600 464 680	8 125 589 462	2 637 804 988	513 960 570	12 877 819 700

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

49 HERITAGE ASSETS RECONCILIATION

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2014	
Cost	203 409 623
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	203 409 623
Movement during the year ended 30 June 2015	
Acquisition	10 977 715
Transfers / Adjustment	-
Impairment	-
	10 977 715
Impairment value during the year ended 30 June 2015	
Cost	
Amortisation	-
Carrying Values at 30 June 2015	214 387 338
Summary - Carrying Values at 30 June 2015	
Summary - Cost	214 387 338
Summary - Accumulated Impairment	-
	214 387 338

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

50 INTANGIBLE ASSETS RECONCILIATION

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2014	
Cost	543 266 624
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(376 077 982)
	167 188 642
Movement during the year ended 30 June 2015	
Acquisition	36 246 184
Adjustment	-
Amortisation	(58 876 173)
	(22 629 989)
Impairment value during the year ended 30 June 2015	
Cost	0
Amortisation	0
	0
Carrying Values at 30 June 2015	144 558 653
Summary - Carrying Values at 30 June 2015	
Summary - Cost	579 512 808
Summary - Accumulated Amortisation	(434 954 155)
	144 558 653

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 year ended 30 June 2014	
Acquisition	66 539 177
Adjustment	-
Amortisation	(106 354 864)
	(39 815 687)
Impairment value during 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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

51 INVESTMENT PROPERTY RECONCILIATION

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2014	
Cost	244 119 319
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(44 680 164)
	199 439 155
Movement during the year ended 30 June 2015	
Aquisition	-
Transfers/Adjustments	6 056 124
Capital Under Construction	-
Transfers / Adjustment	-
Depreciation	(6 037 056)
	19 068
Carry Value of Disposals for the year ended 30 June 2015	
Cost	(1 552 251)
Depreciation	357 741
	(1 194 510)
Carrying Values at 30 June 2015	198 263 713
Summary - Carrying Values at 30 June 2015	
Summary - Cost	248 623 192
Summary - Accumulated Depreciation	(50 359 479)
	198 263 713

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 year ended 30 June 2014	
Aquisition	-
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 during 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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

52 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

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

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

The amounts relating to financial instruments reflected below approximates fair value

	2015			2014		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
ASSETS						
Property, Plant and Equipment		13 521 293 484	13 521 293 484		12 877 819 700	12 877 819 700
Heritage Assets		214 387 338	214 387 338		203 409 623	203 409 623
Intangible Assets		144 558 653	144 558 653		167 188 642	167 188 642
Investment Property		198 263 713	198 263 713		199 439 155	199 439 155
Long-term Receivables - Exchange Transactions	9 033 206		9 033 206	6 734 606		6 734 606
Long-term Receivables - Non-exchange Transactions		9 265 720	9 265 720		5 356 644	5 356 644
Inventory		124 216 338	124 216 338		104 273 575	104 273 575
Consumer debtors - Exchange Transactions	904 697 309		904 697 309	841 041 601		841 041 601
Consumer debtors - Non-exchange Transactions		229 399 410	229 399 410		195 273 797	195 273 797
Other Debtors	516 817 699		516 817 699	353 156 209		353 156 209
VAT		29 158 035	29 158 035		89 079 115	89 079 115
VAT Suspense		12 208 367	12 208 367		45 815 043	45 815 043
Current portion of long-term receivables	80		80	80		80
Short-term investment deposits (excluding Sanlam Shares)	1 252 259 152		1 252 259 152	1 421 480 088		1 421 480 088
Bank balances and cash	139 620 329		139 620 329	128 555 305		128 555 305
	2 822 427 775	14 482 751 058	17 305 178 833	2 750 967 889	13 887 655 294	16 638 623 183

	2015			2014		
	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
LIABILITIES						
Long-term Liabilities	1 471 966 017		1 471 966 017	1 578 057 635		1 578 057 635
Employee Benefit Obligation		1 369 345 626	1 369 345 626		1 304 681 454	1 304 681 454
Non-current Provisions		329 771 931	329 771 931		311 233 086	311 233 086
Consumer deposits	111 852 356		111 852 356	100 347 533		100 347 533
Current Employee Benefit Obligation		72 246 987	72 246 987		81 605 533	81 605 533
Current Provisions		85 649 120	85 649 120		78 479 629	78 479 629
Creditors	1 570 784 178		1 570 784 178	1 660 176 408		1 660 176 408
Unspent Conditional Grants and Receipts		171 308 712	171 308 712		260 756 201	260 756 201
Current Portion of Long-term Liabilities	104 092 767		104 092 767	112 968 098		112 968 098
	3 258 695 319	2 028 322 376	5 287 017 694	3 451 549 674	2 036 755 903	5 488 305 577

Net Assets		12 020 875 705	12 020 875 705		11 152 844 354	11 152 844 354
Financial Asset at Fair Value				Financial Asset at Fair Value		
Sanlam Shares - Valued at the open market value	2 714 566		(2 714 566)	2 526 748		(2 526 748)
	(433 552 976)	433 552 975	0	(698 055 037)	698 055 037	0

	2015	2014
Financial Asset at amortised cost		
Opening balance	2 750 967 889	2 495 872 909
Net other movements	71 459 886	255 094 980
Closing balance	2 822 427 775	2 750 967 889
Financial liabilities at amortised cost		
Opening balance	3 451 549 674	3 412 558 441
Net other movements	(192 854 355)	38 991 233
Closing balance	3 258 695 319	3 451 549 674

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2014 as approved by National Treasury.

The Original Budget was approved on 29 May 2014 for the 2014/15 financial year (01 July 2014 to 30 June 2015), and the Final Budget was approved on 31 March 2015.

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 strict cashflow management.

2 Licences and Permits

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

3 Rental of Facilities and Equipment

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

4 Other Income

The increased revenue is due to revenue from Public Contributions and settlement claims in respect of the NMBM stadium and the "new" billing system.

5 Gain on disposal of Property Plant and Equipment

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

6 Fines

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

7 Government Grants and Subsidies - Capital

Due to underspending - Refer to note 54 for reasons.

8 Interest earned - SARS

The revenue is as a result of SARS conducting a VAT audit, whilst withholding a refund. This therefore constitutes the interest on the delayed refund due to the NMBM.

9 Dividends received

The dividend income relates to the Sanlam shares.

10 Impairment - receivables

Increased consumer debt was written off, than initially anticipated.

11 Collection Costs

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

12 Interest and Penalties

The interest and penalties are as a result of SARS conducting a VAT audit. NMBM had to consequently pay back VAT originally claimed.

13 Grants and Subsidies Paid

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

	<u>Actual</u>	<u>Budget</u>	<u>Real Variance</u>
Grants and Subsidies Paid before transfer of Rebate for ATTP Consumers	450 425 458	461 599 270	
Grant paid to MBDA - but unspent at end of year - now transferred to Other Debtors	48 362 452		
Total Paid	<u>498 787 910</u>	<u>461 599 270</u>	-8.06%

14 General Expenses

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

15 Impairment - PPE

The Impairment relates mainly to the Impairment of Traffic Fines which was based on the current collection rate of fines.

16 Loss on Disposal of Property Plant and Equipment

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2014 as approved by National Treasury.

The Original Budget was approved on 29 May 2014 for the 2014/15 financial year (01 July 2014 to 30 June 2015), and the Final Budget was approved on 31 March 2015.

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)	2015 Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	326 980 539	283 427 101	43 553 438	13	The underspending relates to the IPTS Capital projects. The original Capital Budget was R100 million (Vat Incl). In the 2014/15 Adjustments Budget, R70 million was transferred from the Operating Budget (PTNOG) to the Capital Budget (PTIG). This was motivated by the IPTS office in anticipation of over-expenditure.
Human Settlements	187 472 807	201 395 464	(13 922 657)	-7	
Economic Development, Tourism & Agriculture	8 674 341	6 254 365	2 419 976	28	The variance relates to challenges experienced in terms of the procurement of equipment for the Rehabilitation of the Market Building. The challenge relates to the specifications for the type of Hysters required. Bid Specification Committee referred the item back and it will be re-submitted in 2015/16. Also security upgrades were ordered prior to 30 June 2015, however, the security cameras and boom gates were only received in July 2015.
Recreational and Cultural Service	29 894 280	17 754 128	12 140 152	41	The underspending is directly attributable to the Mendi Bottle Store Capital Project. Numerous challenges were experienced on this project, which ultimately resulted in delays and the contract being ceded to a different contractor in May 2015. The remaining funds will be carried over to the 2015/16 financial year whereafter work will re-commence.
Safety & Security	15 590 000	12 925 588	2 664 412	17	The underspending relates to the replacement of 2 Polaris Ranger off-road appliances. Challenges were experienced as certain Bid Adjudication Committee meetings were cancelled. As a result the budget will only be utilised in 2015/16 once the item has been approved by the BAC.
Budget & Treasury	32 991 700	34 554 940	(1 563 240)	-5	
Public Health	85 928 900	73 939 507	11 989 393	14	The underspending relates to the purchase of refuse compactors. The order was placed prior to 30 June 2015, however the goods were not delivered in the 2014/15 financial year. These funds will be carried over to the 2015/16 financial year and payment will be effected once delivery takes place.
Corporate Services	40 150 000	38 493 132	1 656 868	4	
Sanitation Service	294 386 000	263 326 277	31 059 723	11	An amount of R 44 557 950 was transferred from the Capital Sanitation Budget to the Human Settlements Operating Budget in order to fund the Bucket Eradication Programme Initiative. This has resulted in the Sanitation Capital Budget being underspent.
Water Service	175 900 000	170 278 219	5 621 781	3	
Strategic Programmes	21 765 903	3 333 009	18 432 894	85	The underspending relates to the Helenvale Precinct Upgrading. The balance of the funds will be utilised in 2015/16 to complete the outstanding work on the project. The Motherwell Thusong Service centre was replanned to incorporate a Customer Care centre and Traffic and Licensing centre. This replanning caused delays in terms of the construction work that had to be undertaken. The project is expected to be completed in the 2015/16 Financial Year.
Executive and Council	5 770 000	2 375 912	3 394 088	59	The ILIS support component of the GIS Capital project was not utilised during the 2014/15 financial year with the result that a saving was realised on this project.
Electricity & Energy	222 383 480	227 197 895	(4 814 415)	-2	
NMBM Stadium	20 000 000	6 832 200	13 167 800	66	The variance is attributable to the following projects: North End Lake Project Korsten Dry Lake Project Football Fields Signage These projects will be completed in the 2015/16 financial year.
	1 467 887 950	1 342 087 737	125 800 213	9	

NOTE 55																		
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2015																		
	COST									ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Land & Buildings																		
Buildings	646 920 314	(4 156 668)	642 763 646	-	94 058 767	-	-	412 705	736 409 707	140 018 327	-	140 018 325	-	37 575 241	-	76 081	177 517 485	558 892 222
Land	1 097 719 359	-	1 097 719 359	-	1 814 760	-	-	-	1 099 534 119	-	-	-	-	-	-	-	1 099 534 119	1 099 534 119
	1 744 639 673	(4 156 668)	1 740 483 005	-	95 873 527	-	-	412 705	1 835 943 827	140 018 327	-	140 018 325	-	37 575 241	-	76 081	177 517 485	1 658 426 341
Infrastructure Assets																		
Roads, Sidewalks & Stormwater Network	5 254 378 433	4 769 859	5 259 148 292	-	291 837 379	-	-	-	5 550 985 671	1 715 355 117	-	1 715 355 117	-	236 116 996	-	-	1 951 472 113	3 599 513 558
Beach Developments	53 246 815	-	53 246 815	-	4 586 794	-	-	-	57 833 609	9 945 942	-	9 945 942	-	1 354 662	-	-	11 300 604	46 533 005
Electricity Reticulation & Supply	2 375 288 665	-	2 375 288 665	-	189 549 026	-	-	-	2 564 837 691	780 588 149	-	780 588 149	-	107 253 737	-	-	887 841 885	1 676 995 806
Fencing	22 890 790	-	22 890 790	-	17 463 990	-	-	-	40 354 780	14 477 010	-	14 477 010	-	3 271 424	-	-	17 748 434	22 606 346
Sewerage Mains & Purification Works	1 860 249 512	-	1 860 249 512	-	271 873 730	-	-	-	2 132 123 242	739 939 216	-	739 939 216	-	91 388 985	-	-	831 328 200	1 300 795 042
Waste Disposal Facilities	18 216 986	-	18 216 986	-	408 268	-	-	-	18 625 254	932 671	-	932 671	-	111 371	-	-	1 044 042	17 581 212
Water Supply & Reticulation	1 455 870 173	-	1 455 870 173	-	285 940 534	-	-	-	1 741 810 707	544 260 476	-	544 260 476	-	79 568 999	-	-	623 829 474	1 117 981 233
Dams & Treatment Works	1 013 110 228	-	1 013 110 228	-	77 502 196	-	-	-	1 090 612 423	126 933 418	-	126 933 418	-	27 490 359	-	-	154 423 777	936 188 646
	12 053 251 603	4 769 859	12 058 021 462	-	1 139 161 916	-	-	-	13 197 183 378	3 932 431 998	-	3 932 431 998	-	546 556 532	-	-	4 478 988 530	8 718 194 848
Community Assets																		
Libraries	30 566 183	-	30 566 183	-	-	-	-	-	30 566 183	9 989 417	-	9 989 417	-	1 027 169	-	-	11 016 586	19 549 597
Library Books	72 281 661	-	72 281 661	-	564 806	-	-	-	72 846 467	18 147 890	-	18 147 890	-	3 048 006	-	-	21 195 896	51 650 572
Fire Stations	53 938 994	-	53 938 994	-	7 295 606	-	-	-	61 234 600	12 843 038	-	12 843 038	-	2 246 592	-	-	15 089 629	46 144 970
Cemeteries	49 954 788	-	49 954 788	-	20 173 619	-	-	-	70 128 407	8 211 344	-	8 211 344	-	1 909 031	-	-	10 120 375	60 008 032
Clinics	2 865 141	-	2 865 141	-	516 139	-	-	-	3 381 280	448 127	-	448 127	-	102 503	-	-	550 629	2 830 651
Community Centres	207 708 503	-	207 708 503	-	13 303 727	-	-	64 450	220 947 780	47 225 208	-	47 225 208	-	7 536 409	-	14 202	54 747 415	166 200 365
Public Conveniences	4 940 987	-	4 940 987	-	-	-	-	105 724	4 835 263	2 435 820	-	2 435 820	-	165 295	-	48 349	2 552 767	2 282 496
Swimming Pools	82 535 125	-	82 535 125	-	-	-	-	-	82 535 125	16 389 852	-	16 389 852	-	2 546 245	-	-	18 936 097	63 599 028
Recreational Facilities	2 582 252 467	-	2 582 252 467	-	23 155 304	-	-	-	2 605 407 770	367 379 329	-	367 379 329	-	83 303 529	-	-	450 682 859	2 154 724 912
Selling & Letting Schemes	66 488 020	-	66 488 020	-	-	-	-	932 965	65 555 056	32 656 854	-	32 656 854	-	2 197 784	-	420 035	34 434 602	31 120 453
	3 153 531 869	-	3 153 531 869	-	65 009 201	-	-	170 174	3 217 437 931	515 726 878	-	515 726 878	-	104 082 564	420 035	62 550	619 326 856	2 598 111 075
Other Assets																		
Bins & Containers	5 732 236	-	5 732 236	-	4 116 785	-	-	-	9 849 021	1 883 535	-	1 883 535	-	1 239 717	-	-	3 123 252	6 725 769
Vehicles & Plant	477 249 349	517 760	477 767 109	-	21 557 899	-	556 173	-	498 768 836	314 786 582	-	314 786 582	-	32 569 786	556 172	-	346 800 196	151 968 640
Office Furniture & Fittings	174 933 912	-	174 933 912	-	31 017 403	-	-	-	205 951 315	215 271 649	-	215 271 649	-	-	-	-	215 271 649	-9 320 334
Air Monitoring Facilities	73 124	-	73 124	-	-	-	-	-	73 124	11 992	-	11 992	-	-	-	-	11 992	61 132
Security Systems	11 350 758	-	11 350 758	-	-	-	-	-	11 350 758	8 289 038	-	8 289 038	-	561 153	-	-	8 850 191	2 500 567
Tip Sites	328 222 643	-	328 222 643	-	22 308 871	-	-	-	350 531 514	43 646 790	-	43 646 790	-	12 029 649	-	-	55 676 439	294 855 075
Computer Hardware	99 770 370	-	99 770 370	-	-	-	-	-	99 770 370	-	-	-	-	-	-	-	99 770 370	-
	1 097 332 393	517 760	1 097 850 153	-	79 000 957	-	556 173	-	1 176 294 937	583 889 585	-	583 889 585	-	46 400 306	556 172	-	629 733 719	546 561 218
	18 048 755 538	1 130 951	18 049 886 489	-	1 379 045 601	-	1 489 138	582 879	19 426 860 073	5 172 066 789	-	5 172 066 787	-	734 614 643	976 208	138 631	5 905 566 591	13 521 293 483

NOTE 55																		
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015																		
	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	543 266 624	-	543 266 624	-	36 246 184	-	-	-	579 512 808	376 077 982	-	376 077 982	-	58 876 173	-	-	434 954 155	144 558 653
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2015																		
	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	244 119 319	-	244 119 319	-	6 056 125	-	-	1 552 251	248 623 193	44 680 164	-	44 680 164	-	6 037 056	-	357 741	50 359 479	198 263 714
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2015																		
	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	136 820 310	-	136 820 310	-	10 059 231	-	-	-	146 879 541	-	-	-	-	-	-	-	-	146 879 541
Memorials & Statues	42 514 291	-	42 514 291	-	918 484	-	-	-	43 432 775	-	-	-	-	-	-	-	-	43 432 775
Land	6 655 783	-	6 655 783	-	-	-	-	-	6 655 783	-	-	-	-	-	-	-	-	6 655 783
Art Works	17 419 239	-	17 419 239	-	-	-	-	-	17 419 239	-	-	-	-	-	-	-	-	17 419 239
	203 409 623	-	203 409 623	-	10 977 715	-	-	-	214 387 338	-	-	-	-	-	-	-	-	214 387 338
Grant Totals Assets	19 039 551 104	1 130 951	19 040 682 055	-	1 432 325 625	-	1 489 138	2 135 130	20 469 383 412	5 592 824 935	-	5 592 824 933	-	799 527 872	976 208	496 373	6 390 880 224	14 078 503 188

Appendix A - Unaudited

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)		2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)
541 156	186 621 035	(186 079 879)	Executive and Council	2 639 289	220 807 460	(218 168 171)
2 423 404 508	352 116 087	2 071 288 421	Budget and Treasury	2 523 856 427	575 165 400	1 948 691 027
11 476 977	348 006 238	(336 529 261)	Corporate Services	19 828 089	333 566 871	(313 738 782)
258 659 512	479 343 634	(220 684 122)	Public Health	283 325 933	533 024 502	(249 698 569)
545 799 641	1 182 684 771	(636 885 130)	Human Settlements	729 208 805	678 324 002	50 884 803
31 388 317	429 357 697	(397 969 380)	Safety and Security	60 569 775	465 351 503	(404 781 728)
528 562 769	505 932 571	22 630 198	Infrastructure and Engineering - R & G	297 660 572	681 898 832	(384 238 260)
818 135 306	422 088 876	396 046 430	Water	803 147 170	622 289 168	180 858 002
3 050 138 922	2 672 225 007	377 913 915	Electricity and Energy	3 275 708 403	3 011 331 271	264 377 132
144 799 084	333 105 926	(188 306 842)	Economic Development and Recreational Services (Split below)	-	-	-
			Economic Development, Tourism and Agriculture	114 306 517	106 282 155	8 024 362
			Sports, Recreation, Arts and Culture	33 859 014	268 969 874	(235 110 860)
645 673 587	324 027 420	321 646 167	Sanitation	716 758 724	386 230 259	330 528 465
46 901 674	166 307 794	(119 406 120)	NMBM Stadium	42 111 565	155 929 760	(113 818 195)
48 595 684	31 492 124	17 103 560	Special Projects	37 689 498	33 467 373	4 222 125
<u>8 554 077 137</u>	<u>7 433 309 180</u>	<u>1 120 767 957</u>	Total	<u>8 940 669 781</u>	<u>8 072 638 430</u>	<u>868 031 351</u>

Appendix B - Unaudited
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 2015

Name of Grants	Name of Organ of State	Quarterly Receipts				Total Funds Received	Quarterly Expenditure				Total Spent	Reasons for Delay	Did Municipality comply with grant conditions
		July-Sept	Oct-Dec	Jan- Mar	April-June		July-Sept	Oct-Dec	Jan- Mar	April-June			
Financial Management Grant	NT	1 250 000	-	-	-	1 250 000	258 906	271 328	255 500	464 266	1 250 000	N / A	Yes
National Electrification Programme	DME	18 000 000				18 000 000	6 805 272	7 012 414	3 540 991	641 323	18 000 000	N / A	Yes
Urban Settlement Development Grant	DPLG	116 208 000	255 394 000	457 261 000	-	828 863 000	85 866 929	200 031 428	181 484 000	280 557 455	747 939 812	N / A	Yes
Transport or PTIS	NT	25 000 000	25 000 000	100 000 000	17 500 000	167 500 000	35 873 115	41 394 966	39 989 432	4 980 362	122 237 875	N / A	Yes
Neighbourhood Development Partnership Grant	NT	7 538 000		1 462 000	-	9 000 000	212 221	1 169 677	984 988	3 228 943	5 595 829	N / A	Yes
Neighbourhood Development Grant - Technical Assistance	NT	-	-	-	-	-	-	-	-	-	-	N / A	Yes
Energy Efficiency & Demand Side Management Grant	NT	4 000 000	3 000 000	3 000 000	-	10 000 000	5 466 528	4 533 472	-	-	10 000 000	N / A	Yes

Appendix C - Unaudited
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

TOTAL ACCUMULATED FUNDS	2015	Restated 2014
	R	R
Made up as follows:		
Housing Development Fund	109 731 779	109 731 779
Capital Replacement Reserve	94 170 583	237 365 658
Government Grant Reserve	6 239 739 614	5 884 817 161
Capitalisation Reserve	169 502 830	347 496 052
Donations and Public Contributions Reserves	373 247 778	266 063 068
Self-Insurance Reserve	96 391 064	78 940 556
COID Reserve	24 831 196	21 413 380
Accumulated Surplus	4 913 260 861	4 207 016 700
	12 020 875 705	11 152 844 354