

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

| | 2007 R | Restated 2006 R |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|
| 32 CAPITAL COMMITMENTS | | |
| Approved and contracted for | 1,338,501,998 | 278,906,634 |
| Infrastructure | 378,079,175 | 221,811,571 |
| Community | 960,422,823 | 488,995 |
| Other | 0 | 56,606,068 |
| Approved but not yet contracted for | 53,768,560 | 15,023,967 |
| Infrastructure | 42,010,033 | |
| Community | 8,564,817 | |
| Other | 3,193,710 | 15,023,967 |
| Total | 1,392,270,558 | 293,930,601 |
| This expenditure will be financed from: | | |
| Capital Replacement Reserve | 50,006,181 | 107,886,253 |
| Grants and Subsidies | 1,288,446,600 | 152,182,231 |
| RSC Levies | 53,591,204 | 33,862,117 |
| Contribution to Capital | 226,573 | |
| Total | 1,392,270,558 | 293,930,601 |
| 33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | | |
| Long-term liabilities (See Note 2) | 213,833,597 | 413,256,746 |
| Used to finance property, plant and equipment - at cost | 0 | 0 |
| Sub-total | 213,833,597 | 413,256,746 |
| Cash set aside for the repayment of long-term liabilities (See Note 2) | 18,763,885 | 26,370,082 |
| Cash invested for repayment of long-term liabilities | 232,597,482 | 439,626,828 |
| 34 RETIREMENT BENEFIT INFORMATION | | |
| Council contributes to three defined contribution funds and two defined benefit funds. The latter funds are fully funded as at the last actuarial valuation. Current contributions are sufficient to support the benefits of the funds. | | |
| 35 RESTATED PRIOR YEAR COMPARATIVES | | |
| <u>Statement of Financial Performance</u> | | |
| 35.1 Net effect on surplus | | |
| Service Charges (refer Note 19) - restated in consumer debtors | | (43,783,880) |
| Regional Service Levy - Turnover (refer Note 20) - restated in other debtors | | (3,258,519) |
| Regional Service Levy - Remuneration (refer Note 20) - restated in other debtors | | (8,183,333) |
| Other income (refer Note 22) - restated in other debtors | | (1,581,524) |
| General expenses (refer Note 35.7 below) | | 17,874,953 |
| Contributions from | | (253,946,124) |
| Contributions to/(from) provisions | | 87,586,125 |
| Government grants and subsidies | | (156,132,005) |
| Net effect on surplus for 2005/2006 | | (361,424,307) |
| 35.2 Service Charges | | |
| Balance as per audited financial statements | | 1,529,951,944 |
| Sale of water understated (see Note 19) | | 20,139,285 |
| Sale of electricity understated (see Note 19) | | 23,644,594 |
| Restated Balance | | 1,573,735,823 |
| 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. | | |
| 35.3 Regional Services Levies - turnover | | |
| Balance as per audited financial statements | | 65,433,482 |
| Regional Service Levy - Turnover (see Note 20) | | 3,258,519 |
| Restated Balance | | 68,692,001 |
| 35.4 Regional Services Levies - remuneration | | |
| Balance as per audited financial statements | | 203,403,427 |
| Regional Service Levy - Remuneration (see Note 20) | | 8,183,333 |
| Restated Balance | | 211,586,760 |

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

| | 2007 | Restated |
|---------------------------------------------|------|--------------------------|
| | R | 2006 |
| | | R |
| 35.5 Licences and Permits | | |
| Balance as per audited financial statements | | - |
| Transfer from Other Income (see Note 22) | | <u>57,508,895</u> |
| Restated Balance | | <u><u>57,508,895</u></u> |

Licences and Permits disclosed separately in line with the National Treasury requirements.

| | | |
|------------------------------------------------------------------|--|---------------------------|
| 35.6 Government Grants and Subsidies | | |
| Balance as per audited financial statements | | 365,457,494 |
| Capital Grants transferred to Statement of Financial Performance | | <u>156,132,005</u> |
| Restated Balance | | <u><u>521,589,499</u></u> |

Government grants and subsidies were restated in the 2005/06 financial year to account for the capital spending from grants that were not previously reflected in the financial statements.

| | | |
|------------------------------------------------------------|--|---------------------------|
| 35.7 Other Income | | |
| Balance as per audited financial statements | | 195,609,999 |
| Transfer to Licences and Permits | | (57,508,895) |
| Restatement - Insurance Claim (see Note 22) | | 251,639 |
| Restatement - Logistics Park Rental and Levy (see Note 22) | | <u>1,329,884</u> |
| Restated Balance | | <u><u>139,682,627</u></u> |

Licences and Permits disclosed separately in line with the National Treasury requirements.

The Logistics Park operating revenue was restated due to the extent of revenue relating to the 2005/06 financial year only being reported on in the 2006/07 financial year.

| | | |
|------------------------------------------------------------------|--|---------------------------|
| 35.8 Contributions: Other | | |
| Balance as per audited financial statements | | 3,509,576 |
| Appropriations transferred to Statement of Financial Performance | | <u>253,946,124</u> |
| Restated Balance | | <u><u>257,455,700</u></u> |

Contributions: Other was restated in the 2005/06 financial year to adjust for appropriations that were incorrectly included in the Statement of Changes in Net Assets.

| | | |
|---------------------------------------------|--|--------------------------|
| 35.9 Grants and Subsidies Paid | | |
| Balance as per audited financial statements | | 7,799,869 |
| Transfer from General Expenses | | <u>33,308,444</u> |
| Restated Balance | | <u><u>41,108,313</u></u> |

The 2005/06 balance was 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. The restatement is in accordance with the National Treasury requirements.

| | | |
|----------------------------------------------|--|---------------------------|
| 35.10 General Expenses | | |
| Balance as per audited financial statements | | 567,032,678 |
| Transfer to Grants and Subsidies Paid | | (33,308,444) |
| Restatement Logistics Park Operational Costs | | 1,298,984 |
| Refund of Loan | | 76,303 |
| Opening stock amended | | 16,484,869 |
| Bank charges understated | | <u>14,797</u> |
| Restated Balance | | <u><u>551,599,188</u></u> |

The Logistics Park operating costs were restated due to the extent of expenditure relating to the 2005/06 financial year only being reported on in the 2006/07 financial year.

Opening Stock amended - Refer note 12

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

| | 2007 R | Restated 2006 R |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------|
| 35.11 Contributions to/(from) Provisions | | |
| Balance as per audited financial statements | | 381,173,705 |
| Appropriations transferred to Income Statement | | <u>87,586,125</u> |
| Restated Balance | | <u><u>468,759,830</u></u> |
| Contributions: to/(from) were restated in the 2005/06 financial year to adjust for appropriations that were incorrectly included in the Statement of Changes in Net Assets. | | |
| <u>Statement of Financial Position</u> | | |
| 35.12 Housing Development Fund | | |
| Restated Opening Balance (See Note 36.3) | | 71,216,872 |
| Transfer from Accumulated Surplus (See Note 35.17) | | <u>11,821,135</u> |
| Restated Closing Balance | | <u><u>83,038,007</u></u> |
| Due to re-classification of certain items within the Housing Development Fund, the movement in previous year changed and was restated. | | |
| 35.13 Capital Replacement Reserve | | |
| Restated Opening Balance (See Note 36.4) | | 229,380,354 |
| Transfer from Accumulated Surplus (See Note 35.17) | | 239,933,229 |
| PPE Purchased (See Note 35.17) | | <u>(232,996,045)</u> |
| Restated Closing Balance | | <u><u>236,317,538</u></u> |
| Due to re-classification of certain items within the Capital Replacement Reserve, the movement in previous year changed and was restated. | | |
| 35.14 Capitalisation Reserve | | |
| Restated Opening Balance (See Note 36.7) | | 1,427,731,721 |
| Offsetting Depreciation (See Note 35.17) | | (110,074,296) |
| Additional Depreciation Reversal (See Note 35.17) | | 12,610 |
| Asset Disposal (See note 35.17) | | <u>(41,295,064)</u> |
| Restated Closing Balance | | <u><u>1,276,374,971</u></u> |
| Due to re-classification of certain items within the Capitalisation Reserve, the movement in previous year changed and was restated. | | |
| 35.15 Government Grant Reserve | | |
| Restated Opening Balance (See Note 36.5) | | 348,876,385 |
| Capital Grants used to purchase PPE (See Note 35.17) | | 343,074,620 |
| Offsetting Depreciation (See Note 35.17) | | (6,580,152) |
| Additional Depreciation Reversal (See Note 35.17) | | 1,097 |
| Restated Closing Balance | | <u><u>685,371,949</u></u> |
| Due to re-classification of certain items within the Government Grant Reserve, the movement in previous year changed and was restated. | | |
| 35.16 Donations and Public Contributions Reserve | | |
| Restated Opening Balance (See Note 36.2) | | 91,804,843 |
| Transfer from Accumulated Surplus (See Note 35.17) | | <u>27,729,087</u> |
| Restated Closing Balance | | <u><u>119,533,930</u></u> |
| Due to re-classification of certain items within the Donations and Public Contributions Reserve, the movement in previous year changed and was restated. | | |

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

| | 2007 | Restated |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-----------------------------|
| | R | 2006 |
| | | R |
| 35.17 Accumulated Surplus | | |
| Restated Opening Balance (See Note 36.6) | | 1,099,798,465 |
| Surplus for the year | | 434,687,569 |
| Transfer to CRR (See Note 35.13) | | (239,933,229) |
| PPE Purchased from CRR (See Note 35.13) | | 232,996,045 |
| Capital Grants used to purchase PPE (See Note 35.15) | | (343,074,620) |
| Donated/Contributed PPE (See Note 35.16) | | (27,729,087) |
| Contribution to Insurance Reserve | | (27,154,220) |
| Insurance Claims processed | | 11,401,264 |
| Transfer to Housing Development Fund (See Note 35.12) | | (11,821,135) |
| Offsetting Depreciation (See Notes 35.14 and 35.15) | | 116,654,449 |
| Additional Depreciation Reversal (See Notes 35.14 and 35.15) | | (13,707) |
| Asset Disposal (See Note 35.14) | | <u>41,295,064</u> |
| Restated Closing Balance | | <u>1,287,106,857</u> |
| The restated movement within the Reserves resulted in the Accumulated Surplus movement to be restated as well. | | |
| 35.18 Long-term liabilities | | |
| Balance as per audited financial statements | | 712,151,875 |
| Transfer to Non-current Provisions (See Note 2) | | <u>(298,895,129)</u> |
| Restated Balance | | <u>413,256,746</u> |
| 35.19 Non-current Provisions | | |
| Balance as per audited financial statements | | 18,959,716 |
| Transfer from Long-term Liabilities (See Note 3) | | <u>298,895,129</u> |
| Restated Balance | | <u>317,854,845</u> |
| 35.20 Creditors | | |
| Balance as per audited financial statements | | 543,181,065 |
| Restatement Logistics Park Operational Costs | | 1,298,984 |
| Refund of Loan | | 76,303 |
| Bank charges understated | | <u>14,797</u> |
| Restated Balance | | <u>544,571,149</u> |
| The Logistics Park operating costs were restated due to the extent of expenditure relating to the 2005/06 financial year only being reported on in the 2006/07 financial year. | | |
| 35.21 Unspent Conditional Grants and Receipts | | |
| Restated Opening Balance (See Note 36.1) | | 379,728,559 |
| Current year receipts | | 438,547,858 |
| Transferred to Revenue | | (188,725,174) |
| Funding of Capital Projects | | <u>(156,132,005)</u> |
| Restated Closing Balance | | <u>473,419,238</u> |
| Due to re-classification of certain items within Unspent Conditional Grants and Receipts, the movement in previous year changed and was restated. | | |
| 35.22 Property, plant and equipment | | |
| Balance as per audited financial statements | | 3,162,901,536 |
| Transferred from Investment Property (See Note 9) | | 90,305,290 |
| Transferred to Intangible Assets (See Note 8) | | <u>(87,589,576)</u> |
| Restated Balance | | <u>3,165,617,250</u> |
| 35.23 Intangible Assets | | |
| Balance as per audited financial statements | | - |
| Transferred from Property, plant and equipment (See Note 7) | | <u>87,589,576</u> |
| Restated Balance | | <u>87,589,576</u> |

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

| | 2007 R | Restated 2006 R |
|-----------------------------------------------------------|-----------|--------------------------|
| 35.24 Investment Property | | |
| Balance as per audited financial statements | | 90,305,290 |
| Transferred to Property, plant and equipment (See Note 7) | | <u>(90,305,290)</u> |
| Restated Balance | | <u><u>-</u></u> |
| 35.25 Inventory | | |
| Balance as per audited financial statements | | 82,518,847 |
| Opening Stock amended | | <u>(16,484,869)</u> |
| Restated Balance | | <u><u>66,033,978</u></u> |

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.

| | | |
|-----------------------------------------------|--|---------------------------|
| 35.26 Consumer Debtors | | |
| Balance as per audited financial statements | | 538,344,298 |
| Sale of Water understated (See Note 13) | | 20,139,285 |
| Sale of Electricity understated (See Note 13) | | <u>23,644,594</u> |
| Restated Balance | | <u><u>582,128,177</u></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.

| | | |
|------------------------------------------------------------|--|--------------------------|
| 35.27 Other Debtors | | |
| Balance as per audited financial statements | | 76,440,217 |
| 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) | | <u>1,329,884</u> |
| Restated Balance | | <u><u>89,463,592</u></u> |

The Logistics Park operating revenue was restated due to the extent of revenue relating to the 2005/06 financial year only being reported on in the 2006/07 financial year.

36 CORRECTION OF ERROR

36.1 Unspent Conditional Grants and Receipts

During the year ended 30 June 2006, the opening balance in respect of Unspent Conditional Grants and Receipts was understated in the amount of R359 653 963. This balance was incorrectly included in the Government Grant Reserve in the amount of R358 902 625 and in the Capitalisation Reserve in the amount of R751 338 due to a classification error between the reserves and Unspent Conditional Grants and Receipts.

| | |
|----------------------------------------------------------|---------------------------|
| Opening Balance as per audited financial statements | 20,074,596 |
| Transfer from Government Grant Reserve | 358,902,625 |
| Transfer from Donations and Public Contributions Reserve | 751,338 |
| Restated Opening Balance | <u><u>379,728,559</u></u> |

36.2 Donations and Public Contributions Reserve

During the year ended 30 June 2006, the opening balance in respect of Donations and Public Contributions Reserve was understated in the amount of R64 390 541. This balance was incorrectly included in the Capitalisation Reserve due to a classification error between these two reserves.

| | |
|-----------------------------------------------------|--------------------------|
| Opening Balance as per audited financial statements | 27,414,302 |
| Transfer to Unspent Conditional Grants and Receipts | (751,338) |
| Transfer from Capitalisation Reserve | <u>65,141,878</u> |
| Restated Opening Balance | <u><u>91,804,844</u></u> |

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

| | 2007 R | Restated 2006 R |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------------|
| 36.3 Housing Development Fund | | |
| During the year ended 30 June 2006, the opening balance in respect of Housing Development Fund was overstated in the amount of R9 112 576. This balance was incorrectly included in the Capitalisation Reserve in the amount of R8 221 650 and an amount of R890 925 relating to the Capital Replacement Reserve was incorrectly included in the Housing Development Fund due to a classification error between these two reserves and the Housing Development Fund. | | |
| Opening Balance as per audited financial statements | | 80,329,448 |
| Transfer to Capital Replacement Reserve | | (890,925) |
| Transfer from Capitalisation Reserve | | <u>(8,221,650)</u> |
| Restated Opening Balance | | <u>71,216,872</u> |
| 36.4 Capital Replacement Reserve | | |
| During the year ended 30 June 2006, the opening balance in respect of the Capital Replacement Reserve was understated in the amount of R890 925. This balance was incorrectly included in the Housing Development Fund due to a classification error between these two reserves. | | |
| Opening Balance as per audited financial statements | | 228,489,429 |
| Transfer from Housing Development Fund | | <u>890,925</u> |
| Restated Opening Balance | | <u>229,380,354</u> |
| 36.5 Government Grant Reserve | | |
| During the year ended 30 June 2006, the Unspent Conditional Grants and Receipts balance of R358 902 625 was incorrectly included in the Government Grant Reserve. The Government Grant Reserve opening balance in the amount of R328 801 789 was incorrectly included in the Capitalisation Reserve due to a classification error between these two reserves. | | |
| Opening Balance as per audited financial statements | | 378,977,220 |
| Transfer to Unspent Conditional Grants and Receipts | | (358,902,625) |
| Transfer from Capitalisation Reserve | | <u>328,801,789</u> |
| Restated Opening Balance | | <u>348,876,385</u> |
| 36.6 Accumulated Surplus | | |
| During the year ended 30 June 2006, the opening balance of the Accumulated Surplus was incorrectly understated in the amount of R1 010 778 381. This balance was incorrectly included in the Capitalisation Reserve due to a classification error between these two reserves. | | |
| Opening Balance as per audited financial statements | | 72,298,053 |
| Change in Accounting policy | | 16,722,031 |
| Transfer from Capitalisation Reserve | | <u>1,010,778,381</u> |
| Restated Opening Balance | | <u>1,099,798,465</u> |
| 36.7 Capitalisation Reserve | | |
| During the year ended 30 June 2006, the opening balance of the Capitalisation Reserve was incorrectly overstated by R1 396 500 398 due to a classification error between the reserves. This Balance has accordingly been transferred to the respective Reserves and the Accumulated Surplus. | | |
| Opening Balance as per audited financial statements | | 2,824,232,119 |
| Transfer to Government Grant Reserve | | (328,801,789) |
| Transfer to Donations and Public Contributions Reserve | | (65,141,878) |
| Transfer to Housing Development Fund | | 8,221,650 |
| Transfer to Accumulated Surplus | | <u>(1,010,778,381)</u> |
| Restated Opening Balance | | <u>1,427,731,721</u> |

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

| | 2007 R | Restated 2006 R |
|------------------------------------------------------------------------------|-------------------|-----------------------|
| 37 OPERATING LEASE COMMITMENTS | | |
| NMBMM as Lessee | | |
| Future minimum lease payments under non-cancellable operating leases: | | |
| Buildings | 9,148,994 | 13,830,694 |
| Payable within one year | 5,116,150 | 4,880,113 |
| Payable within two to five years | 4,009,563 | 8,916,929 |
| Payable after five years | 23,281 | 33,651 |
| Photocopier, fax machines and other equipment | 1,074,134 | 1,679,299 |
| Payable within one year | 524,199 | 605,164 |
| Payable within two to five years | 549,935 | 1,071,128 |
| Payable after five years | 0 | 3,006 |
| Motor vehicles | 288,545 | 374,410 |
| Payable within one year | 124,803 | 85,865 |
| Payable within two to five years | 163,741 | 288,545 |
| Payable after five years | 0 | 0 |
| | 10,511,673 | 15,884,402 |

IAS 17.35 (c) and (d) are not applicable, as no contingent rent lease contracts were entered into.

NMBMM as Lessor

At statement of financial performance date, NMBMM has contracted with tenants for the following future minimum lease payments:

| | | |
|----------------------------------|------------------|------------------|
| Buildings | 1,958,666 | 2,437,930 |
| Payable within one year | 533,066 | 479,263 |
| Payable within two to five years | 1,041,452 | 1,275,839 |
| Payable after five years | 384,148 | 682,828 |
| | 1,958,666 | 2,437,930 |

IAS 17.56 (b) and (c) are not applicable as no contingent rent lease contracts were entered into.

The operating lease payments/ receipts are recognised on the basis of the cash flows in the lease agreement in accordance with the exemption in the Gazette No. 30013.

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

| | | |
|--------------------------------------|------------------|----------|
| Opening Balance | 0 | 0 |
| Irregular Expenditure current year | 3,655,845 | 0 |
| Approved by Council | 0 | 0 |
| Transfer to receivables for recovery | 0 | 0 |
| Closing Balance | 3,655,845 | 0 |

Incident/Disciplinary steps/Criminal Proceedings

38.1 Relocation of families to sites

Irregular payment for the relocation of families to sites. No actions taken, as investigations are still in process.

| | |
|-----------|---|
| 1,366,230 | 0 |
|-----------|---|

38.2 Supply Chain Management Policy not followed

Supply Chain Management Policy not followed in procurement of services. This is subject to investigation.

| | |
|--------|---|
| 39,615 | 0 |
|--------|---|

38.3 Ekard sales

Ekard sales totalling R500 000 have not been disclosed in the Operating Budget for 2006/2007, as the income was either collected and not banked, or was not received at all. The case was reported to the SA Police Service for further investigation. The services of the employee in question were terminated.

| | |
|---------|---|
| 500,000 | 0 |
|---------|---|

38.4 Unauthorised requisitioning of stock

Printer cartridges (held as stock items in municipal stores) to the value of approximately R1.75 million have been withdrawn on the basis of fraudulently completed requisitions. This amount was charged to the Operating Budget, resulting in overexpenditure on the vote. The official was summarily suspended awaiting a disciplinary hearing. The case was reported to the SA Police Service for further investigation.

| | |
|-----------|---|
| 1,750,000 | 0 |
|-----------|---|

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

| 39. CONTINGENT LIABILITIES | 2007 R | Restated 2006 R |
|----------------------------------------------------------------------------------------------------|-------------------|--------------------------------|
| Guarantees by Council in respect of general and commercial bank housing loans to staff amounted to | 572,088 | 572,088 |
| (a) Linton Projects | 385,808 | 385,808 |
| (b) Swartkops Seesout | 7,157,829 | 6,540,360 |
| (c) Elsig Electrical Engineering | 761,516 | 761,516 |
| (d) B Jacobs & (e) S L Hartzenberg claims consolidated in 2006/07 Financial year. | 574,710 | 202,355 |
| (e) S L Hartzenberg | 0 | 252,355 |
| (f) Post-retirement Benefits | 0 | 326,835,871 |
| (g) Amadisi Construction | 10,342,465 | 20,342,465 |
| (h) J M Hendricks | 3,541,600 | 3,541,600 |
| (i) Scribante Plant Hire (EC)(PTY) Limited t/a Scribante Concrete | 500,000 | 493,510 |
| (j) Commando Security | 0 | 1,000,000 |
| (k) D Tobias | 775,755 | 220,000 |
| (l) J E Otto | 0 | 354,000 |
| (m) S E Van Zyl | 651,368 | 651,000 |
| (n) H E Davids | 241,680 | 241,000 |
| (o) Masakeni Civils | 377,648 | 377,648 |
| (p) FJP van der Merwe | 334,548 | 446,064 |
| (q) E Haasbroek | 652,000 | 652,000 |
| (r) D Pook | 397,000 | 0 |
| (s) K R Hataha | 1,210,475 | 0 |
| (t) M G Mantla | 1,130,000 | 0 |
| (u) E Hills | 379,850 | 0 |
| (v) Golden Coast Trading CC t/a Ibhayi Spar | 235,895 | 0 |
| | 30,222,235 | 363,869,640 |

- (a) The claim arises out of a dispute surrounding the sale of Council owned land.
- (b) The claim arises out of an alleged sewer spillage into the salt pans
- (c) The claim arises out of a dispute between an electrical contractor and the Municipality over the alleged amendments to a contract.
- (d) Both (d) and (e) refer to the same incident. The claim arises as a result of
- (e) both the father and the mother suing the Municipality in their separate capacities as their minor child allegedly drowned in water on a municipal building site. During the 2006/07 financial year, the parents instituted a consolidated claim replacing their previous claims.

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

39. CONTINGENT LIABILITIES - (continued)

- (f) During the 2006/07 financial year the Post-retirements Benefits provision was adjusted in line with the assessed liability as at 30 June 2007. Therefore no contingent liability existed at year end.
- (g) The claim arises out of a dispute between a housing contractor and the Municipality over the termination of a housing contract due to the continuous failure of the claimant to comply with his obligations under the contract to timeously completing the work.
- (h) The claim arises as a result of the mother suing the Municipality in her capacity as natural guardian of her minor daughter who sustained injuries whilst in a public recreational park.
- (i) The claim arises out of a dispute surrounding payment of monies due and payable by the Municipality to Vukuzenzele (Pty) Limited, Maqadi Yona Construction and Equibuild Construction for alleged services rendered.
- (j) The claim arises out of a dispute surrounding alleged payment for services rendered.
- (k) The claim arises out of a shooting incident between a Traffic Officer and the claimant after the Traffic Officer allegedly lost control and overturned a municipal vehicle. The claimant has amended the quantum of his claim during the course of pleadings
- (l) The claim arises out of injuries sustained in an alleged fall into an open manhole. This case was resolved in the 2006/07 financial year.
- (m) The claim arises out of damage to the claimants vehicle allegedly caused by swerving as a Municipal Traffic officer overtook an overloaded truck.
- (n) The claim arises out of the Municipality allegedly failing to inform Sanlam about the possibility of medical boarding within six months from the last date on which the claimant actually worked, resulting in the alleged repudiation of his claim against Sanlam.
- (o) The claim arises out of a dispute surrounding the alleged determination by the engineer pursuant to Clause 61 of the General Conditions of Contract, that the contractor's claim for extensions of time and re-establishment costs not be approved.
- (p) The claim arises out of the Municipality allegedly failing to inform Sanlam timeously of the claimant's prospective or potential medical boarding, resulting in the alleged repudiation of his claim against Sanlam for permanent and total disability benefits.
- (q) The claim arises out of damage to the claimant's property allegedly caused by underground water from a burst municipal water pipe.
- (r) The claim arises out of injuries sustained in an alleged fall on a pavement.
- (s) The claim arises out of injuries sustained in an alleged fall into an open manhole.
- (t) The claim arises out of injuries sustained by the claimant's minor son arising from the fact that he allegedly came into contact with an exposed live electrical conductor.
- (u) The claim arises out of injuries sustained in an alleged fall into an open manhole.
- (v) The claim arises due to the forced closure of the business for a period of time that resulted from a burst water main.

APPENDIX A
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

| EXTERNAL LOANS | | | | | | | | | |
|-----------------------------------------------------|-----------------|------|----------------|---------------------------|----------------------------|--------------------------|---------------------------|--|--|
| Local Registered Stock | | | | | | | | | |
| LOAN NO. | INTEREST RATE % | YEAR | DATE REPAYABLE | BALANCE AT 30 June 2006 R | RECEIVED DURING THE YEAR R | REPAID DURING THE YEAR R | BALANCE AT 30 June 2007 R | | |
| 1 | 17.40 | 1988 | 2008/06/30 | 2,000,000 | 0 | 0 | 2,000,000 | | |
| 1 | 16.90 | 2000 | 2011/06/30 | 8,000,000 | 0 | 0 | 8,000,000 | | |
| 279 | 16.40 | 2000 | 2009/09/26 | 8,000,000 | 0 | 0 | 8,000,000 | | |
| 278 | 17.55 | 2000 | 2009/03/23 | 8,000,000 | 0 | 0 | 8,000,000 | | |
| | | | | 26,000,000 | 0 | 0 | 26,000,000 | | |
| Development Bank of Southern Africa | | | | 226,382,719 | 0 | 19,785,237 | 206,597,482 | | |
| Amalgamated Banks of South Africa | | | | 2,540,322 | 0 | 2,540,322 | 0 | | |
| Amalgamated Banks of South Africa - Long-term Lease | | | | 30,000,000 | 0 | 30,000,000 | 0 | | |
| State Housing Loans to Public Organisations | | | | 13,908,901 | 0 | 13,908,901 | 0 | | |
| Cape Joint Pension Fund | | | | 70,000 | 0 | 70,000 | 0 | | |
| | | | | 298,901,942 | 0 | 66,304,460 | 232,597,482 | | |

| NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007 | | | | | | | | | | | | |
|------------------------------------------------------------------------------------------------------------|----------------------|-------------------------|-------------------|----------------------------|---------------------|----------------------|----------------------|-------------------------|---------------------|-------------------------|----------------------|----------------|
| ACCUMULATED DEPRECIATION | | | | | | | | | | | | |
| | Opening Balance | Transfers / Adjustments | Additions | Capital Under Construction | Disposals | Closing Balance | Opening Balance | Transfers / Adjustments | Additions | Disposals / Adjustments | Closing Balance | Carrying Value |
| Land and Buildings | | | | | | | | | | | | |
| Buildings | 235,130,415 | (13,715,781) | 31,597 | 30,403,337 | (320,932) | 251,528,726 | 38,882,741 | (2,950,840) | 3,943,856 | (128,333) | 39,747,424 | 211,781,312 |
| Land | 38,918,728 | 38,918,728 | 50,000 | 50,000 | | 38,968,728 | 11,156,430 | (11,156,430) | | | - | 38,868,728 |
| Infrastructure Assets | | | | | | | | | | | | |
| Networks | 1,245,778,197 | 7,145,652 | 12,941,517 | 220,616,735 | (504,103) | 1,485,877,999 | 554,132,920 | 5,277,630 | 91,506,856 | (319,265) | 650,596,141 | 835,079,857 |
| Beach Developments | 23,022,666 | 43,589,654 | | 11,186,365 | (6,286,603) | 71,512,112 | 9,997,123 | 16,388,981 | 1,566,020 | (2,811,658) | 25,140,464 | 46,371,658 |
| Electricity Retention and Supply | 1,077,530,052 | (29,807,858) | 14,243,189 | 153,329,612 | | 1,199,494,975 | 267,984,033 | (2,995,167) | 53,980,987 | | 318,969,903 | 837,506,072 |
| Sewerage Mains and Purification Works | 574,308,816 | 140,353,075 | 4,330,905 | 106,343,221 | | 828,335,017 | 142,794,897 | 38,198,778 | 33,731,895 | | 216,625,480 | 612,710,557 |
| Waste Disposal Facilities | 117,457,833 | (69,637,377) | 4,624,722 | 5,975,322 | | 38,942,443 | 38,942,443 | (34,948,562) | 6,333,618 | | 10,327,499 | 51,093,001 |
| Water Supply and Retention | 409,110,543 | (49,274,689) | 2,484,395 | 43,956,631 | | 407,275,974 | 154,268,117 | (20,221,195) | 21,289,183 | | 155,336,115 | 251,949,759 |
| Dams and Treatment Works | 205,995,842 | (74,880,211) | 29,811,339 | 29,811,339 | | 159,826,970 | 34,171,098 | 657,395 | 3,015,112 | | 37,843,563 | 121,985,407 |
| Community Assets | | | | | | | | | | | | |
| Libraries | 14,675,000 | 910,005 | 1,595,159 | 1,980,607 | | 19,164,771 | 4,327,320 | (25,573) | 776,993 | | 5,078,740 | 14,086,031 |
| Fire Stations | 24,895,538 | 5,028,550 | 680 | 363,479 | (32,324) | 30,356,923 | 14,000,974 | (924,506) | (19,394) | | 12,877,080 | 17,479,943 |
| Cemeteries | 14,279,601 | 1,363,500 | | 6,510,042 | | 22,153,143 | 3,859,057 | (1,360,200) | 441,726 | | 2,940,593 | 19,212,550 |
| Clinics | 18,131,198 | 7,907,093 | 958 | 1,278,132 | (41,339) | 27,276,042 | 4,046,447 | (231,155) | 837,740 | (16,539) | 4,656,496 | 22,639,546 |
| Community Centres | 75,231,589 | 4,449,830 | 74,054 | 3,986,277 | | 84,641,750 | 19,586,834 | 465,566 | 2,634,229 | | 22,786,429 | 61,855,322 |
| Public Conveniences | 57,174,631 | (49,746,602) | 5,630 | 1,013,396 | (439,002) | 6,994,652 | 34,428,760 | (31,697,409) | 264,361 | (192,553) | 2,893,159 | 4,191,498 |
| Swimming Pools | 15,182,105 | (397,143) | 4,698,428 | 169,757,228 | (107,942) | 15,690,416 | 7,310,902 | (174,086) | 488,978 | (69,882) | 7,657,102 | 8,133,314 |
| Recreational Facilities | 298,810,018 | (24,481,741) | | | (12,417,138) | 403,356,795 | 71,915,472 | (21,584,201) | 10,582,415 | (5,124,818) | 55,898,888 | 347,517,927 |
| Selling and Letting Schemes | 75,458,321 | 33,440,441 | | | (9,189,381) | 100,729,401 | 25,188,098 | 20,497,257 | (15,899,442) | (2,568,108) | 27,205,805 | 73,523,596 |
| Heritage Assets | | | | | | | | | | | | |
| Historical Buildings | 34,168,881 | (33,377,634) | | 408,512 | | 1,214,759 | 50,653 | 300,887 | (351,540) | | - | 1,214,759 |
| Monuments and Statues | 2,675,409 | 2,675,409 | | | | 2,675,409 | 35,940 | 35,940 | | | - | 2,675,409 |
| Heritage Sites | 1,120,882 | 1,120,882 | | 258,298 | | 1,379,180 | 3,000 | 3,000 | (3,000) | | - | 1,379,180 |
| Museums | 45,730,959 | 45,730,959 | | 3,263,902 | | 48,994,861 | 11,713 | 11,713 | (11,713) | | - | 48,994,861 |
| Art Works | 5,713,969 | (14,178) | | | | 5,699,821 | | | | | | 5,699,821 |
| Other Assets | | | | | | | | | | | | |
| Bins and Containers | 39,802,880 | 16,135,438 | | 3,925,772 | | 59,964,090 | 50,663 | 351,540 | (402,193) | | - | 59,964,090 |
| Emergency and Medical Equipment | 185,916 | 185,916 | | | | 185,916 | 157,233 | 14,182 | 14,182 | | 171,415 | 14,501 |
| Vehicles and Plant | 2,112,809 | 2,858,223 | | 2,858,223 | (15,124) | 4,957,908 | 1,477,498 | 1,477,498 | 266,329 | (13,120) | 1,790,703 | 3,227,205 |
| Office Furniture and Fittings | 137,560,333 | 17,090,381 | 30,525,016 | | (161,114) | 184,924,626 | 56,685,670 | 352,332 | 19,099,808 | (60,557) | 75,057,263 | 109,867,373 |
| Landfill Sites | 94,097,539 | 47,938,383 | 6,041,511 | | (464,682) | 147,612,751 | 18,769,085 | 9,546,546 | 3,515,790 | (464,682) | 32,310,739 | 115,302,072 |
| Security Systems | 71,545,345 | 71,545,345 | | | | 71,545,345 | | | | | - | 71,545,345 |
| Access Control | 9,245,069 | 9,245,069 | | | | 15,533,351 | 2,581,797 | 2,581,797 | | | 4,695,911 | 10,937,440 |
| Tip Sites | 3,198,492 | 3,198,492 | | | | 3,198,492 | 1,007,959 | 150,027 | 150,027 | | 1,157,986 | 2,040,506 |
| Computer Hardware | 24,042,552 | 18,294,841 | 7,640,483 | | | 49,977,876 | 20,481,930 | 7,886,045 | 4,336,533 | | 32,714,608 | 17,263,268 |
| | 255,700,424 | 169,521,246 | 53,383,515 | | (638,920) | 477,936,285 | 98,896,685 | 23,009,410 | 28,400,893 | (568,363) | 147,738,615 | 330,197,690 |
| Total | 4,698,459,699 | 161,732,814 | 98,374,719 | 789,896,435 | (28,937,564) | 5,769,206,103 | 1,522,842,448 | 232,026,705 | (11,808,709) | 1,743,060,448 | 3,966,146,698 | |
| NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2007 | | | | | | | | | | | | |
| ACCUMULATED DEPRECIATION | | | | | | | | | | | | |
| | Opening Balance | Transfers / Adjustments | Additions | Capital Under Construction | Disposals | Closing Balance | Opening Balance | Transfers / Adjustments | Additions | Disposals / Adjustments | Closing Balance | Carrying Value |
| Intangible Assets | | | | | | | | | | | | |
| Computer Software | 24,507,464 | 115,833,890 | 4,239,422 | 83,131,336 | | 227,714,103 | 62,751,788 | | 27,591,027 | | 60,348,195 | 147,365,908 |

| APPENDIX B(1) | | | | | | |
|--------------------------------------------------------------------------------------|--------------------|----------------------|---------------------|-------------------|--------------------|----------------------|
| NELSON MANDELA BAY METROPOLITAN MUNICIPALITY | | | | | | |
| RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007 | | | | | | |
| Reconciliation of Carrying Value | Land and Buildings | Infrastructure | Community | Heritage | Other | Total |
| Carrying Value 1 July 2006 | | | | | | |
| Cost | 235,130,415 | 3,592,763,979 | 592,209,209 | 39,238,956 | 326,779,470 | 4,766,142,029 |
| Transfers/Adjustments | 16,897,357 | (30,829,530) | 7,917,796 | 15,738,468 | (80,799,587) | (71,075,496) |
| Disposal | | | (27,267,208) | 663,924 | (3,550) | (26,606,834) |
| Accumulated Depreciation | (38,882,741) | (1,202,220,695) | (184,801,674) | (50,653) | (96,886,685) | (1,522,842,448) |
| | 213,145,031 | 2,359,733,754 | 388,058,123 | 55,590,695 | 149,089,648 | 3,165,617,251 |
| Movement during year ended 30 June 2007 | | | | | | |
| Acquisition | 31,597 | 38,624,698 | 6,364,909 | | 53,353,515 | 98,374,719 |
| Capital Under Construction | 30,453,337 | 573,428,225 | 181,789,161 | 3,925,712 | | 789,596,435 |
| Adjustments | | | 5,451,457 | 45,430 | 156,235,927 | 161,732,814 |
| Depreciation | 7,212,574 | (211,432,581) | 191,992 | 402,193 | (28,400,883) | (232,026,705) |
| | 37,697,508 | 400,620,342 | 193,797,519 | 4,373,335 | 181,188,559 | 817,677,263 |
| Carrying Value of Disposals during year ended 30 June 2007 | | | | | | |
| Cost | (320,832) | (6,790,706) | (21,207,106) | - | (638,920) | (28,957,564) |
| Depreciation | 128,333 | 3,130,921 | 7,991,091 | - | 558,363 | 11,808,708 |
| | (192,499) | (3,659,785) | (13,216,015) | - | (80,557) | (17,148,856) |
| Carrying Values at 30 June 2007 | 250,650,040 | 2,756,694,311 | 568,639,627 | 59,964,030 | 330,197,650 | 3,966,145,658 |
| Summary - Carrying Values at 30 June 2007 | | | | | | |
| Summary - Cost | 282,191,874 | 4,167,216,666 | 745,258,218 | 59,612,490 | 454,926,855 | 5,709,206,103 |
| Summary - Accumulated Depreciation | (31,541,834) | (1,410,522,355) | (176,618,591) | 351,540 | (124,729,205) | (1,743,060,445) |
| | 250,650,040 | 2,756,694,311 | 568,639,627 | 59,964,030 | 330,197,650 | 3,966,145,658 |

| APPENDIX 'C' | | | | | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------|------------------------------|---------------------|----------------------|----------------------|-------------------------|--------------------|---------------------|----------------------|----------------------|
| NELSON MANDELA BAY METROPOLITAN MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007 | | | | | | | | | | | |
| COST | | | | | | | | | | | |
| | Opening Balance | Transfers / Adjustments | Additions/Under Construction | Disposals | Closing Balance | Opening Balance | Transfers / Adjustments | Additions | Disposals | Closing Balance | Carrying Value |
| Infrastructure and Engineering Unit - Rate and General | 1,326,547,059 | (17,869,862) | 219,835,589 | - | 1,528,512,786 | 601,263,291 | (4,622,134) | 78,603,831 | - | 675,244,988 | 853,267,798 |
| Sanitation Service | 649,358,939 | (3,310,211) | 108,937,072 | - | 754,985,800 | 185,983,500 | (1,159,656) | 31,304,864 | - | 216,128,708 | 538,657,092 |
| Water Service | 474,640,229 | (514,170) | 77,831,409 | - | 551,957,468 | 167,661,504 | (445,806) | 23,136,135 | - | 190,351,833 | 361,605,635 |
| Electricity and Energy | 1,127,902,369 | (24,223,869) | 194,913,743 | - | 1,298,592,243 | 293,664,203 | (7,498,237) | 60,677,633 | - | 346,843,599 | 951,748,644 |
| Levies Finance-Office of the Speaker | 355,716 | - | - | - | 355,716 | - | - | 23,714 | - | 23,714 | 332,002 |
| Housing and Land | 252,468,990 | (17,230,356) | 15,370,906 | (5,229,946) | 245,379,594 | 63,169,104 | (944,079) | (11,306,703) | (1,639,171) | 49,279,151 | 196,100,443 |
| Recreational and Cultural Services | 280,999,137 | 8,865,170 | 17,427,198 | (21,085,836) | 286,205,669 | 68,420,706 | (723,406) | 9,320,973 | (9,324,570) | 67,693,703 | 218,511,966 |
| Safety and Security | 116,852,708 | (3,705,453) | 22,119,154 | (32,324) | 135,234,085 | 37,418,805 | (1,690,799) | 9,993,746 | (19,394) | 45,702,358 | 89,531,727 |
| Economic Development, Tourism and Agriculture | 16,256,071 | 95,846,300 | 20,859,466 | - | 132,961,837 | 6,256,765 | (158,810) | 652,225 | - | 6,750,180 | 126,211,657 |
| Budget and Treasury | 86,161,662 | (69,888,371) | 5,330,412 | - | 21,603,703 | 19,532,321 | (17,333,860) | 783,826 | - | 2,982,287 | 18,621,416 |
| Constituency Co-ordinator | 2,407,404 | 114,272 | 664,229 | - | 3,185,905 | - | - | - | - | - | 3,185,905 |
| Health | 25,094,708 | 2,826,991 | 2,703,235 | (130,740) | 30,494,194 | 6,021,494 | (1,195,428) | 1,451,167 | (81,958) | 6,195,275 | 24,298,919 |
| Environment Services | 188,482,014 | 70,836,913 | 32,824,454 | - | 292,143,381 | 44,014,603 | - | 20,816,549 | - | 64,831,152 | 227,312,229 |
| Human Resources and Corporate Administration | 134,666,540 | 98,922,944 | 12,207,106 | (2,478,718) | 243,317,872 | 27,262,126 | 35,772,215 | 6,199,373 | (743,615) | 68,490,099 | 174,827,773 |
| Municipal Manager | 6,286,153 | 21,062,516 | 156,947,181 | - | 184,275,850 | 2,174,026 | - | 369,372 | - | 2,543,398 | 181,732,452 |
| | 4,688,459,699 | 161,732,814 | 887,971,154 | (28,957,564) | 5,709,206,103 | 1,522,842,448 | - | 232,026,705 | (11,808,708) | 1,743,060,445 | 3,966,145,658 |

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

| 2006 Income | 2006 Actual Expenditure | 2006 Surplus/ (Deficit) | 2007 Income | 2007 Actual Expenditure | 2007 Surplus/ (Deficit) |
|----------------------|-------------------------------|-------------------------------|----------------------|-------------------------------|-------------------------------|
| 1,536,851 | 105,086,806 | (103,549,955) | 158,724,614 | 291,174,167 | (132,449,553) |
| 1,392,572,594 | 514,862,871 | 877,709,723 | 2,145,446,766 | 923,655,338 | 1,221,791,427 |
| 56,633,752 | 82,619,141 | (25,985,389) | 69,022,289 | 93,466,211 | (24,443,922) |
| 141,455,728 | 191,269,416 | (49,813,688) | 128,900,978 | 227,849,888 | (98,948,910) |
| 48,765,044 | 182,783,322 | (134,018,278) | 40,343,992 | 208,299,681 | (167,955,689) |
| 5,948,110 | 115,021,533 | (109,073,423) | 12,428,215 | 132,401,509 | (119,973,294) |
| 6,233 | 6,837,209 | (6,830,976) | 26,005,920 | 119,728,834 | (93,722,915) |
| 121,333,506 | 175,888,838 | (54,555,332) | 133,239,035 | 215,892,320 | (82,653,285) |
| 15,946,465 | 119,378,466 | (103,432,001) | 138,626,716 | 247,230,519 | (108,603,803) |
| 326,146,724 | 291,097,911 | 35,048,813 | 367,310,633 | 365,741,383 | 1,569,250 |
| 1,156,774,183 | 991,914,989 | 164,859,194 | 1,231,121,820 | 1,104,159,737 | 126,962,083 |
| 6,731,616 | 62,425,992 | (55,694,376) | 10,172,568 | 79,211,323 | (69,038,755) |
| 10,395,897 | 10,352,134 | 43,763 | 10,581,674 | 11,424,739 | (843,065) |
| 262,106,278 | 262,126,785 | (20,507) | 305,885,078 | 270,405,883 | 35,479,195 |
| <u>3,546,352,981</u> | <u>3,111,665,412</u> | <u>434,687,569</u> | <u>4,777,810,296</u> | <u>4,290,641,532</u> | <u>487,168,764</u> |

| APPENDIX E(1) NELSON MANDELA BAY METROPOLITAN MUNICIPALITY ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007 | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2007 Actual (R) | 2007 Budget (R) | 2007 Variance (R) | 2007 Variance (%) |
| REVENUE | | | | |
| Property rates | 533,190,365 | 541,872,790 | (8 682 425) | -2 |
| Service charges | 1,653,138,228 | 1,636,668,000 | 16 470 228 | 1 |
| Interest earned - external investments | 141,611,910 | 134,951,780 | 6 660 130 | 5 |
| Interest earned - outstanding debtors | 77,367,970 | 55,710,000 | 21 657 970 | 39 |
| | | | | 39 Increase in arrear debtors resulting in an increase in interest raised on outstanding debtor balances. Interest rate increased more than anticipated. |
| Fines | 17,368,619 | 21,666,190 | (4 297 571) | -20 |
| | | | | -20 Due to the <i>ad hoc</i> nature of this income, accurate income projections are not possible. |
| Licences and permits | 6,409,122 | 6,371,520 | 37 602 | 1 |
| Government grants and subsidies | 1,251,855,724 | 567,391,660 | 684 464 064 | 121 |
| Other income | 218,536,032 | 183,111,040 | 35 424 992 | 19 |
| | | | | 121 Actual grants received in excess of original allocations 19 Due to the <i>ad hoc</i> nature of this income, accurate income projections are not possible. |
| Gains on disposal of property, plant and equipment | 593,785 | 21,300 | 572 485 | 2688 |
| | | | | 2688 More property, plant and equipment disposed of than initially anticipated |
| Contributions: Other | 877,738,544 | 6,246,030 | 871 492 514 | 13953 |
| | | | | 13953 This was necessitated to adjust the provisions to the appropriate levels |
| Total Revenue | 4,777,810,297 | 3,154,010,310 | 1,623,799,987 | 51 |
| EXPENDITURE | | | | |
| Employee related costs | 1,036,653,107 | 1,025,708,420 | 10 944 687 | 1 |
| Remuneration of Councillors | 35,335,941 | 37,128,850 | (1 792 909) | -5 |
| Bad debts | 19,604,984 | 2,134,700 | 17 470 284 | 818 |
| | | | | 818 Increased bad debt write-offs due to escalating outstanding debtors. |
| Collection costs | 2,061,166 | 2,177,030 | (115 864) | -5 |
| Depreciation | 266,587,719 | 212,002,090 | 54 585 629 | 26 |
| | | | | 26 Review of projects resulted in an adjustment to the anticipated depreciation |
| Repairs and maintenance | 307,142,106 | 278,089,900 | 29 052 206 | 10 |
| | | | | 10 Higher cost and an effort to decrease backlogs in repairs and maintenance resulted in higher levels of expenditure. |
| Interest paid | 24,183,338 | 28,430,730 | (4 247 392) | -15 |
| | | | | -15 Interest paid decreased due to refinancing certain external loans |
| Bulk purchases | 666,322,864 | 676,654,920 | (10 332 056) | -2 |
| Grants and subsidies paid | 42,970,595 | 13,507,790 | 29 462 805 | 218 |
| | | | | 218 Additional grants were allocated to entities for operational purposes, as more projects were allocated to entities. The main reason for the difference is that grants paid from the Levies funded Operating Budget were included under General Expenses. |
| General expenses | 629,994,135 | 351,614,840 | 278 379 295 | 79 |
| | | | | 79 Expenditure incurred relating to housing for structures not originally budgeted for pending receipt of subsidies from Provincial Government. |
| Contributions To/(From) Provisions | 1,259,785,579 | 526,561,040 | 733 224 539 | 139 |
| | | | | 139 This was necessitated to adjust the provisions to the appropriate levels |
| Total Expenditure | 4,290,641,632 | 3,154,010,310 | 1,136 631 222 | 36 |

APPENDIX E(2)
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 Budget | Additions / Under Construction | Variance R | % Variance | Explanation of Variances greater than 10 % |
|------------------------------------------------------------------|----------------------|--------------------------------------|--------------------|------------|----------------------------------------------------------------------------------------------------------------|
| Infrastructure and Engineering Directorate - Rate and General | 341,301,100 | 222,152,407.00 | 119,148,693 | 35 | Delayed implementation mainly as a result of non-availability of planners |
| Housing and Land | 4,878,000 | 19,818,030.00 | (14,940,030) | -306 | Services are implemented in order for top structure construction to take place |
| Recreational and Cultural Services | 14,000,000 | 17,450,125.00 | (3,450,125) | -25 | Additional projects were identified |
| Safety and Security | 17,530,000 | 22,119,154.00 | (4,589,154) | -26 | Delays in delivery in the previous financial year were expedited in the current financial year. |
| Economic Development, Tourism and Agriculture | 8,462,000 | 20,859,466.00 | (12,397,466) | -147 | Escalation of construction cost caused additional funds to be sought to complete projects |
| Budget and Treasury | 85,990,000 | 72,084,574.00 | 13,905,426 | 16 | Delays experienced in the roll-out of the General Rates Valuation |
| Constituency Co-ordinator | 2,700,000 | 664,229.00 | 2,035,771 | 75 | Identification of suitable erven presented challenges |
| Health | 9,383,850 | 2,703,235.00 | 6,680,615 | 71 | Escalation of construction costs caused delays |
| Environment Services | 27,958,230 | 32,824,454.00 | (4,866,224) | -17 | Additional projects were identified |
| Corporate Administration | 27,050,000 | 21,620,957.00 | 5,429,043 | 20 | Escalation of construction cost caused delays |
| Sanitation - Municipality | 178,890,000 | 110,346,388.00 | 68,543,612 | 38 | Part of the funding for bucket eradication was withdrawn, as it was only intended for formal areas |
| Municipal Water Service | 99,328,100 | 77,896,606.00 | 21,431,494 | 22 | Delayed implementation as a result of non-availability of planners |
| Municipal Manager | 350,000,000 | 156,947,181.00 | 193,052,819 | 55 | Construction of the stadium commenced later than anticipated pending finalisation of the funding arrangements. |
| Electricity and Energy | 206,702,000 | 197,857,106.00 | 8,844,894 | 4 | |
| | 1,374,173,280 | 975,343,912 | 398,829,368 | 29 | |

**APPENDIX F
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2007**

| Name of Grants | Name of Organ of State | Quarterly Receipts | | | | | | Total Funds Received | Quarterly Expenditure | | | | | | Reasons for Delay | Did Municipality comply with grant conditions |
|-----------------------------------------|------------------------|--------------------|------------|-------------|------------|-------------|------------|----------------------|-----------------------|-------------|-------------|-----------|---------|------------|-------------------|-----------------------------------------------|
| | | July-Sept | Oct-Dec | Jan-Mar | April-June | July-Sept | Oct-Dec | | Jan-Mar | April-June | July-Sept | Oct-Dec | Jan-Mar | April-June | | |
| Financial Management Grant | NT | 1,000,000 | | | | | 1,000,000 | 103,079 | 252,095 | 66,292 | 1,121,872 | 1,543,338 | N/A | Yes | | |
| National Electrification Programme | DME | 8,333,333 | 7,017,544 | 3,254,386 | 2,177,000 | 20,782,263 | 3,919,987 | 4,196,397 | 2,748,873 | 4,382,679 | 15,257,936 | N/A | Yes | | | |
| Municipal Infrastructure Grant | DPLG | 37,000,000 | 19,000,000 | 56,666,667 | 19,590,614 | 132,257,281 | 29,154,180 | 19,044,739 | 10,128,591 | 21,730,720 | 80,058,230 | N/A | Yes | | | |
| Restructuring Grant | NT | 0 | 25,000,000 | | | 25,000,000 | 7,487,062 | 8,838,662 | 6,591,281 | 66,558,104 | 89,475,109 | N/A | Yes | | | |
| Equitable Share (excluding MJRP) | DPLG | 75,132,279 | 56,543,504 | 93,674,501 | | 225,350,284 | 35,060,206 | 44,652,481 | 40,493,976 | 38,734,972 | 158,941,635 | N/A | Yes | | | |
| RSC Levies Replacement Grant | DPLG | 82,215,317 | 61,874,100 | 102,505,592 | | 246,595,009 | | | 45,003,540 | 166,049,855 | 211,053,395 | N/A | Yes | | | |
| Effective Disaster Management | DPLG | 1,500,000 | | | | 1,500,000 | 436,351 | 480,376 | 589,447 | 653,628 | 2,159,802 | N/A | Yes | | | |
| MSIG - Project Consolidate | DPLG | 2,000,000 | 2,000,000 | | | 4,000,000 | 1,120,699 | 809,078 | 14,410 | 1,672,620 | 3,616,807 | N/A | Yes | | | |
| FIFA World Cup (Construction of Stadia) | NT | | | 110,086,628 | | 110,086,628 | | | 36,258,655 | 73,547,340 | 109,805,995 | N/A | Yes | | | |
| FIFA World Cup (Transport or PTIF) | NT | 30,000,000 | | 38,600,000 | 0 | 68,600,000 | 781,212 | 2,118,922 | 9,551,782 | 27,103,305 | 39,555,221 | N/A | Yes | | | |
| Motherwell Urban Renewal Programme | DPLG | 5,175,370 | 3,450,247 | 6,900,494 | | 15,526,111 | 2,222,967 | 2,586,270 | 1,802,375 | 3,106,502 | 9,698,114 | N/A | Yes | | | |

APPENDIX G

NELSON MANDELA BAY MUNICIPALITY: NATIONAL TREASURY IMPLEMENTATION PLAN for ACHIEVING FULL COMPLIANCE WITH APPLICABLE ACCOUNTING STANDARDS

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------|
| Property, plant and equipment (GAMAP 17) | Review of useful life of items of PPE recognised in the annual financial statements <i>[Paragraphs 59 – 61, and 77]</i> | <p>1) CFO to communicate the requirement for the review of useful lives of PPE to all custodians of assets through a workshop/written communication.</p> <p>2) CFO to issue a memo to all executive directors annually requesting them to ensure that the remaining useful lives of all items of PPE under their control as per the Fixed Asset Register (FAR) is realistic.</p> <p>3) Executive directors will inform the manager responsible for items of PPE where the remaining useful lives are shorter or longer than those reflected on the FAR annually.</p> <p>4) The useful lives in the asset register will annually be amended for items identified and the depreciation charge adjusted for the current and future periods.</p> | CFO/ Executive directors | 1 July 2008 |
| | | | CFO/ Executive directors | 1 July 2008 |
| | | | CFO/ Executive directors | 31 December 2008 |
| | | | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------|
| | | 5) Pass necessary accounting entries and also do necessary disclosure of the change in estimate (nature of change in estimate, amounts involved, effect on future periods). | CFO | 30 June 2009 |
| | Review of depreciation method applied to PPE recognised in the annual financial statements <i>[Paragraphs 62 and 77]</i> | <p>1) CFO to issue a memo to all executive directors annually to request them to ensure that the depreciation method used to depreciate all items of PPE under their control as per the FAR is realistic.</p> <p>2) CFO to annually review the depreciation method used to depreciate different classes of assets to assess its applicability for each class of asset.</p> <p>3) Executive directors will inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected annually on the FAR.</p> <p>4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.</p> | CFO/ Executive directors | 1 July 2008 |
| | | | CFO/ Executive directors | 1 July 2008 |
| | | | CFO/ Executive directors | 31 December 2008 |
| | | | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------|
| | Impairment of non-cash-generating assets <i>[Paragraphs 64 – 69 and 75(e)(v) – (vi)]</i> | <p>1) CFO to issue a memo (including a printout of the FAR per directorate) annually to all executive directors to identify items of PPE that may have suffered impairment losses, requesting them to identify assets that:</p> <ul style="list-style-type: none"> ➤ Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➤ Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➤ Are technologically obsolete at year-end (the inclusion of FAR printouts per directorate will facilitate this process - remaining useful lives of major assets are shown on these FAR printouts and the executive directors can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➤ Have remained idle for a considerable period either prior to | CFO/ Executive directors | 1 July 2008 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------|
| | | <p>them being put into use at year-end or during their useful life;</p> <p>➤ Show that they are not performing according to their specifications or according to industry accepted norms.</p> <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p> | CFO | 30 June 2009 |
| | <p>Impairment of cash-generating assets <i>[Paragraphs 63 and 75(e)(v) – (vi)]</i></p> | <p>1) CFO to issue a memo (including a printout of the FAR per directorate) annually to all executive directors to identify items of PPE that may have suffered impairment losses, requesting them to identify assets that:</p> <p>➤ Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year-end);</p> | CFO/ Executive directors | 1 July 2008 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <ul style="list-style-type: none"> ➤ Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➤ Are technologically obsolete at year-end (the inclusion of FAR printouts per directorate will facilitate this process - remaining useful lives of major assets are shown on these FAR printouts and the executive directors can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➤ Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life; ➤ Show that they are not performing according to their specifications or according to industry accepted norms. <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p> | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|---------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------|
| Impairment of Assets (IAS 36/AC 128) | Entire Standard | <p>1) CFO to issue a memo (including a printout of the FAR per directorate) annually to all executive directors to identify items of PPE that may have suffered impairment losses, requesting them to identify assets that:</p> <ul style="list-style-type: none"> ➤ Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➤ Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➤ Are technologically obsolete at year-end (the inclusion of FAR printouts per directorate will facilitate this process - remaining useful lives of major assets are shown on these FAR printouts and the executive directors can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); ➤ Have remained idle for a considerable period either prior to | CFO/ Executive directors | 1 July 2008 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------|
| | | <p>them being put into use at year-end or during their useful life;</p> <ul style="list-style-type: none"> ➤ Show that they are not performing according to their specifications or according to industry accepted norms. <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p> | CFO | 30 June 2009 |
| Inventories (GAMAP 12) | The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17 | <p>Currently, the Municipality does not reflect land that will be sold within the next twelve months as inventories, but carries these items as part of PPE. The following implementation plans will need to be executed to ensure compliance with GAMAP 12:</p> <ol style="list-style-type: none"> 1) Ensure that all land and buildings under the control of the Municipality are reflected on the Fixed Asset Register of the Municipality by implementing the action plans set | CFO/ Executive Director: Housing and Land | 31 December 2008 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| | | <p>out as points 1) to 3) for the section on Investment Property as set out below.</p> <p>2) Ensure that at the first balance sheet date, this specific requirement of GAMAP 12 will be implemented to show these assets as inventories, that all land and buildings that will be sold within the following twelve months are removed from the FAR and are reclassified as inventories.</p> <p>3) Ensure that these inventories are measured at the lower of cost price and Net Realisable Value (NRV).</p> <p>4) Ensure that the necessary disclosure requirements relating to inventories of land and buildings are met.</p> | <p>CFO/ Executive Director: Housing and Land</p> <p>CFO/ Executive Director: Housing and Land</p> <p>CFO</p> | <p>30 June 2009</p> <p>30 June 2009</p> <p>30 June 2009</p> |
| <p>Investment Property (IAS 40/AC 135)</p> | <p>The entire standard to the extent that the property is accounted for in terms of GAMAP 17</p> | <p>1) Perform a title deeds search to identify all land and buildings under control of the Municipality.</p> <p>2) Compare the results of the title deeds search to the Fixed Asset Register and the Valuation Roll and adjust the FAR to reflect all land and buildings under control of the Municipality.</p> | <p>Executive Director: Housing and Land</p> <p>CFO/ Executive Director: Housing and Land</p> | <p>1 July 2008</p> <p>31 December 2008</p> |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| | | <p>3) Value all land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown.</p> <p>4) Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40.</p> <p>5) Decide on an accounting policy for the subsequent measurement of IP, i.e. cost price less accumulated depreciation or Fair Value. The cost model for IP is not desirable nor does it result in fair presentation (it is highly unlikely that IP will depreciate in value, nor will its value be impaired under normal circumstances – IAS 40 encourages a municipality to rather apply the fair value model opposed to the cost model).</p> <p>6) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the</p> | <p>CFO/ Executive Director: Housing and Land</p> <p>CFO</p> <p>CFO</p> <p>CFO</p> | <p>30 June 2009</p> <p>30 June 2009</p> <p>30 June 2009</p> <p>30 June 2009</p> |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <p>accounting for subsequent expenditure, disposal of IP, transfers of IP, fair value increases, etc.</p> <p>7) Property held for sale in the coming financial year (2007/2008) will have to be calculated and transferred to Inventory.</p> <p>8) According to IAS 40 the following disclosure requirements are listed that will be included in the AFS of the Municipality:-</p> <ul style="list-style-type: none"> ➤ The gross carrying amount of cost price and accumulated depreciation at the beginning and the end of the period; ➤ A reconciliation of the carrying amount of Investment Property at the beginning and the end of the period, showing additions, improvements, disposals, fair value adjustments, depreciation and impairment; and ➤ Transfers to or from Investment Properties and Investment Properties reclassified as held for sale. | CFO | 30 June 2008 |
| | | | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| | <p>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 the standard. <i>[Paragraphs IAS 40.79 (e)(i) – (iii)]</i></p> | <p>Ensure that, even if IP is reflected at cost, procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.</p> | CFO | 30 June 2009 |
| <p>Leases (IAS 17/AC 105)</p> | <p>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. <i>[SA/CA Circular 12/06 Paragraphs 8 – 11 and Paragraphs 33, 34, 50, 51 of IAS 17/AC 105]</i></p> | <ol style="list-style-type: none"> 1) Municipality as lessee: operating leases that have fluctuating payment arrangements must be identified. 2) Municipality as lessor: operating leases that have fluctuating payment arrangements must be identified. 3) Current y, operating lease payments are accounted for based on the cash flows in the lease agreement and therefore the actual amount of lease installments incurred per annum is recognised in the Statement of Financial Performance. Once straight lining is done on the amount recognised in the Statement of Financial Performance and will be the | <p>CFO/ Executive directors</p> <p>Executive Director: Housing and Land (lessor)</p> <p>CFO</p> | <p>30 June 2008</p> <p>30 June 2009</p> <p>30 June 2009</p> |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------|
| | | average annual instalment calculated over the entire lifespan of the lease. If the actual instalments in a year are more than the average instalment the difference will be shown as a prepayment (debtor) in the AFS. If the actual instalments in a year are less than the average instalment, the difference will be shown as an accrual (creditor) in the AFS. | | |
| Intangible Assets (IAS 38/AC 129) | The entire standard, except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed. | <p>Classification and initial measurement of Intangible Assets not yet accounted for in terms of IAS 38:</p> <p>1) All assets that meet the definition of an intangible asset and the recognition criteria for an asset will be identified by scrutinising the FAR and capital purchases file/vouchers.</p> <p>2) All intangible assets identified will be measured initially at their cost price. Examples of items that may meet the definition of an intangible asset in the municipal environment are:</p> <ul style="list-style-type: none"> • The cost of the General | CFO/ Executive directors CFO | 1 July 2008 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | Valuation Roll; <ul style="list-style-type: none"> • A licence fee for operating a tip site, where the fee grants to the Municipality the right to operate the tip site for a period of longer than one year; and • Servitudes. | | |
| | | 3) Necessary procedures will be put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets. | CFO | 30 June 2009 |
| | | 4) The following adjustments will need to be made to the intangible assets (excluding computer software equipment and website costs) currently reflected as PPE in the Asset Register: <ul style="list-style-type: none"> • If any intangible assets are currently classified as part of PPE, then the full application of IAS 38 will lead to a | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------|
| | | <p>reclassification of these items as intangible assets. This will result in a reduction in the carrying amount of PPE and an increase in intangible assets.</p> <p>5) If intangible assets have been incorrectly expensed in the past, this can be regarded as a prior period error and will be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality.</p> | CFO | 30 June 2009 |
| Employee Benefits (IAS 19/AC 116) | Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. <i>[Paragraphs 29, 48 – 119, 120A(c)-(q)]</i> | <p>Currently, the Municipality does not account for its defined benefit plans and other long-term employee benefits in terms of IAS 19. The following will be done by the Municipality:</p> <ol style="list-style-type: none"> 1) Determine and draw up a detailed list of all of the Municipality's post-retirement benefit plans. 2) Ensure that the necessary actuarial valuations are requested for all of the above-mentioned identified | Executive Director. Corporate Services/ CFO CFO | 31 January 2008 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------|
| | | <p>plans to ensure that the relevant information is obtained to enable the Municipality to account for the defined benefit plan (the actuaries will also have to confirm that these identified plans are indeed defined benefit plans). Request that the consultants tasked with preparing the actuarial reports provide the Municipality with an indication of the journal entries and disclosure of these entries in the AFS for the financial year.</p> | | |
| | | <p>3) Determine if there are any multi-employer plans in existence (e.g. Joint Municipal Pension Funds) within the Municipality.</p> | Executive Director: Corporate Services/ CFO | 30 June 2009 |
| | | <p>4) Should the Municipality be a member of multi-employer plans, obtain the necessary actuarial information from the various fund administrators in this regard for all such plans, as required by IAS 19.29 and IAS 19.30.</p> | Executive Director: Corporate Services/ CFO | 30 June 2009 |
| | | <p>5) Draft a list of the other accounting treatment and disclosure requirements of IAS 19 and ensure</p> | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| Revenue (GAMAP 9) | Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i> | that these requirements are met in the AFS. | | |
| | | <p>In terms of GAMAP 9, revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is deferred, for example where the entity provides an interest free credit period to the purchaser, the fair value of the revenue must be determined by discounting all future receipts by using an imputed rate of interest.</p> <p>The Municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the Municipality and therefore it is highly unlikely that the Municipality will be faced with this type of transaction.</p> <p>In terms of SAICA Circular 9 of 2006, ensure that the following is done:</p> | | |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <p>1) Prepare a list of all settlement discounts received for prompt settlement of creditors in respect of inventories purchased.</p> <p>2) Ensure that these settlement discounts have been deducted from the cost price of the inventories concerned.</p> <p>3) If these settlement discounts have been accounted for as other income, ensure that the other income is reversed to cost of inventories in respect of inventories that are still on hand and to inventories expensed in respect of inventories that have been sold or utilised by the Municipality.</p> <p>4) It is highly unlikely that the municipality has received extended payment terms. If it had received extended payment terms, the requirements of SAICA Circular 9/06.23 to .30 will be met. These paragraphs essentially state and require the following:</p> <p>i. IAS 39 – <i>Financial Instruments: Recognition and Measurement</i> applies to the payable in such circumstances, and the effect of the time value of money should</p> | CFO | 30 June 2008 |
| | | | CFO | 30 June 2008 |
| | | | CFO | 30 June 2008 |
| | | | CFO | 30 June 2008 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <p>be reflected when this is material (IAS 39 paragraphs AG69-AG82); and</p> <p>ii. Furthermore, Paragraph 18 of IAS 2 addresses deferred settlement terms and states that when the arrangement effectively contains a financing element, that element must be recognised as interest over the period of the financing. It also provides an example of a financing element – where there is a difference between the purchase price for normal credit terms and the amount paid.</p> <p>5) The re-allocation of SAICA Circular 9/06 related transactions will require system posting adjustments which will be performed in the 2007/08 financial year.</p> | CFO | 30 June 2008 |
| Financial Instruments: Recognition and Measurement (IAS 39/AC 133) | Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/</i> | The Municipality is of the opinion that it is, through its normal activities, complying with the requirements of the initial measurement of IAS 39. According to IAS 39 Application Guidance Par. 64 and 76A, the fair value of a financial | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | AC 133] | <p>instrument on initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). However, in cases that might be identified where initial recognition is not done correctly, the following actions will be required.</p> <p>1) Initial recognition: IAS 39 requires recognition of a financial asset or a financial liability when, and only when, the entity becomes a party to the contractual provisions of the instrument, subject to the following provisions in respect of regular way purchases.</p> <p>2) Initial measurement: Initially, financial assets and liabilities will be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss.</p> <p>Action: Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length</p> | CFO | 30 June 2009 |
| | | | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <p>transaction. IAS 39 provides a hierarchy to be used in determining the fair value for a financial instrument, which are the following:</p> <ul style="list-style-type: none"> ➤ Quoted market prices in an active market are the best evidence of fair value and will be used, where they exist, to measure the financial instrument. ➤ If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. ➤ If there is no active market for an equity instrument and the range of reasonable fair values is significant | | |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------|
| | | and these estimates cannot be made reliably, then an entity must measure the equity instrument at cost less impairment. | | |
| Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142) | Classification, measurement and disclosure of non-current assets held for sale. <i>[Paragraphs 6 – 14, 15 – 29 (in so far as they relate to non-current assets held for sale), 38 – 42]</i> | <p>1) Print-outs of the FAR per directorate will be made and distributed to each respective executive director. The executive directors will scrutinise the FAR applicable to their directorate and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11.</p> <p>2) The executive directors will return their FAR to the CFO and indicate the assets that meet the above-mentioned criteria.</p> <p>3) CFO will ensure that every directorate returns its FAR and ensure that it has been signed-off as proof that it has been reviewed.</p> <p>4) Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are</p> | CFO/ Executive directors | 30 June 2009 |
| | | | CFO/ Executive directors | 30 June 2009 |
| | | | CFO | 30 June 2009 |
| | | | CFO/ Executive directors | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <p>sold after year-end and meet the IFRS 5.6 to 11 requirements at year-end. Ensure that these assets are classified as non-current assets held for sale in the Financial Statements for the year under review.</p> <p>5) Measure and disclose the non-current assets held for sale in accordance with IFRS 5 requirements.</p> | CFO | 30 June 2009 |
| Financial Instruments: Disclosures (IFRS 7/AC 144) | <p>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.</p> | <p>1) Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.</p> <p>2) The Municipality will group its financial instruments into classes of similar instruments and, when disclosures are required, make disclosures by class. The two main categories of disclosures are:</p> <ul style="list-style-type: none"> ➤ Information about the significance of financial instruments. ➤ Information about the nature | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <p>and extent of risks arising from financial instruments.</p> <p>Action: The following disclosures for each of the categories will be included:</p> <p><u>Balance sheet:</u></p> <ul style="list-style-type: none"> ➤ Financial assets measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition. ➤ Held-to-maturity investments. ➤ Loans and receivables. ➤ Available-for-sale assets. ➤ Financial liabilities at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition. ➤ Financial liabilities measured at amortised cost. | | |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <p><u>Income statement:</u></p> <ul style="list-style-type: none"> ➤ <i>Items of income, expense, gains, and losses, with separate disclosure of gains and losses from financial assets measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition, held-to-maturity investments, loans and receivables, available-for-sale assets, financial liabilities measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition and financial liabilities measured at amortised cost.</i> ➤ <i>Interest income and interest expense for those financial instruments that are not measured at fair value through profit and loss.</i> ➤ <i>Fee income and expense.</i> ➤ <i>Amount of impairment losses on financial assets.</i> ➤ <i>Interest income on impairment financial assets.</i> | | |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134) | Entire Standard, excluding Paragraphs 24 and 26, replaced by Paragraph 08 of GAMAP 12, Paragraph 25 of GAMAP 17 and Paragraphs 42 – 46 of GAMAP 9 | <p><u>Other disclosures:</u></p> <ul style="list-style-type: none"> ➤ Accounting policies for financial instruments. ➤ Note that disclosure of fair values is not required when the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables, or for instruments whose fair value cannot be measured reliably. (IFRS 7 par 29 (a) and (b)) <p>1) Currently all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46.</p> <p>2) On receipt of a conditional capital government grant, the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions, a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been</p> | CFO | 30 June 2009 |
| | | | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | <p>spent during the financial year in accordance with the grant conditions. Thereafter, an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually, an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. 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).</p> | | |
| | | 3) On the implementation of IAS 20, unbundle the GGR by transferring the balance to a deferred income account. | CFO | 30 June 2009 |
| | | 4) For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, | CFO | 30 June 2009 |

| Financial reporting standard | Extent of exemption from standard | Milestones to be achieved to comply with exemption <i>[include the key challenges to be overcome]</i> | Person responsible | Estimate date of compliance <i>[cannot extend beyond 30 June 2008]</i> |
|-----------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------------|
| | | ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance. | | |
| Construction Contracts (IAS 11/AC 109) | Entire Standard | The Municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is considered that the application of IAS 11 by the Municipality will not be necessary, as the Municipality does not enter into transactions accounted for in terms of IAS 11. | N/A | N/A |
| Business Combinations (IFRS 3/AC 140) | Entire Standard | <p>1) The Municipality does not enter into business combination transactions. This standard would at the most be relevant to the Municipality in terms of goodwill, but the Municipality does not have any goodwill it needs to account for.</p> <p>2) No further actions therefore required to implement this standard.</p> | N/A | N/A |

APPENDIX "H"

**FINANCIAL STATEMENTS OF
MUNICIPAL ENTITIES**

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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**MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION
NOT FOR GAIN ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2007**

DIRECTORS' REPORT

The directors have pleasure in submitting their report for the Agency, which forms part of the audited financial statements of the Incorporated Association not for gain for the year ended 30 June 2007.

Establishment

The Nelson Mandela Bay Municipality (NMBM), with the assistance of the Industrial Development Corporation (IDC), established the Mandela Bay Development Agency (MBDA) to project manage urban regeneration of the inner municipal precinct with a view to promoting economic and tourism development. The geographical area for which the MBDA is responsible includes, *inter alia*, the Central Business District (CBD), Central Hill, the existing harbour, Lower Baakens River Valley and surrounding areas.

General review

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

Financial results

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

Key activities

During the period of the review, the Agency commenced with the construction of the Govan Mbeki Avenue Environmental Upgrade Project (Phase1). This project entailed the rehabilitation of the main sewer in the avenue, together with the semi-pedestrianisation of the precinct. Upgraded walking areas have been paved with trees, lighting, street furniture, steel structures and informal trading kiosks introduced to create a new shopping mall and tourist destination.

Directors and Secretary

The non-executive directors of the company are:

Sakhumzi Justice Macozoma (Chairperson - appointed 11 June 2007)

Sipho Mila Pityana (Chairperson - resigned 08 December 2006)

Phillip Hugo Gutsche

Mninawe Pepi Silinga

Daniel Alexander Jordaan

Errol Patrick Heynes (resigned 07 February 2007)

Sicelo Nathaniel Fayo (resigned 08 September 2006)

Lulama Monica Prince (appointed 11 June 2007)

Wilhela Magda Gie (appointed 11 June 2007)

Hannah Sadiki (appointed 11 June 2007)

Alfred Da Costa (appointed 11 June 2007)

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

Postal Address:

Mandela Bay Development Agency
PO Box 74
Port Elizabeth
6000

Business Address:

Seventh Floor
Kwantu Towers
Govan Mbeki Avenue
Port Elizabeth
6000

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007**

| | Notes | 2007 R | 2006 R |
|-----------------------------------------------------------------|-------|-------------------|-------------------|
| NET ASSETS AND LIABILITIES | | | |
| NET ASSETS | | 1,944,981 | 1,011,519 |
| Accumulated Surplus | | 1,286,492 | 402,370 |
| Grants and Public Contributions Reserves | | 658,489 | 609,149 |
| LIABILITIES | | | |
| Non Current Liabilities | | | |
| Construction Contract Retention Creditors | 3 | 632,264 | - |
| Current Liabilities | | | |
| Trade and Other Payables | 4 | 2,417,526 | 2,379,009 |
| Provisions | 5 | 318,652 | 126,090 |
| Deferred Income | 6 | 37,176,184 | 11,224,782 |
| Short-term portion of Construction Contract Retention Creditors | 3 | 63,634 | - |
| TOTAL NET ASSETS AND LIABILITIES | | 42,553,241 | 14,741,400 |
| ASSETS | | | |
| Non-current Assets | | | |
| Property, Plant and Equipment | 7 | 658,489 | 609,149 |
| Current Assets | | | |
| Construction (Work in Progress) | 8 | 17,246,984 | 2,777,351 |
| Trade and Other Receivables | 9 | 4,966,071 | 6,625,156 |
| Deposits | 10 | 5,605 | 4,405 |
| Cash and Cash Equivalents | 11 | 19,676,092 | 4,725,339 |
| TOTAL ASSETS | | 42,553,241 | 14,741,400 |

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007**

| | NOTES | ACTUAL 2007 R | ACTUAL 2006 R | BUDGET 2007 R |
|--------------------------------------------|-----------|---------------------|---------------------|---------------------|
| REVENUE | 2 | 12,360,946 | 11,914,425 | 15,494,135 |
| Conditional Grants and Receipts | | 9,860,946 | 9,414,425 | 12,994,135 |
| IDC Grants | | 2,500,000 | 2,500,000 | 2,500,000 |
| OTHER INCOME | | | | |
| Interest Received - external investments | | 884,122 | 286,105 | - |
| Other Income | 12 | 98,974 | 12,165 | - |
| TOTAL REVENUE | | 13,344,042 | 12,212,695 | 15,494,135 |
| EXPENDITURE | | 12,398,638 | 11,862,367 | 15,494,135 |
| Advertising and Media | | 98,684 | 64,599 | 100,000 |
| Audit Fees | | 104,435 | 18,233 | 148,500 |
| Bank Charges | | 2,027 | 4,523 | 10,000 |
| Cleaning Safety and Security | | 3,335 | 3,533 | 6,620 |
| Computer Expenses | | 29,881 | 7,227 | 30,000 |
| Consumables | | 3,120 | 1,452 | 3,500 |
| Course Fees Education and Training | | 47,275 | 25,816 | 50,000 |
| Depreciation | | 116,918 | 80,545 | 218,300 |
| Donations and Social Responsibility | | 20,672 | 5,950 | 30,000 |
| Electricity, Water and Rates | | 52,532 | 30,256 | 86,938 |
| Employee Related Costs | 13 | 3,498,036 | 2,590,786 | 3,519,566 |
| Entertainment | | 54,788 | 21,744 | 55,000 |
| Equipment Lease and Rentals | | 5,914 | 4,504 | 6,984 |
| Insurance | | 33,006 | 22,194 | 40,829 |
| Interest and Penalties | 14 | 47 | 111 | 5,653 |
| IT Support Costs | | 59,859 | 29,662 | 60,728 |
| Legal Fees | | 511,268 | 442,800 | 614,304 |
| Loss on disposal of non-current asset | | 2,499 | 2,958 | - |
| Meeting Expenses | | 44,379 | 56,442 | 100,000 |
| Office Decor and Fittings | | 8,196 | 9,756 | 26,885 |
| Postage and Courier | | 6,909 | 2,283 | 7,277 |
| Printing and Stationery | | 23,985 | 21,740 | 26,849 |
| Professional and Consultant Fees | | 97,525 | 27,005 | 100,000 |
| Public Relations and Marketing | | 392,837 | 334,857 | 450,000 |
| Recruitment Costs | | 7,676 | 34,015 | 34,015 |
| Refreshments | | 7,772 | 5,800 | 10,000 |
| Regional Services Levies | | - | 31,030 | - |
| Rentals | | 355,133 | 287,316 | 362,325 |
| Repairs and Maintenance | | 5,499 | 992 | 10,000 |
| Small Assets | | 16,923 | 13,163 | 20,000 |
| Subscriptions | | 20,302 | 14,387 | 30,000 |
| Sundry Expenses | | 5,744 | 4,501 | 7,200 |
| Telephone and Fax | | 96,159 | 75,728 | 96,662 |
| Travel and Accommodation | | 162,521 | 195,581 | 176,000 |
| Statue of Freedom Project | | - | 843,982 | - |
| Strategic Spatial Implementation Framework | | - | 2,898,870 | 2,400,000 |
| Cleansing Plan Project | | 1,468,348 | 794,514 | 1,490,000 |
| Security Plan Project | | 4,809,434 | 2,838,437 | 4,810,000 |
| Narrow Gauge Feasibility Study | | 225,000 | 15,075 | 250,000 |
| CBD Facilities | | - | - | 100,000 |
| NET SURPLUS FOR THE YEAR | | 945,404 | 350,328 | - |

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007**

| | R | R | R |
|---------------------------------------------------------------|--------------------------------------------|------------------------|---------------------|
| | Grants and Public Contributions Reserve | Accumulated Surplus | Total Net Assets |
| Balance at 30 June 2005 | 500,549 | 3,632 | 504,181 |
| Net Surplus for the year | - | 2,755,545 | 2,755,545 |
| Add back depreciation | (159,987) | 159,987 | - |
| Grants used to purchase PPE | 2,922,119 | (2,922,119) | - |
| Asset disposal | (2,955) | 2,955 | - |
| Balance as previously stated at 30 June 2006 | 3,259,726 | - | 3,259,726 |
| Adjustments | | | - |
| Interest Received Previously Accounted for as deferred income | | | - |
| -2004 | - | 94 696 | 94,696 |
| -2005 | - | 21 569 | 21,569 |
| -2006 | - | 286 105 | 286,105 |
| Reversed Grants used to purchase PPE | (2,922,119) | | |
| Add back depreciation adjustment 2006 | | - | |
| -2005 | 47,332 | - | 47,332 |
| -2006 | 79,442 | - | 79,442 |
| Less: Additions to fixed assets | 144,768 | - | 144,768 |
| Restated Balance at 1 July 2006 | 609,149 | 402,370 | 1,011,519 |
| Net Surplus for the year | - | 945,404 | 945,404 |
| Add back depreciation | (116,918) | 116,918 | - |
| Grants used to purchase PPE | 178,200 | (178,200) | - |
| Asset disposal | (11,942) | - | (11,942) |
| Balance at 30 June 2007 | 658,489 | 1,286,492 | 1,944,981 |

NOTE:

The adjustments made in the above statement have been brought about by changes to the prior year figures as a result of changes in the accounting policy for Property, Plant and Equipment; Construction and Revenue. Also refer to Note 25.

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

| | Note | 2007 R | 2006 R |
|------------------------------------------------------------|-----------|--------------------------|---------------------------|
| <u>CASH FLOW FROM OPERATING ACTIVITIES</u> | | | |
| Cash receipts from government and others | | 40,059,129 | 10,077,113 |
| Cash paid to suppliers and employees | | (25,823,025) | (15,067,664) |
| <i>Cash (utilised in)/generated from operations</i> | 15 | <u>14,236,104</u> | <u>(4,990,551)</u> |
| Interest received | | 884,122 | 286,105 |
| Interest paid | | (47) | (111) |
| NET CASH FROM OPERATING ACTIVITIES | | <u>15,120,179</u> | <u>(4,704,557)</u> |
| <u>CASH FROM INVESTING ACTIVITIES</u> | | | |
| Purchase of property, plant and equipment | | (178,200) | (144,768) |
| Proceeds on disposal of property, plant and equipment | | 9,444 | - |
| NET CASH FROM INVESTING ACTIVITIES | | <u>(168,756)</u> | <u>(144,768)</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT | 16 | <u>14,951,423</u> | <u>(4,849,325)</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | 4,725,339 | 9,574,664 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | <u>19,676,762</u> | <u>4,725,339</u> |

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

| | 2007 R | 2006 R |
|-------------------------------------------------------------|-------------------|-------------------|
| 2 REVENUE | | |
| IDC Grant | 2,500,000 | 2,500,000 |
| NMBM Grant | 9,860,946 | 9,414,425 |
| | <u>12,360,946</u> | <u>11,914,425</u> |
| 3 CONSTRUCTION CONTRACT RETENTION CREDITORS | | |
| Rand Civils | 632,264 | - |
| Trenchless Technologies | 63,634 | - |
| | 695,898 | - |
| Less: Short-term portion transferred to Current Liabilities | (63,634) | - |
| | <u>632,264</u> | <u>-</u> |
| 4 TRADE AND OTHER PAYABLES | | |
| Trade Creditors | 1,993,314 | 2,088,725 |
| PAYE | 56,082 | 45,721 |
| UIF | 2,391 | 2,204 |
| Audit fees | 23,000 | 14,014 |
| Staff leave | 65,400 | 29,003 |
| Legal fees | 105,000 | - |
| Annual Bonuses | 32,376 | 42,688 |
| Accruals | 139,963 | 156,654 |
| | <u>2,417,526</u> | <u>2,379,009</u> |
| 5 PROVISIONS | | |
| Performance bonuses | 168,645 | 126,090 |
| Narrow Gauge Contract | 150,007 | - |
| | <u>318,652</u> | <u>126,090</u> |

NOTE:

The Narrow Gauge contract provision is based on estimated percentage of work completed at financial year-end which formed the basis of the provision calculation.

6 DEFERRED INCOME

| | 37,176,184 | 11,224,782 |
|---------------------------------------------------------|-------------------|-------------------|
| IDC | | |
| Opening Balance | - | - |
| Amount Received | 2,500,000 | 2,500,000 |
| Recognised as Income | (2,500,000) | (2,500,000) |
| NMBM | 37,176,184 | 11,224,782 |
| Restated balance as at 1 July 2006 | 11,236,730 | 3,949,102 |
| As previously stated, Opening Balance as at 1 July 2006 | 8,849,803 | 4,062,412 |
| Add: Capital expenditure previously expensed | 3,259,726 | 500,549 |
| Adjust for interest received | (872,799) | (613,859) |
| Amount Receivable to date | 35,800,400 | 16,690,104 |
| Less: Amount recognised as income during the year | (9,860,946) | (9,414,424) |
| Current depreciation recognised as income | - | - |
| Expenditure on PPE | (178,200) | (144,768) |
| Sundry Income | 98,974 | 12,165 |
| Operating expenses | (9,781,720) | (9,281,821) |

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)****7 PROPERTY, PLANT AND EQUIPMENT**

| | | 2007 | | | | 2006 | | | |
|------------------------|-----------------|----------------|-----------------|-----------------|--------------------------|----------------|-----------------|-----------------|----------------|
| | | R | | | | R | | | |
| | | Cost | | | Accumulated Depreciation | | | Carrying Value | |
| | Opening Balance | Additions | Disposal | Closing Balance | Opening Balance | Depreciation | Disposal | Closing Balance | |
| Computer Equipment | 340,432 | 90,835 | (38,970) | 392,297 | 77,854 | 61,268 | (31,390) | 107,732 | 284,565 |
| Computer Software | 21,783 | 18,741 | - | 40,524 | 8,467 | 16,080 | - | 24,547 | 15,977 |
| Office Equipment | 34,275 | 12,091 | (4,619) | 41,747 | 2,231 | 5,562 | (257) | 7,536 | 34,211 |
| Furniture and Fittings | 321,272 | 39,341 | - | 360,613 | 35,988 | 28,881 | - | 64,869 | 295,744 |
| Motor Cycles | 16,053 | - | - | 16,053 | 126 | 3,869 | - | 3,995 | 12,058 |
| Leasehold Assets | - | 17,192 | - | 17,192 | - | 1,258 | - | 1,258 | 15,934 |
| | 733,815 | 178,200 | (43,589) | 868,426 | 124,666 | 116,918 | (31,647) | 209,937 | 658,489 |
| | | | | | | | | | 49,340 |
| | | | | | | | 11,942 | 61,282 | 49,340 |
| | | | | | | | | | R |
| | Opening Balance | Additions | Disposal | Closing Balance | Opening Balance | Depreciation | Disposal | Closing Balance | Carrying Value |
| Computer Equipment | 309,689 | 30,743 | - | 340,432 | 27,992 | 49,863 | - | 77,855 | 262,577 |
| Computer Software | 11,283 | 10,500 | - | 21,783 | 2,825 | 5,642 | - | 8,467 | 13,316 |
| Office Equipment | 13,216 | 24,609 | (3,550) | 34,275 | 391 | 2,431 | (592) | 2,230 | 32,045 |
| Furniture and Fittings | 258,409 | 62,863 | - | 321,272 | 13,508 | 22,479 | - | 35,987 | 285,285 |
| Motor Cycles | - | 16,053 | - | 16,053 | - | 127 | - | 127 | 15,926 |
| | 592,597 | 144,768 | (3,550) | 733,815 | 44,716 | 80,542 | (592) | 124,666 | 609,149 |
| | | | | | | | | | 64,226 |
| | | | | | | | | | (2,958) |
| | | | | | | | | | 108,600 |

NOTE

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

8 CONSTRUCTION (Work in progress)

| | 2007 | 2006 |
|----------------------------------------------|--------------------------|-------------------------|
| | R | R |
| Infrastructure - GMA Upgrade | | |
| Balance at beginning of year | 2,777,351 | 2,777,351 |
| Additions | 11,714,027 | - |
| Balance at end of year | <u>14,491,378</u> | <u>2,777,351</u> |
| Infrastructure - Sewer Rehabilitation | | |
| Opening balance | - | - |
| Additions | 2,755,606 | - |
| Closing Balance | <u>2,755,606</u> | <u>-</u> |
| Total | <u>17,246,984</u> | <u>2,777,351</u> |

9 TRADE AND OTHER RECEIVABLES

| | 2007 | 2006 |
|-----------------------------|------------------|------------------|
| NMBM - Projects | 4,779,141 | 6,613,106 |
| NMBM - Travel Reimbursement | 30,734 | - |
| VAT Refund | 8,522 | - |
| Payments made in advance | - | 12,050 |
| Accrued Interest | 147,674 | - |
| | <u>4,966,071</u> | <u>6,625,156</u> |

10 DEPOSITS

| | 2007 | 2006 |
|---------------------------|--------------|--------------|
| Telkom | 2,100 | 2,100 |
| Portnet Rental | 2,000 | 2,000 |
| Africorp Parking Bay | 1,400 | 200 |
| Salaries' Savings Account | 105 | 105 |
| | <u>5,605</u> | <u>4,405</u> |

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

| | 2007 | 2006 |
|------------------------------------------------------------------------------------------|-------------------|------------------|
| | R | R |
| 11 CASH AND CASH EQUIVALENTS | | |
| <i>The municipal entity has the following bank accounts:</i> | | |
| Current Account (Primary Account) | | |
| Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 080308503 | | |
| Cashbook balance at beginning of year | 102,425 | 1,729,408 |
| Cashbook balance at end of the year | <u>100,469</u> | <u>102,425</u> |
| Bank statement balance at beginning of the year | <u>102,425</u> | <u>1,938,948</u> |
| Bank statement balance at end of the year | <u>100,469</u> | <u>102,425</u> |
| Savings Account | | |
| Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 38368193000 | | |
| Cashbook balance | 101 | 118 |
| Bank statement balance | <u>101</u> | <u>118</u> |
| Short-term Investments | | |
| Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 08846132 | | |
| Call Account Deposits | | |
| Cashbook balance at beginning of year | 4,622,796 | 7,843,256 |
| Cashbook balance at end of the year | <u>19,575,522</u> | <u>4,622,796</u> |
| Bank statement balance at beginning of the year | <u>4,622,796</u> | <u>4,622,796</u> |
| Bank statement balance at end of the year | <u>19,575,522</u> | <u>4,622,796</u> |
| <i>Which are disclosed in the Statement of Financial Position as follows:</i> | | |
| Cash and cash equivalents | 19,676,092 | 4,725,339 |
| Current Account (Primary Account) | 100,469 | 102,425 |
| Call Account Deposits | 19,575,522 | 4,622,796 |
| Savings Account | 101 | 118 |
| NOTE: | | |
| <i>All amounts of Cash and Cash Equivalents are available for use by the Agency.</i> | | |
| 12 OTHER INCOME | | |
| Property Conference Attendance Fees | 80,991 | - |
| Request for Proposal Deposits | 9,211 | 12,165 |
| Sponsorships | 8,772 | - |
| | <u>98,974</u> | <u>12,165</u> |
| 13 EMPLOYEE RELATED COSTS | | |
| Employee related costs - Salaries and Wages | 2,714,086 | 1,972,276 |
| Employee related costs - Social Contributions | 479,927 | 396,420 |
| Car allowances | 135,378 | 96,000 |
| Performance bonus provision | 168,645 | 126,090 |
| Total Employee Related Costs | <u>3,498,036</u> | <u>2,590,786</u> |
| Remuneration of the Chief Executive Officer | | |
| Annual remuneration, including social contributions | 781,351 | 714,691 |
| Car allowance | 60,000 | 60,000 |
| Performance bonus provision | 108,725 | 81,290 |
| Total | <u>950,076</u> | <u>855,981</u> |
| Remuneration of Chief Financial Officer | | |
| Annual remuneration, including social contributions | 435,680 | 387,470 |
| Car allowance | 28,000 | 36,000 |
| Performance bonus provision | 59,920 | 44,800 |
| Total | <u>523,600</u> | <u>468,270</u> |
| Remuneration of Planning and Development Manager | | |
| Annual remuneration, including social contributions | 350,000 | 29,166 |
| Car allowance | 60,000 | 5,000 |
| Total | <u>410,000</u> | <u>34,166</u> |

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

| | 2007 R | 2006 R |
|----------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------|
| 14 INTEREST AND PENALTIES | | |
| Interest on overdraft and late payment of RSC levies | 47 | 111 |
| | <u>47</u> | <u>111</u> |
| 15 CASH (UTILISED IN)/GENERATED BY OPERATIONS | | |
| Net surplus for the year | 945,404 | 350,328 |
| Depreciation | 116,918 | 80,545 |
| Investment Income | (884,122) | (286,105) |
| Interest paid | 47 | 111 |
| Loss on sale of Property Plant and Equipment | 2,499 | 2,958 |
| Operating surplus before working capital changes: | <u>180,746</u> | <u>147,837</u> |
| Increase/(Decrease) in trade and other payables | 38,517 | (520,647) |
| Increase in provisions | 192,562 | 11,394 |
| Increase in deferred income | 25,951,402 | 4,662,370 |
| Increase in construction contract retention creditors | 695,899 | - |
| Increase in construction (work in progress) | (14,469,633) | (2,777,351) |
| Decrease/(Increase) in trade and other receivables | 1,806,759 | (6,625,156) |
| Increase in deposits paid | (1,200) | (2,305) |
| Adjustments of depreciation | - | 116,265 |
| Disposal of PPE | (11,943) | (2,958) |
| <i>Cash (utilised in)/generated by operations</i> | <u>14,383,109</u> | <u>(4,990,551)</u> |
| 16 MOVEMENT IN CASH AND CASH EQUIVALENTS | | |
| Balance at the end of the year | 19,676,092 | 4,725,339 |
| Balance at the beginning of the year | <u>4,725,339</u> | <u>9,574,664</u> |
| <i>Net (decrease)/increase in cash and cash equivalents</i> | <u>14,950,753</u> | <u>(4,849,325)</u> |
| 17 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT | | |
| 17.1 Audit fees | | |
| Opening balance | 14,014 | 50,000 |
| Current year audit fee | 38,176 | 14,014 |
| Amount paid - current year | - | - |
| Amount paid - previous year | (31,273) | (54,219) |
| Underprovision - previous year | 2,083 | 4,219 |
| Balance unpaid | <u>23,000</u> | <u>14,014</u> |
| 17.2 PAYE and UIF | | |
| Opening balance | 47,925 | - |
| Current year payroll deductions | 733,395 | 554,561 |
| Amount paid - current year | (674,922) | (506,636) |
| Amount paid - previous year | (47,925) | - |
| Balance unpaid | <u>58,473</u> | <u>47,925</u> |
| 17.3 Performance Bonuses | | |
| Opening balance | 126,090 | 114,696 |
| Amount paid | (153,548) | (108,558) |
| Under/Overprovision prior year | 27,458 | (6,138) |
| Provisions for the year | 168,645 | 126,090 |
| Balance unpaid | <u>168,645</u> | <u>126,090</u> |
| 17.4 VALUE ADDED TAX | | |
| As at 30 June 2007, all VAT returns have been submitted timeously to the South African Revenue Services. | | |
| 18 RELATED PARTIES | | |
| 18.1 Relations | | |
| Parent Municipality | Nelson Mandela Bay Municipality | |
| Funder | Industrial Development Corporation | |
| (see also note 2) | | |

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

| | 2007 R | 2006 R |
|-------------------------------------------------------------------------------------------------------------|-----------|-----------|
| 18.2 Related party balances | | |
| Amounts included in Trade and Other Receivables (Trade and Other Payables) regarding related parties | | |
| The Green Room Design Company | - | (165,947) |
| Nelson Mandela Bay Municipality | 4,779,141 | 6,612,000 |

18.3 Related party transactions
General expenses paid to related parties

| | | |
|-------------------------------|---|---------|
| The Green Room Design Company | - | 415,529 |
|-------------------------------|---|---------|

The MBDA entered into a contract for services with The Green Room Design Company. A director of the MBDA, Mr S Fayó, was also a director of The Green Room Design Company and the Board of Directors resolved that this did not constitute a conflict of interest. The Accounting Officer subsequently sought guidance from National Treasury on the matter following a government notice issued in terms of Regulation 44 of the Supply Chain Management regulations.

However, in terms of Section 102 of the Act the matter was not promptly notified to the National Treasury, the Auditor General and the parent municipality.

Following the response from National Treasury, corrective action has been taken and The Green Room Design Company contract has been terminated. Mr Fayó has also tendered his resignation from the Board.

18.4 KEY MANAGEMENT PERSONNEL

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

Chief Executive Officer: Pierre Voges
 Chief Financial Officer: Ashwin Badra Daya
 Planning and Development Manager: Daluxolo Mlenzana

Their short-term employee benefits are disclosed in Note 13.

19 CONTINGENT LIABILITY

We are not aware of any pending or threatened litigation, proceedings, hearings, claims or negotiations which may result in significant loss to the Development Agency.

20 CONTINGENT ASSETS

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

21 IN-KIND DONATIONS

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

22 POST BALANCE SHEET EVENTS

We are not aware of the occurrence of any events post balance sheet date that would require adjustments to the annual financial statements.

23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

No such expenditure was incurred during the period.

24 OPERATING LEASES

The following are the total minimum future lease payments

| | 0 - 1 year | 1 - 5 years | more than 5 years |
|-----------------------------|------------|-------------|-------------------|
| Office accommodation rental | 396,186 | 547,296 | - |
| Warehouse rental | 3,425 | - | - |
| Office plants | 6,472 | - | - |

NOTE:

The Agency is the lessee.

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

| | 2006 R |
|----------------------------------------------|--------------------------|
| 25 CHANGES TO COMPARATIVE FIGURES | |
| Net Assets | |
| Balance per 2006 financial statements | 3,259,726 |
| Transfer to construction | (2,777,351) |
| Adjustment to depreciation | 126,774 |
| Reclassification of interest received | 402,370 |
| Restated Balance | <u>1,011,519</u> |
| Trade and other Payables | |
| Balance per 2006 financial statements | 1,335,787 |
| Reclassification of VAT | 1,000,534 |
| Reclassification of performance bonus | 85,440 |
| Adjustment of staff bonuses | (42,752) |
| Restated Balance | <u>2,379,009</u> |
| Provisions | |
| Balance per 2006 financial statements | 83,338 |
| Adjustment | 42,752 |
| Restated Balance | <u>126,090</u> |
| Deferred income | |
| Balance per 2006 financial statements | 8,849,803 |
| Reclassification of interest received | (402,370) |
| Transfer from construction | 2,777,349 |
| Restated Balance | <u>11,224,782</u> |
| Property, Plant and Equipment | |
| Balance per 2006 financial statements | 3,259,726 |
| Transfer to construction | (2,777,351) |
| Adjustment to depreciation | 126,774 |
| Restated Balance | <u>609,149</u> |
| Construction (WIP) | |
| Balance per 2006 financial statements | - |
| Reclassification of work in progress | 2,777,351 |
| Restated Balance | <u>2,777,351</u> |
| Depreciation | |
| Balance per 2006 financial statements | 159,987 |
| Adjustment to depreciation | (79,442) |
| Restated Balance | <u>80,545</u> |

APPENDIX A

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

2007

R

| | Cost | | | Closing Balance | Accumulated Depreciation | | | Carrying Value | |
|------------------------|-----------------|----------------|-----------------|-----------------|--------------------------|----------------|-----------------|----------------|-----------------|
| | Opening Balance | Additions | Disposal | | Opening Balance | Depreciation | Disposal | | Closing Balance |
| Computer Equipment | 340,432 | 90,835 | (38,970) | 392,297 | 77,854 | 61,268 | (31,390) | 107,732 | 284,565 |
| Computer Software | 21,783 | 18,741 | - | 40,524 | 8,467 | 16,080 | - | 24,547 | 15,977 |
| Office Equipment | 34,275 | 12,091 | (4,619) | 41,747 | 2,231 | 5,562 | (257) | 7,536 | 34,211 |
| Furniture and Fittings | 321,272 | 39,341 | - | 360,613 | 35,988 | 28,881 | - | 64,869 | 295,744 |
| Motor Cycles | 16,053 | - | - | 16,053 | 126 | 3,869 | - | 3,995 | 12,058 |
| Leasehold Assets | - | 17,192 | - | 17,192 | - | 1,258 | - | 1,258 | 15,934 |
| | 733,815 | 178,200 | (43,589) | 868,426 | 124,666 | 116,918 | (31,647) | 209,937 | 658,489 |

2006

R

| | Cost | | | Closing Balance | Accumulated Depreciation | | | Carrying Value | |
|------------------------|-----------------|----------------|----------------|-----------------|--------------------------|---------------|--------------|----------------|-----------------|
| | Opening Balance | Additions | Disposal | | Opening Balance | Depreciation | Disposal | | Closing Balance |
| Computer Equipment | 309,689 | 30,743 | - | 340,432 | 27,992 | 49,862 | - | 77,854 | 262,578 |
| Computer Software | 11,283 | 10,500 | - | 21,783 | 2,825 | 5,642 | - | 8,467 | 13,316 |
| Office Equipment | 13,216 | 24,609 | (3,550) | 34,275 | 391 | 2,432 | (592) | 2,231 | 32,044 |
| Furniture and Fittings | 258,409 | 62,863 | - | 321,272 | 13,508 | 22,480 | - | 35,988 | 285,284 |
| Motor Cycles | - | 16,053 | - | 16,053 | - | 126 | - | 126 | 15,927 |
| | 592,597 | 144,768 | (3,550) | 733,815 | 44,716 | 80,542 | (592) | 124,666 | 609,149 |

APPENDIX B

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

| | <u>2007</u> <u>ACTUAL</u> | <u>2007</u> <u>BUDGET</u> | <u>2007</u> <u>VARIANCE</u> | <u>2007</u> <u>VARIANCE</u> | <u>Comments</u> |
|--------------------------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------------------------|
| | <u>R</u> | <u>R</u> | <u>R</u> | <u>%</u> | |
| REVENUE | | | | | |
| Grants | 12,360,946 | 15,494,135 | (3,133,189) | (20.22) | |
| Total Revenue | 12,360,946 | 15,494,135 | (3,133,189) | (20.22) | |
| EXPENDITURE | | | | | |
| Advertising and Media | 98,684 | 100,000 | 1,316 | 1.32 | |
| Audit Fees | 104,435 | 148,500 | 44,065 | 29.67 | |
| Bank Charges | 2,026 | 10,000 | 7,974 | 79.74 | |
| Cleaning Safety and Security | 3,335 | 6,620 | 3,285 | 49.62 | |
| Computer Expenses | 29,881 | 30,000 | 119 | 0.40 | |
| Consumables | 3,120 | 3,500 | 380 | 10.86 | |
| Course Fees Education and Training | 47,275 | 50,000 | 2,725 | 5.45 | |
| Depreciation | 116,918 | 218,300 | 101,382 | 46.44 | |
| Donations and Social Responsibility | 20,672 | 30,000 | 9,328 | 31.09 | |
| Electricity, Water and Rates | 52,532 | 86,938 | 34,406 | 39.58 | |
| Employee Related Costs | 3,498,036 | 3,519,566 | 21,530 | 0.61 | |
| Entertainment | 54,788 | 55,000 | 212 | 0.39 | |
| Equipment Lease and Rentals | 5,914 | 6,984 | 1,070 | 15.32 | |
| Insurance | 33,006 | 40,829 | 7,823 | 19.16 | |
| Interest and Penalties | 47 | 5,653 | 5,606 | 99.17 | |
| IT Support Costs | 59,859 | 60,728 | 869 | 1.43 | |
| Legal Fees | 511,268 | 614,304 | 103,036 | 16.77 | |
| Loss on disposal of non current asset | 2,499 | - | (2,499) | (100.00) | |
| Meeting Expenses | 44,379 | 100,000 | 55,621 | 55.62 | |
| Office Decor and Fittings | 8,196 | 26,885 | 18,689 | 69.51 | |
| Postage and Courier | 6,909 | 7,277 | 368 | 5.06 | |
| Printing and Stationery | 23,985 | 26,849 | 2,864 | 10.67 | |
| Professional and Consultant Fees | 97,525 | 100,000 | 2,475 | 2.48 | |
| Public Relations and Marketing | 392,837 | 450,000 | 57,163 | 12.70 | |
| Recruitment Costs | 7,676 | 34,015 | 26,339 | 77.43 | |
| Refreshments | 7,772 | 10,000 | 2,228 | 22.28 | |
| Rentals | 355,133 | 362,325 | 7,192 | 1.98 | |
| Repairs and Maintenance | 5,499 | 10,000 | 4,501 | 45.01 | |
| Small Assets | 16,923 | 20,000 | 3,077 | 15.39 | |
| Subscriptions | 20,302 | 30,000 | 9,698 | 32.33 | |
| Telephone and Fax | 96,159 | 96,662 | 503 | 0.52 | |
| Travel and Accommodation | 162,521 | 176,000 | 13,479 | 7.66 | |
| Strategic Spatial Implementation Framework | - | 2,400,000 | 2,400,000 | 100.00 | Funds will be received from the IDC in 2007/8 |
| Cleansing Plan Project | 1,468,348 | 1,490,000 | 21,652 | 1.45 | |
| Security Plan Project | 4,809,435 | 4,810,000 | 565 | 0.01 | |
| Narrow Gauge Feasibility Study | 225,000 | 250,000 | 25,000 | 10.00 | |
| CBD Facilities | - | 100,000 | 100,000 | 100.00 | GMA Phase 1 project will be signed off in 2007/8 |
| Total Expenditure | 12,398,638 | 15,494,135 | 3,095,497 | 19.98 | |

APPENDIX C

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAINACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

| | 2007 Actual Cost R | 2007 Budget Cost R | Variance R | Variance % | Comments |
|------------------------|---------------------------------------|---------------------------------------|-----------------------|-----------------------|-----------------|
| Computer Equipment | 90,835 | 100,000.00 | 9,165 | 9.17 | |
| Computer Software | 18,741 | 30,000.00 | 11,259 | 37.53 | |
| Office Equipment | 12,091 | 25,000.00 | 12,909 | 51.64 | |
| Furniture and Fittings | 39,341 | 57,000.00 | 17,659 | 30.98 | |
| Leasehold Asset | 17,192 | 18,000.00 | 808 | 4.49 | |
| Motor Cycles | - | - | - | - | |
| | | | | | |
| Totals | 178,200 | 230,000 | 51,800 | 22.52 | |