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**FINANCIAL STATEMENTS FOR
THE FINANCIAL YEAR
1 JULY 2006 TO 30 JUNE 2007**

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS

For the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 89 to 175, 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 24 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 Provincial and Local Government's determination in accordance with the Act.

ADVOCATE J G RICHARDS – BA LLB
MUNICIPAL MANAGER

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

| INDEX | Page |
|---|-------------|
| Statement of Financial Position | 89 |
| Statement of Financial Performance | 90 |
| Statement of Changes in Net Assets | 91 |
| Cash Flow Statement | 92 |
| Accounting Policies | 93 |
| Notes to the Annual Financial Statements | 113 |
| Appendix A: Schedule of External Loans | 168 |
| Appendix B: Analysis of Property, Plant and Equipment | 169 |
| Appendix B1: Reconciliation of Carrying Values of Property, Plant and Equipment | 170 |
| Appendix C: Segmental Analysis of Property, Plant and Equipment | 171 |
| Appendix D: Segmental Statement of Financial Performance | 172 |
| Appendix E(1): Actual versus Budget (Revenue and Expenditure) | 173 |
| Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment) | 174 |
| Appendix F: Disclosures of Grants and Subsidies in terms of the Municipal Finance Management Act | 175 |
| Appendix G: NT Implementation Plan for Achieving Full Compliance with Applicable Accounting Standards | 176 |
| Appendix H: Financial Statements of Municipal Entities | 203 |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007**

| | Note | 2007 R | Restated 2006 R |
|---|------|-----------------------------|-----------------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 4,190,306,004 | 3,763,306,481 |
| Housing Development Fund | 1 | 76,530,350 | 83,038,007 |
| Capital Replacement Reserve | | 422,916,174 | 236,317,538 |
| Capitalisation Reserve | | 1,161,615,188 | 1,276,374,971 |
| Government Grant Reserve | | 1,206,890,781 | 685,371,949 |
| Donations and Public Contributions Reserves | | 214,531,463 | 119,533,930 |
| Self-Insurance Reserve | | 85,121,592 | 75,563,229 |
| Accumulated Surplus | | 1,022,700,456 | 1,287,106,857 |
| Non-current liabilities | | 1,050,181,062 | 731,111,591 |
| Long-term Liabilities | 2 | 213,833,597 | 413,256,746 |
| Non-current Provisions | 3 | 836,347,465 | 317,854,845 |
| Current Liabilities | | 1,446,646,899 | 1,124,995,103 |
| Consumer deposits | 4 | 86,590,950 | 80,634,634 |
| Creditors | 5 | 878,321,965 | 544,571,149 |
| Unspent Conditional Grants and Receipts | 6 | 462,970,099 | 473,419,238 |
| Current Portion of Long-term Liabilities | 2 | 18,763,885 | 26,370,082 |
| Total Net Assets and Liabilities | | <u>6,687,133,965</u> | <u>5,619,413,175</u> |
| ASSETS | | | |
| Non-current assets | | 5,628,553,564 | 4,766,715,055 |
| Property, Plant and Equipment | 7 | 3,966,145,658 | 3,165,617,250 |
| Intangible Assets | 8 | 147,365,308 | 87,589,576 |
| Investments | 10 | 1,444,792,962 | 1,467,861,595 |
| Long-term Receivables | 11 | 70,249,636 | 45,646,634 |
| Current Assets | | 1,058,580,401 | 852,698,120 |
| Inventory | 12 | 78,981,295 | 66,033,978 |
| Consumer debtors | 13 | 592,034,762 | 582,128,177 |
| Other Debtors | 14 | 102,524,522 | 89,463,592 |
| VAT | 15 | 11,945,743 | 3,822,843 |
| Current portion of long-term receivables | 11 | 2,106,266 | 3,048,979 |
| Call investment deposits | 16 | 55,555,956 | 55,174,189 |
| Bank balances and cash | 17 | 215,431,857 | 53,026,362 |
| Total Assets | | <u>6,687,133,965</u> | <u>5,619,413,175</u> |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007**

| Budget | | | Actual | |
|---|----------------------|--|----------------------|-----------------------|
| 2006 R | 2007 R | | 2007 R | Restated 2006 R |
| REVENUE | | | | |
| 506,790,170 | 541,872,790 | Property rates | 18 533,190,365 | 498,866,544 |
| 1,558,150,810 | 1,636,668,000 | Service Charges | 19 1,653,138,228 | 1,573,735,823 |
| 60,444,110 | 0 | Regional Services Levies - turnover | 20 0 | 68,692,001 |
| 177,238,490 | 0 | Regional Services Levies - remuneration | 20 0 | 211,586,760 |
| 152,855,790 | 134,951,780 | Interest earned - external investments | 141,611,910 | 124,734,548 |
| 44,660,000 | 55,710,000 | Interest earned - outstanding debtors | 77,367,970 | 78,360,901 |
| 16,366,120 | 21,666,190 | Fines | 17,368,619 | 13,227,218 |
| 80,902,340 | 6,371,520 | Licences and Permits | 6,409,122 | 57,508,895 |
| 281,124,860 | 567,391,660 | Government Grants and Subsidies | 21 1,251,855,724 | 521,589,499 |
| 83,708,240 | 183,111,040 | Other Income | 22 218,536,032 | 139,682,627 |
| 207,150 | 21,300 | Gains on the disposal of property, plant and equipment | 593,785 | 912,465 |
| 0 | 6,246,030 | Contributions: Other | 877,738,544 | 257,455,700 |
| 2,962,448,080 | 3,154,010,310 | Total Revenue | 4,777,810,297 | 3,546,352,981 |
| EXPENDITURE | | | | |
| 952,948,140 | 1,025,708,420 | Employee related costs | 23 1,036,653,107 | 932,818,668 |
| 32,543,350 | 37,128,850 | Remuneration of Councillors | 24 35,335,941 | 29,324,731 |
| 603,520 | 2,134,700 | Bad debts | 19,604,984 | 7,926,420 |
| 2,073,360 | 2,177,030 | Collection costs | 2,061,166 | 1,949,931 |
| 196,370,600 | 212,002,090 | Depreciation | 266,587,719 | 192,016,619 |
| 247,004,290 | 278,089,900 | Repairs and Maintenance | 307,142,106 | 257,732,667 |
| 35,604,460 | 28,430,730 | Interest paid | 25 24,183,338 | 27,252,118 |
| 616,471,490 | 676,654,920 | Bulk purchases | 26 666,322,864 | 601,176,927 |
| 6,096,180 | 13,507,790 | Grants and subsidies paid | 27 42,970,595 | 41,108,313 |
| 374,002,150 | 351,614,840 | General Expenses | 629,994,135 | 551,599,188 |
| 498,730,540 | 526,561,040 | Contributions To/(From) Provisions | 1,259,785,579 | 468,759,830 |
| 2,962,448,080 | 3,154,010,310 | Total Expenditure | 4,290,641,532 | 3,111,665,412 |
| | | Surplus for the year | 487,168,764 | 434,687,569 |
| Refer to Appendix E(1) for explanation of variations | | | | |

| NELSON MANDELA BAY MUNICIPALITY | | | | | | | | |
|--|--------------------------------|-----------------------------------|---------------------------|-----------------------------|---|---------------------------|--------------------------------------|---------------|
| STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007 | | | | | | | | |
| | Housing Development Fund | Capital Replacement Reserve | Capitilisation Reserve | Government Grant Reserve | Donations and Public Contributions Reserve | Self-Insurance Reserve | Accumulated Surplus/ (Deficit) | Total |
| | R | R | R | R | R | R | R | R |
| 2006 | | | | | | | | |
| Balance at 1 July 2005 | 80,329,448 | 228,489,429 | 2,824,232,119 | 378,977,220 | 27,414,302 | 59,810,273 | 72,298,053 | 3,671,550,844 |
| Correction of Error (Note 36) | (9,112,575) | 890,925 | (1,396,500,398) | (30,100,835) | 64,390,541 | - | 1,010,778,381 | (359,653,962) |
| Change in accounting policy | | | | | | | 16,722,031 | 16,722,031 |
| Restated Balance | 71,216,873 | 229,380,354 | 1,427,731,721 | 348,876,385 | 91,804,843 | 59,810,273 | 1,099,798,465 | 3,328,618,912 |
| Surplus/(Deficit) for the year | | | | | | | 434,687,569 | 434,687,569 |
| Transfer to CRR | | 239,933,229 | | | | | (239,933,229) | |
| Property, plant and equipment purchased | | (232,996,045) | | | | | 232,996,045 | |
| Contribution to Reserve | | | 0 | 343,074,620 | | | | |
| Capital Grants used to purchase PPE | | | | | 27,729,087 | | | |
| Donated/Contributed PPE | | | | | | 27,154,220 | | |
| Contribution to Insurance Reserve | | | | | | (11,401,264) | | |
| Insurance claims processed | | | | | | | (343,074,620) | |
| Transfer to Housing Development Fund | 11,821,135 | | (110,074,296) | (6,580,152) | | | (27,729,087) | |
| Offsetting of depreciation | | | 12,610 | 1,097 | | | (27,154,220) | |
| Additional Depreciation Reversal | | | (41,295,064) | | | | 11,401,264 | |
| Asset Disposals | | | 1,276,374,971 | 685,371,949 | 119,533,930 | 75,563,229 | (13,707) | |
| Balance at 30 June 2006 | 83,038,007 | 236,317,538 | 1,276,374,971 | 685,371,949 | 119,533,930 | 75,563,229 | 1,287,106,857 | 3,763,306,481 |
| 2007 | | | | | | | | |
| Opening Balance | 83,038,007 | 236,317,538 | 1,276,374,971 | 685,371,949 | 119,533,930 | 75,563,229 | 1,287,106,857 | 3,763,306,481 |
| Surplus/(Deficit) for the year | | | | | | | 487,168,764 | 487,168,764 |
| Surplus transferred to Statement of Financial Performance | | | | | | | (53,259,889) | (53,259,889) |
| Transfer to CRR | | 509,829,166 | | | | | | |
| Property, plant and equipment purchased | | (323,230,530) | | | | | 323,230,530 | |
| Capital Grants used to purchase PPE | | | | 561,283,754 | | | | |
| Donated/Contributed PPE | | | | | | | (661,283,754) | |
| Contribution to Insurance Reserve | | | | | 95,412,774 | | | |
| Insurance claims processed | | | | | | 19,935,872 | (19,935,872) | |
| Transfer from Housing Development Fund | (6,507,657) | | (103,506,940) | (41,847,107) | (1,118,814) | (10,377,509) | 10,377,509 | |
| Offsetting of depreciation | | | (20,441,134) | 2,082,185 | 703,573 | | 146,472,861 | |
| Asset Disposals* | | | 9,188,291 | | | | 506,519 | |
| Additional Depreciation Reversal* | | | 1,161,615,188 | 1,206,890,781 | 214,531,463 | 85,121,592 | 1,051,214 | |
| Balance at 30 June 2007 | 76,530,350 | 422,916,174 | 1,161,615,188 | 1,206,890,781 | 214,531,463 | 85,121,592 | 1,022,700,456 | 4,190,306,004 |

* The Asset Disposals relate to assets disposed at no value resulting in the amounts having no impact on the Statement of Financial Performance, therefore the future depreciation reserves were written off.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

| | Note | 2007 R | 2006 R |
|---|------|-----------------------|-----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from ratepayers, government and other | | 3 880 149 585 | 3 527 708 807 |
| Cash paid to suppliers and employees | | 3 042 632 866 | 3 084 692 868 |
| Cash generated from operations | 28 | 837 516 719 | 443 015 939 |
| Interest received | | 218 979 879 | 203 095 449 |
| Interest paid | 25 | (24 183 338) | (27 252 118) |
| NET CASH FROM OPERATING ACTIVITIES | | <u>1 032 313 260</u> | <u>618 859 270</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (887 971 154) | (541 186 046) |
| Disposal of property, plant and equipment | | 28 957 564 | 26 603 284 |
| Purchase of intangible assets | | (87 372 758) | - |
| (Increase)/Decrease in Investment Properties | | - | - |
| (Increase)/Decrease in non-current receivables | | (24 603 002) | 4 076 903 |
| (Increase)/Decrease in non-current investments | | 23 068 633 | (61 037 421) |
| NET CASH FROM INVESTING ACTIVITIES | | <u>(947 920 717)</u> | <u>(571 543 280)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| (Decrease)/ Increase in Long-term loans (External) | 30 | (199 423 149) | (36 735 750) |
| (Decrease) in Non-current provisions | | (36 109 908) | (39 008 437) |
| Increase in funds and reserves | | 313 927 776 | 9 499 549 |
| NET CASH FROM FINANCING ACTIVITIES | | <u>78 394 719</u> | <u>(66 244 638)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | <u>162 787 262</u> | <u>(18 928 648)</u> |
| Cash and cash equivalents at the beginning of the year | | 108 200 551 | 127 129 199 |
| Cash and cash equivalents at the end of the year | 29 | 270 987 813 | 108 200 551 |

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

| | |
|----------|--|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GAMAP 4 | The Effects of Changes in Foreign Exchange Rates |
| GAMAP 6 | Consolidated financial statements and accounting for controlled entities |
| GAMAP 7 | Accounting for Investments in Associates |
| GAMAP 8 | Financial Reporting of Interests in Joint Ventures |
| GAMAP 9 | Revenue |
| GAMAP 12 | Inventories |
| GAMAP 17 | Property, Plant and Equipment |
| GAMAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards |
| IFRS 7 | Financial Instruments: Disclosures |
| IAS 7 | Cash Flow Statements |
| IAS 17 | Leases |
| IAS 19 | Employee benefits |
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance |
| IAS 32 | Financial Instruments: Presentation |
| IAS 38 | Intangible Assets |
| IAS 39 | Financial Instruments: Recognition and Measurement |
| SIC 32 | Financial Instruments: Recognition and Measurement |

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the Municipality's separate financial statements.

Exemption from complying with the following standards was obtained from the Minister of Finance until 2007/08 financial year in accordance with Gazette no. 30013 dated 29 June 2007.

| Standard no. | Standard title | GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been adopted early |
|---------------------|---|---|
| GRAP 03 | Accounting policies, changes in accounting estimates and errors | ▪ Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31) |
| | | ▪ Changes in accounting policies (GRAP 3.14, 19) |
| GAMAP 09 | Revenue | ▪ Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA Circular 9/06) |
| GAMAP 12 | Inventories | ▪ The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17. |
| | | ▪ The entire standard as far as it relates to water stock that was not purchased by the Municipality. |
| GAMAP 17 | Property, plant and equipment | ▪ Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77) |
| | | ▪ Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77) |
| | | ▪ Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi)) |
| | | ▪ Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi)) |
| IAS 11 (AC 109) | Construction contracts | ▪ Entire standard |
| IAS 14 (AC 115) | Segment reporting | ▪ Entire standard |
| IAS 17 (AC 105) | Leases | ▪ Recognising operating lease payments/ receipts on a straight-line basis if the |

| | | |
|--------------------|--|--|
| | | amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA Circular 12/06.8 – 11) |
| IAS 19 (AC 116) | Employee benefits | <ul style="list-style-type: none"> Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q)) |
| IAS 20 (AC 134) | Accounting for government grants and disclosure | <ul style="list-style-type: none"> Entire standard, excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46. |
| IAS 36 (AC 128) | Impairment of assets | <ul style="list-style-type: none"> Entire standard |
| IAS 38 (AC 129) | Intangible assets | <ul style="list-style-type: none"> The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed |
| IAS 39 (AC 133) | Financial instruments: recognition and measurement | <ul style="list-style-type: none"> Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA Circular 9/06) |
| IAS 40 (AC 135) | Investment property | <ul style="list-style-type: none"> The entire standard to the extent that the property is accounted for in terms of GAMAP 17 |
| | | <ul style="list-style-type: none"> Disclosure of the fair value of investment property if the cost model is applied and where the Municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii)) |
| IFRS 3 (AC 140) | Business combinations | <ul style="list-style-type: none"> Entire standard |
| IFRS 5 (AC 142) | Non-current assets held for sale and discontinued operations | <ul style="list-style-type: none"> Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42) |
| IFRS 7 (AC 144) | Financial instruments: disclosures | <ul style="list-style-type: none"> Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998 |
| IFRS 8 | Operating Segments | <ul style="list-style-type: none"> Entity Standard |

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007, exempted compliance with certain of the abovementioned standards and aspects or parts of these standards. Details of the exemptions applicable to the Municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, is disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the

Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

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

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

5.2 Capitalisation Reserve

On the implementation of GAMAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

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

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.4 Donations and Public Contributions Reserve

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

property, plant and equipment financed from donations and public contributions.

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

5.5 Self-Insurance Reserve

A Self-Insurance Fund exists to provide cover for selected risks, including fire, storm, workmen's compensation, public liability and motor vehicles. The fund is re-insured externally to cover major losses. Premiums are charged to the respective Directorates at market related rates, taking into account past experience of claims and replacement value of the insured assets.

The fund covers the first R10 000 000 in respect of fire insurance, R5 000 000 in respect of public liability insurance and R3 000 000 in respect of fidelity guarantee insurance, of any one claim.

The maximum aggregate exposure during any one year in respect of public liability insurance amounts to R10 000 000 and in respect of fidelity guarantee insurance amounts to R17 000 000. There is no maximum aggregate exposure in respect of fire insurance.

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

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Property, plant and equipment are stated at cost, less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated, as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Examples of directly attributable costs are: site preparation, delivery and handling costs, and professional fees.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R10 000.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. In determining depreciation, the residual values of assets (specifically vehicles, office equipment and furniture and fittings) are not taken into account, as the Municipality uses these assets in its operations beyond its estimated useful life. The annual depreciation rates are based on the following estimated asset lives:

| | <u>Years</u> | <u>Other</u> | <u>Years</u> |
|-------------------------|--------------|------------------------------------|--------------|
| Infrastructure | | | |
| Roads and Paving | 30 | Buildings | 30 |
| Pedestrian Malls | 30 | Specialist vehicles | 10 |
| Electricity | 20-30 | Other vehicles | 5 |
| Water | 15-20 | Office equipment | 3-7 |
| Sewerage | 15-20 | Furniture and fittings | 7-10 |
| Housing | 30 | Watercraft | 15 |
| | | Bins and containers | 5 |
| | | Specialised plant and equipment | 10-15 |
| Community | | | |
| Buildings | 30 | Other items of plant and equipment | 2-5 |
| Recreational Facilities | 20-30 | Landfill Sites | 45-50 |
| Security | 5 | | |

6.2 Review of useful lives

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the useful lives of assets have not been reviewed. The current year's accounting policy agrees with that applied in the previous financial year.

6.3 Review of Depreciation Method

In accordance with the exemptions contained in Gazette no.30013 of 29 June 2007, the depreciation method was not reviewed.

The current year's accounting policy is in line with that applied in the previous financial year.

6.4 Impairment of cash and non-cash generating assets exemptions

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the assets in question were not assessed for possible impairment. This is in line with the account policy applied in the previous financial year.

7. INTANGIBLE ASSETS

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods and services, for rental to others or for administrative purposes. Intangible assets have been treated in accordance with the provisions of IAS38, "Intangible Assets". Intangible assets are initially recorded at their cost price and subsequently amortised over their expected useful lives. The intangible assets under the control of the Municipality are amortised according to the straight-line method.

The aforementioned policy is applied in line with the exemptions contained in Gazette No. 30013 of 29 June 2007.

8. REVALUATION OF LAND AND BUILDINGS

Land and buildings were not revalued during the year. It will be revalued as part of the general property valuation process being conducted over the next financial year. Council is required to undertake a general valuation of properties in terms of the Property Rates Act (Act no. 6 of 2004).

9. INVESTMENTS

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

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

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

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

9.1 Investments in Financial Instruments

The accounting policy applied is in accordance with the exemptions in Gazette no. 30013 of 29 June 2007.

10. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost or net realisable value. In general, the basis of determining cost is the first-in, first-out (FIFO) method.

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

The cost of water purchased and not yet sold in the statement of financial position comprises the purchase price, import duties and other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors that determine the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy is in line with that applied in the previous financial year.

11. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within twelve months from the reporting date are classified as current.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy is in line with that applied in the previous financial year.

12. TRADE CREDITORS

Trade creditors are stated at their nominal value, inclusive of outstanding cheques.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, the aforementioned policy is in line with that applied in the previous financial year.

13. REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

In accordance with GAMAP 9, revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Service charges relating to electricity and water are based on consumption. Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly. All electricity and water meters within and outside the municipal boundary are read and billed monthly.

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

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sales of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

13.2 Revenue from Non-Exchange Transactions

Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned.

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is recognised when collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

The current year's accounting policy is in line with that applied in the previous financial year.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, revenue has been initially recognised at cost.

14. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14.1 Unutilised Conditional Grants

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

The cash, which backs up the creditor, is invested until it is utilised. Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is in the City's interest, it is recognised as interest earned in the Statement of Financial Position. Whenever an asset is purchased out of an unutilised conditional grant, an amount equal to the cost price of the asset is transferred from Unutilised Capital Receipts to the Statement of Financial Performance as revenue. Thereafter, an equal amount is transferred on the Statement of Changes in Net Assets to the Donations and Public Contributions Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of Unutilised Capital Receipts. The reserve is used to offset depreciation charged on assets purchased out of Unutilised Capital Receipts.

The policy applied in the current financial year is in accordance with the exemptions contained in Gazette no.30013 of June 2007. The current year's policy is in line with that applied in the previous financial year.

15. PROVISIONS

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made of the amount of the obligation. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

15.1 Provision for Post-Retirement Benefits

A provision is maintained in respect of the liability to employees relating to post-retirement benefits such as medical aid contributions. Council has adopted a strategy that future retirement liabilities be funded over a fifteen-year period.

The Municipality provides retirement benefits for its employees and Councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

Defined contribution plans are post-employment plans under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient funds to pay all employee benefits relating to employee service in the current and prior periods.

The current year's policy is in accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007. The current year's policy is in line with that applied in the previous year.

15.2 Provision for Rehabilitation of Refuse Landfill Sites

The applicable GAMAP standard states that a provision should be recognised where there is a present obligation to rehabilitate sites.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5.6% and discounted to the present value at the average borrowing cost of 10.23%.

15.3 Gratuity Provision

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained.

16. PROVISION FOR DOUBTFUL DEBTS

The provision is equivalent to 100% of amounts owing to Council older than 90 days. The provision currently amounts to R601 502 396. In accordance with GRAP the Provision for Doubtful Debts has been deducted from the amount outstanding by debtors at 30 June 2007.

17. PROVISION FOR OBSOLETE INVENTORY

A provision is maintained in lieu of obsolete inventory. The level of the provision for obsolete inventory is maintained at 5% of the total value of inventory holdings.

18. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking

institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

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

19. UNAUTHORISED EXPENDITURE

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

20. IRREGULAR EXPENDITURE

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

21. FRUITLESS AND WASTEFUL EXPENDITURE

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

22. COMPARATIVE INFORMATION

22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current and previous financial years.

22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

23. INVESTMENT PROPERTY

The accounting policy applied is in accordance with the exemptions in Gazette No. 30013 of 29 June 2007. The current year's accounting policy is in line with that applied in the previous financial year.

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost and may be included in PPE in line with the exemption granted as per Gazette 30013 dated 29 June 2007.

24. LEASES

24.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital

repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

24.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the lease. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental Income from operating leases is recognised as they become due.

In accordance with the exemptions contained in Gazette no. 30013 of 29 June 2007, operating lease payments/receipts have been recognised on the basis of the cashflows in the lease agreements.

The current year's policy is in line with that applied in the previous financial year.

25. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 | Restated 2006 |
|---|-------------------|-------------------|
| | R | R |
| 1. Housing Development Fund | | |
| Housing Infrastructure Development Fund | 4,574,230 | 4,240,035 |
| Housing Revolving Fund | 70,612,023 | 73,891,203 |
| Housing Reserves | 1,344,097 | 4,906,768 |
| Total Housing Development Fund | 76,530,350 | 83,038,007 |

The Housing development fund is represented by investments.

Movements in funds are reconciled as follows:

Housing Infrastructure Development Fund

| | | |
|---|------------------|------------------|
| Balance at the beginning of the year | 4,240,035 | 3,977,740 |
| Contributions received | 0 | 146,395 |
| Interest received | 334,195 | 115,900 |
| Balance at the end of the year | 4,574,230 | 4,240,035 |

The purpose of the Housing Infrastructure Development Fund is to provide funding for housing infrastructural developments. Contributions consist of cash received from the Provincial Housing Board.

Housing Revolving Fund

| | | |
|--|-------------------|-------------------|
| Balance at the beginning of the year | 73,891,203 | 70,946,203 |
| Correction of Error (see Note 36.3) | (8,221,650) | |
| Restated Balance at beginning of year | 73,891,203 | 62,724,553 |
| Contributions received | 1,649,369 | 5,076,066 |
| Interest received | 8,060,375 | 6,090,585 |
| Cash utilised to finance property, plant and equipment | (12,988,924) | - |
| Balance at the end of the year | 70,612,023 | 73,891,203 |

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 | | 0 |
| Replacement and Renewals | | 0 |
| Capital Discount Scheme | 1,344,097 | 4,906,768 |
| Balance at the end of the year | 1,344,097 | 4,906,768 |

Community Facilities

| | |
|---|----------|
| Balance at the beginning of the year | 0 |
| Contribution for the year | 23,969 |
| Interest | 452 |
| Transfer to Asset Financing Fund | (24,422) |
| Balance at the end of the year | 0 |

Replacement and Renewals

| | |
|--|----------------|
| Balance at the beginning of the year | 890,925 |
| Correction of Error (see Note 36.3) | (890,925) |
| Restated Balance at beginning of year | 0 |

Capital Discount Scheme

| | | |
|---|------------------|------------------|
| Balance at the beginning of the year | 4,906,768 | 4,514,579 |
| Interest | 437,328 | 392,189 |
| Expenditure funded during the year | (4,000,000) | - |
| Balance at the end of the year | 1,344,097 | 4,906,768 |

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2. LONG-TERM LIABILITIES

| | 2007 R | Restated 2006 R |
|--|-------------|-----------------------|
| Local Registered Stock Loans | 26,000,000 | 26,000,000 |
| Development Bank of Southern Africa | 206,597,482 | 226,382,719 |
| Amalgamated Banks of South Africa | 0 | 2,540,322 |
| Amalgamated Banks of South Africa - Long-term Lease | 0 | 30,000,000 |
| Cape Joint Pension Fund | 0 | 70,000 |
| External Loans | 232,597,482 | 284,993,041 |
| Amalgamated Banks of South Africa - Leaseback Rental | 0 | 154,633,786 |
| Post-retirement Benefits | 0 | 298,895,129 |
| Post-retirement Benefits (Transferred to Non-current provisions) | 0 | (298,895,129) |
| | 232,597,482 | 439,626,828 |
| Less : Current portion transferred to current liabilities | 18,763,885 | 26,370,082 |
| Development Bank of Southern Africa | 16,763,885 | 23,829,760 |
| Registered Stock Loans | 2,000,000 | 0 |
| Amalgamated Banks of South Africa | 0 | 2,540,322 |
| | 213,833,597 | 413,256,746 |

Refer to Appendix A for more detail on long-term liabilities.

LOCAL REGISTERED STOCK

Bear interest at rates between 16.40% and 17.55% per annum and are redeemable within one to four years

ABSA

These are structured finance loans repayable over ten years and were taken up during 1996/97. The ABSA loan is coupled to a sale and lease-back agreement of a gas turbine at Munelek. The Lease was repaid on 30 September 2006 during the 2006/07 financial year. (Refer Note 7.)

DBSA

Various loans were consolidated into one single loan amounting to R238 297 599 with effect from 30 September 2005, repayable over ten years in twenty half-yearly instalments, including accrued interest. There are two choices of variable interest rate linked to the six month JIBAR or to the three 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.

CAPE JOINT PENSION FUND

The loan was taken up during 1996/97 bearing interest at the rate of 11.5% per annum and was repaid on 31 December 2006

POST-RETIREMENT BENEFIT PROVISION

The 2005/06 balance in the amount of R298 895 129 was restated in respect of Post-retirement Benefits and is now included under Non-current Provisions for classification purposes.

3. NON-CURRENT PROVISIONS

| | | |
|--|--------------------|--------------------|
| Gratuity Provision | 18,777,599 | 18,959,716 |
| Post-retirement Benefits (Refer Note 2.) | 746,024,521 | 298,895,129 |
| Rehabilitation of Landfill sites | 71,545,345 | 0 |
| Total Non-Current Provisions | 836,347,465 | 317,854,845 |

Gratuity Provision

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

| | | |
|-------------------------------------|-------------------|-------------------|
| Balance at beginning of year | 18,959,716 | 20,000,000 |
| Contributions to provision | 2,076,740 | 4,239,668 |
| Expenditure incurred | (2,258,858) | (5,279,952) |
| Balance at end of year | 18,777,599 | 18,959,716 |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 | Restated 2006 |
|--|--------------------|--------------------|
| | R | R |
| 3. NON-CURRENT PROVISIONS (continued) | | |
| Post-retirement Benefits | | |
| The past service liability in respect of post-retirement benefits relates to ill health retirements and medical aid contributions and has been actuarially assessed at R746 million. | | |
| Balance at beginning of year | 298,895,129 | 275,363,958 |
| Contributions to provision | 480,980,442 | 57,259,656 |
| Expenditure incurred | (33,851,050) | (33,728,485) |
| Balance at end of year | 746,024,521 | 298,895,129 |
| Rehabilitation of landfill sites | | |
| In terms of the licencing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R20 595 651 for the Arlington Tip site, R6 870 263 for the Koedoeskloof Tip site and R44 079 431 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 2057, 2052 and 2007 respectively. Squatters are currently occupying the Ibhayi Landfill site that is already closed as a tip site. It is envisaged that the squatters will be removed by the end of 2010 in order to restore the site. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5.6% and discounted to the present value at the average borrowing cost of 10.23%. | | |
| Comparative landfill rehabilitation figures for the 2006 year are not disclosed as no reliable estimate could be made, based on the available information at the time the financial statements were compiled. | | |
| Balance at beginning of year | 0 | 0 |
| Contributions to provision | 71,545,345 | 0 |
| Expenditure incurred | 0 | 0 |
| Balance at end of year | 71,545,345 | 0 |
| 4. CONSUMER DEPOSITS | | |
| Electricity and Water | 85,277,865 | 79,745,847 |
| Interest Paid | 1,313,085 | 888,787 |
| | 86,590,950 | 80,634,634 |
| Guarantees held in lieu of Electricity and Water Deposits | 1,980,247 | 2,281,500 |
| 5. CREDITORS | | |
| Trade creditors | 748,552,027 | 468,898,402 |
| Payments Received in Advance | 21,109,790 | 0 |
| Staff leave | 90,597,613 | 70,059,084 |
| Other creditors | 2,850,445 | 5,613,663 |
| Retentions | 15,212,089 | 0 |
| Total Creditors | 878,321,965 | 544,571,149 |

It was not considered necessary to discount the staff leave pay accrual to its present value, as the potential obligation is of a short-term nature. In accordance with the collective agreement on conditions of service, municipal employees are required to take their annual leave over a period of twelve months.

The 2005/06 comparative was restated by an amount of R1 390 084 in respect of Other Creditors that were adjusted against General Expenses. (Refer Note 35.20.)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | Restated 2006 R |
|--|--------------------|-----------------------|
| 6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | |
| 6.1 Conditional Grants from other spheres of Government | 462,970,099 | 473,419,238 |
| Equitable Share (See Note 21.3) | 0 | 154,227,326 |
| Financial Management Grant (See Note 21.5) | 1,460,253 | 1,785,915 |
| Library Services - Carnegie Corporation Grant (See Note 21.6) | 661,066 | 661,688 |
| SMME - Development (See Note 21.7) | 157,300 | 192,501 |
| Project Consolidate (See Note 21.9) | 5,480,913 | 3,341,525 |
| Disaster Management Grant (See Note 21.10) | 2,828,760 | 2,352,666 |
| Municipal Systems Improvement Grant (See Note 21.11) | 140,787 | 129,266 |
| Municipal Infrastructure Grant (See Note 21.12) | 100,767,913 | 39,088,844 |
| Restructuring Grant (See Note 21.13) | 0 | 38,327,707 |
| Ploughing Fields (See Note 21.15) | 102,114 | 218,645 |
| Project Generation (DEAET) (See Note 21.17) | 5,658,496 | 5,196,179 |
| Amphitheatre (UDDI) (See Note 21.19) | 33,534 | 30,790 |
| National Treasury - Accreditation of Municipalities (See Note 21.20) | 6,761,735 | 3,459,148 |
| 2010 FIFA World Cup (See Note 21.22) | 7,655,429 | 0 |
| Youth Projects (See Note 21.23) | 0 | 500,000 |
| Walmer Youth Development Project (See Note 21.24) | 88,611 | 130,000 |
| Youth Advisory Centre (See Note 21.25) | 245,862 | 0 |
| HIV and Aids Columbia University Project (See Note 21.26) | 305,441 | 0 |
| PTIF - 2010 FIFA World Cup (See Note 21.27) | 88,327,156 | 52,883,921 |
| Other Grants (See Note 21.28) | 242,294,729 | 170,893,117 |
| Total Unspent Conditional Grants and Receipts | 462,970,099 | 473,419,238 |

During the year ended 30 June 2006, the balance in respect of Unspent Conditional Grants and Receipts was understated in the amount of R452 550 517. This balance was previously incorrectly included in the Government Grant Reserve in the amount of R451 888 829 and in the Capitalisation Reserve in the amount of R661 688 due to a classification error.

| | R | R | R |
|---|----------------------|-------------------------------------|-----------------------|
| 7. Property, Plant and Equipment (PPE) | | | |
| As at 30 June 2007 | | | |
| | Cost | Accumulated Depreciation | Carrying Value |
| Land and Buildings | 290,397,464 | 39,747,424 | 250,650,040 |
| Infrastructure Assets | 4,170,544,446 | 1,413,850,135 | 2,756,694,311 |
| Community Assets | 710,363,898 | 141,724,271 | 568,639,627 |
| Heritage Assets | 59,964,030 | | 59,964,030 |
| Other Assets | 477,936,265 | 147,738,615 | 330,197,650 |
| | 5,709,206,103 | 1,743,060,445 | 3,966,145,658 |
| As at 30 June 2006 | | | |
| | Cost | Accumulated Depreciation | Carrying Value |
| Land and Buildings | 235,130,415 | 38,882,741 | 196,247,674 |
| Infrastructure Assets | 3,592,783,979 | 1,202,220,695 | 2,390,563,284 |
| Community Assets | 564,942,001 | 184,801,674 | 380,140,327 |
| Heritage Assets | 39,902,880 | 50,653 | 39,852,227 |
| Other Assets | 255,700,424 | 96,886,685 | 158,813,739 |
| | 4,688,459,699 | 1,522,842,449 | 3,165,617,250 |

A gas turbine at Munelek is coupled with a ABSA sale and leaseback agreement. The Lease was repaid on 30 September 2006 during the 2006/07 financial year. (Refer note 2)

| | R | R | R |
|----------------------------|-------------|-------------------------------------|-----------------------|
| 8 Intangible Assets | | | |
| As at 30 June 2007 | | | |
| | Cost | Accumulated Depreciation | Carrying Value |
| Computer Software | 227,714,103 | 80,348,795 | 147,365,308 |
| As at 30 June 2006 | | | |
| | Cost | Accumulated Depreciation | Carrying Value |
| Computer Software | 140,341,344 | 52,751,768 | 87,589,576 |

Property, plant and equipment may include property held for resale.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 | Restated 2006 R |
|----------------------------------|------|-----------------------|
| 9. INVESTMENT PROPERTY | | |
| Cost | | 90,305,290 |
| Total Investment Property | | 90,305,290 |
| Transferred to PPE | | (90,305,290) |
| Restated Balance | | 0 |

Investment Property is included under Property, plant and equipment as per the exemption in accordance with Gazette No. 30013.

The Logistics Park land was not reflected as investment property as no land value was available. In line with the exemption, the Investment Property was transferred back to Property, Plant and Equipment.

10 INVESTMENTS

| | | |
|---------------------------------------|----------------------|----------------------|
| Listed | 0 | 5,000 |
| RSA Government Stock | 0 | 5,000 |
| Financial instruments | 1,444,792,962 | 1,467,856,595 |
| Fixed Deposits | 1,443,968,038 | 1,281,926,972 |
| ABSA Leaseback Agreement | 0 | 184,633,791 |
| Sanlam Shares | 824,924 | 526,626 |
| UAL Long-term Investment | 0 | 769,206 |
| Total | 1,444,792,962 | 1,467,861,595 |
| | | |
| Average rate of return on investments | 8.57% | 6.95% |

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.

No investments were written off during the year.

The Municipality is the holder of 40 919 shares in Sanlam Ltd at no value, of which the market value at 30 June 2007 was R824 924 (2006: R526 626). The shares were awarded to the Municipality as the beneficiary of an insurance endowment policy, which matured during October 1998.

The UAL investment had a Market Value of R2 785 987 as at 30 June 2006. The UAL Investment was redeemed during the 2006/07 financial year.

11 LONG-TERM RECEIVABLES

| | | |
|---|-------------------|-------------------|
| Sporting and Other Bodies | 614,367 | 937,889 |
| Car Loans | 4,442,914 | 8,489,327 |
| Consumer and Other Debtors | 67,298,621 | 39,268,397 |
| Rate and General | 32,997,709 | 20,944,575 |
| Electricity | 5,330,828 | 2,667,834 |
| Water | 13,914,583 | 7,697,087 |
| Refuse | 5,467,701 | 3,001,795 |
| Sewerage | 9,585,910 | 4,906,641 |
| Insurance | 1,891 | 50,466 |
| Subtotal | 72,355,902 | 48,695,613 |
| Less: Current Portion transferred to Current Assets | 2,106,266 | 3,048,979 |
| Sporting and Other Bodies | 310,123 | 222,234 |
| Car Loans | 1,796,143 | 2,826,745 |
| | 70,249,636 | 45,646,634 |

CAR LOANS

Senior Staff were entitled to car loans prior to the introduction of the MFMA. These loans attract interest at 8% per annum and are repayable over a maximum period of six years with the final repayments being made in the year 2010.

CONSUMER AND OTHER DEBTORS

The current portion is disclosed in Note 13 - Consumer Debtors.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | Restated 2006 R |
|--|-------------------|-----------------------|
| 12 INVENTORY | | |
| Raw Materials | 83,229,667 | 70,282,350 |
| Finished Goods | 182,683 | 150,132 |
| Water Finished Goods - at cost | 70,763,599 | 57,891,992 |
| Consumable Goods | 1,859,549 | 1,581,196 |
| | 10,423,836 | 10,659,030 |
| Less: Provision for Obsolete Inventory | (4,248,372) | (4,248,372) |
| | 78,981,295 | 66,033,978 |

The Inventory for Raw Materials - Water has been restated in the amount of R16 484 869 (2005/2006) in accordance with the exemption in Gazette No. 30013. The Municipality has capitalised all purchased water inventory and only purification costs in respect of non-purchased water inventory were capitalised.

| | R | R | R |
|----------------------------|----------------------|---------------------------------|--------------------|
| | Gross Balances | Provision for Doubtful Debts | Net Balance |
| 13 CONSUMER DEBTORS | | | |
| As at 30 June 2007 | | | |
| Service Debtors | 1,185,241,202 | (596,166,883) | 589,074,319 |
| Rates and General | 395,131,179 | (240,578,777) | 154,552,401 |
| Electricity | 298,367,941 | (102,884,938) | 195,483,002 |
| Water | 270,595,224 | (137,833,182) | 132,762,042 |
| Refuse | 84,772,900 | (41,442,867) | 43,330,032 |
| Sewerage | 136,373,959 | (73,427,118) | 62,946,841 |
| House Rentals | 8,295,956 | (5,335,513) | 2,960,443 |
| Total | 1,193,537,158 | (601,502,396) | 592,034,762 |

Doubtful Debts Provision

The doubtful debts provision is based on the ageing of debtors. Council's policy is to provide for all debtors' balances which have been outstanding for more than 90 days.

| | | | |
|---------------------------|----------------------|----------------------|--------------------|
| As at 30 June 2006 | | | |
| Service Debtors | 1,201,455,038 | (621,273,691) | 580,181,347 |
| Rates and General | 500,360,393 | (268,020,343) | 232,340,050 |
| Electricity | 292,969,110 | (112,376,245) | 180,592,865 |
| Water | 261,041,682 | (135,072,942) | 125,968,740 |
| Refuse | 47,001,228 | (29,608,082) | 17,393,146 |
| Sewerage | 100,082,624 | (76,196,078) | 23,886,546 |
| House Rentals | 6,636,058 | (4,689,228) | 1,946,830 |
| Total | 1,208,091,096 | (625,962,919) | 582,128,177 |

Rates and General: Ageing

| | | |
|-----------------------|--------------------|--------------------|
| Current (0 - 30 days) | 137,171,018 | 214,482,344 |
| 31 - 60 Days | 8,280,921 | 12,371,766 |
| 61 - 90 Days | 9,100,462 | 5,485,940 |
| Over 90 Days | 240,578,777 | 268,020,343 |
| Total | 395,131,179 | 500,360,393 |

Electricity: Ageing

| | | |
|-----------------------|--------------------|--------------------|
| Current (0 - 30 days) | 181,715,031 | 170,891,822 |
| 31 - 60 Days | 11,104,580 | 8,140,969 |
| 61 - 90 Days | 2,663,391 | 1,560,075 |
| Over 90 Days | 102,884,938 | 112,376,245 |
| Total | 298,367,941 | 292,969,110 |

Water: Ageing

| | | |
|-----------------------|--------------------|--------------------|
| Current (0 - 30 days) | 117,967,621 | 114,424,475 |
| 31 - 60 Days | 10,392,431 | 6,985,262 |
| 61 - 90 Days | 4,401,990 | 4,559,002 |
| Over 90 Days | 137,833,182 | 135,072,942 |
| Total | 270,595,224 | 261,041,681 |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | Restated 2006 R |
|---------------------------------------|--------------------|-----------------------|
| <u>Refuse: Ageing</u> | | |
| Current (0 - 30 days) | 39,574,586 | 13,802,895 |
| 31 - 60 Days | 2,556,157 | 2,227,107 |
| 61 - 90 Days | 1,199,289 | 1,363,144 |
| Over 90 Days | 41,442,867 | 29,608,082 |
| Total | 84,772,900 | 47,001,228 |
| <u>Sanitation: Ageing</u> | | |
| Current (0 - 30 days) | 54,621,252 | 15,956,259 |
| 31 - 60 Days | 5,629,332 | 4,733,749 |
| 61 - 90 Days | 2,696,257 | 3,196,539 |
| Over 90 Days | 73,427,118 | 76,196,078 |
| Total | 136,373,959 | 100,082,624 |
| <u>Housing Rentals: Ageing</u> | | |
| Current (0 - 30 days) | 2,759,756 | 1,681,634 |
| 31 - 60 Days | 163,087 | 212,964 |
| 61 - 90 Days | 37,600 | 52,232 |
| Over 90 Days | 5,335,513 | 4,689,228 |
| Total | 8,295,956 | 6,636,058 |

| | R | R | R |
|---|---------------------------|----------------------------|----------------------------|
| <u>Summary of Debtors by Customer Classification</u> | <u>Residential</u> | <u>Industrial /</u> | <u>National and</u> |
| | <u>Consumers</u> | <u>Commercial</u> | <u>Provincial</u> |
| | | | <u>Government</u> |
| 30 June 2007 | | | |
| Current (0 - 30 days) | 427,047,412 | 64,057,112 | 42,704,741 |
| 31 - 60 Days | 30,501,206 | 4,575,181 | 3,050,121 |
| 61 - 90 Days | 16,079,191 | 2,411,879 | 1,607,919 |
| Over 90 Days | 481,201,917 | 72,180,288 | 48,120,192 |
| Gross Consumer Debtors by Customer classification | 954,829,727 | 143,224,459 | 95,482,973 |
| Gross Consumer Debtors | | | 1,193,537,158 |
| Less: Provision for Doubtful Debts | | | (601,502,396) |
| Net Consumer Debtors for the year ended 30 June 2007 | | | 592,034,762 |

| | <u>Residential</u> | <u>Industrial /</u> | <u>National and</u> |
|---|---------------------------|----------------------------|----------------------------|
| | <u>Consumers</u> | <u>Commercial</u> | <u>Provincial</u> |
| | | | <u>Government</u> |
| 30 June 2006 | | | |
| Current (0 - 30 days) | 433,748,319 | 58,494,666 | 38,996,444 |
| 31 - 60 Days | 27,737,453 | 4,160,618 | 2,773,745 |
| 61 - 90 Days | 12,973,546 | 1,946,032 | 1,297,355 |
| Over 90 Days | 500,770,335 | 75,115,550 | 50,077,034 |
| Gross Consumer Debtors by Customer classification | 975,229,653 | 139,716,866 | 93,144,577 |
| Gross Consumer Debtors | | | 1,208,091,095 |
| Less: Provision for Doubtful Debts | | | (625,962,919) |
| Net Consumer Debtors for the year ended 30 June 2006 | | | 582,128,177 |

| | 2007 R | Restated 2006 R |
|---|--------------------|-----------------------|
| Reconciliation of the doubtful debts provision | | |
| Balance at beginning of year | 625,962,919 | 510,349,046 |
| Contributions to provision | 40,978,710 | 96,157,335 |
| Additional Appropriation | 0 | 72,291,967 |
| | 666,941,629 | 678,798,348 |
| Bad debts written off against provision | (65,439,232) | (52,835,429) |
| Balance at end of year | 601,502,396 | 625,962,919 |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 | Restated 2006 |
|--|----------------------|----------------------|
| | R | R |
| 14 OTHER DEBTORS | | |
| Government Grants and Subsidies | 36,341,726 | 12,213,601 |
| Interest on External Investments | 41,866,798 | 19,535,596 |
| External Debtors | 24,315,998 | 44,691,020 |
| | <u>102,524,522</u> | <u>76,440,217</u> |
| Regional Service Levy - Turnover (See Note 20) | | 3,258,519 |
| Regional Service Levy - Remuneration (See Note 20) | | 8,183,333 |
| Restatement - Insurance Claim (See Note 22) | | 251,639 |
| Restatement - Logistics Park Rental and Levy (See Note 22) | | 1,329,884 |
| Restated Balance | | <u>89,463,592</u> |
| 15 VAT | | |
| VAT owed | <u>11,945,742</u> | <u>3,822,843</u> |
| VAT is payable on the receipts basis. Only once payment is received from debtors, is VAT paid over to SARS. | | |
| 16 CALL INVESTMENT DEPOSITS | | |
| Other Deposits | <u>55,555,956</u> | <u>55,174,189</u> |
| Call Deposits amounting to R18 763 885 (2006: R26 370 082) are ring-fenced and attributable to repaying long-term loans. | | |
| 17 BANK BALANCES AND CASH | | |
| The Nelson Mandela Bay Metropolitan Municipality operates various current accounts with Standard Bank of South Africa, <u>with no overdraft facility</u> . The details are as follows: | | |
| BANK: Standard Bank of South Africa | | |
| ACCOUNT NUMBER: 08 002 125 5 | | |
| BRANCH: Port Elizabeth | | |
| BRANCH CODE: 05 00 17 | | |
| Cash Book balance at beginning of the year | 53,026,362 | 59,096,804 |
| Cash Book balance at end of the year | <u>215,431,857</u> | <u>53,026,362</u> |
| Bank Balance at beginning of the year | 78,753,519 | 89,395,726 |
| Bank Balance at end of the year | <u>129,415,076</u> | <u>78,753,519</u> |
| Which are disclosed in the Statement of Financial Position as follows: | | |
| Bank balances and cash | <u>215,431,857</u> | <u>53,026,362</u> |
| 18. PROPERTY RATES | | |
| <u>Actual</u> | | |
| Residential | 249,574,595 | 215,688,224 |
| Commercial | 241,629,609 | 243,633,099 |
| State | 41,986,161 | 39,545,221 |
| | <u>533,190,365</u> | <u>498,866,544</u> |
| <u>Valuations</u> | R000's | R000's |
| Residential | 4,341,630 | 4,120,355 |
| Commercial | 2,558,232 | 2,769,396 |
| State | 548,005 | 559,899 |
| | <u>7,447,867</u> | <u>7,449,650</u> |
| 19. SERVICE CHARGES | | |
| Sale of Electricity | 1,119,758,699 | 1,037,156,962 |
| Sale of Water | 265,345,267 | 287,596,265 |
| Refuse Removal | 82,719,764 | 81,504,028 |
| Sewerage and Sanitation charges | 185,314,498 | 167,478,569 |
| | <u>1,653,138,228</u> | <u>1,573,735,823</u> |
| Service charges in respect of Water in the amount of R20 139 285 has been restated in respect of the 2005/06 financial year. | | |
| Service charges in respect of Electricity in the amount of R23 644 595 has been restated in respect of the 2005/06 financial year. | | |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | Restated 2006 R |
|---|----------------------|-----------------------|
| 20 REGIONAL SERVICES LEVIES | | |
| Regional Service Levies - turnover | 0 | 68,692,001 |
| Regional Service Levies - remuneration | 0 | 211,586,760 |
| Total Regional Service Levies | <u>0</u> | <u>280,278,761</u> |
| <p>Regional Service Levies - turnover was restated in the amount of R3 258 519 and Regional Service Levies - remuneration in the amount of R8 183 333 due to income accrued during the 2006/07 financial year, being in respect of the 2005/06 financial year.</p> <p>Regional Services Levies were discontinued at the end of the 2005/06 financial year and were replaced with a Levies Replacement Grant from National Treasury.</p> | | |
| 21 GOVERNMENT GRANTS AND SUBSIDIES | | |
| PHB Subsidies | 66,357,404 | 113,333,518 |
| Health Subsidies | 59,068,835 | 63,398,802 |
| Equitable Share Allocation | 395,073,562 | 156,300,210 |
| Transportation Subsidies | 4,056,253 | 4,653,680 |
| Finance Management Grant | 543,338 | 521,148 |
| Library Services - Carnegie Corporation Grant | 36,670 | 108,639 |
| SMME - Development | 35,201 | 89,499 |
| LGWSETA Funding | 0 | 2,756,733 |
| Project Consolidate | 2,371,124 | 824,659 |
| Disaster Management Grant | 1,338,912 | 2,166,000 |
| Municipal Systems Improvement Grant | 0 | 2,069,859 |
| Municipal Infrastructure Grant | 14,916,667 | 689,875 |
| Restructuring Grant | 5,359,751 | 5,481,074 |
| Capacity Building Grant | 0 | 208,346 |
| Ploughing fields | 127,453 | 1,123,408 |
| DBSA-Systems Renewal Project | 0 | 1,694,737 |
| Project Generation (DEAET) | 0 | 893,936 |
| Community Development Workers | 0 | 510,060 |
| Amphitheatre - Uitenhage - UDDI | 0 | 1,041,011 |
| National Treasury - Accreditation of Municipalities | 697,413 | 0 |
| RSC Levies Replacement | 246,595,009 | 0 |
| National and Provincial Government Capex Funding | 428,037,609 | 156,132,005 |
| 2010 FIFA World Cup Stadium | 317,085 | 0 |
| Youth Projects | 500,000 | 0 |
| Walmer Youth Development Project | 41,389 | 0 |
| Youth Advisory Centre | 504,138 | 0 |
| HIV and Aids Columbia University Project | 532,869 | 0 |
| Other | 25,347,039 | 7,592,300 |
| | <u>1,251,855,724</u> | <u>521,589,499</u> |
| 21.1 PHB Subsidies | | |
| <p>This Grant is received from Provincial Government and is used for the construction of low-cost housing</p> | | |
| Balance at beginning of year | 0 | 0 |
| Current year receipts | 66,357,404 | 113,333,518 |
| Conditions met - transferred to revenue | (66,357,404) | (113,333,518) |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>0</u> |
| 21.2 Health Subsidies | | |
| <p>This grant is received from the Provincial Government and used in the Health function.</p> | | |
| Balance at beginning of year | 0 | 0 |
| Current year receipts | 59,068,835 | 63,398,802 |
| Conditions met - transferred to revenue | (59,068,835) | (63,398,802) |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>0</u> |
| 21.3 Equitable Share | | |
| <p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.</p> | | |
| Balance unspent at beginning of year | 154,227,326 | 122,107,570 |
| Current year receipts | 240,876,395 | 188,974,187 |
| Funding of Capital Projects | (30,159) | (554,221) |
| Conditions met - transferred to revenue | (395,073,562) | (156,300,210) |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>154,227,326</u> |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | Restated 2006 R |
|--|------------------|-----------------------|
| 21.4 Transportation Subsidies | | |
| This subsidy is used for subsidising the provision of roads in the municipal area. | | |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 4,056,253 | 4,653,680 |
| Conditions met - transferred to revenue | (4,056,253) | (4,653,680) |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>0</u> |
| 21.5 Finance Management Grant | | |
| This grant is used in the financial reform project under the guidance of National Treasury. | | |
| Balance unspent at beginning of year (See Note 36.2) | 1,785,915 | 6,160,927 |
| Current year receipts | 1,217,877 | 3,500,000 |
| Funding of Capital Projects | (1,000,000) | (7,353,864) |
| Conditions met - transferred to revenue | (543,338) | (521,148) |
| Conditions still to be met - transferred to liabilities | <u>1,460,253</u> | <u>1,785,915</u> |
| 21.6 Library Services - Carnegie Corporation Grant | | |
| This grant is used for the provision of books and services in the Municipality's libraries. | | |
| Balance unspent at beginning of year | 661,688 | 751,338 |
| Current year receipts | 58,975 | 142,567 |
| Funding of Capital Projects | (22,927) | (123,577) |
| Conditions met - transferred to revenue | (36,670) | (108,639) |
| Conditions still to be met - transferred to liabilities | <u>661,066</u> | <u>661,688</u> |
| 21.7 SMME - Development | | |
| This subsidy is used for the development of small businesses in the Municipality. | | |
| Balance unspent at beginning of year | 192,501 | 0 |
| Current year receipts | 0 | 282,000 |
| Conditions met - transferred to revenue | (35,201) | (89,499) |
| Conditions still to be met - transferred to liabilities | <u>157,300</u> | <u>192,501</u> |
| 21.8 LGWSETA Funding | | |
| This grant is used to promote skills development within the Municipality. | | |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 0 | 2,756,733 |
| Conditions met - transferred to revenue | - | (2,756,733) |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>0</u> |
| 21.9 Project Consolidate | | |
| This grant was received from the Department of Provincial and Local Government as an initiative to improve municipal systems relating to the collection of debt. | | |
| Balance unspent at beginning of year | 3,341,525 | 0 |
| Current year receipts | 4,510,512 | 4,166,184 |
| Conditions met - transferred to revenue | (2,371,124) | (824,659) |
| Conditions still to be met - transferred to liabilities | <u>5,480,913</u> | <u>3,341,525</u> |
| 21.10 Disaster Management Grant | | |
| This grant is used to provide aid to those in need when disasters arise in the municipal area. | | |
| Balance unspent at beginning of year | 2,352,666 | 3,244,150 |
| Current year receipts | 1,813,006 | 1,274,516 |
| Conditions met - transferred to revenue | (1,336,912) | (2,166,000) |
| Conditions still to be met - transferred to liabilities | <u>2,828,760</u> | <u>2,352,666</u> |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

| | 2007 R | Restated 2006 R |
|--|--------------------|-----------------------|
| 21.11 Municipal Systems Improvement Grant | | |
| This grant was received from the Department of Provincial and Local Government in an initiative to improve municipal systems relating to the collection of debt. | | |
| Balance unspent at beginning of year | 129,266 | 2,084,002 |
| Current year receipts | 11,521 | 115,122 |
| Conditions met - transferred to revenue | 0 | (2,069,859) |
| Conditions still to be met - transferred to liabilities | <u>140,787</u> | <u>129,266</u> |
| 21.12 Municipal Infrastructure Grant | | |
| This grant is used for the provision of infrastructure in the municipal area. | | |
| Balance unspent at beginning of year | 39,088,844 | 39,992,446 |
| Current year receipts | 141,737,299 | 85,923,705 |
| Funding of Capital Projects | (65,141,563) | (86,137,432) |
| Conditions met - transferred to revenue | (14,916,667) | (689,875) |
| Conditions still to be met - transferred to liabilities | <u>100,767,913</u> | <u>39,088,844</u> |
| 21.13 Restructuring Grant | | |
| This grant is used for the restructuring of the Municipality. | | |
| Balance unspent at beginning of year | 38,327,707 | 56,522,782 |
| Current year receipts | 29,902,533 | 37,684,677 |
| Funding of Capital Projects | (84,115,358) | (50,398,678) |
| Conditions met - transferred to revenue | (5,359,751) | (5,481,074) |
| Transferred to Other debtors | 21,244,869 | 0 |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>38,327,707</u> |
| 21.14 Capacity Building Grant | | |
| This grant was received from Provincial Government for capacity building in the various wards. | | |
| Balance unspent at beginning of year | 0 | 200,000 |
| Current year receipts | 0 | 8,346 |
| Conditions met - transferred to revenue | 0 | (208,346) |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>0</u> |
| 21.15 Ploughing Fields | | |
| This grant is used to promote economic development. | | |
| Balance unspent at beginning of year | 218,645 | 1,020,000 |
| Current year receipts | 10,922 | 322,054 |
| Conditions met - transferred to revenue | (127,453) | (1,123,408) |
| Conditions still to be met - transferred to liabilities | <u>102,114</u> | <u>218,645</u> |
| 21.16 DBSA-Systems Renewal Project | | |
| This grant is used for the upgrading of the Municipality's information systems. | | |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 0 | 1,694,737 |
| Conditions met - transferred to revenue | 0 | (1,694,737) |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>0</u> |
| 21.17 Project Generation (DEAET) | | |
| This grant is used to promote economic development. | | |
| Balance unspent at beginning of year | 5,196,179 | 0 |
| Current year receipts | 462,317 | 6,090,116 |
| Conditions met - transferred to revenue | 0 | (893,936) |
| Conditions still to be met - transferred to liabilities | <u>5,658,496</u> | <u>5,196,179</u> |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 R | Restated 2006 R |
|--|------------------|-----------------------|
| 21.18 Community Development Workers | | |
| This grant is used to cover the costs associated with community development workers. | | |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 0 | 510,060 |
| Conditions met - transferred to revenue | 0 | (510,060) |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>0</u> |
| 21.19 Amphitheatre - Uitenhage - UDDI | | |
| This grant is used to promote Economic development in the Uitenhage and Despatch Development Initiative. | | |
| Balance unspent at beginning of year | 30,790 | 1,000,000 |
| Current year receipts | 2,744 | 71,802 |
| Conditions met - transferred to revenue | 0 | (1,041,011) |
| Conditions still to be met - transferred to liabilities | <u>33,534</u> | <u>30,790</u> |
| 21.20 National Treasury - Accreditation of Municipalities | | |
| This grant is used for capacity building of employees in the Municipality's Housing Directorate. | | |
| Balance unspent at beginning of year | 3,459,148 | 0 |
| Current year receipts | 4,000,000 | 3,459,148 |
| Conditions met - transferred to revenue | (697,413) | 0 |
| Conditions still to be met - transferred to liabilities | <u>6,761,735</u> | <u>3,459,148</u> |
| 21.21 RSC Levies Replacement Grant | | |
| This grant is used to compensate for loss of revenue due to the abolishment of RSC Levies. | | |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 246,595,009 | 0 |
| Conditions met - transferred to revenue | (246,595,009) | 0 |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>0</u> |
| 21.22 2010 FIFA World Cup Stadium | | |
| This grant is used to fund the building of the 2010 Multi-purpose Stadium. | | |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 185,982,212 | 0 |
| Funding of Capital Projects | (178,009,698) | 0 |
| Conditions met - transferred to revenue | (317,085) | 0 |
| Conditions still to be met - transferred to liabilities | <u>7,655,429</u> | <u>0</u> |
| 21.23 Youth Projects | | |
| This grant is used for youth development. | | |
| Balance unspent at beginning of year | 500,000 | 0 |
| Current year receipts | 0 | 500,000 |
| Conditions met - transferred to revenue | (500,000) | 0 |
| Conditions still to be met - transferred to liabilities | <u>0</u> | <u>500,000</u> |
| 21.24 Walmer Youth Development Project | | |
| This grant is used for youth development. | | |
| Balance unspent at beginning of year | 130,000 | 0 |
| Current year receipts | 0 | 130,000 |
| Conditions met - transferred to revenue | (41,389) | 0 |
| Conditions still to be met - transferred to liabilities | <u>88,611</u> | <u>130,000</u> |
| 21.25 Youth Advisory Centre | | |
| This grant is used for youth development. | | |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 750,000 | 0 |
| Conditions met - transferred to revenue | (504,138) | 0 |
| Conditions still to be met - transferred to liabilities | <u>245,862</u> | <u>0</u> |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

| | 2007 R | Restated 2006 R |
|--|----------------------|-----------------------|
| 21.26 HIV and Aids Columbia University Project | | |
| This Grant is used for HIV and Aids projects. | | |
| Balance unspent at beginning of year | 0 | 0 |
| Current year receipts | 838,309 | 0 |
| Conditions met - transferred to revenue | (532,869) | 0 |
| Conditions still to be met - transferred to liabilities | <u>305,441</u> | <u>0</u> |
| 21.27 PTIF Soccer World Cup | | |
| This grant is received from National Treasury for upgrading of infrastructure to support the 2010 Multi-purpose Stadium. | | |
| Balance unspent at beginning of year | 52,883,921 | 0 |
| Current year receipts | 68,600,000 | 53,650,000 |
| Funding of Capital Expenditure | (33,156,765) | (766,079) |
| Conditions still to be met - transferred to liabilities | <u>88,327,156</u> | <u>52,883,921</u> |
| 21.28 Other Grants | | |
| These are grants received by the Municipality for various purposes | | |
| Balance unspent at beginning of year | 170,893,117 | 86,461,383 |
| Current year receipts | 163,309,791 | 102,822,189 |
| National and Provincial Government Capex Funding | (66,561,140) | (10,798,154) |
| Conditions met - transferred to revenue | (25,347,039) | (7,592,300) |
| Conditions still to be met - transferred to liabilities | <u>242,294,729</u> | <u>170,893,117</u> |
| 22 OTHER INCOME | | |
| Sale of Land | 11,139,925 | 8,700,495 |
| Fees and Charges | 98,184,562 | 117,440,421 |
| Grave Income | 4,968,972 | 4,419,962 |
| Interest | 35,249,352 | 24,877,818 |
| Rental Income | 9,411,217 | 9,033,039 |
| Other Income | 59,582,003 | 31,138,464 |
| | <u>218,536,032</u> | <u>195,609,999</u> |
| Transfer to Licences and Permits | | (57,508,895) |
| Restatement - Insurance Claim (See Note 35.7) | | 251,639 |
| Restatement - Logistics Park Rental and Levy (See Note 35.7) | | 1,329,884 |
| Restated Balance | | <u>139,682,627</u> |
| Licences and Permits are disclosed separately in line with National Treasury requirements. | | |
| The decrease in income in 2006/07 is in relation to vehicle registration and licence fees no longer being collected by the Municipality. | | |
| 23 EMPLOYEE RELATED COSTS | | |
| Employee related costs - Salaries and Wages | 707,268,295 | 663,589,717 |
| Employee related costs - Contributions for UIF, pensions and medical aids | 211,509,725 | 166,698,093 |
| Travel, motor car, accomodation, subsistence and other allowances | 46,388,029 | 33,941,990 |
| Housing benefits and allowances | 9,518,789 | 8,683,227 |
| Overtime payouts | 53,360,563 | 45,140,367 |
| Performance bonus | 0 | 457,340 |
| Long-service Awards | 15,547,008 | 14,307,934 |
| Less: Salaries Capitalised to PPE | (6,939,303) | 0 |
| | <u>1,036,653,107</u> | <u>932,818,668</u> |
| Remuneration of the Municipal Manager | | |
| Annual Remuneration | 727,888 | 618,670 |
| Performance Bonuses | 0 | 0 |
| Car allowance | 86,912 | 96,000 |
| Contributions to UIF, Medical and Pension Funds | 0 | 1,142 |
| Total | <u>814,800</u> | <u>715,812</u> |
| Remuneration of the Chief Financial Officer | | |
| Annual Remuneration | 490,268 | 481,073 |
| Performance Bonuses | 0 | 53,994 |
| Car allowance | 144,000 | 144,000 |
| Contributions to UIF, Medical and Pension Funds | 49,521 | 95,046 |
| Total | <u>683,789</u> | <u>774,113</u> |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| 23 EMPLOYEE RELATED COSTS (continued) | 2007 R | Restated 2006 R |
|---|----------------|-----------------------|
| Remuneration of Individual Executive Directors | | |
| Corporate Administration | | |
| Annual Remuneration | 699,630 | 598,799 |
| Performance Bonus | 0 | 67,541 |
| Car Allowance | 80,000 | 115,000 |
| UIF, Medical and Pension Funds | 933 | 1,252 |
| | <u>780,563</u> | <u>782,592</u> |
| Economic Development, Tourism and Agriculture | | |
| Annual Remuneration | 425,212 | 564,972 |
| Performance Bonus | 0 | 0 |
| Car Allowance | 114,494 | 148,764 |
| UIF, Medical and Pension Funds | 233 | 1,252 |
| | <u>539,939</u> | <u>714,988</u> |
| Environmental Services | | |
| Annual Remuneration | 523,171 | 492,902 |
| Performance Bonus | 0 | 53,994 |
| Car Allowance | 120,000 | 120,000 |
| UIF, Medical and Pension Funds | 63,741 | 91,150 |
| | <u>706,912</u> | <u>758,046</u> |
| Health | | |
| Annual Remuneration | 97,776 | 566,258 |
| Performance Bonus | 0 | 53,994 |
| Car Allowance | 0 | 88,000 |
| UIF, Medical and Pension Funds | 0 | 0 |
| | <u>97,776</u> | <u>708,252</u> |
| Housing and Land | | |
| Annual Remuneration | 680,281 | 557,552 |
| Performance Bonus | 0 | 53,994 |
| Car Allowance | 37,500 | 150,000 |
| UIF, Medical and Pension Funds | 466 | 1,252 |
| | <u>718,247</u> | <u>762,798</u> |
| Human Resources | | |
| Annual Remuneration | 478,230 | 607,268 |
| Performance Bonus | 0 | 0 |
| Car Allowance | 150,236 | 100,000 |
| UIF, Medical and Pension Funds | 9,554 | 1,075 |
| | <u>638,020</u> | <u>708,343</u> |
| Electricity and Energy | | |
| Annual Remuneration | 593,896 | 553,394 |
| Performance Bonus | 0 | 53,994 |
| Car Allowance | 154,080 | 154,080 |
| UIF, Medical and Pension Funds | 25,357 | 23,400 |
| | <u>773,333</u> | <u>784,868</u> |
| Infrastructure and Engineering | | |
| Annual Remuneration | 656,988 | 617,736 |
| Performance Bonus | 0 | 65,835 |
| Car Allowance | 96,000 | 96,000 |
| UIF, Medical and Pension Funds | 0 | 0 |
| | <u>752,988</u> | <u>779,571</u> |
| Recreation and Culture | | |
| Annual Remuneration | 0 | 564,972 |
| Performance Bonus | 0 | 53,994 |
| Car Allowance | 0 | 148,764 |
| UIF, Medical and Pension Funds | 0 | 0 |
| | <u>0</u> | <u>767,730</u> |
| Safety and Security | | |
| Annual Remuneration | | 645,458 |
| Performance Bonus | | 0 |
| Car Allowance | | 30,000 |
| UIF, Medical and Pension Funds | | 530 |
| | <u>0</u> | <u>675,988</u> |

Executive Director positions where no remuneration has been reflected were vacant for the period under review.

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

| | 2007 R | Restated 2006 R |
|---------------------------------------|-------------------|-----------------------|
| 24 REMUNERATION OF COUNCILLORS | | |
| Mayor's remuneration/allowance | 730,593 | 360,541 |
| Deputy Mayor's remuneration/allowance | 573,524 | 309,892 |
| Speaker | 573,524 | 309,892 |
| Councillors' remuneration/allowances | 32,375,671 | 19,270,996 |
| Pension fund contributions | 0 | 1,956,277 |
| Telephone allowances | 1,082,628 | 954,066 |
| Transport allowances | 0 | 4,496,351 |
| Housing allowances | 0 | 510,194 |
| Councillor's medical aid | 0 | 493,194 |
| Office bearers' allowances | 0 | 565,030 |
| Personal facilities allowances | 0 | 98,298 |
| | 35,335,941 | 29,324,731 |

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 Councillor's remuneration package, the structure has changed to an all-inclusive package, with the exception of a telephone allowance.

25 INTEREST PAID

| | | |
|----------------------------|-------------------|-------------------|
| Interest on External Loans | 24,103,040 | 26,932,678 |
| Lease Charges | 80,298 | 319,440 |
| | 24,183,338 | 27,252,118 |

26 BULK PURCHASES

| | | |
|-------------|--------------------|--------------------|
| Electricity | 635,394,969 | 577,088,128 |
| Water | 30,927,895 | 24,088,799 |
| | 666,322,864 | 601,176,927 |

27 GRANTS AND SUBSIDIES PAID

| | | |
|-------------------------------|-------------------|-------------------|
| Grants in aids | 4,988,648 | 7,799,869 |
| Grants to Entities | 21,145,770 | 17,739,864 |
| Grants to Other Organisations | 16,836,177 | 15,568,580 |
| | 42,970,595 | 41,108,313 |

The 2005/06 comparatives were restated in the amounts of R17 739 864 and R15 568 580 in respect of Grants to Entities and Grants to Other Organisations respectively. These amounts were transferred from General Expenses.

28 CASH GENERATED FROM OPERATIONS

| | | |
|--|--------------------|--------------------|
| Net surplus for the year | 487,168,764 | 73,263,263 |
| Change in accounting policy/errors | 0 | 361,424,306 |
| Restated surplus for the year | 487,168,764 | 434,687,569 |
| Depreciation | 266,587,719 | 192,016,619 |
| Investment income | (218,979,879) | (203,095,449) |
| Interest paid | 24,183,338 | 27,252,118 |
| Operating surplus before working capital changes: | 558,959,942 | 450,860,857 |
| (Increase)/Decrease in inventories | (12,947,317) | 9,243,037 |
| (Increase) in consumer debtors | (9,906,585) | (128,905,940) |
| Decrease in current portion of long-term receivables | 942,713 | 966,344 |
| Increase in creditors | 333,750,816 | 45,458,586 |
| Increase in unspent conditional grants | (10,449,139) | 93,690,679 |
| Increase in current portion of long-term liabilities | (7,606,197) | 8,612,817 |
| Increase in other debtors | (13,060,930) | (42,002,401) |
| Increase in VAT | (8,122,900) | (6,318,255) |
| Increase in consumer deposits | 5,956,316 | 11,410,215 |
| Cash generated by operations | 837,516,719 | 443,015,939 |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 | Restated 2006 |
|--|----------------------|---------------------|
| | R | R |
| 29 CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 215,431,857 | 53,026,362 |
| Call investment deposits | 55,555,956 | 55,174,189 |
| Total cash and cash equivalents | 270,987,813 | 108,200,551 |
| 30 (DECREASE) IN LONG-TERM LOANS (EXTERNAL) | | |
| Loans raised | 0 | 0 |
| Loans repaid | (199,423,149) | (36,735,750) |
| | (199,423,149) | (36,735,750) |
| ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE | | |
| 31 MANAGEMENT ACT | | |
| 31.1 Contributions to organised local government | | |
| Opening balance | 0 | 0 |
| Council subscriptions | 6,422,160 | 1,121,746 |
| Amount paid - current year | (6,422,160) | (1,121,746) |
| Balance unpaid (included in creditors) | 0 | 0 |
| The 2005/06 comparative was restated in the amount of R220 699 to bring it in line with the actual contribution made. | | |
| 31.2 Audit Fees | | |
| Opening balance | 0 | 0 |
| Current year audit fee | 3,991,696 | 3,184,417 |
| Amount paid - current year | (3,991,696) | (3,184,417) |
| Amount paid - previous year | - | 0 |
| Balance unpaid (included in creditors) | 0 | 0 |
| 31.3 VAT | | |
| VAT inputs and VAT output are shown in Note 15. All VAT returns have been submitted by the due date throughout the year. | | |
| 31.4 PAYE and UIF | | |
| Opening balance | 9,010,397 | 9,971,739 |
| Current year payroll deductions | 134,407,782 | 119,408,595 |
| Amount paid - current year | (123,561,830) | (110,398,198) |
| Amount paid - previous year | (9,010,397) | (9,971,739) |
| Balance unpaid (included in creditors) | 10,845,952 | 9,010,397 |
| 31.5 Pension and Medical Aid Deductions | | |
| Opening balance | 0 | 0 |
| Current year payroll deductions and Council contributions | 235,420,039 | 228,744,625 |
| Amount paid - current year | (235,420,039) | (228,744,625) |
| Balance unpaid (included in creditors) | 0 | 0 |

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
31 MANAGEMENT ACT (continued)

31.6 Councillor's arrear consumer accounts

| | R | R | R |
|--|---------------|-------------------------|-------------------------|
| | | <u>Outstanding less</u> | <u>Outstanding more</u> |
| Councillors had arrear accounts outstanding for more than 90 days as at: | <u>Total</u> | <u>than 90 days</u> | <u>than 90 days</u> |
| 30 June 2007 | | | |
| Councillor AVG Mfunda | 3,081 | 444 | 2,637 |
| Councillor M Nzotoyi | 3,662 | 2,542 | 1,120 |
| Councillor NM Makapela | 3,906 | 305 | 3,601 |
| | <u>10,649</u> | <u>3,291</u> | <u>7,358</u> |

| | <u>Total</u> | <u>Outstanding less</u> | <u>Outstanding more</u> |
|--|--------------|-------------------------|-------------------------|
| Councillors had arrear accounts outstanding for more than 90 days as at: | | <u>than 90 days</u> | <u>than 90 days</u> |

30 June 2006

| | | | |
|--------------------------|---------------|---------------|---------------|
| Councillor F Desi | 922 | 0 | 922 |
| Councillor B S Greef | 11,808 | 10,318 | 1,490 |
| Councillor M S Hote | 644 | 0 | 644 |
| Councillor A C G Mfunda | 3,619 | 278 | 3,341 |
| Councillor M M Nkewu | 776 | 332 | 444 |
| Councillor S Ntonela | 367 | 175 | 192 |
| Councillor C G Pietersen | 3,533 | 0 | 3,533 |
| Councillor Z J Qupe | 3,600 | 377 | 3,223 |
| | <u>25,269</u> | <u>11,480</u> | <u>13,789</u> |

31.7 List of entities and related transactions

| | 2007 | Restated |
|---|-------------------|-------------------|
| | R | 2006 |
| | | R |
| Solely-controlled entities | | |
| All entities are solely controlled by the Municipality and have received the following grants.: | | |
| 1. Nelson Mandela Bay Development Agency (See Note 35.6) | 20,043,520 | 16,690,104 |
| 2. Centenary Hall Promotions | 55,460 | 52,820 |
| 3. Feathermarket Hall Promotions | 1,046,790 | 996,940 |
| 4. Nelson Mandela Metropolitan Art Museum | 0 | 2,603,090 |
| Total | <u>21,145,770</u> | <u>20,342,954</u> |
| Nelson Mandela Metropolitan Art Museum (treated as other organisations) | | (2,603,090) |
| Restated Grants to Solely-controlled Entities | <u>21,145,770</u> | <u>17,739,864</u> |

Other organisations

The Organisations have received the following grants:

| | | |
|--|-------------------|-------------------|
| 1. Uitenhage Despatch Development Initiative (See Note 35.6) | 2,553,200 | 2,400,000 |
| 2. Nelson Mandela Bay Tourism (See Note 35.6) | 11,093,707 | 10,565,490 |
| | <u>13,646,907</u> | <u>12,965,490</u> |
| Nelson Mandela Metropolitan Art Museum | 3,189,270 | 2,603,090 |
| Restated Grants to Other Organisations | <u>16,836,177</u> | <u>15,568,580</u> |

31.8 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal procurement process. The deviations for the 2006/07 financial year are detailed as follows:

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|--|--|-------------------|---|
| 1 | Emergency purchases during floods – 2/8/2006 | R267 625,91 | SA Foam & Mattress Servistar C & K Hardware African Textiles KFC | 23 August 2006 | In terms of Section 36(1)(i) of the SCMP. Due to a severe rain storm on 2 August 2006, many residents were forced to evacuate their homes and seek alternative shelter. This resulted in the following emergency purchases having to be made to respond effectively to the disaster situation: Blankets Foam mattresses Plasting sheeting Relief food |
| 2 | Acquisition of additional computer aided draughting licenses | R123 595,38 | Micrographics | 21 September 2006 | (Section 36(1)(a)(v)). The GIS/Drawing Office acquired five AutoCAD 2007 software licenses in the 2005/2006 budget year. Authority was sought by the Housing and Land Business Unit for the purchasing of three additional AutoCAD 2007 software licenses. It is deemed impractical to go out on tender, as other computer programmes are not compatible with the existing programme. |
| 3 | Flood Damage : Appointment of consultants to undertake emergency repairs | Professional fees be paid in terms of the provisions of the Engineering Council of SA Scale of Fees contained in Board Notice 30 of 2006 | Engineering Advice and Services CC Iliso Consulting (Pty) Ltd Stemele Bosch Africa (Pty) Ltd | 21 September 2006 | (In terms of Section 36(1)(a)(i)). Engineering Advice and Services CC – Design and Tender Stage, preparation of working drawings and construction stage of the construction of the intersection of Kragga Kamma Road and Circular Drive. Iliso Consulting (Pty) Ltd – Design and Tender Stage, preparation of working drawings and construction stage of the construction of the bridge and ancillary works at Lower Valley Road |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|---------------------------------|--|-------------------|---|
| 4 | Flood damage repairs : Van der Kemps Kloof Dam | R45 063,22 and R16 911,31 | Gusha Civils L & P Quarries JV with SRK Consulting | 27 September 2006 | and Chelmsford Avenue. Stemela Bosch Africa (Pty) Ltd – Design and Tender Stage, preparation of the construction of the bridge and ancillary works at William Moffett, 9 th Avenue, Walmer and Riverstone Road. On 2 and 3 August 2006, extensive damage was caused by flood waters to the abovementioned roads. These facilities are key links in the road network and it has been necessary to undertake emergency repairs in order to restore traffic flows to normality. In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Authority was sought for the deviation from the calling for tenders in respect of urgent and necessary work to be undertaken on dam structures at Van der Kemps Kloof caused by flood damage. Gusha Civils L & P Quarries JV with SRK as Consulting Engineers was appointed to re-instate the dams at Van Der Kemps Kloof in 2005. Restructuring of the damaged area must be undertaken in a manner that links and ties into the civil work undertaken by Gusha Civils L & P Quarries JV. Civil works should be overseen and supervised by SRK who undertook similar work during the dam's re-instatement. |
| 5 | Purchase of suction pump for use in | R77 505.00, excl. of VAT | Northfield Engineering | 26 September 2006 | In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|----------------|-------------------------------|------------------|--|
| | flooded Boundary Lane area | | | | On 2 and 3 August 2006, extensive damage was caused by flood waters resulting in the flooding of Boundary Lane, which necessitated the urgent purchase of a specific high-head positive suction pump. |
| 6 | Braai/Dinner ANC Retreat : 22/8/2006 | R12 530 | Bobby's Food Empodium | 5 September 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Office of the Executive Mayor was requested at very short notice to provide dinner at the ANC Caucus Retreat held on 22 August 2006 due to the meeting extending longer than expected. |
| 7 | Installation of station control and public address racks | R186 650,00 | Sysman Vunumphelo | 17 August 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Authority was granted for the appointment of the current maintenance contractor and licensee to the original tender contract, to do additional work required for the installation of station control and public address racks at various fire stations in the Municipality. |
| 8 | Payment of Asante Management Consultants to undertake skills development analysis in respect of the Tourism Masterplan | R147 062,50 | Asante Management Consultants | 23 August 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Asante Management Consultants in association with Harley Sharpe Southern Africa was appointed to develop the Tourism Master Plan in line with the SCMP. The situational analysis identified the skills gap within the tourism industry, which was not part of the original scope of work. The lack of information in the secondary sources, posed a challenge to the |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|---------------------------|--|----------------|--|
| 9 | Upgrading of Synopsis Software | R107 500.00, excl. of VAT | Synopsis Software | 15 August 2006 | consultants, as a comprehensive audit had to be undertaken. Asante had to conduct their own primary research and firm surveys. The appointment of other service providers was deemed to be impractical as they would lack insight in the Tourism Master Plan. In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. With Synopsis Software being the custodians and sole supplier of the current system, it is impractical to follow the official procurement process for the upgrade of the existing service request application to supply, install and provide end user training. |
| 10 | Approval to increase tender amount in respect of Armoury Project, Contract HL/000005, Sidwell, Port Elizabeth | R180 000 | Zama Projects | 20 June 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The original tender in the amount of R1 811 885,16 was awarded to Zama Projects to construct the armoury at the Sidwell Traffic Department, Port Elizabeth. Some site works must be done to prepare for the installation of the security fence and to finish off some grassed areas adjacent to the armoury, which were not included in the contract. This will result in additional work to the value of R180 000. |
| 11 | Purchase of Novell licences | R2 318 114,00 | State Information Technology Agency (SITA) | 11 July 2006 | Because of an increased demand, the purchase of additional Novell licences has become necessary. Approval was sought for the |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|---|--|------------------|--|
| 12 | Payment of NMMU (Algoa Campus Classroom hired as a venue for EPWP learners) 1 March 2006 to 31 July 2006 | R11 237,70 | Nelson Mandela Metropolitan University | 7 June 2006 | dispensing of the normal tendering procedures in terms of Section 36 (1)(a)(v) of the Supply Chain Management Policy. The reasons for requesting a deviation from the normal tendering process are as follows: (a) The current system being used by the NMBMM is the Novell Network. (b) The Novell Network is the only system compatible with the Municipality's current system. (c) Novell Network is the only supplier of the system required by the NMBMM. |
| 13 | Drought relief strategy: Augmentation of Nooitgedagt Water Treatment Works: Appointment of consulting engineer | According to advertised fees applicable to consulting engineers | BKS (Pty) Ltd | 12 June 2006 | In terms of Section 36 (1)(a)(v) of the Supply Chain Management Policy. The official concerned was unaware of the fact that approval to deviate from normal procurement procedures should have been obtained prior to the rental of the classrooms. In terms of Section 36 (1)(a)(i) and (v) of the Supply Chain Management Policy. The original consultants for the construction of the Nooitgedagt Water Treatment Works was BKS (Pty) Ltd. Due to the drought situation, there will be saving in time and cost, as certain of the design work would be a duplication of the previous design. |
| 14 | Repairs to Swartkops Mount Road 66 kV underground cable | R118 072,26, excl. VAT | CBI Electric African Cables | 21 November 2006 | In terms of Section 36(1) (a) (i) and (ii) of the Supply Chain Management Policy. CBI Electric African Cables is the sole supplier |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|---|--|-----------------|---|
| 15 | Lease of Ward Councillor offices from the private sector | R8 800 | Ward 5 – Central Office (R2 000 pm) Ward 9 – R2 000 pm Ward 12 – Malabar Old Age Home (R800 pm) Ward 34 - West End – R1 700 pm Ward 40 – St Albans School (R800 pm) Ward 52 – NG Church Office, Uitenhage (R1 500 pm) | 11 August 2006 | in the RSA. In terms of Section 36 (1) (a) (v) of the Supply Chain Management Policy. The procurement process was followed on two occasions, and only one response received. Because the process had been exhausted, there were still Ward Councillors who did not have offices and it was essential to place them. |
| 16 | Emergency repairs to powerlines – August 2006 floods | R24 470,85 | Rangers Clutch and Break | 19 October 2006 | In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. During the floods in August, widespread power failures were experienced. Due to the difficulty of access to various areas, a 4 x 4 crane truck with a driver and a 4 x 4 LDV were hired. This was an emergency, as no other suitable vehicles could be sourced from the annual contracts. |
| 17 | Authority to extend services of KPMG Services : Physical verification of movable assets | R175 320 per month for two months, excluding VAT, and reimbursable disbursements, like travelling | KPMG Services | 7 August 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In order for the Municipality to make a significant impact in the Auditor General's report for 2005/06, the physical verification of movable assets amongst others must be performed. According to the Asset Management Process Plan Schedule, the target date to complete the physical verification of movable assets as per |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|----------------|--|---------------|--|
| 18 | Contract HL0027 : Red Location Precinct : Phase 2 | R2 999 241,00 | Noero Wolff Architects | 1 August 2006 | the Asset Management Process Plan of Action tabled at the Audit Steering Committee was 31 August 2006. The contract for the physical verification exercise was awarded to KPMG Services, starting on 1 June 2006 to 30 June 2006. Due to budget constraints, the funds that were made available at the time could not cover the estimated three month period to complete the physical verification exercise. |
| 19 | Procurement of Specialist Services : 2010 FIFA World Cup | R1 220 000 | Grant Thornton Stewart Scott and Khuthele NOH and Metroplan | 11 July 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy in order to allow for natural continuation of work carried out by the contractor on a previous occasion. In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Is a natural continuation of work carried out by the contractor on a previous occasion and has cost saving implications to Council. |
| 20 | Purchase of milk formula from sole supplier : Nestlé SA (Pty) Ltd | R317 157,12 | Nestlé (SA) Pty Ltd | 22 May 2006 | In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. Approximately 1 700 malnourished children and babies born from HIV positive mothers are receiving Nan Pelargon as a nutritional supplement. The EC Department of Health was unable to supply the milk formula due to technical difficulties. ECDOC submitted a formal request to the Health Directorate for the acquisition of the milk to ensure that targeted beneficiaries are provided with the needed milk. Currently, the INP is using Pelargon Acidified Infant Formula as the preferred breast milk |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|--|--|------------------|---|
| 21 | Tuberculosis Blitz Campaign | R300 000 (To be reimbursed by the EC Dept. of Health) | Various service providers – Caterers, buses, marquee tents, portable toilets. The event was cancelled due to floods, but the catering had to be prepared in advance. A cancellation fee was negotiated with other service providers. | 11 August 2006 | substitute. Nestlé South Africa (Pty) Limited is the sole manufacturer of this product. In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In view of the short notice period and the level of logistical support required to ensure a successful event, approval was granted to dispense with the calling for tenders. |
| 22 | HIV and Aids Prevention Programme – Purchase of Equipment | R52 782,00 | Chapmar Industries CC | 28 December 2006 | In terms of Section 36(i)(a)(v) of the Supply Chain Management Policy. Due to the short period available to spend the allocated funds (31 December 2006), and the fact that the service provider is closing on 15 December 2006. |
| 23 | Drafting and promulgation of By-laws | R252 000 | ISGAD | 31 October 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Due to the volume of work, limited time period and budgetary constraints, it was decided to split the by-law drafting process into five main phases, which could be performed and addressed over a period of time. ISGAD was appointed for the First Phase of this project through the normal tendering process. It would have been a fruitless exercise to issue a tender for the presentation of the remaining four phases. It was also vital that ISGAD be |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|--|---|----------------|--|
| 24 | Reconstruction of Provincial Proclaimed Main Road No 450 – Addo Road – Appointment of consulting engineers | Tariff of Fees for persons registered in terms of the Engineering Profession Act, 2000 | P D Naidoo and Associates (Pty) Ltd, Nathoo Mbenyane Engineers and Uhambiso Consult (Pty) Ltd | 17 August 2006 | <p>afforded the opportunity to continue with the remaining phases for continuity and standardisation purposes.</p> <p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>The construction of Addo Road was considered as a vital link to Motherwell and the need to improve traffic safety in the area. In this regard, an application for the allocation of an amount of R20 m was submitted to the European Union in terms of the MURP for the construction of Addo Road. At that time, the appointment of consultants to carry out the design, etc. was actively pursued in anticipation of the EU allocation being received. The allocation of these funds was not approved and the project did not proceed at that time.</p> <p>On 2 June 2005, the then Municipal Bid Committee resolved to appoint the firms P D Naidoo and Ass and Uhambiso Consult to carry out the design of Addo Road. On 19 June 2006, the Adjudication Committee recommended the appointment of P D Naidoo and Ass. and Nathoo Mbenyane Engineers Joint Venture. In terms of the above resolutions, a situation has now arisen that there are two different resolutions dealing with the appointment of consultants for the Addo Road project. Although at that stage, none of the consultants had been formally appointed, an expectation of work had been created. The</p> |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|----------------|--------------------------|-----------------|--|
| 25 | Increase in tender amount for centralised control centre, South End, Contract HL/00023 | R341 432,32 | Zama Projects | 15 January 2007 | <p>situation was explained to the consultants concerned and agreement was reached that the work would be allocated among the consultants in a way that would be satisfactory to all parties.</p> <p>In terms of Section 36(i)(a)(v) of the Supply Chain Management Policy.</p> <p>Additional work to be carried out by Zama Projects on Contract HL/00023 to accommodate future security and system expansion for the Centralised Control Centre, South End. The main contractor, Zama Projects, as well as the four specialist nominated sub-contractors, are still in the process of completing the building work under the existing contract. In terms of the JBCC Principal Building Agreement, the contractor has a lien or right of continuing possession of the works, which remains in force until completion of the works. It is therefore contrary to the existing contract to allow another contractor to work on the site before completion is achieved. The main contractor could be requested to give written permission for this clause to be waived. However, this creates serious problems in terms of responsibility for defective work and possible damage to the work completed under the previous contract. All additional work will be costed in accordance with the rates tendered by the main contractor and nominated sub-contractors in their Bills of Materials that formed part of the original tender documentation. Should new tenders be called</p> |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|----------------|---------------------------|------------------|--|
| 26 | Rationalisation of Entities Project : Extension of brief to include Culture and Heritage Entity | R184 800 | BDO Spencer Steward | 22 December 2006 | for, the tenderers would price for site establishment costs, setting up site, storage sheds, offices, etc. These sites establishment costs are already costed by the existing contractor as Preliminaries and General costs in the Bills of Quantities, and are therefore not re-costed in the rates for the proposed additional work. |
| 27 | Procurement of books from Juta and Company | R2 311,00 | Juta and Company | 28 November 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The extension of the brief to include the Culture and Heritage Entity as well as the municipal facilities, would be expensive if thorough scrutiny and investigation were done for each entity/project. In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. Juta and Company are the publishers and distributors of the requested books. No other company distributes the books and it is therefore sole supplier. |
| 28 | Maintenance to Nelson Mandela Art Museum | R600/hr | Stauch Vorster Architects | 22 November 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The appointment of Stauch Vorster Architects will be a natural continuation of work and will result in a significant cost-saving benefit to the Council, as their office hold extensive records and drawings of the Art Museum. Since the 1990s they have designed and supervised extensions to the main hall and the arts hall and have been in constant consultation regarding |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|---|---------------------------------|-----------------|---|
| 29 | Critical cable fault location by Verotest (Pty) Ltd | R22 981,26 | Verotest (Pty) Ltd | 3 October 2006 | the problems with both roofs. Steuch Vorster reduced the normal hourly rate from the industry rate of R800 to R600 per hour because he already has all the structural records of the museum building. In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. A high-resistance cable fault recently settled in on the Northdowns – Willard No. 1 22 kV feeder. The Directorate's Fault Location Section, with its own resources, tried everything possible over a period of time to locate the fault, but was unsuccessful. Due to the emergency of repairing the cable in the shortest possible time, it was decided to utilise the assistance of an accredited contractor. A lengthy tender procedure in procuring the necessary assistance would not have been in the interest in solving the problem timeously. |
| 30 | Motherwell Creative Arts Centre : Professional facilitators and community facilitators | Not exceeding R5 000 per month per person | Various Specialised Art Mentors | 3 October 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. In lieu of no policy in place in the NMBM regarding the scoping and implementation of community-based arts projects and in the context of the unit having to identify specialists at the negotiated rate of R5 000 per month to implement the creative industry projects. |
| 31 | Maintenance Software Renewal ADBS (Action Driven Balanced | Vote OK 187045 Budget : | QVCS Africa | 27 October 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. QVCS Africa is the only company able to supply |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|--|--|------------------|---|
| | Scorecard) Performance Management System | R890 400 Expenditure to date: R80 000 | | | the required further licences. |
| 32 | Contract 5398(S) : Replacement of Heat Treatment Sewer at Fishwater Flats Water Treatment Works : Increase in contract amount and amendment of project budget | R511 692.60, inclusive of VAT | Masakeni Construction (Pty) Ltd | 31 October 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Due to a number of design modifications affecting the scope of work, the total contract cost has increased by approximately 29,3%. The increase in the contract cost resulted mainly from extra pipework that had to be installed in order to connect services that were not linked/provided for in the original design. |
| 33 | Motherwell Arts and Culture Centre | R115 500 | School of Architecture of the Nelson Mandela Metropolitan University | 22 November 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The first phase of the development, being the Motherwell Community Support Centre, was designed by the NMMU School of Architects and funded by SIDA that supports this type of skills development. The proposed development abuts the first phase that was funded by SIDA. The NMMU charges a lower fee than the standard one of SAICE. The urgency to commence, as the SIDA funding had to be spent before the end of December 2006. |
| 34 | Emergency repairs to substation | R24 000 | Den Hangen Contractor CC | 31 October 2006 | In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. A substation wall was completely destroyed as a result of an explosion of the substation equipment. The wall was temporarily fixed with corrugated iron sheets. Some of the sheets were stolen, exposing the equipment to further |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|-------------------------------|---------------------------------------|-----------------|--|
| 35 | Nooitgedagt Water Treatment Works : Repairs to final water pumps | R285 086,75, exclusive of VAT | Sulzer (South Africa) Ltd | 23 October 2006 | theft and vandalism. In addition, an extremely dangerous situation was created where the public could enter these substations and be exposed to live electrical equipment. In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Due to the nature of the work and the water situation in the Municipality it was regarded as an emergency and therefore it was not possible to follow the normal tendering procedure. |
| 36 | Appointment of contract management and administration company : Alterations to NU30 Community Hall, Motherwell | R187 672,24 | Matrix Urban Designers and Architects | 23 October 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Matrix Urban Designers and Architects was appointed to design the extension of the NU3 Hall to a 420 seater capacity community hall in accordance with the R850 000 available on the budget. However, applications for alternative funding were successful and funding was granted to extend the hall capacity to the tune of R3 million. As Matrix Urban Designers and Architects was already on site and was busy with the architectural designs for a smaller hall, their scope of work was subsequently increased to design a hall that could accommodate 950 to 1000 people – in line with the community needs. |
| 37 | Payment of catering : Presidential Imbizo 9 to 10 September 2006 | R110 000 | Simunye Caterers | 3 October 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Because of the time factor, verbal quotations were sourced for the provision of lunch packs on the occasion of the Presidential Imbizo held on 9 to 10 September 2006, and not written |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|--|--|------------------|---|
| 38 | Approval for payment to Zip Zap Circus (Cape Town) as sole trainers for Motherwell Creative Arts Centre Project | R7 717,80 | Zip Zap Circus School | 13 November 2006 | quotations, as required by Section 12(1)(c) of the Supply Chain Management Policy. In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. On the grounds that extensive investigation has revealed the reasonable availability of only one Circus School, i.e. Zip Zap. |
| 39 | Voltage transformer for LMT switchgear | Two units at R38 660 Nine units at R198 000 | ABB SA (Pty) Ltd | 30 November 2006 | In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy. The ABB voltage transformers are an integral component of the ABB switchgear used to provide a metered electricity supply to major consumers. Additional units of ABB voltage transformers were purchased from the sole supplier, i.e. ABB SA (Pty) Limited, to replenish depleted stock urgently required. Since normal delivery is quoted as twelve weeks and major consumers were currently unmetered without these voltage transformers, the procurement of these units was considered to constitute an emergency measure. |
| 40 | Payment to trucking contractors for the relocation of families | R105 800 | Umtha cc – 24 families James Ngqandu – 38 “ M A Mongo – 39 “ Nepto Trading cc – 47 “ Thobile E Tom – 42 “ Patutu Ntamo - 40 “ K E Holejane – 32 “ S A Mrwebo – 45 “ W M Vonqo - 45 “ | 18 December 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|----------------------------------|--|------------------|--|
| 41 | Annual contract : maintenance of server which hosts the computer software of the libraries | R4 677,42 per month | M DNdimba – 38 “ L S Ndimba – 27 “ M M Ndimba – 43 “ Total 460 families HPSA | 7 December 2006 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. HPSA is the only service provider in the Eastern Cape to provide site management in respect of the annual contract for the maintenance of the Unix Operating System being utilised by the Libraries. |
| 42 | Railway safety regulator – Application for Rail Safety Permit – Appointment of specialist service provider | R38 500 | Sheltam Grindrod (Pty) Ltd | 15 December 2006 | In terms of Section 36(1)(a)(ii) of the Supply Chain Management Policy. The firm Sheltam Grindrod (Pty) Ltd is the only suitably skilled local service provider to process a Railway Safety Permit application to the required standard. |
| 43 | Repairs to faulty air conditioners at Pleinhuys | R13 304, exclusive of VAT | Industrial Thermodynamics cc | 25 January 2007 | In terms of Section 36(1)(a)(i) and (v) of the Supply Chain Management Policy. Pleinhuys employees were working under unbearable and unhealthy conditions as a result of the non-functioning of the air conditioner and the fact that the network file server in that building malfunctioned due to overheating resulting in the loss of back-up from October to December 2006. |
| 44 | Renewal of Progress Software Licences | R214 794, exclusive of VAT | Sysnet Cape CC | 9 February 2007 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Progress Software (Pty) Ltd requires that the original distributor supplying the actual licences, |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|------------------------------|--------------------------|-----------------|---|
| 45 | Repairs to computerised weighbridge : Arlington Waste Disposal Site | R19 684,20, exclusive of VAT | SA Scale Co | 9 February 2007 | handle the renewal of licences. Should the licences not be renewed, the hourly rate will cost R500,00 and to buy the latest Progress Software version will cost R2 742 050,00. The renewal of the licences is therefore in the best financial interest of the Municipality. In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Urgent repairs to the weighbridge were required, as any delays would result in lengthy queues at the entrance to the sites, which in turn would have a negative effect on the productivity of the Municipality's refuse collection service. It would also result in unhappiness among the private sector using the sites extensively and could result in an increase in illegal dumping, which in turn could impact negatively on the health and safety of the Municipality's residents. |
| 46 | Payment to Simunye Caterers for the National Youth Service Volunteer Campaign Launch Programme | R24 000, inclusive of VAT | Simunye Caterers | 9 February 2007 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Youth Service Volunteer Campaign Launch Programme was held on 19 December 2006. Altogether 800 volunteers attended the launch and lunch was required for the occasion. Caterers were contacted to source the required three quotes, but many companies were closed for business during the holiday period. Simunye Caterers was the only company able to provide the service at short notice. |
| 47 | Replacement of IT | R60 602,50 | Dimension Data | 9 February 2007 | In terms of Section 36(1)(a)(v) of the Supply |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|----------------------------|--------------------------|-----------------|---|
| | Server Security Device Equipment for the Pre-Payment Vending and Meter Reading Systems | | | | <p>Chain Management Policy.</p> <p>*The equipment required is a small element of an existing larger network configuration and the introduction of another service provider will make it impossible to determine responsibility and attribute accountability in the case of a communication problem or security leak, which would seriously affect the operation of the system.</p> <p>*It is critical that the supplier of the Security Devices (Fire Walls) fully understands ALL elements of the configuration and networking of our current systems in order to ensure uninterrupted effective operation of the Prepayment Vending and Meter Reading Systems. Therefore, the risk is too high to allow another supplier to become involved in a critical but small element of the current security and network layouts.</p> <p>*All the configurations, setup of IP addresses, routers, switches and security devices in respect of the system were originally procured from, installed, and commissioned, and are currently being managed and maintained by Dimension Data.</p> |
| 48 | Modifications and additions to the IVR Electronic Help Desk for the Electricity and Energy Business Unit | R106 000, exclusive of VAT | Siemens | 9 February 2007 | <p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>In terms of the IVR contract between the NMBM and Siemens Business Services (Contract 1737 Annexure B), Siemens Business Services is the only company that can do these modifications</p> |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|------------|--|---|---|----------------------|---|
| 49 | Upgrade of GIMS Valuations Tool Programme | GIMS Valuation Tool Program and training : R48 564,00, incl. VAT and annual maintenance : R23 085,00, incl. VAT | GIMS (Pty) Ltd | 1 March 2007 | and additions for the Directorate. In terms of Section 36(1)(a)(ii) of the Municipal Supply Chain Management Policy. GIMS (Pty) Ltd is the only accredited distributor in SA who is allowed to conduct and deliver official ESRI training courses related to the ESRI product range. |
| 50 | Extension of lease : Portion of 7 th floor : Fidelity House | R20 415,12 per month for the full 482 m ² | Apexhi Properties Limited – Agent Broil | 1 March 2007 | In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Budget and Treasury Directorate leases the entire seventh floor, Fidelity House measuring 482 square meters. The lease of offices measuring 112 square meters expires on 31 August 2009, while the lease of the larger portion, measuring 370 square meters, expires on 31 March 2007. Both leases mentioned include the option to renew. It was therefore considered impractical to call for tenders, and the lease of 370 square meters of the seventh floor, Fidelity House, which expires on 31 March 2007, was amended by extending the expiry date to 31 August 2009 to coincide with the expiry date of the 112 square meters also being leased. |
| 51 | Three-year software support contract for ecWIN Automated | R72 000 for the first year, R79 200 for the | IST Holdings (Pty) Ltd | 1 March 2007 | In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Electricity and Energy Directorate procured |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|------------------------------------|----------------------------------|---------------|--|
| | Meter Reading System and Web Server | second year, R87 120 for the third | | | the ecWIN AMR system and Web Server from IST Holdings (Pty) Ltd in 2003 (PEE3213). The system is used for the collection of commercial and industrial metering and billing data and hosts a web server for large electricity power users. The system currently hosts approximately 300 remotely read large business meters (150 customers) and an additional approximately 850 smaller business meters. Electricity metering data for billing to the value of approximately R65m per month is collected via this system. A technical support agreement with IST Holdings (Pty) Ltd, the suppliers of the software, has been renewed annually since 2004. The current extended system support contract will terminate at the end of February 2007. It is essential that a system support contract be in place at all times, as the directorate does not have the expertise to maintain the system. As IST Holdings (Pty)Ltd is the author, licensor and sole supplier of the EcWIN software, it would be a fruitless exercise to follow the normal procurement procedure. |
| 52 | Installation of two 66 kV straight through joints : Uitenhage | R45 692.25, excl. VAT | CBI Electric Power Installations | 1 March 2007 | In terms of Section 36(1)(a)(i) and (ii) of the Municipal Supply Chain Management Policy. CBI Electric Power Installations is the sole provider of this type of service in the country. Due to the nature of the fault, it was imperative to carry out emergency repairs to the damaged cable in order to reinstate supply to the KwaNobuhle area as soon as possible. |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|------------------------|--------------------------|---------------|--|
| 53 | Upgrade of existing ecWIN Software and addition of month-end reports | R149 111.00, excl. VAT | IST Holdings (Pty) Ltd | 1 March 2007 | In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The Electricity and Energy Business Unit procured the ecWIN AMR system and Web Server from IST Holdings (Pty) Ltd in 2003 (PEE3213). The system is used for the collection of commercial and industrial metering and billing data and hosts a web server for large electricity power users. The system currently hosts approximately remotely read large business meters (150 customers) and an additional approximately 850 smaller business meters Electricity metering date for billing to the value of approximately R65 m per month is collected via this system. The current software license is limited to 1 000 customer accounts. With the recent addition of Uitenhage, Despatch and the Coega IDZ plus the normal business customer growth in the Municipality, the system has exceeded the 1 000 limit and needs to be upgraded. Additional month-end reporting modules and software development are required to include the upload of metering data from other meter types. As IST Holdings (PTY) Ltd is the author, licensor and sole supplier of the ecWIN software, as stated on the attached document, it would be a fruitless exercise to follow the normal procurement procedure. |
| 54 | Increase in contract sum : Contract 2086 : Alterations, | R90 000 | Unempundry Logistics | 1 March 2007 | In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The additional work was undertaken as a matter |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|---|--|------------------|---|
| | renovations and additions to Customer Care Centre at Daleview | | | | of urgency due to the need to secure municipal property/assets, such as computer equipment, faxes and copy machines, at the centre and the service provider was already on site. |
| 55 | Hosting of Growth and Development Summit Stakeholder Engagement Workshop : 8 and 9 March 2007, Coega Village | R109 440 | Coega Conference Centre | 1 March 2007 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. The Coega Conference Centre was the only venue available on 8 and 9 March 2007 that could accommodate the number of people expected to attend the event. |
| 56 | Increase in contract sum: Contract 2085: Alterations, renovations and additions to Customer Care Centre at Mthomolwazi | R90 000 | T A Builders | 1 March 2007 | In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. The additional work was undertaken as a matter of urgency due to the need to secure municipal property/assets, such as computer equipment, faxes and copy machines, at the centre and the service provider was already on site. |
| 57 | Moral Regeneration Movement Awareness Programme – 16 December 2006 | R16 895 (excl. VAT) for golf T-shirts R2 915 (excl. VAT) for baseball caps R5 990 (excl. VAT) for PVC banner R3 510 (incl. VAT) for brochures R3 900 (excl. | Reflec (Pty) Ltd Rizzla Graphics and Advertising Nxa-Nthatu Silkscreen and Printing Stage and Audio Works | 13 February 2007 | In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. Due to time constraints, as well as the difficulty to engage service providers during the annual shutdown over the festive season, deviation from the procurement procedure was necessary. |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|---|--------------------------|-----------------|--|
| | | VAT) for audio visual equipment R2 600 for transport of 30 volunteers R3 350 for catering | | | |
| 58 | Emergency repairs at the KwaNobuhle Wastewater Treatment Works | R110 600 | URSA Concrete | 26 March 2007 | In terms of Section 36(1)(a)(i) of the Supply Chain Management Policy. Unforeseen costs were incurred when URSA Concrete was requested to assist in carrying out emergency repairs at the Wastewater Treatment Works in KwaNobuhle. URSA was currently busy with another contract only 10 km away. |
| 59 | Training requirements : Safety and Security Directorate | R632 000 | ISGAD | 3 November 2006 | In terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. During February 2006 the Safety and Security Directorate (Security Division), through the tender process, called for the provision of investigating training (detective development), as a specialised learning field for the Investigation Unit of the Security Division. The only responsive tender received was that of the Nelson Mandela Metropolitan University, Institute for Sustainable Governance and Development (ISGAD). It was the opinion that it would have been a fruitless exercise to issue a tender for the presentation of Module 1 to the additional 80 security officers. It was vital that |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|---------------------------|---------------------------|---------------|--|
| 60 | Request for shortening of informal tendering period : Appointment of service provider to assist in consolidation of inputs during the process towards the Growth and Development Summit | - | - | 23 March 2007 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Authority was granted for the reduction of the tender period from seven to three days in respect of the appointment of a service provider for the preparatory workshop of the Growth and Development Summit held on 8 and 9 March 2007. |
| 61 | Upgrade and maintenance of software package | R48 452, exclusive of VAT | Iyanda Power Technologies | 23 March 2007 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. COGNICASE-CYME is the author and licensor of the CYMGRD software used by the NMBM Electricity and Energy Directorate. COGNICASE-CYME appoints an exclusive agent to sell, renew licences and support their software. Their appointed agent in South Africa is Iyanda Power Technologies (Pty) Ltd. There is currently one Network licence, which needs upgrading and maintenance. The cost to upgrade and maintain versus the development of a new software package is enormous. It will take at least three years for any company to develop this software coupled with the existing data on the database. Taking into consideration the cost and time that will be needed to develop a new package, it is simply not practical for this |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|---|--|---------------|---|
| 62 | Civic Entertainment SAFA Soccer Match – 25 March 2007 | R21 900 | EPRU Stadium - R11 400 Bojangles - R6 500 Spot-On Independent liquors - R4 000 | 26 March 2007 | Directorate to consider. In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. On instruction of the Executive Mayor, the Office of the Speaker was requested to arrange for Councilors to attend the SAFA soccer match between Kaizer Chiefs and Bloemfontein Celtics on Sunday, 25 March 2007. The Executive Mayor viewed this as another opportunity to update the provincial and national guests on the readiness of the Municipality. SAFA sponsored 53 tickets, and Council had to incur expenditure for the remaining 67 Councilors, catering and drinks. Tickets and catering were obtained from the sole supplier at the stadium, and the drinks procured from a Municipal Standing Contract. |
| 63 | Modifications at Kelvin Jones Waste Water Treatment Works : Increase in approved contract price – Contract 5175 | R804 711,35, inclusive of VAT, which will be subject to escalation. | URSA Civils | 2 April 2007 | In order to compensate for unforeseen costs that only manifested themselves during construction, the invitation of tenders be dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. |
| 64 | Appointment of a professional service provider for proposed upgrade of the Langa Memorial, Uitenhage | R225 000,00, inclusive of VAT | Adendorff Architects and Interiors | 14 May 2007 | In terms of Section 36(1)(v) of the Supply Chain Management Policy. Because of the uniqueness of the project, i.e. being a Memorial and having been advertised as a design competition. |
| 65 | Signage, additions and alterations to the 2010 Directorate offices | Signage – R1 707, exclusive of | Signage – Green Room Design Company | 16 May 2007 | In terms of Section 36(1)(v) of the Supply Chain Management Policy. The Green Room Design Company was |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|--|---|---------------|---|
| | | VAT Additions and alterations – R29 668.00, exclusive of VAT | Alterations and Additions – Africorp International Properties (Pty) Limited | | responsible for the original signage on the windows as well as the signage in the lobby. It would be impractical to involve a different service provider for the additions and alterations to the offices, since the original layout of the offices was done by Africorp. They already had a floor plan and the new alterations and additions should fit in with the existing offices since most of the floor space on the fourth floor is still occupied by EDTA and after completion of the 2010 FIFA World Cup the offices will be occupied by EDTA again. |
| 66 | Appointment of proposed service provider for proposed enclosure of the Newton Park Swimming Pool : Erf 2178, Newton Park -- Contract HL/00043 | Total consultants fees not to exceed R1 213 059.16, exclusive of VAT | Thembela Architects | 14 May 2007 | As this project was advertised as an open competition for all registered professional architects within the Municipality, the invitation of tenders be dispensed with in terms of Section 36(1)(a)(v) of the Municipal Supply Chain Management Policy. |
| 67 | Payment for breakfast served at City Hall : Kaizer Chiefs and Bloemfontein Celtic's Soccer Match – 25 March 2007 | R1 500 | Bobby's Food Emporium | 2 April 2007 | Due to the late notification of the proposed breakfast and the difficulty in obtaining the required number of quotes from service providers, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. |
| 68 | Repair of stump grinder | R24 084,55, inclusive of VAT | Johnny Alberts Earthmoving Repairs CC | 2 April 2007 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Johnny Alberts Earthmoving Repairs CC was the only service provider willing to strip the machine and quote on it. The machine was |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|---|-------------------------------|----------------------------------|---------------|---|
| 69 | Repairs to macerators at Creek Sewerage Pumping Station | R164 410.00, exclusive of VAT | Northfield Engineering (Pty) Ltd | 19 April 2007 | <p>duly stripped to identify the fault and was standing in parts in his workshop. To have this procedure repeated by another service provider would have been impractical, and that division would fall further behind with its work backlog.</p> <p>In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy.</p> <p>On 28 March 2007, a long metal stove found its way into the Industrial stream of one of the environmental channel monster twin shaft grinders, bent the shaft extension and burnt out an electric motor. In order to keep Creek Pump Station operational, it was necessary to send mixed flows, i.e. industrial and domestic effluent in a common line to Fishwater Flats Waste Water Treatment Works. This interim emergency arrangement is contrary to the standards laid down by the Dept. of Water Affairs and Forestry, as the industrial effluent contains heavy metals, which require specialised treatment. Because of these reasons, the repairs had to be effected on an emergency basis. Northfield Engineering (Pty) Ltd are the sole distributors of macerators in the Eastern Cape.</p> |
| 70 | Follow-up Strategic Planning Session – Corporate Administration Directorate | - | Phumeza Mthombeni and Associates | 7 May 2007 | <p>In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy.</p> <p>-The second session would be a continuation of the first session.</p> <p>-The said consultants would know where to pick up and proceed in line with the Corporate</p> |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|--|-------------------------------------|---------------|--|
| 71 | GIS Software Maintenance | R1 058 069,62 | GIMS | 8 June 2007 | Administration and Municipality's goals and objectives. -The said consultants quoted far less than the competitors. |
| 72 | Urgent repairs to Chatty-Motherwell 132 KV Overhead Distribution Line | R203 007,06, exclusive of VAT | Conco | 8 June 2007 | In terms of Section 36(1)(a)(i) and (ii) of the Supply Chain Management Policy. On 2 February 2007, an articulated vehicle collided with one of the Chatty-Motherwell 132 kV overhead line towers. Temporary repairs were carried out to the overhead line to ensure continuity of supply to the north-eastern areas. Due to the nature of the present overhead crossing, albeit safe, permanent repairs were required to the overhead line to restore it to normal. A specialist contractor (Conco), capable of effecting permanent repairs to the overhead line, was undertaking overhead line construction work in Port Elizabeth. |
| 73 | Contract 2110 -- Occupational medical screening and surveillance | R108 300 / m until 31 December 2007 | Dr J Lapere | 8 June 2007 | In terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. Continuation of project by the current experienced service provider. |
| 74 | Request for extension of project management services for NMBM to participate in RED3 | R275,00 /h, exclusive of VAT, for a period not | J C Engineering Consulting Services | 8 June 2007 | Because of the importance for the continuation of the current experienced project manager for the NMBM RED 3 creation process, the invitation of tenders was dispensed with in |

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007
31.8 Supply Chain Management Policy (continued)**

| NO. | CONTRACT DESCRIPTION/ CONTRACT NUMBER | CONTRACT VALUE | NAME OF SERVICE PROVIDER | APPROVAL DATE | REASON FOR DEVIATION |
|-----|--|--|--------------------------------|---------------|--|
| | Creation Process | exceeding 500 hours, total being R157 675,00. | | | terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. |
| 75 | Increase in contract amount : Contract 2061 : New Brighton Oval Rugby Field | R159 809,78 | Akhiwa and Abemi Joint Venture | 8 June 2007 | Because of unforeseen costs having been incurred resulting in an increase in the approved contract amount, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. |
| 76 | Increase in contract amount: contract 5367: construction of civil engineering infrastructure at Chatty 3 and 4 | R1 160 520, inclusive of VAT and subject to escalation | Masakeni Construction | 8 June 2007 | Because of unforeseen costs having been incurred resulting in an increase in the approved contract amount, the invitation of tenders was dispensed with in terms of Section 36(1)(a)(v) of the Supply Chain Management Policy. |