

# ANNUAL REPORT 2006/2007

## ethekwini Municipality



# Contents

	Page	
List of Annexures	1	
List of Abbreviations	2	
Preface	4	
Message from Mayor	5	
Overview of the Municipality	6	
Executive Summary	11	
Introduction	15	
Plan One	Sustaining our natural and built environment	16
Plan Two	Economic development and job creation	17
Plan Three	Quality living environments	18
Plan Four	Safe, healthy and secure environment	19
Plan Five	Empowering our citizens	21
Plan Six	Celebrating our cultural diversity	22
Plan Seven	Good governance	23
Plan Eight	Financial viability and sustainability	25

# Annexures

A	Council, its Committees and the involvement of Traditional leaders
B	Report of the Auditor General on the Consolidated Annual Financial Statements and Performance Management for the year ended 30 June 2007
C	Responses to the Audit Report
D	Report of the Chief Financial Officer
E	Municipal and Consolidated Annual Financial Statements
F	Assessment of arrears
G	Information technology and systems
H	National & Provincial Departments & Public Entities Arrears Summary
I	Long term contracts
J	Backlog strategy
K	Durban Marine Theme Park (Pty) Ltd
L	ICC Durban (Pty) Ltd
M	Internal Audit and Performance Management Report on the Organisational Performance Scorecard
N	Report of the Audit Committee
O	Audit Committee Charter
P	Service delivery and budget implementation plan (SDBIP)

# Abbreviations

ABM	Area-based management
ABET	Adult basic education and training
AQMP	Air quality management plan
BEE	Black economic empowerment
BPM	Business process management

BSU	Business Support Unit
CAPMON	Capital budget management
CBD	Central Business District
CE	City Enterprises
CHH	Child-headed households
CIFAL	Relates to the French term, translated: International training centre for local authorities
CM	Cato Manor
CM	City Manager/Municipal Manager
CMP	Coastal management plan
CPI	Consumer price index
CSIR	Council for Scientific and Industrial Research
DAEA	Department of Agriculture and Environmental Affairs
DCM	Deputy City Manager
DEAT	Department of Environmental Affairs and Tourism
DH (ENV)	Deputy Head: Environmental Management
DH (PLC)	Deputy Head: Pollution Control
DIPA	Durban Investment Promotion Agency
DFO	Durban Film Office
DPLG	Department of Provincial and Local Government
DTI	Department of Trade and Industry
DTP	Dube Trade Port
EDU	Economic Development Unit
EE	Employment equity
EFA	Electricity for All
EESMP/DMOSS	eThekwini Environmental Services Management Plan/ Durban Metropolitan Open Space System
EIA	Environmental impact assessment
EMA	eThekwini Municipality Area
EMD	Environmental Management Department
EMS	Environmental Management System
ETA	eThekwini Transport Authority
ETM	eThekwini Municipality
EPWP	Expanded Public Works Programme
ETA	eThekwini Transport Authority
EXCO	Executive Committee
GIPO	Geographic Information and Policy Office
GIS	Geographic information systems
HHLD	Household
HR	Human resources
ICC	International Convention Centre
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IEP	Informal Economy Policy
IMESA	Institution of Municipal Engineering of Southern Africa
INK	Inanda, Ntuzuma and Kwa Mashu area
IOD	Injured on duty
IT	Information Technology
JDMC	Joint Development Management Committee
KM	Knowledge management
KPIs	Key performance indicators
LAP	Local area plan
LED	Local Economic Development
LGSETA	Local Government Sectoral Education Training Authority
LUMS	Land use Management System
LUS	Land use system
MFMA	Local Government: Municipal Finance Management Act 56 of 2003

MIG	Municipal Infrastructure Grant
MOA	Memorandum of agreement
MOU	Memorandum of understanding
MPCC	Multi-purpose Community Centre
MPRA	Local Government: Municipal Property Rates Act 6 of 2004
MSA	Local Government: Municipal Systems Act 32 of 2000
MTEF	Medium term expenditure framework
NCOP	National Council of Provinces
NDP	Nodal development plan
NEPAD	New partnership for Africa's development
NGO	Non-government organisation
NPA	National Ports Authority
OSS	One stop shop
PDIs	Previously disadvantaged individuals
PMS	Performance Management System
PMTCT	Prevention of mother to child transmission
PMU	Project Management Unit
PPP	Public/private partnership
PR	Proportional representation
QOL	Quality of life
QLS	Quality living standards
RFP	Request for proposals
RIMMS	Roads, Infrastructure Maintenance Management Systems
ROD	Record of decision
SACN	South African Cities Network
SAPI	South African Planning Institute
SCI	Sustainable Cities Initiative
SCM	Supply Chain Management
SDB	South Durban Basin
SDBIP	Service delivery and business implementation plan
SD&CE	Sustainable Development and City Enterprises (Council committee)
SDP	Spatial Development Plan
SDF	Spatial Development Framework
SEDA	Small Enterprise Development Agency
SETA	Sectoral Education Training Authority
SLA	Service level agreement
SMS	Stormwater Management System
SMMEs	Small, Micro and Medium Enterprises
SOE	State of the environment
SPU	Special Projects Unit
VCI	Visual conditions index
WAN	Wireless area network
WSP	Workplace Skills Plan

## Preface

Section 121(1) of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that: "Every municipality and municipal entity must for each financial year prepare an annual report in accordance with its guidelines."

The purpose of the Annual Report is to:

- (b) Provide a record of the activities of the eThekweni Council during the financial year 2006/2007;
- (c) Provide a report on performance against the budget of the eThekweni Council for the financial year 2006/2007;
- (d) Promote accountability to the local community for the decisions made throughout the year by the Municipality.

According to the MFMA, this Report should include:

- (a) The annual financial statements of the Municipality, and consolidated annual financial statements, submitted to the Auditor- General for audit in terms of section 126 (1) of the MFMA;
- (b) The Auditor-General's audit report in terms of section 126 (3) of the MFMA on the financial statements in (a) above;
- (c) The annual performance report of the Municipality as prepared by the eThekweni Municipality in terms of section 45(b) of the Local Government: Municipal Systems Act 32 of 2000 (MSA);
- (d) The Auditor-General's audit report in terms of section 45(b) of the MSA;
- (e) An assessment of the arrears on municipal taxes and service charges;
- (f) An assessment of the Municipality's performance against the measurable performance objectives referred to in Section 17 (3)(b) of the MFMA for revenue collection from each revenue source and for each vote in the Municipality's approved budget for the financial year 2006/2007;
- (g) Corrective action taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d); and
- (h) Recommendations of the Municipality's Audit Committee.

## Message from the Mayor

The construction cranes clustered over the emerging Moses Mabhida Stadium are an exhilarating sight and symbolic of much of what is happening in eThekweni – new facilities and new prospects.

eThekweni won the Vuna award for municipal performance excellence in the Metropolitan category in 2006 and, while details of achievements for 2006/2007 follow in the body of this Annual Report, I would like to highlight some from different sectors to illustrate the wide scope of endeavours across the Municipality.

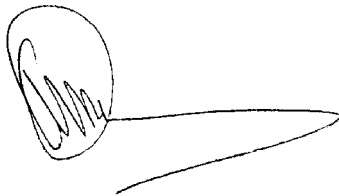
A first for eThekweni was the Silver Gilt award won for the City's garden at the Chelsea Flower Show in London in May 2007. A Gold Laurel was also won by Parks at the Sunday Tribune Garden Show. Visitors to Durban continue to congratulate us on our wonderful parks, flower-beds and other planting. The Parks Department also has a strong community commitment and has been involved in the development of more than 400 urban and rural vegetable gardens and, in some cases, small farms. In a good example of co-operation and integration, the local libraries in Mpumalanga and Ntuzuma have offered garden space and other assistance. More employment has also been made available to the unemployed by the formation of additional co-operatives for the maintenance of road verges.

eThekweni Municipality's Durban landfill gas to electricity project was launched on 23 March 2007 – it is Africa's first Clean Development Mechanism (CDM) landfill gas project. It was developed and is operated by Durban Solid Waste and it will enable us to make a meaningful contribution to global reductions in the emissions of methane – one of the most serious of greenhouse gases. This project won a President's Award as did the PRUNIT (Plant Rescue Unit) which was created at the Mariannhill landfill site to provide indigenous vegetation for the remediation of the buffer zones at Mariannhill and the Bisasar Road landfill site.

Despite its huge task load, the Health Unit has been particularly successful in extending its effectiveness through training traditional leaders, healers and lay counsellors, and through partnerships with fellow Council departments and external stakeholders. The Unit has established the eThekweni Healing Forum, the first of its kind in the country, which has created a platform for innovative partnerships amongst healers in Durban.

The Durban Art Gallery had a busy year with exhibitions, the most successful being 'Bob Marley: a life in photographs'. Rita Marley joined me in opening this exhibition which was a major event drawing large attendance and considerable publicity for our gallery and City.

I thank my fellow Councillors, the Municipal Manager and all Council employees for their commitment and hard work.



Councillor Obed Mlaba  
Mayor eThekweni Municipality

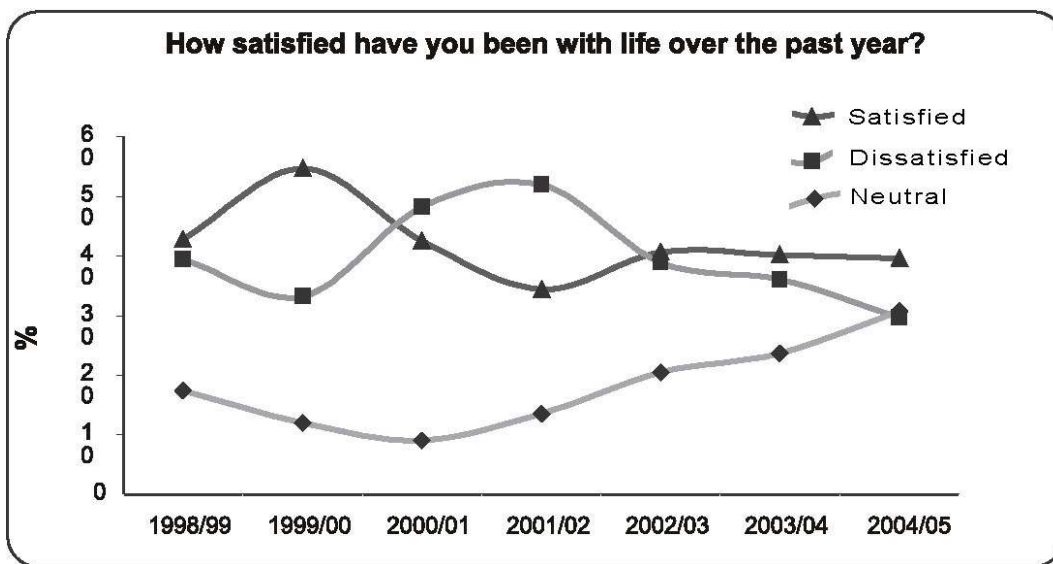
# Overview of the Municipality

## The People

The eThekweni Metro Area (EMA) is an amalgamation of racial and cultural diversity, with African, Indian and European influences creating a vibrant cosmopolitan society. The EMA currently has an estimated population of just over 3.5 million and population projections indicate that the 2020 figure will be 4.07 million.

The African community makes up the largest sector (68%) of the population followed by the Indian community (20%), White community (9%) and Coloured community (3%). The age profile reveals that, although the working age group comprises 68% of the population, there is a relatively large youthful population, with 28% under the age of 19 years.

According to the Municipality's 2004/05 Quality of Life survey, 40% of residents are satisfied with their lives, 30% are dissatisfied and 30% are neutral. Since 2002, satisfaction with life has been constant at 40%, and over the same period, fewer people are dissatisfied and more people are neutral. The survey has identified good personal health and a comfortable lifestyle as being the most important factors that influence satisfaction with life. It is anticipated that life satisfaction will only increase when the current high rate of economic growth results in substantial job creation, which will increase the standard of living.



Levels of life satisfaction vary considerably between racial groups, as seen in the table below. Generally speaking, the African population is the least satisfied with life, the Indian population is more satisfied than the Coloureds, and the White population is the most satisfied population.

Year	African %	Indian %	Coloured %	White %
1998/99	29	60	42	75
1999/00	42	71	69	82
2000/01	32	52	68	73
2001/02	21	57	41	83
2002/03	33	50	36	79
2003/04	31	58	30	72
2004/05	26	56	54	85

## ***The Economy***

Durban is South Africa's major port city and the second largest industrial hub (after Gauteng). The City is a key trade gateway for imports and exports because of its access to important trading routes to the east and proximity to the Gauteng mineral-industrial complex.

The City's per capita income of R34 875 per annum, although higher than the South African average, is still significantly less than that of other emerging economies. This income has declined at a rate of 0,34% in the period between 1990 and 1999, resulting in declining standards of living. However, the City's economic growth rate has increased over the past few years and is currently growing at a rate of 5.3% pa. The fastest growing sectors are Posts and Telecommunications, Finance and Insurance, and Sale and Repair of Motor vehicles. The table below lists the 20 economic sectors with the highest growth rates and their Gross Value Added.

<b>Economic Sector</b>	<b>Average Annual Growth Rate 1996 - 2005 (%)</b>	<b>Gross Value Added 2005 (R million)</b>
Post and telecommunication	10.1	4,530,193
Finance and Insurance	8.3	9,895,270
Sale and repairs of motor vehicles, sale of fuel	7.1	2,490,404
Land and Water transport	5.3	7,455,555
Fuel, petroleum, chemical and rubber products	5.3	5,536,465
Transport equipment	4.6	3,722,513
Electrical machinery and apparatus	4.4	949,775
Air transport and transport supporting activities	4.4	1,962,794
Retail trade and repairs of goods	4.1	7,674,423
Construction	3.8	3,264,738
Wholesale and commission trade	3.8	3,933,631
Furniture and other items NEC and recycling	3.6	2,475,500
Health and social work	3.4	4,046,259
Hotels and restaurants	3.2	1,089,111
Wood and wood products	2.7	2,846,877
Metal products, machinery & household appliances	2.6	2,690,724
Textiles, clothing and leather goods	2.4	2,692,225
Electricity, gas, steam and hot water supply	1.9	1,470,386
Food, beverages and tobacco products	1.8	4,319,699
Agriculture and hunting	1.5	873,680

One of the central growth challenges is to double per-capita income over the next decade. In order to achieve this, the growth rate must increase from the current 5.3% pa to 7,5% pa and 18,000 new jobs need to be created before 2010, in order to realise the strategic vision.

## ***The Socio-spatial environment***

Because of economic and political factors, the spatial configuration of the EMA forms an 'T' shape with national freeways running north/south and east/west, forming the main structuring elements of the geographic space. The N2 runs parallel to the coast, linking the EMA with the northern part of the Province and the Cape region to the south and the N3 links the EMA with the Gauteng region. Areas closer to these national roads tend to be well provided with physical infrastructure and social amenities, while areas on the periphery tend to be poorly resourced. Most of the historically black formal residential areas, as well as informal and peri-urban areas, are located on the outer periphery. This spatial configuration has resulted in a distinct pattern of inequity and inefficiencies across the EMA.



The table below indicates the modes of transport used, the average travel times and trip lengths that users of public transport experience when travelling through the spatial configuration of the EMA.

**Public Transport**

% Peak Period average utilisation		
Rail 20%	Bus 33%	Taxi 47%

Public Transport Statistics	
Average travel times	46 mins
Average trip lengths	20.3 kms
Transport subsidy	(R400M pa)
Public transport use	52%

**Natural Resources**

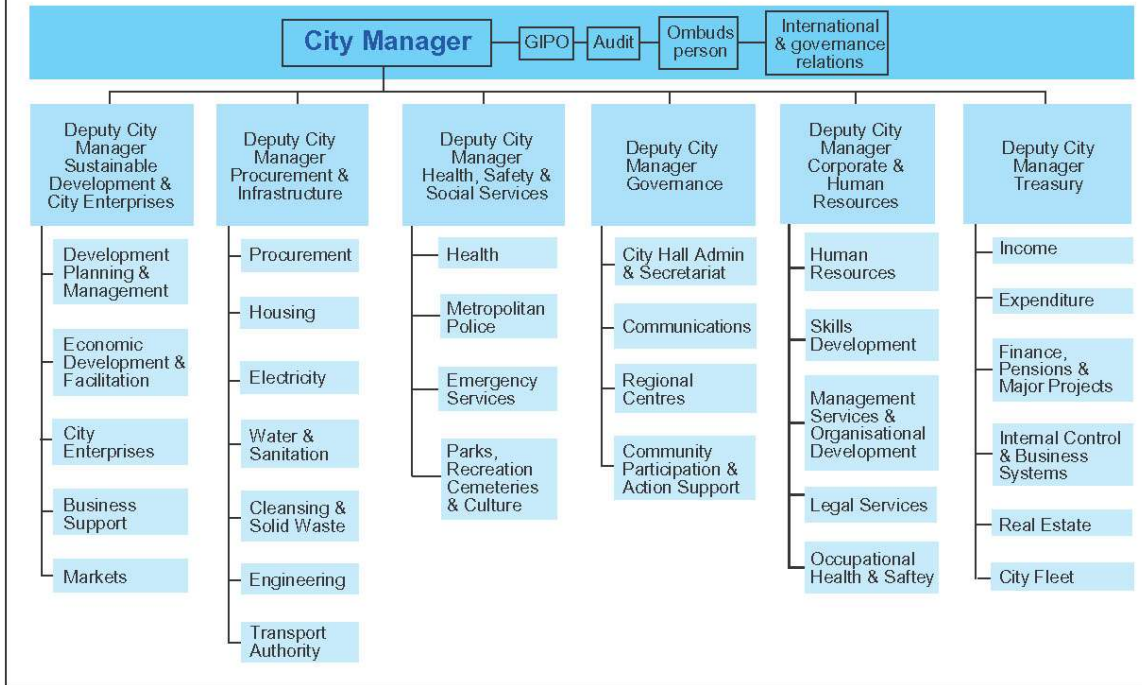
The municipal area is characterised by diverse topography, from steep escarpments in the west to a relatively flat coastal plain in the east. This landform supports a wide variety of terrestrial, freshwater and marine natural ecosystems.

Our Natural Assets
98 kilometres of coastlines
18 catchments, 17 estuaries
4000 kilometres of rivers
63 114 hectares of open space
R3,2 billion – value of services per annum

The value of natural services provided by the open space asset (63 114 ha) is estimated to be R3,1 billion (2002 estimate). The value of basic services (e.g. water, fuel) extracted from the natural resources in rural areas provides an estimated R8 000 per annum in services to each household. This means that if the natural resources were depleted in our rural areas, each household would have to find R8 000 each year to purchase the goods and services that were previously provided free of charge by the natural environment.

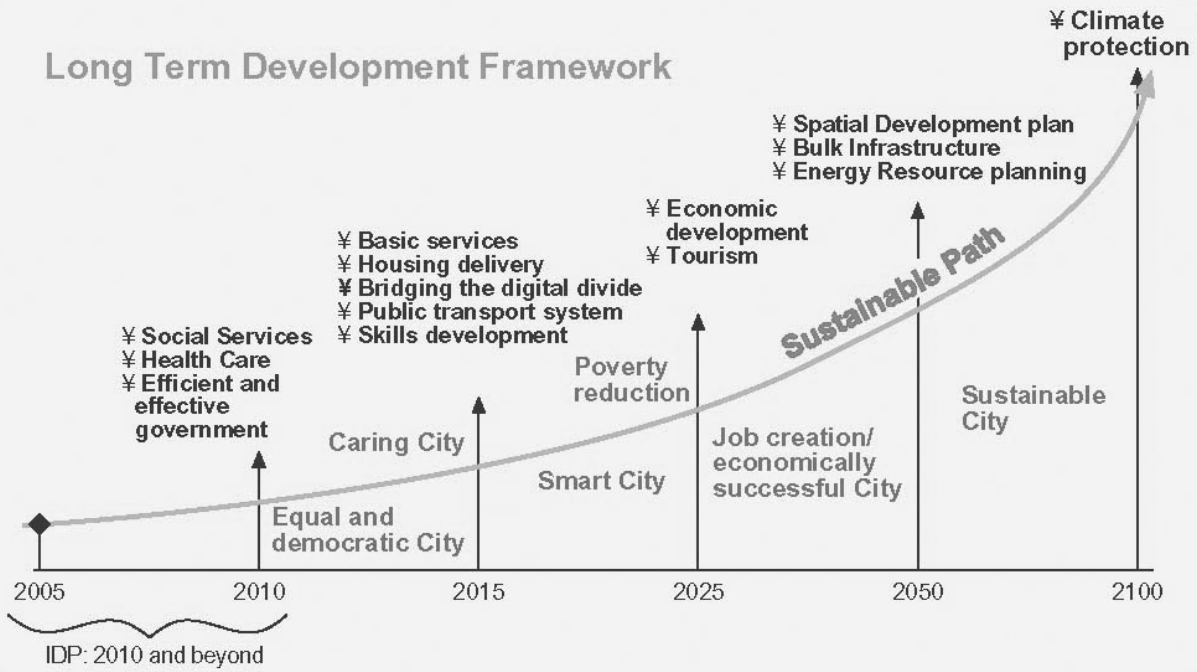
**Structure of the Municipality (2006/2007)**

## Approved Organogram Aligned with IDP





# Long Term Development Framework



## Executive summary

Our IDP, the guiding document for development and growth, focuses on achieving the City's vision that by 2020, eThekweni Municipality will be Africa's most caring and liveable city.

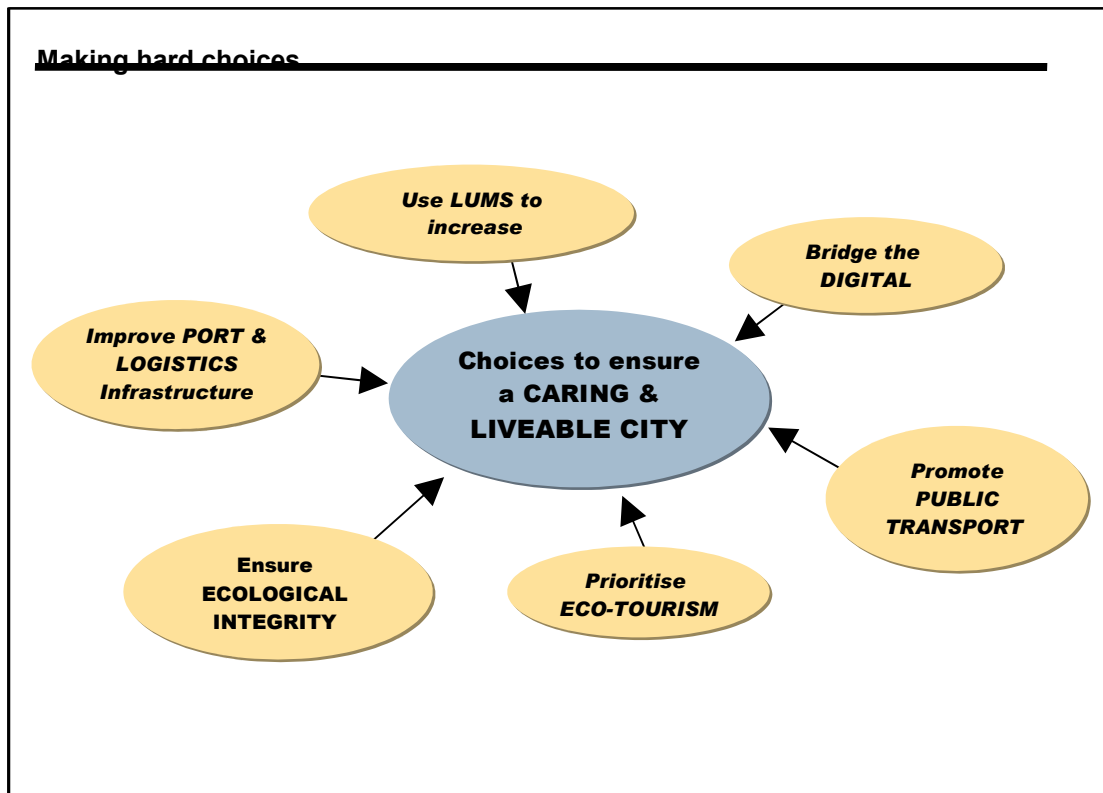
Central to the IDP is the Eight Point Plan which contains programmes and projects, budgets, timeframes and monitoring mechanisms to achieve our five-year 2010 targets thereby helping us move towards achieving our vision.

The Eight Point Plan is the crystallisation of research, scoping, consultation and discussion that commenced with considering the City's key development challenges.

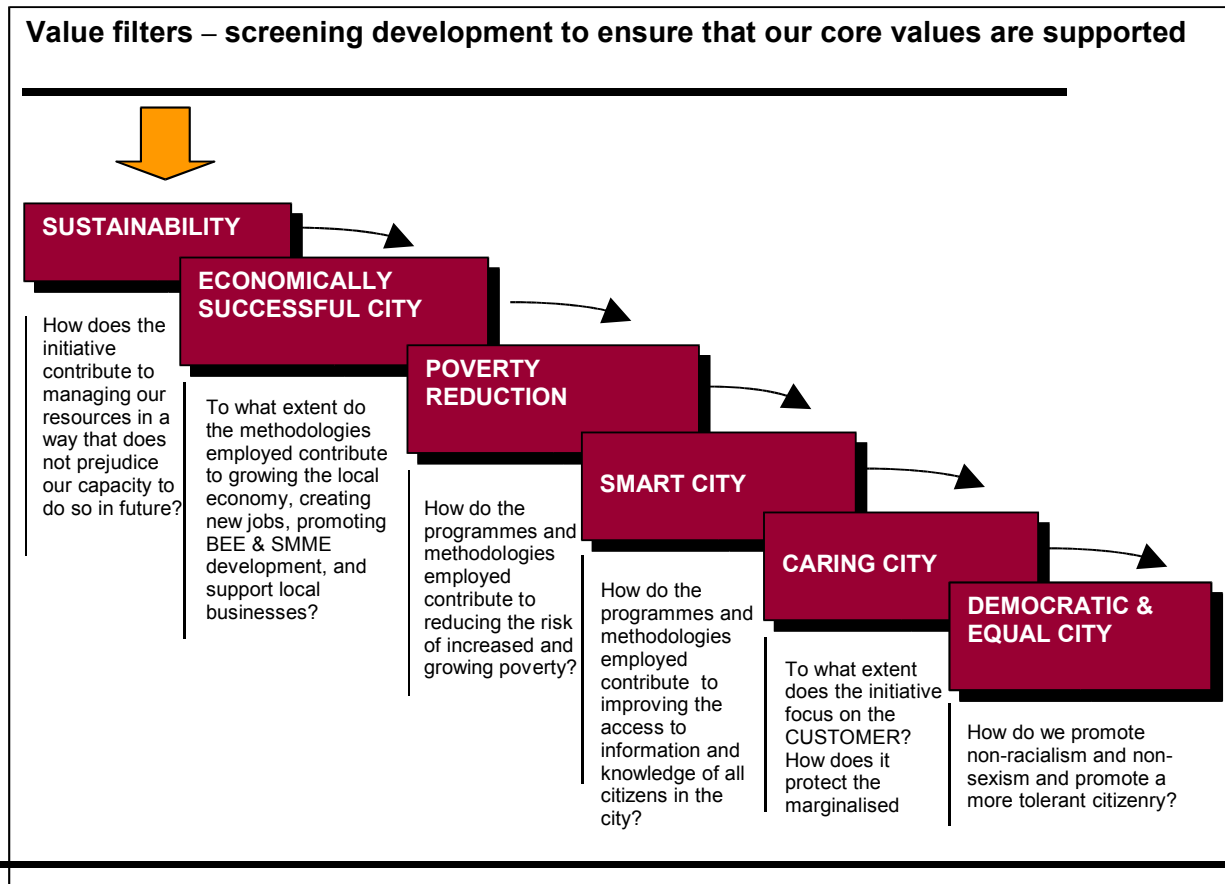
To realise the vision, the opportunities presented by the development challenges are being pursued through the implementation of the Eight Point Plan so that all citizens and stakeholders may enjoy certain basic elements:

- have ease of movement in the city
- enjoy a safe environment in all parts of the municipal area
- afford what the city offers
- enjoy a clean and green city
- have access to economic opportunities
- enjoy homely neighbourhoods
- have access to services, in particular municipal, health and education services.

In formulating the Eight Point Plan, key choices have been made that create a structure to support, house and associate other actions and activities - the building blocks around which actions take place.



To give life and meaning to our City's set of principles and development values, a process that systematically filters every programme, project and in terms of values that the City has chosen has been instituted. Filters apply to the programmes and projects chosen, as well as to methodologies applied to the delivery of programmes and only those that are consistent with, and support our City's core values and principles, are pursued.



It is important to note that our IDP strategy involves making choices, not within a vacuum, but within a spatial framework that connects actions, resources and expenditure across the metropolitan area that will unlock sustainable growth, whilst ensuring that that we address the inequitable, inefficient and unsustainable consequences of past development patterns.

Given our City's unique and diverse spatial landscape, a concerted attempt has been made to interrogate programmes and projects in terms of our value filters, with due regard to the particular locale of the project. This analysis is done within the context of our overall spatial framework that divides the metropolitan area into an urban core, urban periphery and rural/peri-urban areas.

The IDP has developed with the contributions of citizens and stakeholders and, while many of the programmes and projects are utilitarian in nature because of development challenges, these are balanced by those aimed at providing modernisation, opportunities and enhanced quality of life.

The City is committed to transparent and efficient administration. It has a variety of media for communicating and consulting stakeholders and for making Council deliberations and decisions public. Ward committees are in operation in each Ward; these deepen democracy by bringing government to the people. This document proffers evidence of these as well as of the evaluation of delivery. In the 06/07 financial year, the City again won the Vuna award for municipal performance excellence in the Metropolitan category.

eThekwini Municipality's financial health remains very good. The Municipality maintained its excellent credit rating of A1+ (short-term) and AA (long-term) for the third year in succession, as published by the Global Credit Ratings Company credit-rating panel. These short and long-term ratings are amongst the highest ratings accorded to local authorities in South Africa and naturally it will provide the Municipality with a sound financial platform to meet its economic challenges and service delivery targets.

The Municipality continues to display a robust financial profile characterised by strong cash generation and high liquidity levels. This is achieved to a large degree by an experienced and capable management team and the prudent judgment displayed by the political leadership.

As a consequence of these excellent credit ratings, the Municipality is in the favourable position of securing a long-term loan of R 2.9 billion from the Development Bank of Southern Africa to be drawn down in installments of R 950 million each, in 2008 and 2009 respectively, and R 1 billion in 2010. The loan term is 20 years with a fixed repayment indicative interest of 8, 87%, which is well below the existing repo rate of 10, 5 %.

The following are some of our other achievements and highlights in 2007 :-

- A balanced budget approved in April 2007
- 2006/2007 Annual financial statements completed within the 2 month deadline
- Unqualified audit report received
- Achieved excellent collection rates – as at 30 September 2007 it was 98% for bulk electricity, 97% for electricity, 96% for water and 103% for rates

# Introduction

eThekwini IDP's Eight Point Plan translates the City's key choices into strategic focus areas with programmes and projects as focused activities.

The programmes and projects that give substance to the strategic focus areas in these Plans are the delivery items in the Service Delivery and Business Implementation Plan (SDBIP) which is a requirement of the Local Government: Municipal Finance and Management Act No. 56 of 2003.

The full SDBIP for 2006/2007 is carried in Annexure P. Below is the qualitative reporting on achievements and highlights from the SDBIP for the financial year 2006/2007.

Following consideration of the SDBIP at its meeting on 20 September 2007, Council noted some low achievement components and resolved that in future these should be considered/monitored by the relevant Standing Committee that should perform an oversight role and consider the overall performance/pattern of a Unit/Section/Department.

In the process of verifying SDBIP achievements, it was frequently observed by officials that projects have under-performed because of a lack of suitable staff and/or budget. Also, where a project is contingent on a National or Provincial government resource, intervention or response, it is difficult to achieve a successful output in a specified time. The SDBIP learning curve is showing that realistic delivery targets should be set. But also there is a lesson in sustainability: if a project is deemed of strategic importance to the achievement of City objectives, it must have the relevant resources attached to it.

## The Eight Plans in the IDP are:

- Plan One – Sustaining our natural and built environment
- Plan Two – Economic development and job creation
- Plan Three – Quality living environments
- Plan Four – Safe, healthy and secure environment
- Plan Five – Empowering our citizens
- Plan Six – Celebrating our cultural diversity
- Plan Seven – Good governance
- Plan Eight – Financial viability and sustainability



## **Plan One : Sustaining the natural and built environment**

Programmes and projects comprising this Plan demonstrate the City's response to development demands, the need to ensure the long-term sustainability of the natural resource base, climate change imperatives, as well as the requirement of a standardised and rationalised planning system across the entire City to underpin development and its management.

eThekwini has an enlightened and far-sighted approach to sustaining the natural and built environment. The Environmental Management Department is assimilated into the broader planning function - it manages the environmental impact assessment process – yet also has an autonomous role in ensuring the long term sustainability of the natural resource base. Targets to complete a draft Energy Strategy, monitor river health, assess all capital projects for sustainability, and state of the environment reporting were achieved in full. The implementation of several tools for sustaining and enhancing biodiversity was largely successful as were the outreach, awareness and capacity building programmes. Land valuation and internal budgeting prevented targets being reached in 2 projects, and the unavailability of new aerial photography hampered work on advising on system resilience to climate change.

The Environmental Management Department has produced a Biodiversity Report as its first output in the International Local Action for Biodiversity project. It is an excellent piece of work with a wealth of information on which to base necessary interventions and activities to protect sensitive ecosystems. The Department has also had a business plan for a Working for Ecosystems poverty alleviation project accepted by DEAT.

Projects to produce an air-quality management plan, commence a climate protection programme and undertake outreach with regard to integrated waste minimisation were successful.

Most of the targets under the programme to develop and implement a coastal management plan were reached and in fact an additional regional management plan was completed. The production of new bylaws was suspended due to the hold up of the process in the City, and the coastal poverty relief programme was delayed pending approval from DEAT.

Developing a single coherent planning approach across the entire metropole is still proving difficult as the City struggles to bring more than a dozen town planning schemes plus vast areas with no planning controls under a single system. This is an exceedingly complex task and, dogged by insufficient staff, training needs, slow software rollout and perhaps some over-optimistic targets, it is possible that the southern and central spatial development plans will only be complete in the next few years. The concept of an integrated suite of plans has been adopted by Council and introduced to the public in a couple of meetings but the consequent spatial policies and re-working of the SDF has not been possible.

Land use systems were successfully consolidated and adopted by Council and there has been some review in pressure areas; extension of the LUS over historically under-invested areas was hampered by legal jurisdictional issues and the LUS conversion into the Unicity model was not achieved.

A very significant tool to assist with logical service delivery – the costs surfaces model -was completed in the financial year.

Another target reached was the successful completion of the Umhlanga Nodal Study. The purpose of this study was to investigate the range of potential impacts associated with an increase in development density based on the development scenario for the full take-up of current development rights and on a development scenario to increase the bulk permissible on site. The key impacts created by development of concern to the City in this area are visual, shadow effects, property values, environmental and infrastructure. This Study won first prize at the 2007 local SAPI awards.

Compliance and enforcement are well-publicised problems in eThekwini. The planning departments have experienced an unprecedented increase in applications in the past few years and, while most applications and developments go through in the required way, there is a

considerable number of problematic applications and deliberate and uncaring non-compliance by some property owners and developers. An electronic monitoring system for building control, land use and environmental permissions should reduce some of the problems mentioned above; the project wasn't completed but the testing is almost done. The integration of planning and environmental issues in the application and approval system has been successfully completed. Processing standards and timelines have been investigated but the recommendations for improvements are still to be written. With respect to compliance, more staff is required and new posts have been advertised. Business process management software for use in enforcement has been commissioned but not available so the targets for projects relating to enforcement cannot report any success but will be undertaken when the management software is installed.

## **Plan Two : Economic development and job creation**

The City's economic strategy is in place and a wide range of activities has been undertaken towards facilitating/promoting investment, achieving economic development in traditional and new sectors, and job creation.

Soccer World Cup 2010 is a major programme in this Plan and all related projects from completing the 2010 strategy to relevant plans covering infrastructure, operations, tourism, transport and public transport have reported 100% success.

Dube Tradeport, another key programme, has delivered its annual target: developing a bulk infrastructure implementation plan and resolving the planning issues and environmental challenges.

There was almost 100% success for the joint city plan drawn up to be consistent with the port plan. The joint plan has environmental, economic, port engineering, transportation and planning workstreams, and a functioning operations team was established. The car terminal implementation framework was achieved, as was the Victoria Embankment initiative to get proposals for development of the yacht basin; the Queens warehouse is awaiting approval. The programme to produce a land use management strategy for the joint plan was not successful possibly due to staffing constraints in the Development Planning and Management Department.

A local economic development strategy was developed and a communications programme to provide current economic information has worked well. In sectors with high growth potential, the targets to complete implementation frameworks or strategies were met except for the completion of the arts/craft/cultural/hotel and catering strategy.

For the clothing, textile and footwear sector that is in decline, an implementation framework to revitalise it was 80% completed. Indigenous medicine is a niche sector with significant potential; an implementation plan was instituted but not completed.

In the fields of agri-business, marine business, renewable energy technologies and wood, pulp, paper, furniture, and publishing that have future development potential, implementation frameworks and strategies were completed and growth in these sectors is anticipated.

Projects for tourism and related industries have had varied success: some recording low achievements but the business tourism and customer care strategies achieved 100%.

Investment facilitation and promotion has an energetic team and has reported 100% achievement of their marketing, business and expansion and foreign investor support. Unfortunately the SDBIP format does not permit the detailing of such achievements and specifics have not been forthcoming. Projects in R293 townships, with SMMEs and investor assistance have had varied success.

Projects to provide secondary support to business enterprise including the informal trade sector and the priority sectors of tourism, agriculture and manufacturing were all successful in meeting their targets. As were projects to promote and stimulate entrepreneurship which include support, training, assistance to vulnerable groups and business to business skill linkages.

## **Plan Three : Quality living environments**

Programmes and projects in this Plan are aimed, not only at service delivery, but also at achieving efficiencies and an improved quality of life for citizens.

Two key projects, successfully completed in the 06/07 financial year, are concerned with efficiencies and maximising delivery. These are the Access Model that has mapped community facilities and therefore can show where needs really exist, and the development of a policy to advise on multi-use of facilities. With respect to the latter, a further project to include communities in sustainable management of their facilities was 60% completed.

In the housing sector, hostel management projects were mainly successful. The maintenance spend was in excess of the target although only 50% of the family units targeted were established. The transfer of Council rental stock was less than 50% of the target but the maintenance programme was 100%. A social housing policy has been approved and this is underway although no details were supplied in the SDBIP. New housing development by way of upgrades, relocations and greenfields projects has exceeded targets. Innovations and improvements to housing delivery have been programmed and new approaches to top structure typologies, engineering standards and phasing, densification and subsidy relief are being pursued with varying degrees of success. Private sector involvement in the delivery of houses realised 1875 units - 90% of the target.

Considerable emphasis was placed on addressing service backlogs. A draft proposal on the impact of service and infrastructure standards in delivering houses and a backlogs study were completed. Across the range of infrastructure sectors, backlog reductions were mainly in excess of targets.

Projects to name previously unnamed streets and rationalise township addresses reached 80% of their target. In the public transport sector, implementation frameworks were successfully completed for the CBD circulatory system, the People mover tourist buses, rail improvements and the Warwick modal interchange.

The achievements of Durban Solid Waste with respect to the landfill gas to electricity and use of indigenous plants for rehabilitation of landfill sites have been mentioned above. This department was also awarded the prestigious Platinum Award by national Impumelelo Innovation Award Trust for the Mariannhill Conservancy's innovative work in the fields of poverty alleviation and community development.

To ensure the longevity of infrastructure development and their effectiveness in living environments, a number of infrastructure asset management projects were planned. An asset management system has been initiated although it didn't achieve on target. A template for sector maintenance was completed and maintenance in a variety of sectors was moderately successful.

The projects to provide a sustainable supply of community facilities have been guided by the access modelling project and a projects assessment matrix that developed from it; one community hall was complete and a cemetery site secured by the end of the reporting period.

Projects to produce strategy and design guidelines for the public realm and to develop a maintenance strategy were successful.

## **Plan Four : Safe, healthy and secure environment**

The Municipality has committed itself to creating a caring and liveable city and many of the programmes and projects in this Plan are directly linked to this Vision. The Plan is multi-faceted and encompasses many aspects of safety, security and health.

Citizen safety while on the roads or travelling is mainly dealt with in traffic calming, infrastructural and remedial measures at hazardous locations, and the enforcement of public transport bylaws. Traffic calming on school routes delivered 100% on target but the rural project was cancelled. Other projects were generally carried out as projected.

Although only 60% of the target was reached, the high figure of 8659 represents the number of people who have been taught to swim as part of the programme for safety in the sea and swimming pools.

Projects to deal with buildings in a very poor condition were not successful for a number reasons, resources being one of them, and the City has already put in place a new strategy to deal with them.

Effective policing projects mainly dealing with the installation of CCTV cameras as well as setting up and pursuing specific units/strategies at hotspots were largely successfully undertaken. Social crime prevention projects had varied success but are rather vague and perhaps more robust targets could be set in future.

Projects to ensure safety from disasters included a disaster management response centre planned for the SDB and disaster management response programmes in INK, both of which were cancelled. Fire safety information and an education programme in certain areas of INK achieved its target. The strategic plan for rolling out the Disaster Management Act 57 of 2002 requirements and extending emergency services to unprotected areas in the southern region had low success.

The Fire and Disaster Management Department had a busy and successful year. Deputy Head, Mark te Water was selected to serve on the organisation of Fire Officers tasked with evaluating the readiness of Fire Services across the country ahead of the 2010 World Cup. Leading Fire Fighter, Logan Reddy won the City Star Award in the Heroes Category (for bravery and dedication) – he is also the South African Firefighter of the Year. Logan achieved the highest marks in the country for the Diploma in Fire Safety and two other Leading Fire Fighters, I Jojo and NA Ndlovu achieved the highest marks in the country for the Diplomas in Management and Administration and Fire Technology, respectively. The Department also conducted a Learnership initiative for skilling 40 learners in the Fire and Emergency discipline.

There is also the issue of safety of municipal assets. With regard to data security, internet policies and monitoring information access, 100% was achieved. Business continuity plans and disaster recovery plans for departments with mission-critical ICT applications achieved 50% success.

Half the projects falling into the strategic focus area for promoting the health of citizens achieved 80% success and over. Two projects were cancelled in the SDB and rest of the projects dealing with Primary Health Care services, environmental health, services for communicable diseases and a social development health service had mixed success. Seventy-two public health campaigns and 10 training programmes for community health workers and facilitators is excellent as is the range and extent of HIV and AIDS, PMTCT and TB prevention and control services. Disease vector control services achieved 100% coverage.

The Health Unit won the City Star Award for the most innovative idea and was nominated in 4 other categories.

A variety of projects are grouped in the programme to promote the security of citizens from poverty through approved municipal policy. Most of the projects achieved some success although only a few achieved the anticipated targets. The appointment of Zimbabwe contractors was a most successful project and the assisted burial policy was also largely successful. The development of a database of indigents led to 100 households benefiting and it is expected that this project will gain momentum as the database becomes more robust. The government's expanded public works programme (EPWP) had some success but it is a complex approach to job creation and requires considerable pre-planning and collaboration.

Security for vulnerable groups from being marginalised and/or exploited has 28 projects which mostly achieved varying degrees of success except for some of the achievements in INK. Also, 400 organisations received grants-in-aid which was 80% of the target and 400 members of NGOs participated in capacity building – 100% of the target. An excellent achievement was the development of 17 arts and crafts co-operatives where the target was only 3.

## **Plan Five : Empowering our citizens**

The City wants its citizens to achieve their full potential and is committed to contributing to the development of human capital as well as developing the City as a centre of learning.

Of the items to be reported on in this Plan, 84% achieved high targets and only the project to complete the recognition of prior learning policy failed.

Projects to address the skills group in the economy picked up on the work done in 2005/2006. A document including known information from various sources on skills needs in specific sectors in the formal economy was finalised. Skills audits were completed in the INK and Cato Manor ABMs and certain of the planned strategies to address identified skills gaps were implemented.

The employability of certain citizen groups was targeted and the learnership programmes were successful in reaching their targets. ABET and business skills' programmes for SMMEs had some success although not all participants stayed the course.

A policy was developed to give in-service or internship experience for certain tertiary qualifications and there was some success setting up liaison committees with relevant departments in learning institutions.

Support for provision of mathematics and science in schools has continued and a database of resources in INK ABM schools was prepared and methodologies to raise standards were sourced and a service provider engaged.

Raising the skills levels of Council staff was tackled in a number of ways and most targets were met; some of the projects were to ascertain baseline information. There were 100 participants in the management development programme, new employees attended induction training, and training was available to all staff in terms of the Work Skills Plan.

The projects to develop the City as a centre of learning have involved developing a learning city model from researching global models, testing the model and investigating options for a central repository for learning city data. The target of a minimum of three CIFAL programmes was achieved; these covered Housing and Waste Management; HIV/AIDS; and e-Governance.

## **Plan Six : Celebrating our cultural diversity**

This Plan is intended to grow, stimulate and harness the enthusiasm and talent of eThekweni's citizens in the fields of sports, art and culture and, concomitantly, for them to experience personal growth, and understanding and enjoyment of cultural diversity and projects are directed to these goals. Projects to create economic opportunities in arts, culture, heritage, sport and recreation are also included.

Projects in this Plan were seriously under-resourced with respect to budget and staff and this is reflected in the targets achieved. The guidelines for strategic budgeting mentioned above should rectify this in 2008/2009.

Despite the lack of resources, dedicated and enthusiastic staff have endeavoured to reach the delivery targets. Sporting activities in all 100 wards have been addressed and programmes to increase activity levels were 60% successful. A swimming pool was opened at Clermont and a sportsfield completed at Osindisweni. The Parks, Leisure and Cemeteries Department spent 98% of its capital budget by providing additional facilities and improvements for the public and communities thereby helping to reduce the backlog of services.

In the arts, culture and heritage sector, there was 90% delivery in the project to promote exhibition opportunities and space for all forms of arts. Three programmes to profile art forms for people with disabilities achieved 75% success.

Four programmes were developed and implemented successfully for the provision of new gallery and museums space for revisionist projects. Programmes to support eThekweni oral traditions and reading were fairly successful. Holiday programmes to generate heritage and cultural experiences partially achieved their target; more success was experienced in the provision of programmes related to special heritage and culture dates on the calendar and in regard to the eThekweni Living Heritage and Traditions programme.

The art deco style is particularly resonant in Durban where some world-class buildings built in this style still exist. A number of which, including the decayed Enterprise Building, are in the vicinity of the Old Court House Museum where a successful exhibition of art deco jewellery, clothing, furniture and other design objects was staged.

Economic opportunities for artists and cultural workers in previously disadvantaged communities were targeted and 2 programmes achieved a 75% result. But generally, the concept of an arts, culture and heritage industry has advanced only moderately.

A draft policy for arts, culture and heritage has been produced and efforts to align eThekweni activities with national objectives and to integrate arts, culture and heritage with ABMs have realised some success.

## **Plan Seven : Good governance**

Good governance is, among other things, participatory, transparent, democratic and accountable; the programmes and projects in this Plan are designed to achieve this for the benefit of citizens and stakeholders.

The projects to establish internal and external communication were mostly on target and used various media such as breakfasts with the Mayor or with the City Manager, newsletters, SMS, newspaper, radio and video for communication with staff and external stakeholders. A number of projects were aimed at centralising the communications effort and spend but not all have delivered possibly due to the range of resources required. A brand and marketing strategy is still a way off.

Projects to improve customer relations have been largely successful and only the integrating project to achieve a single interface with Council's customers was not undertaken. Customer care strategies were workshopped and refined into a policy and systems introduced. Walk-in centres

were introduced and transaction volumes increased at customer care centres. There has also been work with corporate customers and agreeing terms of operation with relevant Council service departments. Six one stop shops were upgraded and branded and the plan for a further one in Kwa Mashu was approved. The vital area of staff training has not been neglected and customer satisfaction measurement tools were developed and the performance of one stop shops measured.

Durban is a lead NEPAD city in this initiative backed by UN-Habitat which is aimed at addressing local service delivery issues. A NEPAD/Africa desk was previously established in 05/06 and Durban's relationship with other cities in the initiative was deepened in 06/07.

Co-operative governance was furthered with moderate success in the development of a strategy for inter-municipal relations, and more successfully, in relation to provincial, national and statutory bodies.

Durban has a dozen sister cities, the most recent added being Maputo, and a strategy has been developed to work with them and other global partners. Active programmes were conducted with Leeds, Nantes, Bulawayo, Bremen and Guangzhou. Visiting delegations were received from around the globe and there is regular contact with Consular Corp representatives from a dozen or so countries.

A draft policy to manage events and an events plan to enhance the City's core values, vision and Eight Point Plan was completed.

Encouraging and capacitating citizens to participate in City processes and vital decisions relating to their communities is a very important local government task. In 06/07, a community participation policy was adopted and 100 ward committees launched. All wards have community-based programmes and 40 ward plans were reviewed. An ambitious target of 5000 had been set for the stakeholder participation programme and this was partially successful.

Part of the programme to create a clean and accountable administration requires the production of reports in accordance with legal requirements; these are the Annual Report, SDBIP and IDP which were produced accordingly.

Another project to deliver clean and accountable administration was the completion of the anti-fraud and corruption policy; its rollout to staff was less than targeted. A code of ethics was drafted and 7% of staff trained. The long-awaited municipal court that will streamline so much of the City's enforcement activities was completed in June 2007.

Audit projects, IT solutions for document management and using GIS as a decision-making tool fall under the governance programme to make the organisation more effective. The performance management system was fully developed and implemented and partial success achieved in identifying enterprise-wide risks and developing a fraud and corruption prevention plan. Audit and legal reports in terms of legal and administrative requirements were completed 100%. The document management system was delivered to 15 council departments and 3 business process management interventions initiated and completed. The fibre network has been rolled out in full and the wireless WAN was 95% completed. The implementation of an enterprise-wide GIS was successful and most other targets approximately achieved.

The programme to improve productivity throughout the municipality falls under the Management Services Department and 12 projects to measure and improve productivity and/or eliminate wastage were successful.

City Hall administration and secretarial services are vital to the smooth running of municipal affairs. A series of policies are being developed to facilitate some administrative functions; most of these were still in various stages of completeness by July 2007. There has been a start made to

reviewing and developing administrative systems and a considerable number of structures to develop municipal-wide administration linkages are in place.

A programme for the support and training of Councillors was developed and implemented.

Knowledge management is a prerequisite for a sustainable city. eThekweni has put a strategy in place and the projects to deliver its objectives were partially successful in 2006/2007. Especial attention has been paid to capturing and documenting the City's innovations and best practices.

Area-based management and development programmes in eThekweni are far-reaching and to a large extent integrated in service delivery undertaken by line departments. The ABM programme was instituted a few years ago and has additional support from the EU and reports as well to that body. The knowledge management aspect of ABM is central to its approach and methodology, and learning, documentation, dissemination, co-ordination and support to maximise service delivery and good governance are ongoing.

Projects to achieve a healthy and productive staff are an important element of delivering good governance. All but one of the HIV/AIDS projects achieved over target, and except for the biological monitoring and first aid training projects, the projects to comply with occupational health and safety legislation delivered above the targets set.

## **Plan Eight : Financial viability and sustainability**

Confidence in the City's financial viability is high - the challenge is to ensure that financial measures are sustainable and contribute to genuine growth.

Budgeting adequately and appropriately is a key function of local government. The City's capital budget was delivered in accordance with the financial model and, most importantly for the sustainability of municipal infrastructure, a budget for long term infrastructure maintenance was finalised. Guidelines for the City's strategic budgeting process (i.e. to align more closely with the IDP strategies) were completed and ready for use in the 08/09 budget and the SDBIP for 07/08 was completed and readied for use.

Very good results were achieved in the area of credit control and debt management and in all cases above target. The percentage for rates was amended after year-end adjustments to 98.7% but this is still in excess of the target. The payment of rates by the Ingonyama Trust is a disputed matter as to the liability and remains a challenge.

The range of projects to grow and diversify revenue was not completed and 2 were dropped for being unfeasible in the prevailing economic and investment climate. The new Revenue Management System was 70% complete at July 2007 and the identification of grant sources was 50% complete.

Targets for projects to achieve value for money expenditure with respect to municipal processes and staff costs were mainly achieved. A log of cost savings' ideas was compiled and quantified and the ideas with greatest impact were implemented. The 4 units stipulated for business process re-engineering were reviewed successfully but the independent review on benchmarks was not undertaken because of the staff placement delay. The target for the review of job standards was achieved, a sick leave plan implemented and there was partial success in the project to reduce overtime. Initial plans for community service partnerships for verge clearance/grass-cutting and life-guarding were not furthered due to a change in approach.

Implementation of the Local Government: Municipal Property Rates Act 6 of 2004 with respect to data analysis, preparation and collection and the development of IT systems to support the work was on target. The projects to enhance the valuation roll base were mostly successful.



In the programme to deliver efficient fleet management, an exercise to benchmark maintenance costs against other similar industries was 70% completed and the service level agreement to reduce the downtime of vehicles in workshops achieved 90% success.

## **Annexure A**

### **Council, its Committees and the involvement of Traditional leaders**

eThekwini Council has 200 Councillors, 100 directly elected and 100 elected through proportional representation. There is an Executive Committee that reports to the full Council. There are 17 Amakhosi within the municipal area and they meet on a monthly basis with structural communications in place for interaction between the elected and traditional leadership.

A full meeting is held monthly when the Council is in session, at which it considers Committees' recommendations. The Executive Committee has nine members and the seat allocation is on the basis of proportional representation.

The Committees are:

- Economic development and planning
- Infrastructure
- Health safety and social services
- Housing, Cleansing and Solid Waste and Corporate and Human Resources
- Masakhane, grants-in-aid, non-racism and non-sexism

Through the above Committees, policies are developed and the implementation of service delivery guided.

The involvement of Traditional leaders

eThekwini Senior Traditional Leaders (Amakhosi) have been operating from Pinetown Civic Centre under the Regional Centres unit. The Council provided two staff members to support with the administrative activities. This has become an example to other Municipalities, and in January 2006, the NCOP committee on Traditional Affairs met with Amakhosi to learn about the relationship between the City and traditional communities, especially, Senior Traditional Leaders. The Amakhosi Support Office serves as a link between Municipal Service Departments and Traditional Councils during service delivery processes. The Chairperson of the House of Traditional Leaders has an office where he, with the support of the administrative staff liaise and advise other traditional leaders on issues related to development and house activities. The office also supports individual Amakhosi on projects and programmes that are implemented in their respective traditional communities. All Amakhosi whose traditional communities fall under the eThekwini Municipal Area receive an allowance to support them in communicating with other stakeholders including Councillors, officials and Traditional Council members. To ensure a smooth relationship with Traditional Leaders, Council has deployed a PR Councillor to advise the Council on issues related to traditional protocols and customary practices.

Generally, Amakhosi are still happy with the relationship they have with the City during this transformation phase.

Since January 2007, the eThekwini Local House of Traditional Leaders has met monthly and the logistics for these meetings are provided for by the Council. At times, these meetings help officials from the City, province and national government to make presentations regarding planned development processes in traditional communities. There 17 traditional communities in eThekwini Municipal area and all their Senior Traditional Leaders (Amakhosi) are committed to working harder to support the council service delivery agenda.

Although the Local House does not participate officially in Council meetings, the City invites Amakhosi to Council meetings. The Mayor and Speaker also invite them to different events that take place including Izimbizo, campaigns, workshops, tours, etc. Amakhosi meet regularly with the Mayor and Speaker to discuss strategies and programmes where traditional communities can learn and identify opportunities.

***ANNEXURE M***

**Internal Audit and Performance Management Report on the  
Organisational Scorecard**





# **Annexure O**

## **AUDIT COMMITTEE CHARTER**

### **PURPOSE**

- o To advise the City Manager in fulfilling his oversight responsibilities for the financial reporting process, the systems of internal control, the audit process, and the Council's process for monitoring compliance with approved procedures and systems.
- o To advise the Executive Committee of the Council on matters relating to internal control and performance as set out in section 166. of the Municipal Finance Management Act.

### **AUTHORITY**

- o The Head of Internal Audit and Performance Management (HIAPM) has authority to conduct or authorise audits into matters within his scope of responsibility.

### **COMPOSITION**

The Audit Committee will consist of four external members who have appropriate experience.

The Executive Committee will appoint members and the Audit Committee will elect its own Committee Chair.

Ex Officio members will be the City Manager, Head Audit and Performance Management, Ombudsperson and Head : Investigations and the Auditor General. The Ex-Officio members shall be advisory and non voting.

### **MEETINGS**

The Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. One such meeting shall be held prior to the release of the financial statements and should consider the report of the Auditor General. The Committee may invite members of Management, auditors, or others to attend meetings and provide pertinent information as necessary. The Committee will hold private meetings with the HIAPM or Ombudsperson when required. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing material. Minutes will be prepared and circulated to the Executive Committee. The quorum of the Committee shall be three members.

### **RESPONSIBILITIES**

The Committee will carry out the following responsibilities.

### **FINANCIAL STATEMENTS**

- o Review interim financial reports with management and the external auditors, before filing with regulators, and consider whether they are complete and consistent with the information known to Committee members.

### **INTERNAL CONTROL**

- o Consider the effectiveness of the Council's internal control over annual and interim financial reporting, including information technology security and control.

o Understand the scope of internal and external auditor's review of internal control, and obtain reports on significant findings with specific reference to the safeguarding of assets, accounting records and the maintenance of effective internal control systems.

## **INTERNAL AUDIT**

- Review with Management and the (HIAPM) the charter, plans, activities, staffing organisational structure of the internal audit activity.
- Ensure there are no unjustified restrictions or limitations.
- Review the effectiveness of the internal audit activity, including compliance with the Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with HIAPM to discuss any matters that the Committee or Auditors believe should be discussed privately.

## **EXTERNAL AUDIT**

- On a regular basis, meet separately with the External Auditors to discuss any matters that the Committee or External Audit believes should be discussed privately.

## **COMPLIANCE**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Council personnel and for monitoring compliance therewith.
- Obtain regular updates from Management and Council Legal counsel regarding compliance matters.

## **OTHER RESPONSIBILITIES**

- Perform other activities related to this charter as requested by Management.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Executive Committee approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's performance on a regular basis.

## **REQUIREMENTS OF AUDIT COMMITTEE**

Section 14(4) (a) (iii) of the Local Government Municipal Planning and Performance Management Regulations requires that the Audit Committee will report to the Municipal Council at least twice a year.

## **MUNICIPAL FINANCE MANAGEMENT ACT REQUIREMENTS FOR THE AUDIT COMMITTEE**



## AUDIT COMMITTEES

166. (1) Each Municipality and each municipal entity must have an audit committee, subject to subsection (6).

(2) An audit committee is an independent advisory body which must -

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to –

- (i) internal financial control and internal audits;
- (ii) risk management;
- (iii) accounting policies;
- (iv) the adequacy, reliability and accuracy of financial reporting and information;
- (v) performance management;
- (vi) effective governance;
- (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- (viii) performance evaluation; and
- (ix) any other issues referred to it by the municipality or municipal entity;

(b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;

(c) respond to the council on any issues raised by the Auditor-General in the audit report;

(d) carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request; and

(e) perform such other functions as may be prescribed.

(3) In performing its functions, an audit committee -

(a) has access to the financial records and other relevant information of the municipality or municipal entity; and

(e) must liaise with –

- (i) the internal audit unit of the municipality; and
- (ii) the person designated by the Auditor-General to audit the financial statements of the municipality or municipal entity.

(4) An Audit committee must

(a) consist of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality or municipal entity, as the case may be; and

(b) meet as often as is required to perform its functions, but at least four times a year.

(5) The members of an audit committee must be appointed by the council of the municipality or, in the case of a municipal entity, by the council of the parent municipality. One of the

members who is not in the employ of the municipality or municipal entity, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee.

(6) A single audit committee may be established for-

- (a) a district municipality and the local municipalities within that district municipality;  
and
- (b) a municipality and municipal entities under its sole control.

## **GENERAL**

- The Councils Executive Committee has authority to make appointments and determine such remuneration as may be necessary to ensure that the Audit Committee is successfully established.
- In fulfilling its role and in carrying out its duties and responsibilities, the Audit Committee may conduct such investigations and seek from any employee or Councillor such information as it considers necessary to enable it to fulfil its functions, and all employees and Councillors shall be required to co-operate with any request made by the Audit Committee.
- To appraise and recommend improvements in financial control and accounting systems as well as to assess extraordinary items or abnormal disclosures with specific reference to :-
  - the annual financial statements;
  - accounting policies and practices;
  - specific strategic reports;
  - external Audit procedure;
  - the Annual External Audit report before submission to the relevant committee;
  - all Internal Audit activity;
  - compliance with law, audit and accounting standards; and
  - Reports of the Head : Investigations/Ombudsperson.
- Audit Committee members do not have any authority to make any decisions on behalf of the Council.

**APPROVED**  
**CITY MANAGER**

***Annexure P***

**Service delivery and budget implementation plan (SDBIP)**



# **REPORT OF THE AUDITOR-GENERAL TO THE MUNICIPAL COUNCIL AND THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE CONSOLIDATED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE ETHEKWINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying group financial statements of the eThekweni Municipality which comprise the consolidated and separate statement of financial position as at 30 June 2007, consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets, consolidated and separate cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 1 to 58.

### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004)(PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and

perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the eThekweni Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis of accounting**

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note 1.

### **Opinion**

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the eThekweni Municipality and the group as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1 and in the manner required by the MFMA.

## **Emphasis of matter**

Without qualifying my audit opinion, I draw attention to the following matter:

### **11. Basis of accounting (deviations)**

As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 552 of 2007* issued in *Government Gazette No. 30013 of 29 June 2007*, which granted the municipality early adoption of the following standards:

- International Accounting Standard (IAS) 19: *Employee Benefits* (AC116)
- International Accounting Standard (IAS) 40: *Investment property* (AC135)

## **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

### **12. Material non-compliance with applicable legislation**

#### **Basic Conditions of Employment Act**

In terms of the section 10 of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997) an employer may not require or permit an employee to, *inter alia*, work overtime except in accordance with an agreement. An employer may also not require an employee to work more than 10 hours' overtime a week. During the year under review at least seven employees worked in excess of 10 hours' overtime per week and also without formal agreements.

### **13. Material corrections made to the financial statements submitted for audit**

The group financial statements approved by the accounting officer and submitted for audit on 28 September 2007 have been significantly revised in respect of the following misstatements identified during the audit:

- The opening balance of non-current liabilities was overstated by R350 million and the opening balance of accumulated surplus was understated by this amount due to the incorrect processing of actuarial losses for post-retirement medical benefits as a prior year error. The misstatement of the financial statements was corrected by decreasing the opening balance of retirement benefit obligations, increasing the opening balance of accumulated surplus and decreasing the surplus for the year by R350 million.

- The provision for long service awards had only been made for employees who will qualify for the awards in the next 12 months in contravention of paragraph 69 of International Accounting Standard (IAS) 19: *Employee Benefits* (AC116), which requires that the provision be made for all employees who are entitled to the benefit and not only employees who will be entitled to receive the benefit in the next financial year. Consequently provisions and expenditure were understated by R73,4m. The misstatement on the financial statements was corrected by increasing the provisions and expenditure for the year by an amount of R73,4 million.
- Housing debtors amounting to R46,9 million, which were devolved by the KwaZulu-Natal Department of Housing to the municipality, were not accounted for owing mainly to the non-adherence to the formal agreement between the parties involved. The misstatement on the financial statements was corrected by increasing the Housing Development Fund debtors and accumulated surplus by that amount.
- Investment properties relating to the Housing Development Fund with a net carrying value R17.3 million was erroneously disclosed as property, plant and equipment. The financial statements were corrected by decreasing property, plant and equipment and increasing investment properties by that amount.
- Creditors were understated and cash resources overstated by R16,8 million due to a duplication of cash received but not deposited at year-end. The financial statements were corrected by increasing creditors by R16,8 million, decreasing the bank overdraft by R12,1 million and increasing bank and cash by R4,7 million to reflect the correct disclosure.

#### 14. Internal control

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Other matters</b>					
Material non-compliance with applicable legislation	✓				✓
Material corrections made to the financial statements submitted for auditing			✓		✓



## **15. Unaudited supplementary schedules**

The municipality provided supplementary information in the group financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements*. An accounting standard on the presentation of budget information in the financial statements has not been developed by the local standard setter. In the absence of such a standard, I do not express an opinion on the budget information presented in the financial statements.

## **OTHER REPORTING RESPONSIBILITIES**

### **Reporting on performance information**

16. I have audited the performance information as set out in Annexure M .

### **Responsibilities of the accounting officer for the performance information**

17. In terms of section 121(3)(c) of the MFMA the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### **Responsibility of the Auditor-General**

18. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.

19. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

20. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

### **Audit findings**

#### **Non-compliance with regulatory requirements in terms of the MSA**

21. The following cases of non-compliance with the MSA and the Local Government: Municipal Planning and Performance Management Regulations (regulations) have arisen from a review of the integrated development plan (IDP), the performance management system (PMS) and the report on performance information:

a) In terms of section 43 of the MSA general key performance indicators must be included in the key performance indicators set by the municipality. The general key performance indicators promulgated in terms of regulation 10 were included in the

report on performance information but were not included in the IDP adopted by the council on 29 June 2006.

- b) The IDP did not include the key performance targets as required by sections 26(i) and 41(1)(b) of the MSA.
- c) A formally documented framework for the performance management system has not been adopted as required by regulation 7 and section 39 of the MSA.
- d) The development, implementation and review of the PMS by means of an appropriate municipal-wide structure for community participation or an appropriate forum for community participation was not undertaken during the period under review as required by section 42 of the MSA and regulation 15.
- e) No evidence could be provided that the audit committee reviewed the PMS and made recommendations to the council as required by regulation 4(a)(ii) and did not, at least twice during the year under review, submit an audit report to the council regarding the PMS as required by regulation 4(a)(iii).

#### **Predetermined objectives not reported on**

22. The following predetermined objectives included in plan number 1 in the IDP were not included in the report on performance information:

- Develop, manage and regulate the built and natural environment.
- Ensure climate protection and population minimisation.

#### **Lack of sufficient appropriate audit evidence**

23. Sufficient appropriate audit evidence in relation to the performance information could not be obtained, as the system used to generate information in respect of the following targets in the IDP was not adequate for purposes of evaluation:

- Plan 2 – support and grow new and existing business.
- Plan 3 – meet infrastructure and service needs.
- Plan 7 – create an efficient, effective and accountable administration and healthy and productive employees.
- Plan 8 – budget strategically and sustainably

#### **APPRECIATION**

24. The assistance rendered by the staff of the eThekweni Municipality and its municipal entities during the audit is sincerely appreciated.

*Auditor-General*

Pietermaritzburg

31 December 2007



## **RESPONSES TO THE AUDIT REPORT: YEAR ENDED 30 JUNE 2007**

Notwithstanding the fact that the Auditor General once again expressed an **unqualified** opinion, the following comments and recommendations are made in connection with his Report.

Paragraph references coincide with those in the report.

### **12. Material non compliance with applicable legislation**

#### *Basic conditions of employment*

EThekweni Municipality has a practice whereby we obtain overtime authority/ approval prior to an employee working overtime. As a further control, we send out an overtime analysis report, which outlines all employees that work overtime and earn in excess of fifty per cent (50%) of their basic salary, to all line managers on a monthly basis. You must also be aware that some employees do accumulate a few months overtime and then request payment in a particular month. This could therefore account for some of the high amounts of overtime being paid. Every effort is made to fill vacancies as soon as is possible, with due consideration given to budgetary constraints. In addition, this is a fixed item on the agenda of the Economy and Efficiency work group.

### **13. Material corrections made to the financial statements submitted for audit**

#### *Overstatement of non current liabilities and understatement of accumulated surplus*

The actuarial valuation report of the retirement benefit obligation regarding medical benefits reflected a substantial increase from the previous year.

The reason for the substantial increase is due to a decrease in the discount rate of 2% from the previous year.

The application of the current years discount rate to the previous years obligation amounted to a increase of R 350million.

The change in the discount rate was treated as a prior year error and the opening balance of the Retirement Benefit Obligation and the opening balance of the accumulated surplus was restated.

The auditor general considers the change in the discount rate to be a current year actuarial loss.

The restatement due to the correction of the prior year error was reversed and the impact of the change in the discount rate was recognised as a current year actuarial loss.

#### Provision for long service awards

The provision for long service awards had to be increased by R 73,4 million to account for all employees who are entitled to receive the benefit and not only for employees who will be entitled to receive the benefit the next year, due to the early adoption of the International accounting standard (IAS) 19: Employee Benefits (AC116),

#### Housing Debtors

The Housing Development Fund debtors and accumulated surplus were increased by R 46,9 million to account for debtors devolved by the KwaZulu-Natal Department of Housing.

#### Investment Properties relating to the Housing Development Fund

The incorrect classification of Housing Development :Land and buildings as Property, Plant and equipment was changed to correctly reflect it as Investment Property.

#### Duplication of cash received

A duplication of a year end journal entry for cash received was reversed.

## **21. Non compliance with regulatory requirements in terms of MSA**

A specific senior manager has been allocated the responsibility of the PMS.

A framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed has been compiled and will be submitted to Council for approval by 1 April 2008.

Thereafter the new PMS will also be submitted to Council for approval.

The systems used to gather performance information will be revisited to enable the municipality to provide the information sought.

The PMS scorecard has been updated to align with the IDP.

In addition, performance targets have subsequently been developed and included in the IDP.

A community participation process will be implemented in compliance with the legislation.

The audit committee will be informed of the requirements of Regulation 4 (a) (ii) & (iii)

## **REPORT OF THE DCM: TREASURY**

### **FOR THE YEAR ENDED 30 JUNE 2007**

The eThekweni Municipality continues to strive towards excellence in service-delivery to its citizens.

Key to achieving this is ensuring that there are significant financial controls and mechanisms in place to sustain our momentum.

There are indicators of these. We continue to receive sustained world-class credit ratings from international agencies that are equal to those of the best private sector entities despite the socio-economic emphasis of our key programmes.

We have led the pack with flagship projects, including several firsts: our International Convention Centre that has significantly bolstered the local economy and the tourism sector over the last ten years; uShaka Island, which has recatalysed the Point Area, once spiraling in a vicious cycle of urban decay; and Riverhorse Estate, an innovative and successful new business and manufacturing hub. Through a decade of following a development-orientated focus, we have found an equitable and attractive mix between financial prudence and low-risk, high impact Greenfield projects.

#### **ACCOUNTING FRAMEWORK**

The 2007 financial year is the second year that the municipality has applied the GRAP, GAMAP & SA GAAP accounting standards.

The Accountant General held a number of meetings with High Capacity Municipalities during the year.

Issues regarding the difficulties of implementing the International accounting standards in the public sector environment were highlighted.

Based on the outcomes of these meetings Gazette 30013 was issued by the Minister, allowing for the exemptions of a number of accounting standards.

eThekweni Municipality took advantage of the exemptions with the following exceptions:

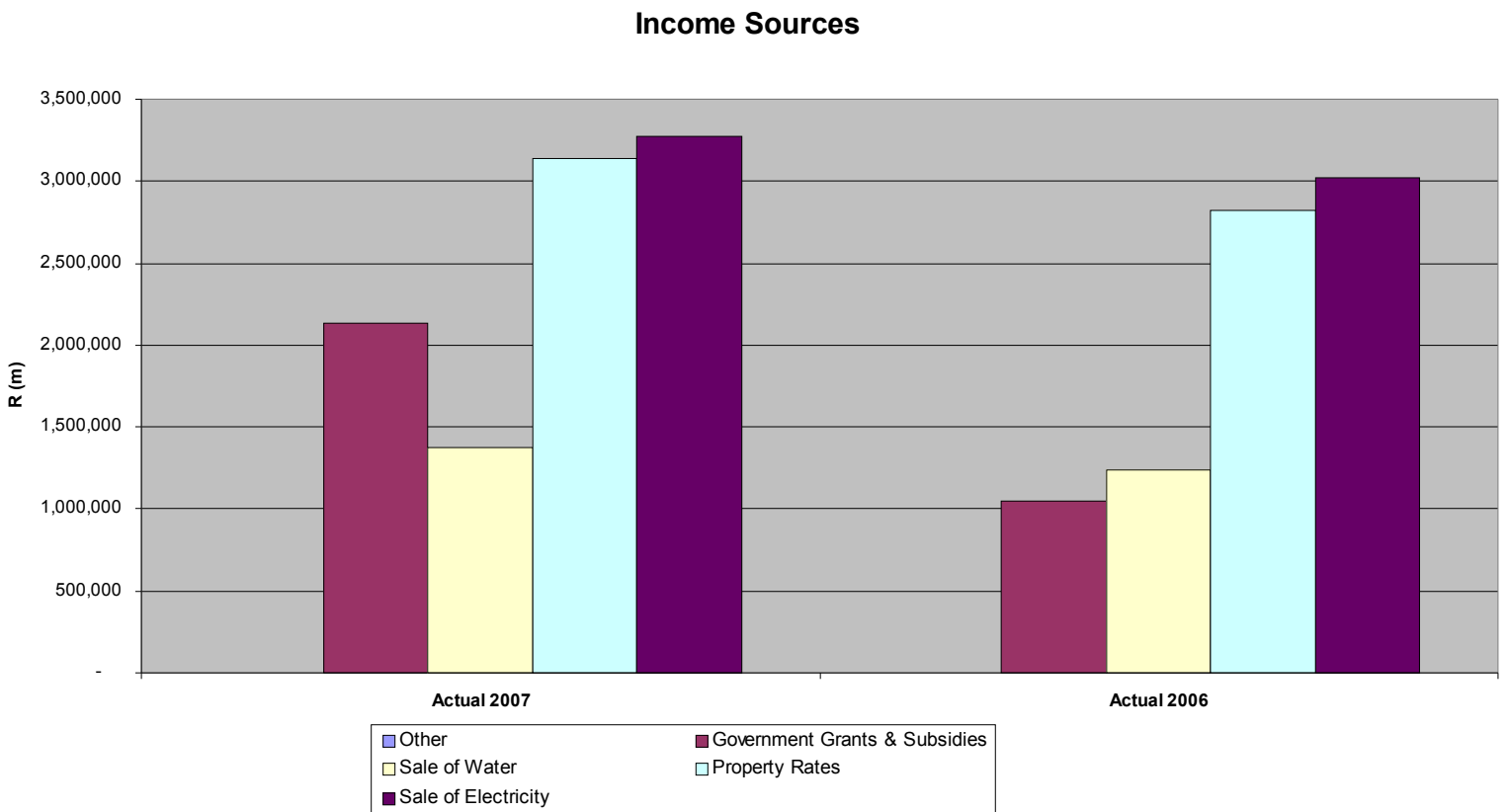
IAS 40 Investment Property & IAS 19 Employee Benefits were early adopted.

Consolidated Financial Statements were produced.

**INCOME**

The funding of the Municipality’s operating costs, the costs related to the delivery of basic services and the costs of projects that will help to achieve the goals set out in the Integrated Development Plan, are accrued from various sources.

The following graph illustrates a holistic overview of revenue received by the Municipality: -



The Municipality continuously seeks to access subsidies and grant funding from available sources and will continue to pursue these forms of funding as a means of increasing income in future.

With effect from 1 July 2006, Regional Services Levies were not levied as a result of legislative changes. The Municipality has been compensated for the loss in revenue through an increase in the equitable share grant distributed by National Treasury.



**RATE ASSESSMENT**

The total assessment rates levied for the year were as follows: -

Residential: 7,80c in the RAND on the Value of land and buildings.  
 Other Properties: 28,82c in the RAND on the Value of land.  
 2,402c in the RAND on the value of buildings.

The following rebates are allowed on all Properties:

Dwelling Houses	:	70,73	%
Flats	:	67,08	%
Other Properties	:	50	%

Rates raised inclusive of interims amounted to R 3 141 392 807.

**RATES LIFELINE REBATES**

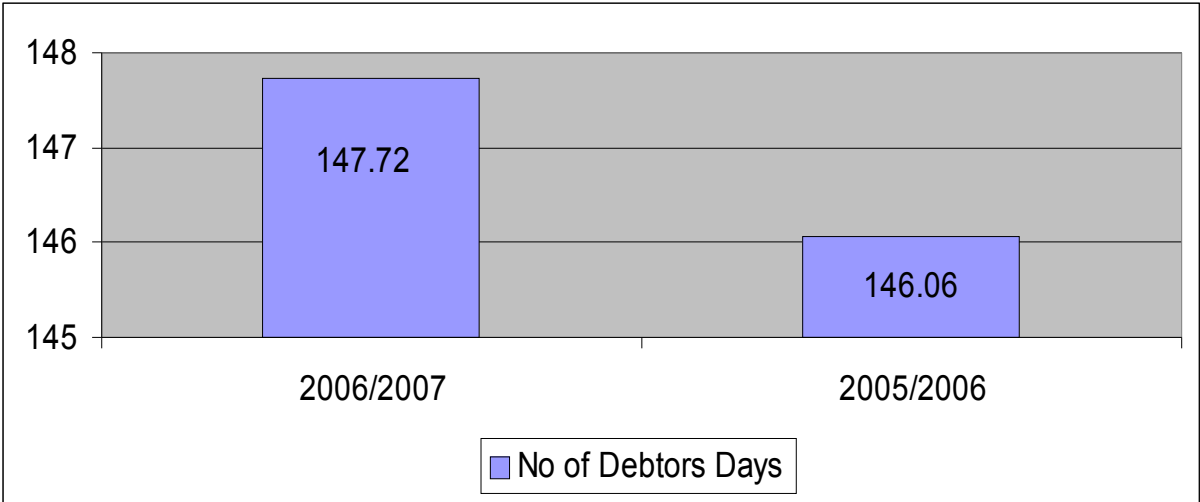
- i) For dwellings with a total valuation up to and including R30 000: 100%
- ii) For dwellings with a total valuation of between R30 001 and R100 000. A rebate equal to the difference between the normal rates payable and the amounts reflected in the table hereunder under columns B or C.

(A)	(B)	(C)
PROPERTY VALUES R	NON SEWERED R	SEWERED R
30 001 - 40 000	298,00	358,03
40 001 - 50 000	373,19	445,01
50 001 - 60 000	447,63	535,41
60 001 - 70 000	968,69	1160,21
70 001 - 80 000	1193,00	1427,84
80 001 - 90 000	1416,31	1695,61
90 001 - 100 000	1715,07	2053,65

**DEBTORS**

***Gross Consumer Debtors***

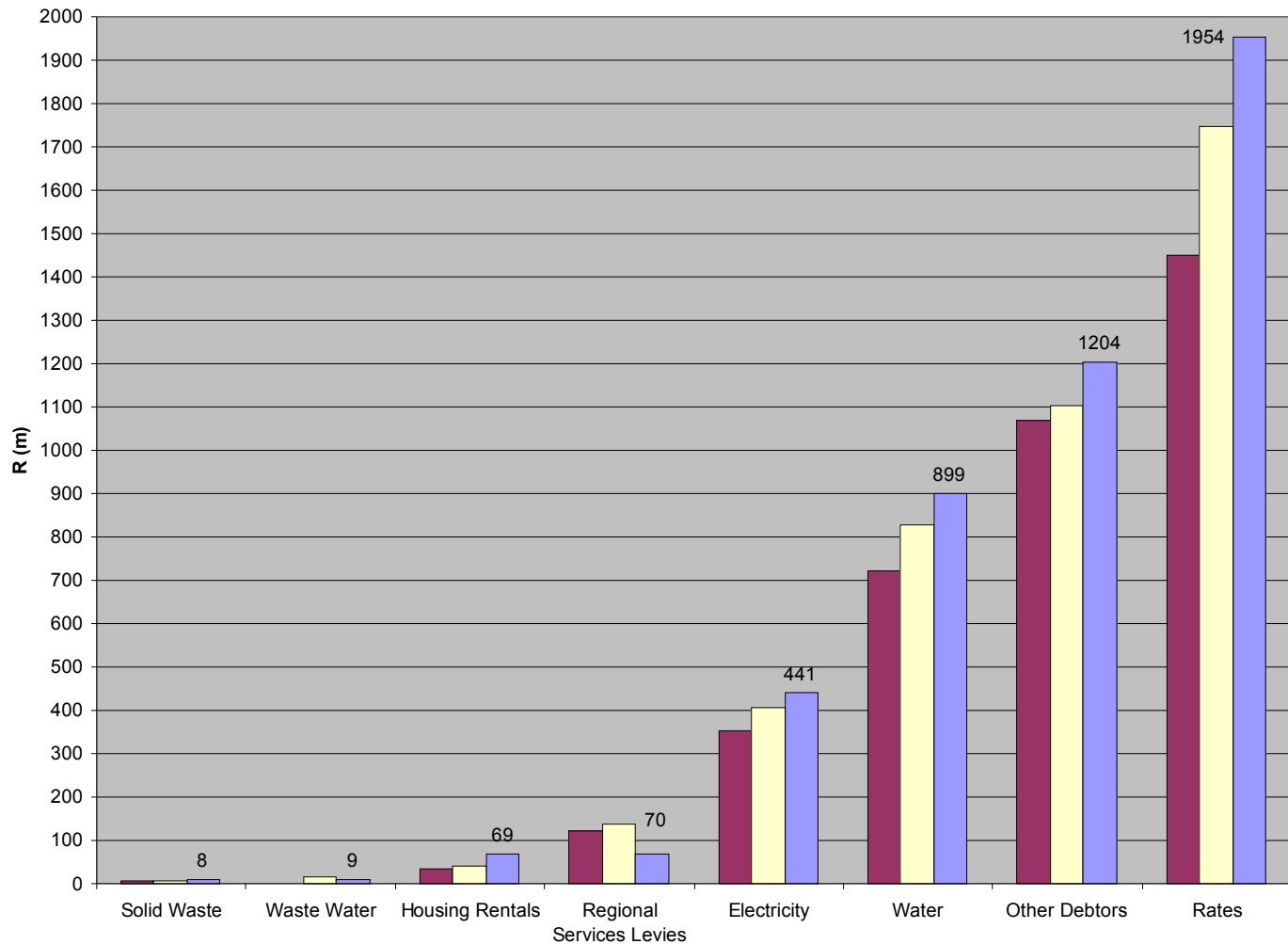
The following table illustrates the average number of days consumers take to pay for services received, even though payment terms are generally 30 days: -



**Debtors Balances as @ 30 June for the three years ending 2007**

The graph below sets out the debtor balances at the end of the 2005, 2006 and 2007 financial Years.

## ANNEXURE D



### **Rates**

A major portion of rates debt is Ingonyama Trust and private properties, which are in Ingonyama Trust area. A dispute has been declared with Ingonyama Trust and the matter is with the facilitator. The individual owners in Ingonyama Trust area are disputing the fact that they are supposed to pay rates and they have taken the matter to Court. Since the matter is going to trial it is still going to take a long time to resolve this issue.

Due to the introduction of Municipal Property Rates Act, which repealed some sections of the Ordinance and Extended Powers that enabled the Municipality to follow the Sale in Execution (SIE) process, rates debt has increased. Legal action is taking longer because the Municipality has to take each matter to Court. The processes prior to court have been automated like issuing of summons.

**Water**

The consumers with properties valued R100 000 and less are encouraged to pay current accounts whilst arrears are written off over a period of 20 months. The major portion of water debt is in this category, which is considered the poorest of the poor. There is an improvement in the collection of current amounts for these consumers.

**Bulk Electricity**

The major portion of this debt is for hostels. Negotiations are ongoing with the provincial Department of Housing to settle this debt. Council cannot take legal action against the other organ of state therefore a proper procedure needs to be followed to recover from province.

**WATER SERVICES**

	<b>2005/06 Actual</b>	<b>2006/07 Actual</b>	<b>Variance Actual / Actual</b>	<b>2006/07 Budget</b>	<b>2006/07 Variance Actual / Budget</b>
	R 000's	R 000's	%	R 000's	%
Operating Income (Water Sales + Other Income)	1 738 669	2 079 218	+19,6	1 975 417	5,2
Operating Expenditure	1 924 004	2 231 938	+16,0	2 120 468	5,3
Deficit	185 335	152 720	-17,6	145 051	5,3
Met by transfer from Rate and General Services	(178 567)	(145 051)	-18,8	(145 051)	-
Deficit	6 768	7 669	-	-	-

## ANNEXURE D

The Water Service experienced a total deficit of R152, 7m which were higher than the R145, 0m that was budgeted for. The deficit is funded via a contribution from Rate and General Services and a contribution of R 145m was received to this end, resulting in a final Deficit of R 7,7m for the Water Service.

The reasons for the deficit are mainly attributable to the following:

An additional contribution to the Provision for Bad Debts of R44, 6m due to the deteriorating debt situation, R 43,9m in respect of Repairs and Maintenance - Structures and R8, 6m in respect of Interest on Bank Overdraft. This was however offset by additional income R39, 5m in respect of Internal Income-Recoveries as well as a reduction of R21, 8m in respect of Internal Charges and R28, 7m in respect of Employee Related costs.

During the past year water sales income of R1 374,5m was achieved which was R3, 7m (0,3%) less than the adjusted estimate water sales income of R1 378,2m. During the year 11 577 new connections were installed. The total water sales volume of 200 685 625 kilolitres for the year is 9 892 095 kilolitres (4,9%) more than in the 2005/2006 year. The continuing problems being experienced with illegal connections and illegal reconnections and consumers inherited from other entities who have a water supply which is not being metered are the main reasons for the lower than anticipated water sales income.

The water sales income for the 2006/2007 year is R 116,2m (9,2%) more than in the 2005/2006 year and this is attributable mainly to the water tariff increase of 7,5%. The water sales income should have been higher but the problems mentioned above had a negative impact on this income.

The Water Department has installed electronic bailiff units for customers who are deemed to use less than 6 kilolitres per month to regulate water consumed in those communities where customers do not have their own water meters. This has been done in order to conserve water made available to them free of charge but which they must use judiciously and ensure that the water is not wasted.

The water loss in the 2006/2007 year has decreased to 30,6% which is 3,8% lower than in the 2005/2006 year. In the 2006/2007 financial year, the two key performance indicators for non-revenue water both reflected an increase. The volume of water purchased increased by 3,1% and the volume of water sold increased by 4.9%.

The specific initiatives launched to reduce losses by the Non-Revenue Water (NRW) Section cost R17, 2m and yielded direct savings of R38, 0m. This work is a MIG Project, and therefore the costs of this work were claimed back from National Government. A total of 711 bulk water meters have been installed to monitor consumptions in key areas so that targeted interventions can take place.

## ANNEXURE D

To date, 17700km of water mains have been actively inspected for leaks and 30479 faults have been found and repaired. The accuracy of the water meters to our Top 1000 Consumers has been improved, and 177 meters older than 10 years have been replaced. The billing accuracy was also improved as numerous non-domestic consumers have been found to be unmetered. Through this initiative, 169 meters were installed and the consumers were back-billed R676 000. These meters now record a daily flow of 629kl ( $\pm$ R3700 per day or R1 350 000 per annum). Meters have also being installed to previously unmetered standpipes so that this volume can be recorded and monitored to control overuse. 2505 properties that were previously disconnected have been inspected and 356 illegal connections were found and removed. Projects to install new pressure reducing devices are continuing and advanced pressure control devices are being installed to increase these significant savings. A contract has been let to examine all bulk purchase meters from Umgeni water to install check meters and ensure that the installations record this purchase volume (0.8 mgl per day) as accurately as possible.

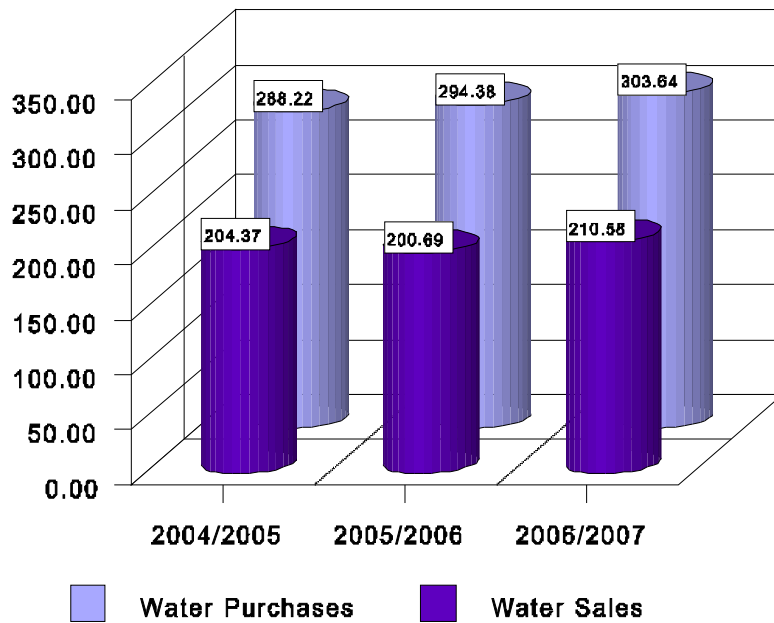
Allied initiatives that are run by other sections that impact on the NRW are the AC mains relay project (R100m per annum) and the forced repair project. The AC water mains project has now commenced and this will reduce the water losses as well as reduce the Operating Expenditure attending to bursts. The forced repair project repaired plumbing to over 3000 dwellings in the 2006/07 financial year.

A Water Policy has been drafted which has been approved at a political level and has been adopted by Council. This policy covers many spheres of the Water Department's operations including disconnection for non payment of accounts so that no ambiguity exists in terms of the Department's policies.

The situation regarding payment of water accounts has not improved, and it will be necessary for continued committed application of the Council's policy relative to debt control. In this regard, Council has adopted a debt relief policy to encourage customers who are in arrears to start paying their current accounts whilst past debts are frozen. The frozen debts will be written off over a period of 20 months subject to the customer making regular payments. It is anticipated that the relief from the big burden customers have of drowning in water debt will give them an incentive to start making regular payments which will thereafter reduce the debtors outstanding.

It should be noted that the 120 day debtors has increased from R610m in the 2005/2006 financial year to R662m in the 2006/2007 year. This is indicative of the poverty that exists, as well as the culture of non-payment for water consumed. Accordingly the Provision for Bad Debts had to be increased from R453.5m in the 2005/2006 financial year to R585, 8m in the 2006/2007 year, which also increases the burden on paying customers.

## ANNEXURE D



The following diagram illustrates the total volume of potable water purchased and sold during the last three financial years: -

## ELECTRICITY

	2005/06 ACTUAL R 000	2006/07 ACTUAL R 000	2006/07 VARIANCE %	2006/07 ESTIMATE R 000	VARIANCE ACTUAL / ESTIMATE %
<b>TRADING</b>					
Electricity Sales	3,021,130	3,272,164	8.3	3,266,233	0.2
Electricity Purchases	1,645,491	1,827,602	11.1	1,827,623	0.0
Gross Margin	1,375,639	1,444,562	2.8	1,453,349	0.0
Gross Margin (%)	45.5	44.1	1.4	44.3	0.2
<b>SUMMARY OF INCOME AND EXPENDITURE</b>					
Total Income	3,118,159	3,541,704	13.6	3,436,845	-0.4
Total Expenditure	3,118,159	3,541,704	13.6	3,436,845	-0.4
(Deficit)/Surplus	0	0	0.0	0	0.0

\* The surplus R151 million was transferred to the capital replacement Reserve

**Capital**

**ANNEXURE D**

Expenditure on E.F.A. Projects	53,959	44,153	18.2	88,300	50.0
Expenditure on other Electrical Projects	256,600	288,309	-12.4	307,700	6.3
<b>Total Capital expenditure</b>	<b>310,559</b>	<b>332,462</b>	<b>-7.0</b>	<b>396,000</b>	<b>16.0</b>
	<b>Actual</b>	<b>Estimate</b>			
	<u>2006/2007</u>	<u>2006/2007</u>			
EFA	44,153	88,300			
Other	288,309	307,700			
	<u>332,462</u>	<u>396,000</u>			

**ELECTRICITY****TRADING RESULTS**

The Electricity Service Unit achieved good trading results for the 2006/2007 financial years, which was characterised by steady growth, and a favorable bottom-line result. Overall, electricity sales increased by 9,6 % over the previous year to R 3,355 billion (budget: R 3, 281 billion ). This was 2,3 % above budget for the year. In real terms, the electricity market for the region increased by 3,5 % and this may also be an indicator of the rate of economic growth experienced in the region. Electricity tariffs were increased by an average 7,5 % in July 2006. The Gross Margin of 45,5 % was within an acceptable range.

A surplus of R 151 million was achieved after allowing for allocations of R 107 million to capital expenditure and contributions of R 357 million to the Rate and General Fund. This surplus was transferred to the Capital Replacement Reserve to fund capital expenditure in ensuing years.

**Free Basic Electricity**

Based on the existing threshold of 130KwH (i.e. consumers who use 130 KwH or less qualify for free basic electricity of 50 KwH per month) and current policy and procedure, only a limited number (approximately 8000) of consumers have registered for this benefit. However, with the revised threshold of 150 KwH and change in procedure expected to be implemented during the first half of the next financial year, an estimated 80 000 consumers are expected to receive this benefit monthly.

**Technical and Non-Technical Losses**



## **ANNEXURE D**

The combined estimated losses due to both technical (transmission and distribution) and non-technical (theft) remained between 5,5 % and 6% for the year. Meter sweeps and inspections to minimize theft are ongoing.

### **CAPITAL**

Capital expenditure for the year totaled R 332 million and was 16 % below budget. The under spending was due to a shortage of staff resources, start-up delays with some projects and postponement of others.

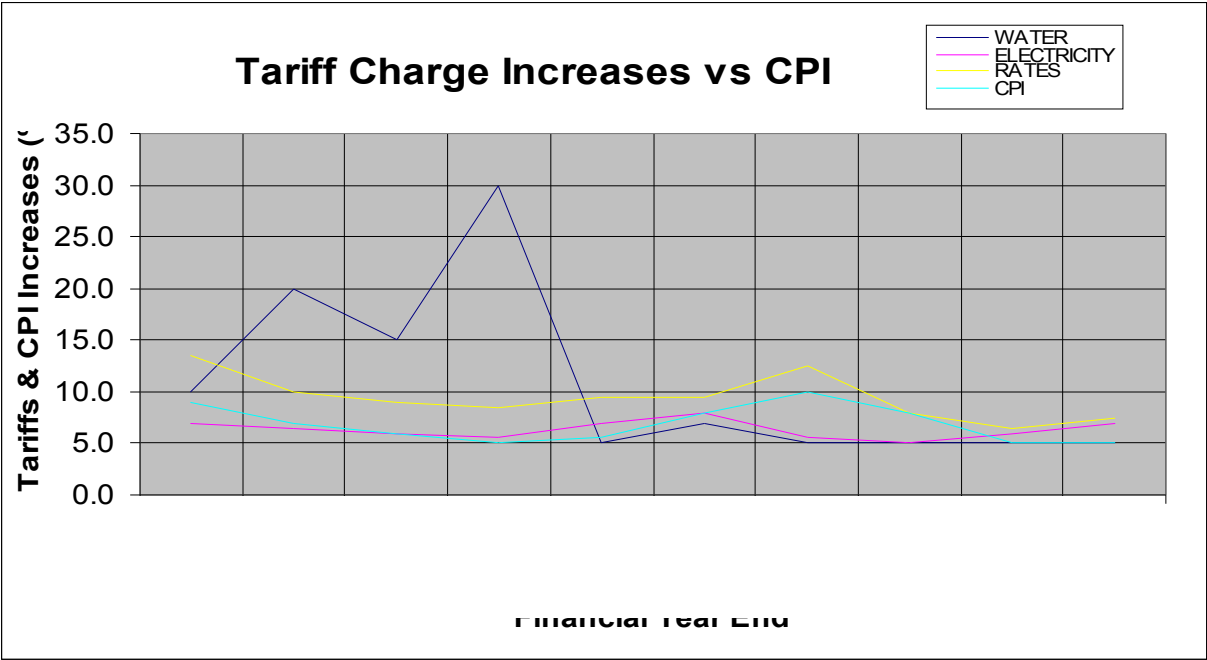
#### **Electricity for All (EFA) Projects**

Expenditure of R 44 million on EFA projects was 50% below budget. However, EFA expenditure is dependent on consumer demand and the rate of new housing development.

#### **System Re-enforcement Projects and Other Capital Expenditure**

Capital expenditure on electrification projects and capital acquisitions totaled R 288 million and was not significantly below the budget of R 308 million. The lower expenditure was attributable to the delays mentioned above and some cut-backs during the year.

## **TARIFF OVERVIEW**



What does the trend indicate?

- Our tariff charges and CPI have leveled-off in the last five years.
- We overcame major hurdles in providing water to the poor when the municipal area was increased by 68%, absorbing a large number of indigent people into the City in the process.

•Despite that absorption of a larger population and our rates growth being flat in real terms, we have increased the provision of our services to all.

•We also provide other services that are not mandatory for the Municipality, including libraries, health facilities, museums and housing, which are provincial functions.

INCREASES (%)				
YEAR	RATES	WATER	ELEC	CPI
96/97	13.3	9.8	8.7	9.7
97/98	9.8	18.7	7.3	7.0
98/99	8.9	14.1	5.7	7.7
00/01	7.9	13.2	4.7	7.8
01/02	9.9	29.6	5.1	8.0
02/03	9.9	7.5	8.0	10.3
03/04	12.5	9.9	5.6	9.5
04/05	8.5	7.9	5.0	6.3
05/06	5.9	7.5	5.9	5.1
06/07	7.5	7.5	7.5	5.2

**INVESTMENTS**

## ANNEXURE D

The Municipality's Funds are invested in accordance with an Investment Policy approved by Council and in conformity with the Regulations published in terms of the Municipal Finance Management Act No 56 of 2003.

The following schedule reflects the total external investments of the Council for the year under review compared with the previous year:

<b>EXTERNAL INVESTMENTS</b>	<b>2006-06-30</b>		<b>2007-06-30</b>	
	<b>Book Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>Market Value</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
General Investments	343,849	343,849	16,623	16,623
Eskom Stock	3,793	5,294	3,793	4,960
RSA Stock	4,758	7,199	4,754	8,265
Fixed and Negotiable Deposits	2,050,000	2,050,000	3,400,000	3,400,000
<b>Sub – Total</b>	<b>2,402,400</b>	<b>2,406,342</b>	<b>3,425,170</b>	<b>3,429,848</b>
Short-Term Deposits	667,117	667,117	240,380	240,380
<b>TOTAL</b>	<b>3,069,517</b>	<b>3,073,459</b>	<b>3,665,550</b>	<b>3,670,228</b>

## **CREDIT RATING**

## **ANNEXURE D**

Once again the Global Credit Rating Company's credit rating panel has published the national local currency, credit ratings of the eThekweni Municipality as follows: -

Short Term: A1+

Long Term: AA

The above ratings are defined as follows: -

**A1+** Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below that of risk-free treasury bills

**AA** Very high credit quality. Protection factors are very strong. Adverse changes in business, economic or financial conditions would increase investment risk although not significantly.

The above rating was based on the following key factors: -

- . The significant progress that eThekweni has made since transforming into a metropolitan municipality, supported by municipality's experienced and capable management team, and the prudent judgment displayed by the political leadership. Cognizance is, however, taken of the size and complexity of remaining challenges,
- . The substantial and increasing level of spending by Council on the World Cup related and socio-economic projects, and associated longer term benefits thereof was favorably viewed. It is noted that municipality currently receives a substantial amount of capital assistance from government to assist in this regard.
- . Although eThekweni exhibits a relatively high debt burden and borrowings continue to increase, gross gearing has remained fairly constant in recent years, and is not expected to increase significantly going forward.
- . Key debtors ratios have remained fairly stable in recent years, while collection levels have improved somewhat, supportive of working capital management.

One must, however also take cognizance of the under-mentioned potential risk:

- . Given the significant reliance on its electricity service in terms of both income and leverage for credit control, adequate compensation would be required if transferred to the REDs so as not to impact negatively on the council's financial position.

## **PENSION FUNDS**

## **ANNEXURE D**

The Durban Pension Fund is a closed defined benefit fund and is actuarially valued on an interim basis each year with a statutory valuation undertaken every three years. A statutory valuation was done on 2006-12-31, establishing that the Fund was in an actuarial funding position of 114% at that date.

Members of the Fund contribute 8,2 % of pensionable emoluments. The Municipality contributes in the ratio of 2,4: 1

Pensions are augmented in July each year. The increase is dependent on the Fund's ability to afford increases up to the annual rise in the consumer price index excluding interest on mortgages. The Municipality guarantees an increase of 60 % of the rise in such index, payment of which is met from current income of the various services. For the 2006/07 financial year the Municipality's contribution by way of its guarantee amounted to R131 532 (2005/06 R417 341). This amount has been reducing since 1991 when this guarantee was last called upon and the Fund has now taken a decision to relieve the Municipality of the cost of the guarantee invoked prior to 2006-11.

In November of each year, the Fund pays to each pensioner a bonus equal to November's pension, funded 50 % by the Fund and 50 % by the Municipality. For the 2006/07 financial year, the Municipality's contribution in respect of this payment was R 11 044 009. (2005/06: R9 606 393).

The KZN Municipal Pension Fund became operational from 2001-11-01 when the Durban Pension Fund was closed to new members. Members of the Durban Pension Fund have to date been given two options to transfer to the KZN Municipal Pension Fund.

The KZN Municipal Pension Fund is a defined contribution fund. Members contribute 5 %, 7,5 % or 9 % of their pensionable emoluments to the fund, whilst the Municipality contributes 18%.

Certain employees and the Municipality contribute to the Natal Joint Municipal Pension/Provident Funds.

## **SELF-INSURANCE RESERVE**

The municipality operates a self-insurance scheme under the General Insurance Fund, which has a policy that is aligned with the practice in the Insurance Industry.

## ANNEXURE D

The City Council delegated to the Deputy City Manager: Treasury the authority to administer the Fund and to settle any claims made by or against the Fund.

The present re-insurance arrangement of the Fund and the ultimate claim on re-insurance for each and every loss arising out of one event is as follows:

	R'millions	R'millions
Combined, (Fire and Allied Perils)	2 000	15
Fidelity Guarantee	50	5
Money - Major limit	20	15
_ Seasonal limit	20	15
_ Crossed cheque and/ or EFT	20	15
House owners Comprehensive	100	15
Comprehensive Motor Vehicle (Liability)	100	10
Comprehensive Motor Vehicle (Own Damage)	80	15
Stated Benefits	100	5
Principal Controlled Contractors	20	15
Business Interruption	20	15
General/Tenants/Property/Owners (& Spread of Fire)	100	10
Employers Liability	100	10
	M	100
Municipal Police Activities		
Legal Defense Costs	5	5
Defamation	5	5
	5	5
Wrongful Arrest/Dismissal		

The first column above is the Sum Insured and the second column is the First Loss Limit. The First Loss Limit means the Fund would bear the stipulated amount of claims against the reinsurance.

Premiums calculated on past claims experienced, are charged to the various Clusters. The service of external Loss Adjustors and internal legal resources are used as required in the settlement of claims made by or against the Fund.

During the financial year, the claims paid amounted to R38 940 659 and investment income totaled R 44 153 044. An amount of R 46 660 385 was transferred to Accumulated Funds with the total Accumulated Funds now stands at R 503 478 668.

## **MUNICIPAL ENTITIES**

## **ANNEXURE D**

### **DURBAN MARINE THEME PARK**

During 2004 and 2005, uShaka was instrumental in catalyzing the growth of stagnant housing prices in the Point area, which was experiencing spiraling urban decay. Due to the Municipality's intervention, growth in the area exceeded the national housing price index. In a period of two years, increases of 200% were achieved in the area. uShaka has catalyzed further growth in the area, specifically the sweeping development of the Point Waterfront, Canal System and the Small Craft Harbour. An area that was once in a state of decay has now become an integrated residential, recreational, tourist and shopping destination. Over and above these sweeping positive effects, uShaka continues to receive international accolades for its truly innovative design and world-class facilities.



### **INKOSI ALBERT LUTHULI DURBAN ICC**

## ANNEXURE D

The Inkosi Albert Luthuli Durban ICC continues to be foremost convention centre in Africa, besides being the first. We certainly set the trend, as other cities in the country and the continent at large began to construct their own centres. Further to this, the Durban ICC ranks in the Top Ten in the world, having brought a number of delegates to the City through its hosting of seminars, conventions and other functions. Effectively, the ICC has paid for its construction and its operating costs many times over through its multiplier effects on the local economy through spurring secondary tourism. Beyond just increasing municipal revenues overall, local hotels, restaurants and other tourist-related infrastructure have seen significant growth in turnover that can be indirectly **RIVERHORSE VALLEY** Effectively, it is a key marketing tool in the City, that places us on the global map. As with any infrastructure, evolution is yielding sugar cane land, enhancing the concept of the corridor as a business activity node. It has effectively brought the workplace closer to the homesteads of the workforce. It has promoted spatial efficiency with regard to Inanda, Ntuzuma and KwaMashu (INK), and unlocked the development node of INK as well as Phoenix. The industrial usage of the area has higher economic benefit than agricultural use and has had a positive effect on land values of the surrounding areas. The project created some 3500 jobs during the construction phase and some 13,500 new jobs post development is expected in the long-term.





## **ANNEXURE D**

# CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
30 JUNE 2007



# ETHEKWINI MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

---

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 72, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



---

**Municipal Manager**

**Durban**

**20 December 2007**

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## INDEX

---

The reports and statements set out below comprise the annual financial statements presented to the councillors:

<b>INDEX</b>	<b>PAGE</b>
Statement of Financial Position	3
Statement Of Financial Performance	4
Statement of Changes in Net Assets	5 - 6
Cash Flow Statement	7
Accounting Policies	8 - 18
Notes To The Annual Financial Statements	19 - 58
APPENDIX A: Schedule of External Loans	59
APPENDIX B: Analysis of Property, Plant and Equipment	61
APPENDIX C: Segmental Analysis of Property, Plant and Equipment	63
APPENDIX D: Segmental Statement of Financial Performance	65
APPENDIX E(1): Actual versus Budget (Revenue and Expenditure)	67
APPENDIX E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	70
APPENDIX F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	72

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## INDEX

---

### ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
GAAP	Generally Accepted Accounting Practice
MFMA	Municipal Finance Management Act
HDF	Housing Development Fund
CRR	Capital Replacement Reserve
COID	Compensation for Occupational Injuries and Diseases
VAT	Value Added Taxation
PPE	Property Plant and Equipment
SALGA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMP	Natal Joint Municipal Pension
DBSA	Development Bank of South Africa
IMFO	Institute of Municipal Finance Officers
MIG	Municipal Infrastructure Grant (previously CMIP)
MEs	Municipal Entities

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

Figures in Rand thousand	Note(s)	Group		Municipality	
		2007	2006	2007	2006
<b>NET ASSETS AND LIABILITIES</b>					
<b>NET ASSETS</b>					
Housing development fund	2	634,610	693,901	634,610	693,901
Capital replacement reserve		246,777	93,275	246,777	93,275
Capitalisation reserve		26,002	29,439	26,002	29,439
Government grant reserve		741,417	468,019	741,417	468,019
Donations and public contributions reserve		1,021,605	1,069,189	1,021,605	1,069,189
Self-insurance reserve		503,479	456,819	503,479	456,819
COID reserve		34,811	31,802	34,811	31,802
Accumulated Surplus		7,294,465	6,541,086	6,875,545	6,112,000
		<b>10,503,166</b>	<b>9,383,530</b>	<b>10,084,246</b>	<b>8,954,444</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Long-term liabilities	3	4,541,188	3,953,035	4,345,059	3,737,918
Finance lease obligation	4	2,832	18,181	2,832	18,181
Non-current provisions	5	133,829	50,000	133,829	50,000
Retirement benefit obligations	6	1,341,953	903,236	1,341,953	903,236
		<b>6,019,802</b>	<b>4,924,452</b>	<b>5,823,673</b>	<b>4,709,335</b>
<b>Current Liabilities</b>					
Finance lease obligation	4	15,692	2,832	15,692	2,832
Deposits	7	524,964	476,708	509,544	465,940
Current provisions	5	24,603	11,907	19,622	6,889
Creditors	8	3,476,442	2,863,909	3,391,334	2,826,755
Unspent conditional grants and receipts	9	131,307	101,351	131,307	101,351
Bank overdraft	10	1,789,411	2,630,346	1,786,114	2,619,781
Current portion of long-term liabilities	3	268,900	504,839	237,521	480,215
		<b>6,231,319</b>	<b>6,591,892</b>	<b>6,091,134</b>	<b>6,503,763</b>
<b>Total Liabilities</b>		<b>12,251,121</b>	<b>11,516,344</b>	<b>11,914,807</b>	<b>11,213,098</b>
<b>Total Net Assets and Liabilities</b>		<b>22,754,287</b>	<b>20,899,874</b>	<b>21,999,053</b>	<b>20,167,542</b>
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	11	12,881,951	11,429,258	11,612,551	10,291,993
Intangible assets	12	291,587	44,701	290,480	43,121
Investment properties	13	230,143	226,667	151,431	147,735
Investments in municipal entities	14	-	-	10,002	2
Investments	15	25,170	352,400	25,170	352,400
Investment in joint venture	16	-	-	162,456	50,631
Loans to municipal entities	17	-	-	-	-
Long-term Receivables	18	294,762	311,989	1,068,776	908,825
Deferred Revenue		3,371	2,292	-	-
		<b>13,726,984</b>	<b>12,367,307</b>	<b>13,320,866</b>	<b>11,794,707</b>
<b>Current Assets</b>					
Inventories	19	141,965	123,246	138,029	119,504
Investments	15	3,400,000	2,050,000	3,400,000	2,050,000
Consumer debtors	20	1,776,102	1,733,067	1,772,630	1,731,801
Debtors	21	1,456,200	1,143,396	1,204,300	1,102,283
VAT	23	46,611	94,269	72,183	95,681
Current portion of Long-term Receivables	18	29,478	12,774	29,478	12,774
Call investment deposits	22	321,721	747,709	240,380	667,117
Bank balances and cash	10	1,855,226	2,628,106	1,821,187	2,593,675
		<b>9,027,303</b>	<b>8,532,567</b>	<b>8,678,187</b>	<b>8,372,835</b>
<b>Total Assets</b>		<b>22,754,287</b>	<b>20,899,874</b>	<b>21,999,053</b>	<b>20,167,542</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	Group		Municipality	
		2007	2006	2007	2006
<b>Revenue</b>					
Property rates	24	3,134,051	2,816,415	3,141,393	2,823,077
Property rates - penalties imposed and collection		203,761	248,152	203,761	248,152
Service charges	25	4,907,754	4,498,972	4,920,503	4,510,763
Regional Services Council Levies		15,642	569,667	15,663	570,029
Rental of facilities and equipment		168,450	132,893	126,236	98,169
Interest earned - external investments		304,770	216,786	306,345	212,527
Interest earned - outstanding debtors		92,322	68,800	92,322	68,779
Fines		117,037	112,820	117,037	112,820
Licences and permits		11,095	10,808	11,095	10,808
Grants and subsidies	26	2,135,298	1,046,190	2,135,298	1,046,190
Public contributions and donations		15,207	10,176	11,815	6,877
Other income	27	1,068,526	773,315	782,102	645,681
Gains on disposal of property, plant and equipment		28,805	31,355	28,781	31,355
Fair value adjustments	28	-	16,094	-	16,094
<b>Total Revenue</b>		<b>12,202,718</b>	<b>10,552,443</b>	<b>11,892,351</b>	<b>10,401,321</b>
<b>Expenditure</b>					
Employee related costs	29	3,134,403	2,738,278	3,073,530	2,681,435
Remuneration of councillors	30	57,354	46,391	57,354	46,391
Bad debts		346,581	388,123	346,430	388,046
Collection costs		587	1,175	333	899
Depreciation - Property, Plant and Equipment		898,028	860,907	842,573	811,665
Amortisation of intangible assets		44,256	1,144	43,373	-
Repairs and maintenance		886,603	836,098	879,222	830,240
Finance costs	31	553,199	591,979	528,985	560,317
Bulk purchases	32	2,684,611	2,443,253	2,684,611	2,443,253
Contracted Services		543,409	450,805	535,768	443,595
Grants and subsidies paid	33	123,449	54,745	123,449	54,745
General expenses		1,797,234	1,292,450	1,647,725	1,209,542
Loss on Impairment of Loans		-	-	109,877	87,870
Loss on disposal of property, plant and equipment		7,963	1,519	342	141
Depreciation - Investment Properties		5,405	4,509	802	244
Fair value adjustment	28	-	42,350	-	42,350
<b>Total Expenditure</b>		<b>11,083,082</b>	<b>9,753,726</b>	<b>10,874,374</b>	<b>9,600,733</b>
<b>Operating surplus</b>		<b>1,119,636</b>	<b>798,717</b>	<b>1,017,977</b>	<b>800,588</b>
Share of Income from Joint Venture		-	-	111,825	1,432
<b>Surplus for the year</b>		<b>1,119,636</b>	<b>798,717</b>	<b>1,129,802</b>	<b>802,020</b>

Refer to Appendix E(1) for comparison with the approved budget

Comparative amounts have been re-stated as per note 39 (correction of prior-year errors).

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Housing development fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions reserve	Self-insurance reserve	COVID reserve	Total reserves	Accumulated Surplus	Net Assets
Figures in Rand thousand											
<b>Group</b>											
<b>Balance at 01 July 2005</b>		<b>778,241</b>	<b>61,899</b>	<b>34,991</b>	<b>180,295</b>	<b>1,315,860</b>	<b>406,395</b>	<b>29,144</b>	<b>2,028,584</b>	<b>5,793,969</b>	<b>8,600,794</b>
Transfer to CRR			108,938						108,938	(108,938)	-
Contribution to Insurance Reserve							102,133	6,519	108,652	(108,652)	-
Transfer to Housing Development Fund		(68,359)							-	68,359	-
Surplus for the year as previously reported									-	1,073,551	1,073,551
Asset disposal				(1,853)					(1,853)	1,853	-
PPE purchases			(77,562)						(77,562)	77,562	-
Capital grants used to purchase PPE					305,897	32,052			337,949	(337,949)	-
Donated/contributed PPE						6,353			6,353	(6,353)	-
Insurance claims processed							(51,709)	(3,861)	(55,570)	55,570	-
Offsetting of depreciation				(3,699)	(18,173)	(88,726)			(110,598)	110,598	-
Opening balance as previously reported		709,881	93,275	29,439	468,019	1,265,539	456,819	31,802	2,344,893	6,619,570	9,674,344
Prior year adjustments		(15,980)				(196,350)			(196,350)	(78,484)	(290,814)
<b>Balance at 01 July 2006 as restated</b>		<b>693,901</b>	<b>93,275</b>	<b>29,439</b>	<b>468,019</b>	<b>1,069,189</b>	<b>456,819</b>	<b>31,802</b>	<b>2,148,543</b>	<b>6,541,086</b>	<b>9,383,530</b>
Transfer to CRR			373,320						373,320	(373,320)	-
Contribution to Insurance Reserve							85,601	10,033	95,634	(95,634)	-
Transfer to Housing Development Fund		(59,291)							-	59,291	-
Surplus for the year										1,119,636	1,119,636
PPE purchases			(219,818)						(219,818)	219,818	-
Capital grants used to purchase PPE					316,271				316,271	(316,271)	-
Donated/contributed PPE						42,365			42,365	(42,365)	-
Insurance claims processed							(38,941)	(7,024)	(45,965)	45,965	-
Offsetting of depreciation				(3,437)	(42,873)	(89,949)			(136,259)	136,259	-
<b>Balance at 30 June 2007</b>		<b>634,610</b>	<b>246,777</b>	<b>26,002</b>	<b>741,417</b>	<b>1,021,605</b>	<b>503,479</b>	<b>34,811</b>	<b>2,574,091</b>	<b>7,294,465</b>	<b>10,503,166</b>



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## STATEMENT OF CHANGES IN NET ASSETS

	Note(s)	Housing development fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions reserve	Self- insurance reserve	COVID reserve	Total reserves	Accumulated Surplus	Net Assets
Figures in Rand thousand											
<b>Municipality</b>											
<b>Balance at 01 July 2005</b>		<b>778,241</b>	<b>61,899</b>	<b>34,991</b>	<b>180,295</b>	<b>1,315,860</b>	<b>406,395</b>	<b>29,144</b>	<b>2,028,584</b>	<b>5,361,580</b>	<b>8,168,405</b>
Transfer to CRR			108,938						108,938	(108,938)	-
Contribution to Insurance Reserve							102,133	6,519	108,652	(108,652)	-
Transfer to Housing Development Fund		(68,359)							-	68,359	-
Surplus for the year as previously reported									-	1,058,186	1,058,186
Asset disposal				(1,853)					(1,853)	1,853	-
PPE purchases			(77,562)						(77,562)	77,562	-
Capital grants used to purchase PPE					305,897	32,052			337,949	(337,949)	-
Donated/contributed PPE						6,353			6,353	(6,353)	-
Insurance claims processed							(51,709)	(3,861)	(55,570)	55,570	-
Offsetting of depreciation				(3,699)	(18,173)	(88,726)			(110,598)	110,598	-
Opening balance as previously reported		709,881	93,275	29,439	468,019	1,265,539	456,819	31,802	2,344,893	6,171,816	9,226,590
Prior year adjustments		(15,980)				(196,350)			(196,350)	(59,816)	(272,146)
<b>Balance at 01 July 2006 as restated</b>		<b>693,901</b>	<b>93,275</b>	<b>29,439</b>	<b>468,019</b>	<b>1,069,189</b>	<b>456,819</b>	<b>31,802</b>	<b>2,148,543</b>	<b>6,112,000</b>	<b>8,954,444</b>
Transfer to CRR			373,320						373,320	(373,320)	-
Contribution to Insurance Reserve							85,601	10,033	95,634	(95,634)	-
Transfer to Housing Development Fund		(59,291)							-	59,291	-
Surplus for the year										1,129,802	1,129,802
PPE purchases			(219,818)						(219,818)	219,818	-
Capital grants used to purchase PPE					316,271				316,271	(316,271)	-
Donated/contributed PPE						42,365			42,365	(42,365)	-
Insurance claims processed							(38,941)	(7,024)	(45,965)	45,965	-
Offsetting of depreciation				(3,437)	(42,873)	(89,949)			(136,259)	136,259	-
<b>Balance at 30 June 2007</b>		<b>634,610</b>	<b>246,777</b>	<b>26,002</b>	<b>741,417</b>	<b>1,021,605</b>	<b>503,479</b>	<b>34,811</b>	<b>2,574,091</b>	<b>6,875,545</b>	<b>10,084,246</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## CASH FLOW STATEMENT

Figures in Rand thousand	Note(s)	Group		Municipality	
		2007	2006	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from ratepayers, government and other		11,103,828	9,603,340	11,049,187	9,394,417
Cash paid to suppliers and employees		(8,003,230)	(7,602,953)	(7,897,161)	(7,449,092)
Cash generated from operations	34	3,100,598	2,000,387	3,152,026	1,945,325
Interest received		396,693	285,283	398,667	281,306
Finance Costs		(552,800)	(591,676)	(528,985)	(560,317)
<b>Net cash from operating activities</b>		<b>2,944,491</b>	<b>1,693,994</b>	<b>3,021,708</b>	<b>1,666,314</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	11	(2,569,577)	(2,183,625)	(2,374,235)	(1,955,765)
Proceeds on disposal of property, plant and equipment, and Investment Properties		253,220	115,509	253,065	491,526
Increase in investment properties		(22,403)	(3,340)	(18,020)	(789)
Purchase of intangibles		(291,142)	(1,567)	(290,732)	(197)
(Increase) / decrease in non-current receivables		523	(32,206)	(176,655)	(595,127)
Increase in Loans to Municipal Entities		-	-	(109,877)	(87,870)
Increase in non-current investments		(1,022,770)	492,685	(1,022,770)	502,681
Increase in Investments in Municipal Entities		-	-	(10,000)	-
<b>Net cash from investing activities</b>		<b>(3,652,149)</b>	<b>(1,612,544)</b>	<b>(3,749,224)</b>	<b>(1,645,541)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Loans repaid		(506,526)	(559,104)	(494,293)	(547,632)
New loans raised		858,740	1,200,000	858,740	1,200,000
Decrease in short-term loans		12,860	-	12,860	-
Finance lease payments		(15,349)	(3,951)	(15,349)	(3,951)
<b>Net cash from financing activities</b>		<b>349,725</b>	<b>636,945</b>	<b>361,958</b>	<b>648,417</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(357,933)</b>	<b>718,395</b>	<b>(365,558)</b>	<b>669,190</b>
Cash and cash equivalents at the beginning of the year		745,469	27,074	641,011	(28,179)
<b>Cash and cash equivalents at the end of the year</b>	10	<b>387,536</b>	<b>745,469</b>	<b>275,453</b>	<b>641,011</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

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

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

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General Notice 552 of 2007:

IAS 19 (AC116) Employee Benefits

IAS 40 (AC 135) Investment Property

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year, unless otherwise stated.

### 1.1 Basis of consolidation

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality.

On acquisition, the assets and liabilities of a municipal entity are measured at their fair values at the date of acquisition. The interests of outside shareholders are stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of municipal entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by the Municipality and other municipal entities included in the Group.

All significant transactions and balances between members of the Group are eliminated on consolidation.

### 1.2 Presentation of currency

These annual financial statements are presented in South African Rand.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.3 Going concern assumption

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

### 1.4 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.5 Reserves

#### 1.5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

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

#### 1.5.2 Capitalisation Reserve

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

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

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

#### 1.5.3 Government Grant Reserve

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

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.

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

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.5.4 Donations and Public Contributions Reserve

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

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

### 1.5.5 Self-Insurance Reserve

The Municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experienced and are charged to the various Clusters.

The balance of the self-insurance fund is fully cash backed and is invested in fixed and negotiable deposits.

### 1.5.6 Compensation for Occupational Injuries and Diseases (COID) Reserve

The Municipality is exempted in terms of Section 84 of the COID Act. In terms of section 19 of the COID Act employers are required to keep a reserve. This reserve is made up of the capitalized value of pensions for all the dependants and widows or widowers of employees who died on duty and is based on the calculation by the Compensation Commissioner. Monthly pensions are funded by transferring funds out of the reserve to the expense account in the Statement of Financial Performance.

### 1.6 Investment properties

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.7 Property, plant and equipment

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

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Details	Years
Infrastructure	
• Rivers and Coastal Engineering	30 years
• Roads and Motorways	15 years
• Economic Development	20 years
• Traffic Equipment	20 years
• Stormwater Drainage	20 years
• Airport Infrastructure	20 years
• Solid Waste	10 - 30 years
• Water and Sanitation	5 - 30 years
• Major Substations: Buildings	30 years
• Transformers and Related Equipment	20 years
• Mains	20 years
• Street Lighting	20 years
Community	
• Buildings	30 years
• Recreational Facilities	20 - 30 years
Other property, plant and equipment	
• Buildings	30 years
• Markets and Informal Markets	30 years
• Fire Engines	20 years
• Landfill Sites	15 years
• Car Parks	10 years
• Lifts	10 years
• Building Improvements	10 years
• Heavy and Mobile Plant	10 years
• Furniture and fittings	7 years
• Vehicles	5 years
• Bins and containers	5 years
• Plant – General	5 years
• Security Systems	5 years
• Office equipment	3-5 years
• Other items of Plant and Equipment	3-5 years

The Municipality has taken advantage of the exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to property plant and equipment as follows:

- GAMAP 17 paragraphs 59-61 and 77 - the review of useful lives of property, plant and equipment recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 62 and 77 – the review of the depreciation method applied to property, plant and equipment recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 64-69 and 75(e)(v)-(vi) – Impairment of non-cash generating assets recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 63 and 75 (e)(v)-(vi) - – Impairment of cash generating assets recognised in the Statement of Financial Position.
- AC 128 (IAS 36) – Impairment of assetsThe Municipality has taken advantage of the exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to property plant and equipment as follows:
  - GAMAP 17 paragraphs 59-61 and 77 - the review of useful lives of property, plant and equipment recognised in the Statement of Financial Position.
  - GAMAP 17 paragraphs 62 and 77 – the review of the depreciation method applied to property, plant and equipment recognised in the Statement of Financial Position.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.7 Property, plant and equipment (continued)

- GAMAP 17 paragraphs 64-69 and 75(e)(v)-(vi) – Impairment of non-cash generating assets recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 63 and 75 (e)(v)-(vi) - – Impairment of cash generating assets recognised in the Statement of Financial Position.
- AC 128 (IAS 36) – Impairment of assets.

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

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 1.15 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

### 1.8 Intangible assets

#### Cost Model

Intangible assets are carried at cost less any accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Servitudes are classified as intangible assets. Rights consist of servitudes. Rights are not amortised as they have an indefinite useful life.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight line method as follows :-.

Computer Software 5 years.

### 1.9 Financial instruments

#### Loans to (from) municipal entities

These include loans to municipal entities and recognised at cost.

An impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### Debtors

Debtors are recognised at cost.

In the prior year debtors were recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

#### Creditors

In the prior year creditors were recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Trade creditors are stated at cost.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.9 Financial instruments (continued)

#### Cash and cash equivalents

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

#### Exemptions

The Municipality has taken advantage of the exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to financial instruments as follows:

- AC 133 (IAS 39) – initially measuring financial assets and financial liabilities at fair value.
- AC 144 (IFRS 7) – entire standard.

### 1.10 Investments

The Municipality classifies its investments in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### 1.10.1 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality has the positive intention and ability to hold to maturity.

In the current year investments are stated at cost. In the prior year loans and receivables and held-to-maturity investments were carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the Statement of Financial Performance in the period in which they arise.

### 1.11 Investments in municipal entities

#### Group annual financial statements

The group annual financial statements include those of the municipality and its municipal entities. The results of the municipal entities are included from the effective date of acquisition.

On acquisition the group recognises the municipal entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

#### Municipal annual financial statements

In the municipality's separate annual financial statements, investments in municipal entities are carried at cost less any accumulated impairment.

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and postacquisition results of these investments.



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.12 Investment in joint venture

#### Group annual financial statements

An investment in a joint venture is accounted for using the proportionate consolidation method, except when the asset is classified as held-for-sale. Under the proportionate consolidation method the group's share of each of the assets, liabilities, income and expenses of the investment is combined line by line with similar items in the group annual financial statements. The use of proportionate consolidation is discontinued from the date on which it ceases to have joint control over a jointly controlled entity. The investment in the joint venture is not held for resale.

#### Municipal annual financial statements

An investment in a joint venture is carried at cost less any accumulated impairment.

The Municipality's share of profits or losses, resulting from operations of the joint venture, is recognised on the accrual basis and is capitalised to the cost of the investment. The investment in the joint venture is not held for resale.

### 1.13 Inventories

Consumable stores, maintenance materials, work-in-progress, finished goods, water stock, uniform stock, merchandise, food and beverage are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

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

### 1.14 Borrowing costs

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

### 1.15 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. In the prior year non-current provisions were discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

### 1.16 Retirement Benefits

#### 1.16.1 Pension obligations

The municipality and its employees contribute to 7 different Pension Funds, of which 2 (Durban Pension Fund and the KZN Pension Fund) cater for more than 95% of staff.

The Durban Pension Fund is a defined benefit fund and is actuarially valued on an interim basis each year with a statutory valuation undertaken every three years.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds.

The Natal Joint Provident Fund and South African Local Authority are defined contribution funds.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The Municipality has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.16 Retirement Benefits (continued)

entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability/asset recognized in the statement of financial position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligations are spread to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Durban Marine Theme Park (Proprietary) Limited reimburses uShaka Management (Pty) Ltd for the cost of the Provident Fund maintained by it for staff who work at uShaka Marine World. All such staff are obliged to be members of the Provident Fund which is governed by the Pension Funds Act of 1956. Contributions are based on a percentage of the payroll and charged to the Statement of Financial Performance in the year to which they relate.

All staff of the I.C.C. Durban (Proprietary) Limited are members of the I.C.C. Pension Fund which is a defined contribution fund.

#### 1.16.2 Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees to the extent that they exceed the 10% corridor.

### 1.17 Revenue

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality and the Group. Revenue is recognised as follows:

#### 1.17.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.17 Revenue (continued)

Interest and rentals are recognised on a time proportion basis.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

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

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

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

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

Durban Marine Theme Park (Proprietary) Limited recognises revenue from entrance parking fees and sales immediately upon receipt.

All other revenue is recognised as it accrues.

### 1.17.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted, estimated levies based on average data are accrued. Estimates are reviewed regularly to ensure that average data is appropriate.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received. There is uncertainty regarding recoverability of outstanding fines and summonses. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

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

### 1.18 Conditional grants and receipts

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

### 1.19 Leases

#### Finance leases – The Municipality as lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.19 Leases (continued)

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### **Operating leases - The Municipality as lessor**

Assets leased to third parties under operating leases are included in investment properties in the statement of financial position.

They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties. Rental income (net of any incentives given to lessees) is recognised over the lease term.

#### **Operating leases – The Municipality as lessee**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance over the period of the lease.

### 1.20 Tax

#### **Deferred income tax**

Deferred income tax, with respect to Municipal entities, is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

#### **Taxation**

The Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

### 1.21 Unauthorised Expenditure

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

### 1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

### 1.23 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## ACCOUNTING POLICIES

---

### 1.24 Translation of foreign currencies

#### Foreign currency transactions

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

### 1.25 Comparatives Information

#### 1.25.1 Current year comparatives

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

#### 1.25.2 Prior year comparatives

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

### 1.26 Long Service Awards

Provision for long service leave represents the present value of the estimated future cash outflows to be made by the Municipality resulting from employee services provided up to Statement of Financial position date. The provision comprises amounts that the Municipality has a present obligation to pay resulting from employees services provided up to Statement of Financial position date.

### 1.27 Exemptions

The Municipality has taken advantage of the following exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 as follows:

- AC 142 (IFRS 5) paragraphs 6-14, 15-29 and 38-42 – classification, measurement and disclosure of non-current assets held for sale and discontinued operations
- AC 115 (IAS 14) – Segment reporting
- AC 145 (IFRS 8) – Operating segments
- AC 109 (IAS 11) – Construction contracts
- AC 140 (IFRS 3) – Business combinations
- AC 128 (IAS 36) – Impairment of assets

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>2. HOUSING DEVELOPMENT FUND</b>				
<b>Housing Development Fund</b>				
Accumulated Surplus	367,631	426,922	367,631	426,922
Loans extinguished by Government on 1 April 1998	266,979	266,979	266,979	266,979
<b>Total</b>	<b>634,610</b>	<b>693,901</b>	<b>634,610</b>	<b>693,901</b>
<b>The Housing Development Fund is represented by the following assets and liabilities:</b>				
Property, plant and equipment	11 46,254	66,882	46,254	66,882
Housing selling scheme loans	185,862	181,518	185,862	181,518
Housing rental Debtors	27,332	10,609	27,332	10,609
Housing other debtors	2,165	14,061	2,165	14,061
Housing inventory	508	606	508	606
Investments	378,659	458,601	378,659	458,601
Investment properties	17,283	-	17,283	-
Bank and cash	4	4	4	4
<b>Sub-total</b>	<b>658,067</b>	<b>732,281</b>	<b>658,067</b>	<b>732,281</b>
Long-term liabilities	(632)	(1,341)	(632)	(1,341)
Bank overdraft	(7,555)	(13,324)	(7,555)	(13,324)
Creditors	(15,270)	(23,715)	(15,270)	(23,715)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>634,610</b>	<b>693,901</b>	<b>634,610</b>	<b>693,901</b>

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

### 3. LONG-TERM LIABILITIES

Annuity Loans	4,698,097	4,051,725	4,544,182	3,879,077
Non Annuity Loans	23,000	323,000	23,000	323,000
Debentures and Local Registered Stock Loans	88,991	83,149	15,398	16,056
<b>Sub-total</b>	<b>4,810,088</b>	<b>4,457,874</b>	<b>4,582,580</b>	<b>4,218,133</b>
<b>Current portion of long term liabilities</b>				
Annuity Loans	268,150	204,182	236,771	179,558
Non Annuity Loans	-	300,000	-	300,000
Debentures and Local Registered Stock Loans	750	657	750	657
<b>Sub-total</b>	<b>268,900</b>	<b>504,839</b>	<b>237,521</b>	<b>480,215</b>
<b>Non-current liabilities</b>				
Long term Portion	<b>4,541,188</b>	<b>3,953,035</b>	<b>4,345,059</b>	<b>3,737,918</b>

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

R16.6m (2006:R343m) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See note 35 for more detail.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 3. Long-term liabilities (continued)

DBSA Phase 2 and Phase 3 loans of R400million each are separately secured, each by a cession of an acceptable revenue stream of R20 million p.a. as security.

DBSA Phase 5 R300m is separately secured by a cession of an acceptable revenue stream of R10 million p.a. as security .

AFD Calyon R58.7m is separately secured by a cession of carbon credit income in the event of default or non-payment. The income is estimated to be R19.3m to the year 2012.

Included in Annuity Loans:

Ushaka: Citibank Loan is secured by assets with a book value of R 564.7m (2006:R 601.3m). See notes 11 and 13 for more detail

Ushaka: Standard Bank Loan is secured by assets with a book value of R0.8m (2006:R1.8m). See notes 11 and 13 for more detail.

Ushaka: DBSA Loan is secured by assets with a book value of R 564.7m (2006:R 601.3m). See notes 11 and 13 for more detail.

Ushaka: DBSA Phantom Ship Loan is secured by assets with a book value of R 6.1m (2006:R 6.8m). See notes 11 and 13 for more detail.

Ushaka: DBSA Village Walk Loan is secured by assets with a book value of R 5.9m (2006:R nil ). See notes 11 and 13 for more detail.

### 4. FINANCE LEASE OBLIGATION

#### Minimum lease payments due

- within one year	15,692	2,832	15,692	2,832
- in second to fifth year inclusive	2,832	18,181	2,832	18,181

<b>Present value of minimum lease payments</b>	<b>18,524</b>	<b>21,013</b>	<b>18,524</b>	<b>21,013</b>
--	---------------	---------------	---------------	---------------

Non-current liabilities	2,832	18,181	2,832	18,181
Current liabilities	15,692	2,832	15,692	2,832

	<b>18,524</b>	<b>21,013</b>	<b>18,524</b>	<b>21,013</b>
--	---------------	---------------	---------------	---------------

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The capitalised lease liability relates to other leased assets as indicated in note 11. These assets are financed by Stannic Bank Ltd.

The annual instalments inclusive of interest equal R5,396,840 (2006: R5,396,840).

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 5. PROVISIONS

#### Reconciliation of provisions - Group - 2007

	Opening Balance	Additions	Utilised during the year	Total
<b>Current</b>				
Long service awards	-	4,987	-	4,987
Performance bonus, leave pay and overtime	11,907	6,332	(873)	17,366
Clearance of Alien Vegetation	-	2,250	-	2,250
<b>Non-current</b>				
Environmental rehabilitation: Landfill sites	50,000	6,965	(1,484)	55,481
Clearance of Alien Vegetation	-	4,942	-	4,942
Long service awards	-	73,406	-	73,406
	<b>61,907</b>	<b>98,882</b>	<b>(2,357)</b>	<b>158,432</b>

#### Reconciliation of provisions - Group - 2006

	Opening Balance	Additions	Total
<b>Current</b>			
Performance bonus, leave pay and overtime	-	11,907	11,907
<b>Non-current</b>			
Environmental rehabilitation: Landfill sites	50,000	-	50,000
	<b>50,000</b>	<b>11,907</b>	<b>61,907</b>

#### Reconciliation of provisions - Municipality - 2007

	Opening Balance	Additions	Utilised during the year	Total
<b>Current</b>				
Clearance of Alien Vegetation	-	2,250	-	2,250
Performance bonus	6,889	5,496	-	12,385
Long service awards	-	4,987	-	4,987
<b>Non-current</b>				
Environmental rehabilitation: Landfill sites	50,000	6,965	(1,484)	55,481
Clearance of Alien Vegetation	-	4,942	-	4,942
Long service awards	-	73,406	-	73,406
	<b>56,889</b>	<b>98,046</b>	<b>(1,484)</b>	<b>153,451</b>

#### Reconciliation of provisions - Municipality - 2006

	Opening Balance	Additions	Total
<b>Current</b>			
Performance bonus	-	6,889	6,889
<b>Non-current</b>			
Environmental rehabilitation: Landfill sites	50,000	-	50,000
	<b>50,000</b>	<b>6,889</b>	<b>56,889</b>

Non-current liabilities	133,829	50,000	133,829	50,000
Current liabilities	24,603	11,907	19,622	6,889
	<b>158,432</b>	<b>61,907</b>	<b>153,451</b>	<b>56,889</b>



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 5. Provisions (continued)

#### **Environmental rehabilitation: Landfill sites**

Provision for reclamation of refuse landfill sites. In terms of the licencing of the landfill refuse site, council will incur rehabilitation estimated costs of R55.5 million(2006:R50 million) to restore the sites at the end of its useful lives

#### **Long service awards**

Employees who achieve 15 years service will be granted 10 days paid leave (once off) together with a service certificate signed by the Head of Department.

Employees who achieve 25 years service will be granted 15 days paid leave (once off) together with an engraved gold watch to a maximum value of R2000 (value reviewable every five (5) years) and service certificate signed by Head of Department.

Employees who achieve 40 years service will be granted 20 days paid leave (once off) and a scroll duly signed by the Mayor in recognition of loyal service rendered to the Council.

The abovementioned leave is granted in addition to the annual leave entitlement and maximum accumulation granted in terms of the National Conditions of Service, and may be taken, converted to cash in full or partially or accumulated.

The abovementioned leave is only applicable to those employees who achieve the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2007. It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 13% was used based on internal rate of return.

#### **Clearance of Alien Vegetation**

The clearing of alien vegetation is required in terms of the Conservation of Agricultural Resources Act, 1983 (Act No. 43 of 1983). The Municipality has therefore made a provision for its obligation, based on future estimated costs for the next 3 years. This provision will be reviewed annually to reflect the fair value of the obligation.

#### **Performance Bonus**

All employees who are employed in accordance with the provisions of section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. The criteria in terms of which they are assessed is linked to the I.D.P. 8-point plan. Strategic focus areas and key performance indicators are set out in the plan, together with targets and weightings for each target. Employees are assessed quarterly and against these targets and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the City Manager.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

**6. RETIREMENT BENEFIT OBLIGATIONS**

**6.1. Defined benefit plan**

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

**Statement of Financial Position obligation for:**

Post-employment medical benefits	(1,311,873)	(903,236)	(1,311,873)	(903,236)
Pension benefits	(30,080)	-	(30,080)	-
<b>Balance at end of year</b>	<b>(1,341,953)</b>	<b>(903,236)</b>	<b>(1,341,953)</b>	<b>(903,236)</b>

**Statement of Financial Performance obligation for:**

Post-employment medical benefits	408,637	60,576	408,637	59,258
Pension Benefits:	-	-	-	-
Defined Benefit Funds	113,127	66,471	113,127	66,471
Defined Contribution Funds	107,538	269,726	105,777	266,351
<b>Total, included in employee benefits expense</b>	<b>629,302</b>	<b>396,773</b>	<b>627,541</b>	<b>392,080</b>

**6.1.1. Post-Retirement Medical Aid Plan**

The municipality operates on 6 accredited medical aid schemes, namely Global Health, Hosmed, Munimed, Bonitas, Samwumed and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

**Movement in the defined benefit obligation is as follows:**

Balance at beginning of the year	903,236	843,978	903,236	843,978
Current service cost	28,740	26,987	28,740	26,987
Interest cost	82,154	68,238	82,154	68,238
Actuarial (gains) losses	336,047	-	336,047	-
Benefit payments	(38,304)	(35,967)	(38,304)	(35,967)
<b>Balance at end of year</b>	<b>1,311,873</b>	<b>903,236</b>	<b>1,311,873</b>	<b>903,236</b>

**Net expense recognised in the Statement of financial performance**

Current service cost	28,740	26,987	28,740	26,987
Municipal Entities current service costs	-	1,288	-	-
Interest cost	82,154	68,238	82,154	68,238
Actuarial (gains) losses	336,047	-	336,047	-
Benefit payments	(38,304)	(35,967)	(38,304)	(35,967)
<b>Total, included in employee benefits expense</b>	<b>408,637</b>	<b>60,546</b>	<b>408,637</b>	<b>59,258</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 6. Retirement benefit obligations (continued)

#### Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	7.75 %	9.00 %	7.75 %	9.00 %
General increases to medical aid contributions	6.75 %	7.00 %	6.75 %	7.00 %
Salary Inflation	6.25 %	- %	6.25 %	- %
Expected retirement age	63	63	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %	100.00 %	100.00 %
Proportion of retiring members who are married	90.00 %	90.00 %	90.00 %	90.00 %

Other assumptions:

Age of spouse	-	Husbands 5 years older than wives
Mortality of in-service members	-	In accordance with the SA 85-90 (Light) ultimate table (rated down 3 years for females)
Mortality of pensioners	-	In accordance with the PA(90) ultimate male and female tables

(No explicit assumption was made about additional mortality or health care costs due to AIDS).

#### Percentage of in-service members withdrawing before retirement:

Age 20	7.85 %	7.85 %
Age 25	5.00 %	5.67 %
Age 30	4.00 %	4.20 %
Age 35	3.31 %	3.31 %
Age 40	2.23 %	2.23 %
Age 45	1.21 %	1.21 %
Age 50	0.55 %	0.55 %
Age 55+	0.00 %	0.00 %

#### 6.1.2. Pension benefits

The amounts recognised in the Statement of Financial Position were determined as follows:

#### The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	5,802,647	5,259,000	5,802,647	5,259,000
Present value of the defined benefit obligation-partially or wholly funded	(8,326,690)	(5,471,000)	(8,326,690)	(5,471,000)
Natal Joint Municipal Pension Fund surcharge	30,080	-	30,080	-
Asset not recognised due to future surplus policy not yet established	2,524,043	212,000	2,524,043	212,000
<b>Liability (Surplus) in the Statement of Financial Position</b>	<b>30,080</b>	<b>-</b>	<b>30,080</b>	<b>-</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>6. Retirement benefit obligations (continued)</b>				
<b>Movement in the defined benefit obligation is as follows:</b>				
Balance at beginning of the year	-	4,934,000	-	4,934,000
Current service cost	113,127	(145,529)	113,127	(145,529)
Contributions by plan participants	37,235	38,031	37,235	38,031
Actuarial losses	309,119	763,306	309,119	763,306
Interest cost	469,502	-	469,502	-
Benefit payments	(385,336)	(330,808)	(385,336)	(330,808)
Obligation not recognised due to future surplus policy not yet established	(513,567)	(5,259,000)	(513,567)	(5,259,000)
<b>Balance at end of year</b>	<b>30,080</b>	<b>-</b>	<b>30,080</b>	<b>-</b>
<b>Movement in the fair value of plan assets is as follows:</b>				
Balance at beginning of the year	-	4,913,000	-	4,913,000
Actuarial gains	2,550,107	763,306	2,550,107	763,306
Employer contributions	88,074	87,471	88,074	87,471
Employee contributions	37,235	38,031	37,235	38,031
Benefit payments	(385,336)	(330,808)	(385,336)	(330,808)
Expected return on assets	565,610	-	565,610	-
Asset not recognised due to future surplus policy not yet established	(2,855,690)	(5,471,000)	(2,855,690)	(5,471,000)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>The amounts recognised in the Statement of Financial Performance were as follows:</b>				
Current service cost - Defined Benefit Funds	113,127	66,471	113,127	66,471
Current service cost - Defined Contribution Funds	107,538	269,726	105,777	266,351
<b>Total included in employee benefits expense</b>	<b>220,665</b>	<b>336,197</b>	<b>218,904</b>	<b>332,822</b>

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

**6. Retirement benefit obligations (continued)**

**Key assumptions used**

The principal actuarial assumptions used were as follows:

Discount rate	9.00 %	5.20 %	9.00 %	5.20 %
Expected return on plan assets	10.59 %	10.59 %	10.59 %	10.59 %
Future salary increases	5.75 %	5.42 %	5.75 %	5.42 %
Future pension increases	3.81 %	5.00 %	3.81 %	5.00 %

**Examples of mortality rates used were as follows:**

**Active members (All):**

Age 20	0.13 %	0.13 %
Age 25	0.18 %	0.18 %
Age 30	0.25 %	0.25 %
Age 35	0.37 %	0.37 %
Age 40	0.52 %	0.52 %
Age 45	0.72 %	0.72 %
Age 50	0.99 %	0.99 %
Age 55	1.37 %	1.37 %
Age 60	1.89 %	1.89 %

**Pensioners (Female):**

Age 60	1.29 %	1.29 %
Age 65	1.81 %	1.81 %
Age 70	2.77 %	2.77 %
Age 75	4.51 %	4.51 %
Age 80	7.62 %	7.62 %
Age 85	13.15 %	13.15 %

**Pensioners (Male):**

Age 60	2.08 %	2.08 %
Age 65	3.05 %	3.05 %
Age 70	4.46 %	4.46 %
Age 75	6.86 %	6.86 %
Age 80	10.90 %	10.90 %
Age 85	15.89 %	15.89 %

All Councillors and employees belong to 9 retirement funds. The KZN Municipal Pension Fund is a defined contribution fund and became operational from 2001-11-01.

The results for the year ended 2005-06-30 (per the Fund Valuator) revealed that the fund was in sound financial position.

The Durban Pension Fund is a defined benefit fund administered by the eThekwini Municipality. The Fund is subject to a triennial actuarial valuation. The last statutory valuation was performed in 2003. This valuation indicated that the Fund was in a sound financial position.

The estimated liability of the Fund is R4 617 million, which is adequately financed by assets of R4 904 million. An amount of R88,1 million (2006: R126,6 million) was contributed by Council in respect of employee's retirement funding in respect of employees belonging to the Durban Pension Fund. These contributions have been expensed.

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMP), SALA and GEPF. Employees of eThekwini Municipality make up less than 1% of the total members of the NJMPF. eThekwini's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

An interim valuation carried out on the NJMP Superannuation fund (defined benefit) at 31 March 2006 concluded that should the surcharge of 6% be retained for the year to 30 June 2007 and thereafter at 4,5% until 30 June 2008, the deficit of R88.3 million for members should be eliminated within two years.

The latest statutory valuation of the NJMP Retirement fund (defined benefit) as at 31 March 2006 reflected a fund deficit of R204.3 million in respect of members. The total contribution rate payable, including the total surcharge of

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>6. Retirement benefit obligations (continued)</b>				
14% will eliminate the deficit by the year 2010.				
The latest statutory valuation of the NJMP Provident Fund (defined contribution) as at 31 March 2006 revealed that the Fund was in a sound financial position.				
<b>7. DEPOSITS</b>				
Electricity	366,921	335,218	366,921	335,218
Water	104,155	95,155	104,155	95,155
Interest	38,468	35,567	38,468	35,567
I.C.C.:Clients Deposits	14,125	9,501	-	-
Ushaka:Rental Deposits	1,295	1,267	-	-
<b>Total Deposits</b>	<b>524,964</b>	<b>476,708</b>	<b>509,544</b>	<b>465,940</b>

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

Included in eThekwini Municipality's deposits is an accrual of interest at an effective interest rate of 3% per annum (2006: 3%) which is paid to consumers when deposits are refunded.

### 8. CREDITORS

Trade payables	1,250,571	1,168,184	1,250,472	1,165,432
Payments received in advance	931,055	783,823	931,055	783,823
Retentions	38,103	31,386	38,103	31,386
Bank Deposits not yet receipted	325,086	90,987	325,086	90,987
Staff leave	159,936	144,298	159,936	144,298
Other payables	771,691	661,325	686,682	626,923
Adjustment for fair value at amortised cost	-	(16,094)	-	(16,094)
<b>Total Creditors</b>	<b>3,476,442</b>	<b>2,863,909</b>	<b>3,391,334</b>	<b>2,826,755</b>

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

The classification of creditors in the prior year has been restated to provide more meaningful information.

### 9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

#### Conditional Grants from other spheres of Government:

Department of Transport and Public Transport Infrastructure	33,139	13,300	33,139	13,300
Department of Economic Activity and various Industries	2,978	4,436	2,978	4,436
Provincial Grants & Subsidies	11,305	3,510	11,305	3,510
Equitable Share	4,671	18,285	4,671	18,285
Municipal Infrastructure Grant	1,813	6,948	1,813	6,948
<b>Other Conditional Receipts</b>				
2010 DBSA	11,000	-	11,000	-
European Union	43,782	52,398	43,782	52,398
Donations and Public Contributions	7,087	-	7,087	-
D Moss Interest and Land Sales	8,927	-	8,927	-
Other Grants and Subsidies	4,730	474	4,730	474
Vuna Awards	1,875	2,000	1,875	2,000
<b>Total Conditional Grants and Receipts</b>	<b>131,307</b>	<b>101,351</b>	<b>131,307</b>	<b>101,351</b>

These amounts are invested in a ring-fenced investment until utilised. See note 26 for more detail.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 10. CASH AND CASH EQUIVALENTS

Refer to note 48 for details on Bank accounts and balances.

Cash and cash equivalents consist of:

Cash on hand	18,637	9,875	17,473	9,117
Bank balances	1,836,589	2,618,231	1,803,714	2,584,558
Bank balances and cash	1,855,226	2,628,106	1,821,187	2,593,675
Bank overdraft	(1,789,411)	(2,630,346)	(1,786,114)	(2,619,781)
	<b>65,815</b>	<b>(2,240)</b>	<b>35,073</b>	<b>(26,106)</b>
Call Investment Deposits	321,721	747,709	240,380	667,117
<b>Cash and cash equivalents</b>	<b>387,536</b>	<b>745,469</b>	<b>275,453</b>	<b>641,011</b>

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

### 11. PROPERTY, PLANT AND EQUIPMENT

Group	2007			2006		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	2,880,322	(452,731)	2,427,591	2,802,411	(493,554)	2,308,857
Infrastructure	13,543,095	(4,634,042)	8,909,053	11,713,319	(4,285,670)	7,427,649
Community	768,071	(253,461)	514,610	724,923	(251,644)	473,279
Other	2,318,640	(1,345,743)	972,897	2,377,852	(1,241,707)	1,136,145
Leased Assets	24,964	(19,971)	4,993	24,964	(14,978)	9,986
Heritage	6,553	-	6,553	6,460	-	6,460
Housing Development Fund	137,794	(91,540)	46,254	161,685	(94,803)	66,882
<b>Total</b>	<b>19,679,439</b>	<b>(6,797,488)</b>	<b>12,881,951</b>	<b>17,811,614</b>	<b>(6,382,356)</b>	<b>11,429,258</b>

Municipality	2007			2006		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	1,647,769	(396,039)	1,251,730	1,622,201	(343,994)	1,278,207
Infrastructure	13,543,095	(4,634,042)	8,909,053	11,713,319	(4,285,670)	7,427,649
Community	768,071	(253,461)	514,610	724,923	(251,644)	473,279
Other	2,148,687	(1,269,329)	879,358	2,221,528	(1,191,998)	1,029,530
Leased Assets	24,964	(19,971)	4,993	24,964	(14,978)	9,986
Heritage	6,553	-	6,553	6,460	-	6,460
Housing Development Fund	137,794	(91,540)	46,254	161,685	(94,803)	66,882
<b>Total</b>	<b>18,276,933</b>	<b>(6,664,382)</b>	<b>11,612,551</b>	<b>16,475,080</b>	<b>(6,183,087)</b>	<b>10,291,993</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Group - 2007

	Opening Balance	Additions	Disposals	Transfers	Work-in- Progress	Depreciation	Total
Land and Buildings	2,308,857	73,338	(95,224)	-	206,558	(65,938)	2,427,591
Infrastructure	7,427,649	496,519	70,589	-	1,448,654	(534,358)	8,909,053
Community	473,279	30,115	7,981	-	29,630	(26,395)	514,610
Other	1,136,145	283,164	(8,157)	(175,769)	1,323	(263,809)	972,897
Leased Assets	9,986	-	-	-	-	(4,993)	4,993
Heritage	6,460	40	-	-	53	-	6,553
Housing Development Fund	66,882	182	(435)	(17,840)	-	(2,535)	46,254
	<b>11,429,258</b>	<b>883,358</b>	<b>(25,246)</b>	<b>(193,609)</b>	<b>1,686,218</b>	<b>(898,028)</b>	<b>12,881,951</b>

#### Reconciliation of property, plant and equipment - Group - 2006

	Opening Balance	Additions	Disposals	Work-in- progress	Depreciation	Total
Land and Buildings	1,943,583	61,178	22,632	338,162	(56,698)	2,308,857
Infrastructure	6,665,570	737,813	(83,875)	611,323	(503,182)	7,427,649
Community	491,523	17,189	(18,154)	14,489	(31,768)	473,279
Other	1,001,409	401,178	(5,558)	118	(261,002)	1,136,145
Leased Assets	14,979	-	-	-	(4,993)	9,986
Heritage	6,410	50	-	-	-	6,460
Housing Development Fund	68,162	2,125	(141)	-	(3,264)	66,882
	<b>10,191,636</b>	<b>1,219,533</b>	<b>(85,096)</b>	<b>964,092</b>	<b>(860,907)</b>	<b>11,429,258</b>



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Municipality - 2007

	Opening Balance	Additions	Disposals	Transfers	Work-in- progress	Depreciation	Total
Land and Buildings	1,278,207	66,770	(87,613)	-	29,380	(35,014)	1,251,730
Infrastructure	7,427,649	496,519	70,589	-	1,448,654	(534,358)	8,909,053
Community	473,279	30,115	7,981	-	29,630	(26,395)	514,610
Other	1,029,530	271,569	(8,065)	(175,721)	1,323	(239,278)	879,358
Leased Assets	9,986	-	-	-	-	(4,993)	4,993
Heritage	6,460	40	-	-	53	-	6,553
Housing Development Fund	66,882	182	(435)	(17,840)	-	(2,535)	46,254
	<b>10,291,993</b>	<b>865,195</b>	<b>(17,543)</b>	<b>(193,561)</b>	<b>1,509,040</b>	<b>(842,573)</b>	<b>11,612,551</b>

#### Reconciliation of property, plant and equipment - Municipality - 2006

	Opening Balance	Additions	Disposals	Work-in- progress	Depreciation	Total
Land and Buildings	1,480,658	60,852	(352,089)	116,048	(27,262)	1,278,207
Infrastructure	6,665,570	737,813	(83,875)	611,323	(503,182)	7,427,649
Community	491,523	17,189	(18,154)	14,489	(31,768)	473,279
Other	880,328	395,758	(5,478)	118	(241,196)	1,029,530
Leased Assets	14,979	-	-	-	(4,993)	9,986
Heritage	6,410	50	-	-	-	6,460
Housing Development Fund	68,162	2,125	(141)	-	(3,264)	66,882
	<b>9,607,630</b>	<b>1,213,787</b>	<b>(459,737)</b>	<b>741,978</b>	<b>(811,665)</b>	<b>10,291,993</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 11. Property, plant and equipment (continued)

#### Pledged as security

Property, plant and equipment with a book value of R520 539 939 (2006:R549 311 235) have been pledged as security to financial institutions as disclosed in note 3.

Leased assets are pledged against loans from Stannic Bank Limited as disclosed in note 4.

#### Other information

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2008.

Durban Marine Theme Park (Proprietary) Limited : The change in the estimated useful life of various assets of the company has resulted in the following increases in depreciation for the mentioned categories for the financial year ending 30 June 2007.

Airconditioners initially written off over 5 years are now written off over 4 years. (R3.6m)

Upperdeck furniture initially written off over 10 years are now written off over 3 years. (R0.1m)

Signage initially written off over 10 years are now written off over 3 years. (R0.6m)

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

### 12. INTANGIBLE ASSETS

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

Group	2007			2006		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Servitudes	43,728	-	43,728	43,121	-	43,121
Computer software	345,463	(97,604)	247,859	3,819	(2,239)	1,580
<b>Total</b>	<b>389,191</b>	<b>(97,604)</b>	<b>291,587</b>	<b>46,940</b>	<b>(2,239)</b>	<b>44,701</b>

Municipality	2007			2006		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Servitudes	43,728	-	43,728	43,121	-	43,121
Computer software	343,473	(96,721)	246,752	-	-	-
<b>Total</b>	<b>387,201</b>	<b>(96,721)</b>	<b>290,480</b>	<b>43,121</b>	<b>-</b>	<b>43,121</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 12. Intangible assets (continued)

#### Reconciliation of intangible assets - Group - 2007

	Opening Balance	Additions	Transfers	Amortisation	Total
Servitudes	43,121	607	-	-	43,728
Computer software	1,580	114,814	175,721	(44,256)	247,859
	<b>44,701</b>	<b>115,421</b>	<b>175,721</b>	<b>(44,256)</b>	<b>291,587</b>

#### Reconciliation of intangible assets - Group - 2006

	Opening Balance	Additions	Amortisation	Total
Servitudes	42,924	197	-	43,121
Computer software	1,354	1,370	(1,144)	1,580
	<b>44,278</b>	<b>1,567</b>	<b>(1,144)</b>	<b>44,701</b>

#### Reconciliation of intangible assets - Municipality - 2007

	Opening Balance	Additions	Transfers	Amortisation	Total
Servitudes	43,121	607	-	-	43,728
Computer software	-	114,404	175,721	(43,373)	246,752
	<b>43,121</b>	<b>115,011</b>	<b>175,721</b>	<b>(43,373)</b>	<b>290,480</b>

#### Reconciliation of intangible assets - Municipality - 2006

	Opening Balance	Additions	Total
Servitudes	42,924	197	43,121

Intangible assets disclosed relate to servitudes registered by the electricity department of the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the municipality's policy to capitalise servitudes to projects which are currently disclosed as Infrastructure costs. In terms of the transitional provision as set out in GAMAP 17, the municipality is in the process of itemizing all infrastructure assets and identifying servitudes. The costs of each servitude will be determined when the exercise is completed by 30 June 2008.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 13. INVESTMENT PROPERTIES

Group	2007			2006		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	253,712	(23,569)	230,143	240,371	(13,704)	226,667

Municipality	2007			2006		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	161,156	(9,725)	151,431	152,198	(4,463)	147,735

#### Reconciliation of investment properties - Group - 2007

	Opening Balance	Additions	Transfers	Depreciation	Disposals	Total
Land and Buildings	226,667	4,563	17,840	(5,405)	(13,522)	230,143

#### Reconciliation of investment properties - Group - 2006

	Opening Balance	Additions	Depreciation	Disposals	Total
Land and Buildings	228,410	3,340	(4,509)	(574)	226,667

#### Reconciliation of investment properties - Municipality - 2007

	Opening Balance	Additions	Transfers	Depreciation	Disposals	Total
Land and Buildings	147,735	180	17,840	(802)	(13,522)	151,431

#### Reconciliation of investment properties - Municipality - 2006

	Opening Balance	Additions	Depreciation	Disposals	Total
Land and Buildings	147,765	789	(244)	(575)	147,735

#### Pledged as security

Investment properties with a book value of R56 983 659 (2006: R64 685 553) are pledged against loans from Citibank Limited and the Development Bank of South Africa Limited (refer note 3).

#### Municipality

The fair value of the above properties is R533 million (2006: R450 million). Investment properties have been valued in terms of past trends in the escalation of property values for the period 1998 to 2006. A more accurate valuation will be determinable by 2007/08 when the Municipal Property Rates Act (No. 6 of 2004) is implemented.

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 13. Investment properties (continued)

#### Group

In addition to the note above included in investment properties are assets pledged by Durban Marine Theme Park (Proprietary) Limited against loans from Citibank limited and the Development Bank of South Africa limited (refer note 3).

Durban Marine Theme Park (Pty) Ltd: Investment property comprises the Village Walk retail shopping mall from which rental income is derived. The original cost of this property including land was approximately R69 000 000. The directors fair value thereof is R105 000 000 based on a valuation method of net rental return capitalised at 11.5%.

### 14. INVESTMENTS IN MUNICIPAL ENTITIES

Name of company	% holding 2007	% holding 2006	Carrying amount 2007	Carrying amount 2006
ICC Durban (Proprietary) Limited	100 %	100 %	1	1
Durban Marine Theme Park (Proprietary) Limited	99 %	99 %	10,001	1
			10,002	2

#### As at 30th June 2007

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	-	511
Percentage owned by Council (%)	-	99
Indebtedness of Municipal Entities (R'000)-Interest Bearing	-	146,960
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	222,564	476,977
Loss on Impairment of Loans	(222,564)	(623,937)
Electricity Income Received (R'000)	3,082	6,776
Water Income Received (R'000)	386	2,467
Rates Income Received (R'000)	7,324	-
Regional Services Levy Income Received (R'000)	-	21
Interest Received (R'000)	-	14,460

#### As at 30th June 2006

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	-	409
Percentage owned by Council (%)	-	99
Indebtedness of Municipal Entities (R'000)-Interest Bearing	-	64,936
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	201,325	470,363
Loss on Impairment of Loans	(201,325)	(470,363)
Electricity Income Received (R'000)	2,313	6,500
Water Income Received (R'000)	418	2,482
Rates Income Received (R'000)	6,657	-
Regional Services Levy Income Received (R'000)	125	234
Interest Received (R'000)	-	4,022

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>15. INVESTMENTS</b>				
<b>Listed Securities - Held to Maturity</b>				
RSA Government Stock-Held to maturity (October 2008)	4,754	4,758	4,754	4,758
Eskom Stock-Held to maturity (November 2009)	3,793	3,793	3,793	3,793
	<b>8,547</b>	<b>8,551</b>	<b>8,547</b>	<b>8,551</b>
<b>Financial Instruments - Held to Maturity</b>				
General Investments	16,623	343,849	16,623	343,849
Fixed and Negotiable Deposits	3,400,000	2,050,000	3,400,000	2,050,000
	<b>3,416,623</b>	<b>2,393,849</b>	<b>3,416,623</b>	<b>2,393,849</b>
<b>Total Cash Investments</b>	<b>3,425,170</b>	<b>2,402,400</b>	<b>3,425,170</b>	<b>2,402,400</b>
<b>Non-current assets</b>				
Listed Securities	8,547	8,551	8,547	8,551
Financial Instruments	16,623	343,849	16,623	343,849
	<b>25,170</b>	<b>352,400</b>	<b>25,170</b>	<b>352,400</b>
<b>Current assets</b>				
Held for trading	3,400,000	2,050,000	3,400,000	2,050,000
	<b>3,425,170</b>	<b>2,402,400</b>	<b>3,425,170</b>	<b>2,402,400</b>
<b>Market valuation of listed investments</b>				
RSA Government Stock	8,265	7,199	8,265	7,199
Eskom Stock	4,960	5,294	4,960	5,294
	<b>13,225</b>	<b>12,493</b>	<b>13,225</b>	<b>12,493</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 16. INVESTMENT IN JOINT VENTURE

Name of company	Unlisted	% holding 2007	% holding 2006	Carrying amount 2007	Carrying amount 2006
Effingham Development		66.74 %	66.74 %	162,456	50,631

This represents a 66.74% investment in Effingham Development (Joint Venture)

The Effingham Development Joint Venture is a joint venture entered into with Moreland Developments (Pty) Ltd. The joint venture was formed with the objective of developing and marketing the serviced sites of the Effingham / Avoca (Riverhorse Valley Business Estate) land and Phoenix South (Bridge City) land.

#### Summary of groups interest in joint venture

Summary of the municipality's interests in the joint venture.

#### Assets

Township Property	21,728	18,246
Current assets - Debtors	246,901	39,403
Current assets - Cash on hand	(2,516)	27,949

#### TOTAL ASSETS

**266,113**      **85,598**

#### Equity and Liabilities

Members Loan Accounts	162,456	50,631
Current liabilities - creditors	103,657	34,967

#### TOTAL EQUITY AND LIABILITIES

**266,113**      **85,598**

### 17. LOANS TO MUNICIPAL ENTITIES

Durban Marine Theme Park (Proprietary) Limited	-	-	623,938	535,299
ICC Durban (Proprietary) Limited	-	-	222,564	201,325
Subtotal	-	-	846,502	736,624
Impairment of loans to municipal entities	-	-	(846,502)	(736,624)
	-	-	-	-

Loans to Municipal Entities are fully impaired as they are considered to be irrecoverable in the short-term.

### 18. RECEIVABLES

#### Long-term receivables

Loan:DIDT	126,474	138,470	126,474	138,470
Housing Selling scheme loans	185,862	181,518	185,862	181,518
Loan: I.C.C. Durban (Pty) Limited	-	-	774,014	596,836
Sewerage connection loans	14	45	14	45
Land sales	5,374	-	5,374	-
Education Loans	3,148	501	3,148	501
Sporting bodies	3,025	3,313	3,025	3,313
Car Loans	164	916	164	916
Housing Bonds	179	-	179	-
	<b>324,240</b>	<b>324,763</b>	<b>1,098,254</b>	<b>921,599</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>Less: Current portion transferred to current receivables</b>				
Housing Selling scheme loans	27,828	12,101	27,828	12,101
Sewerage connection loans	7	17	7	17
Education Loans	1,001	167	1,001	167
Sporting bodies	550	164	550	164
Car Loans	50	325	50	325
Housing Bonds	42	-	42	-
	<b>29,478</b>	<b>12,774</b>	<b>29,478</b>	<b>12,774</b>
<b>Non-current assets</b>				
Long-term receivables	294,762	311,989	1,068,776	908,825

Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.

### Car loans

Senior staff are entitled to car loans which attract interest at 8% - 8,5% per annum and which are repayable over a maximum period of 5 years. These loans are repayable in the year 2009.

### Sewerage connection loans

To encourage property owners to connect to the reticulation system, low interest rate loans are made to provide the necessary financial assistance. These loans attract interest at a rate of 13% per annum and are repayable over a maximum period of 10 years.

### Sporting Bodies Loans

These loans attract interest of 13% per annum and are repayable over 20 to 50 years.

### Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme. These loans attract interest in terms of the State Directives and Guidelines and are repayable over 20 years. These loans will be repaid by the year 2011.

### I.C.C. (Pty) Limited

This relates to the Net Book Value of Property, Plant and Equipment transferred to the ICC.

## 19. INVENTORIES

Unsold Properties held for resale	19,796	13,306	19,796	13,306
Consumable stores	109,021	99,504	108,244	98,836
Maintenance materials	508	606	508	606
Water	9,481	6,756	9,481	6,756
Uniform Stock	-	235	-	-
Food and Beverage	1,743	1,287	-	-
Merchandise	1,416	1,552	-	-
	<b>141,965</b>	<b>123,246</b>	<b>138,029</b>	<b>119,504</b>



# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>20. CONSUMER DEBTORS</b>				
<b>Gross Balances</b>				
Rates	1,953,723	1,745,552	1,953,723	1,745,552
Electricity	441,073	404,776	441,073	404,776
Water	897,888	828,790	899,382	829,110
Refuse	8,353	7,175	8,353	7,175
Regional services levies	70,221	138,585	70,221	138,585
Housing rental	68,933	41,490	68,933	41,490
Waste water	8,738	15,555	8,738	15,555
I.C.C. Debtors	4,966	1,586	-	-
<b>Total</b>	<b>3,453,895</b>	<b>3,183,509</b>	<b>3,450,423</b>	<b>3,182,243</b>
<b>Less Provision for bad debts</b>				
Rates	(840,141)	(793,623)	(840,141)	(793,623)
Electricity	(140,000)	(125,000)	(140,000)	(125,000)
Water	(585,830)	(453,531)	(585,830)	(453,531)
Regional services levies	(70,221)	(47,407)	(70,221)	(47,407)
Housing rental	(41,601)	(30,881)	(41,601)	(30,881)
<b>Total</b>	<b>(1,677,793)</b>	<b>(1,450,442)</b>	<b>(1,677,793)</b>	<b>(1,450,442)</b>
<b>Net Balance</b>				
Rates	1,113,582	951,929	1,113,582	951,929
Electricity	301,073	279,776	301,073	279,776
Water	312,058	375,259	313,552	375,579
Refuse	8,353	7,175	8,353	7,175
Regional services levies	-	91,178	-	91,178
Housing rental	27,332	10,609	27,332	10,609
Waste water	8,738	15,555	8,738	15,555
I.C.C. Debtors	4,966	1,586	-	-
<b>Total</b>	<b>1,776,102</b>	<b>1,733,067</b>	<b>1,772,630</b>	<b>1,731,801</b>
<b>Rates</b>				
Current (0 -30 days)	146,245	142,689	146,245	142,689
31 - 60 days	46,573	56,170	46,573	56,170
61 - 90 days	37,263	45,771	37,263	45,771
91 - 120 days	781,336	47,844	781,336	47,844
121 - 365 days	230,577	987,659	230,577	987,659
> 365 days	711,729	465,419	711,729	465,419
<b>Total</b>	<b>1,953,723</b>	<b>1,745,552</b>	<b>1,953,723</b>	<b>1,745,552</b>
<b>Electricity, Water, Solid Waste and Waste Water</b>				
Current (0 -30 days)	435,233	389,025	436,727	447,810
31 - 60 days	132,860	125,865	132,860	125,865
61 - 90 days	41,388	41,190	41,388	41,190
91 - 120 days	33,832	31,306	33,832	31,306
121 - 365 days	711,853	218,185	711,853	218,185
> 365 days	886	450,725	886	392,260
<b>Total</b>	<b>1,356,052</b>	<b>1,256,296</b>	<b>1,357,546</b>	<b>1,256,616</b>
<b>Regional services levies</b>				
Current (0 -30 days)	53	52,029	53	52,029
31 - 60 days	93	4,363	93	4,363
61 - 90 days	19	39,841	19	39,841
91 - 120 days	70,056	42,352	70,056	42,352
<b>Total</b>	<b>70,221</b>	<b>138,585</b>	<b>70,221</b>	<b>138,585</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>Housing rental</b>				
Current (0 -30 days)	2,549	2,543	2,549	2,543
31 - 60 days	1,955	-	1,955	-
61 - 90 days	810	1,777	810	1,777
91 - 120 days	22,018	723	22,018	723
121 - 365 days	41,601	5,566	41,601	5,566
> 365 days	-	30,881	-	30,881
<b>Total</b>	<b>68,933</b>	<b>41,490</b>	<b>68,933</b>	<b>41,490</b>
<b>I.C.C. Debtors</b>				
Current (0 -30 days)	3,589	820	-	-
31 - 60 days	469	154	-	-
61 - 90 days	709	302	-	-
91 - 120 days	199	310	-	-
<b>Total</b>	<b>4,966</b>	<b>1,586</b>	<b>-</b>	<b>-</b>
<b>21. DEBTORS</b>				
Other Debtors	1,465,901	1,169,949	1,218,999	1,135,832
Fair Value Adjustment	-	(42,350)	-	(42,350)
Provision for bad debts	(31,179)	(24,562)	(31,179)	(24,562)
Insurance debtor	6,592	27,914	6,592	27,914
Prepayments made in advance	14,886	12,445	9,888	5,449
	<b>1,456,200</b>	<b>1,143,396</b>	<b>1,204,300</b>	<b>1,102,283</b>
Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.				
<b>22. CALL INVESTMENT DEPOSITS</b>				
30 Day deposits	321,721	747,709	240,380	667,117
<b>23. VAT</b>				
<b>VAT reconciliation</b>				
VAT receivable	74,101	99,189	92,789	121,601
VAT payable	(27,490)	(4,920)	(20,606)	(25,920)
<b>Net Vat</b>	<b>46,611</b>	<b>94,269</b>	<b>72,183</b>	<b>95,681</b>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.				
Refer to note 39 (Correction of Prior Year Errors) for details of restatement of comparatives.				

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 24. PROPERTY RATES

#### Rates received

Residential	1,272,283	1,143,872	1,272,283	1,143,872
Commercial	1,706,645	1,532,745	1,713,987	1,539,407
State	155,123	139,798	155,123	139,798
<b>Total Assessment Rates</b>	<b>3,134,051</b>	<b>2,816,415</b>	<b>3,141,393</b>	<b>2,823,077</b>

#### Valuations

Residential	58,517,064	56,076,651	58,517,064	56,076,651
Commercial	33,703,313	28,639,391	33,703,313	28,639,391
State	4,836,474	10,737,327	4,836,474	10,737,327
Municipal	3,789,323	3,600,285	3,789,323	3,600,285
<b>Total Property Valuations</b>	<b>100,846,174</b>	<b>99,053,654</b>	<b>100,846,174</b>	<b>99,053,654</b>

In the past valuations on land and buildings are performed every five years but this has been discontinued because of the anticipated introduction of market values as a basis for valuations. The last valuation on the old basis came into effect on 1 July 1998. Interim valuations are processed on a daily basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions. A residential property allocation factor of R0,078 (2006: R0.073) is applied to residential property valuations to determine assessment rates. Lifeline rebates on a graduated scale are granted to properties valued at R100 000 or less. Rebates of 70.73% (2006:70,91%) for dwellings and 67.08% (2006:67,28%) for flats and complexes are granted for residential properties valued at over R100 000.

A rate randage of R0,28824(2006:R0,26808) is applied to commercial and industrial land valuations and a randage of R0,02402 (2006 R0,02234) is applied to commercial and industrial building valuations. All vacant land is rated on the same basis as commercial land. A rebate of 50% is granted to commercial, industrial and vacant land properties. Rates are levied on a monthly basis for the majority of property owners.

Rates payable annually were due on 31 October 2006 (2006. 28 January 2006). Interest at 18% per annum (2006: 18%) was levied on outstanding rates for the first two months. Thereafter the interest rate is 24% per annum (2006: 24%). A 15 % (2006: 15%) collection charge was levied on annual rates two months after due date.

### 25. SERVICE CHARGES

Sale of electricity	3,262,269	3,012,239	3,272,164	3,021,130
Sale of water	1,371,466	1,238,351	1,374,320	1,241,251
Solid waste	124,049	104,834	124,049	104,834
Sewerage and sanitation charges	66,012	63,960	66,012	63,960
Other service charges	83,958	79,588	83,958	79,588
<b>Total service charges</b>	<b>4,907,754</b>	<b>4,498,972</b>	<b>4,920,503</b>	<b>4,510,763</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>26. GRANTS AND SUBSIDIES</b>				
Equitable share	1,146,889	521,080	1,146,889	521,080
Municipal infrastructure grant	319,595	286,172	319,595	286,172
Restructuring grant	75,000	72,584	75,000	72,584
European Union	81,855	63,999	81,855	63,999
Provincial health subsidies	32,851	31,804	32,851	31,804
Department of Transport and Public Transport Infrastructure	11,083	18,351	11,083	18,351
Department of Economic Activities and various Industries	1,458	4,600	1,458	4,600
Vuna Awards	125	-	125	-
2010 KZN Provincial grant	264,957	-	264,957	-
2010 DBSA	29,998	-	29,998	-
Provincial government	70,946	8,757	70,946	8,757
Other grants	100,197	38,843	100,197	38,843
Public Contributions	344	-	344	-
<b>Total government grants and subsidies</b>	<b>2,135,298</b>	<b>1,046,190</b>	<b>2,135,298</b>	<b>1,046,190</b>

### Equitable share

Balance unspent at beginning of year	18,285	18,407	18,285	18,407
Current-year receipts	1,133,275	520,958	1,133,275	520,958
Conditions met - transferred to revenue	(1,146,889)	(521,080)	(1,146,889)	(521,080)
<b>Conditions still to be met - transferred to liabilities</b>	<b>4,671</b>	<b>18,285</b>	<b>4,671</b>	<b>18,285</b>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Municipal infrastructure grant

Balance unspent at beginning of year	6,948	-	6,948	-
Current-year receipts	309,032	293,120	309,032	293,120
Current-year accruals	5,428	-	5,428	-
Conditions met - transferred to revenue	(319,595)	(286,172)	(319,595)	(286,172)
<b>Conditions still to be met - transferred to liabilities</b>	<b>1,813</b>	<b>6,948</b>	<b>1,813</b>	<b>6,948</b>

This grant was used to construct roads and sewerage infrastructure.

### Department of Economic Activities and various Industries

Balance unspent at beginning of year	4,436	5,049	4,436	5,049
Current-year receipts	-	3,987	-	3,987
Conditions met - transferred to revenue	(1,458)	(4,600)	(1,458)	(4,600)
<b>Conditions still to be met - transferred to liabilities</b>	<b>2,978</b>	<b>4,436</b>	<b>2,978</b>	<b>4,436</b>

Funding was obtained from various sources and local industries for the implementation of the South Durban Basin Multi Point Plan. The expenditure is incurred over a multi year period based on the rollout of the projects per programme. Further funding will be expended based on the outcome of the Air Quality Management Plan which is currently underway.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>Department of Transport and Public Transport Infrastructure</b>				
Balance unspent at beginning of year	13,300	-	13,300	-
Current-year receipts	30,922	31,651	30,922	31,651
Conditions met - transferred to revenue	(11,083)	(18,351)	(11,083)	(18,351)
<b>Conditions still to be met - transferred to liabilities</b>	<b>33,139</b>	<b>13,300</b>	<b>33,139</b>	<b>13,300</b>

This grant was for roads infrastructure / Queen Nandi Drive. No funds have been withheld.

### European Union

Balance unspent at beginning of year	52,398	56,957	52,398	56,957
Current-year receipts	73,239	59,440	73,239	59,440
Conditions met - transferred to revenue	(81,855)	(63,999)	(81,855)	(63,999)
<b>Conditions still to be met - transferred to liabilities</b>	<b>43,782</b>	<b>52,398</b>	<b>43,782</b>	<b>52,398</b>

The Municipality has an Area-based Management Programme that focuses on key areas of the Council and enhances service delivery to these areas. The European Union formed a partnership with the Council on condition that the funds provided are to be utilised only in these specific areas.

### Other grants

Balance unspent at beginning of year	474	2,813	474	2,813
Current-year receipts	104,453	36,504	104,453	36,504
Conditions met - transferred to revenue	(100,197)	(38,843)	(100,197)	(38,843)
<b>Conditions still to be met - transferred to liabilities</b>	<b>4,730</b>	<b>474</b>	<b>4,730</b>	<b>474</b>

Other Grants and subsidies were utilised during the year to fund various Council projects

### Public Contributions

Current-year receipts	7,431	-	7,431	-
Conditions met - transferred to revenue	(344)	-	(344)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>7,087</b>	<b>-</b>	<b>7,087</b>	<b>-</b>

The grants were received from various organisations to finance various developments.

### 2010 KZN Provincial grant

Current-year receipts	264,957	-	264,957	-
Conditions met - transferred to revenue	(264,957)	-	(264,957)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The grant was received for the building of the stadium and other constructions in preparation of 2010 bid . No funds were withheld.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>Provincial government</b>				
Balance unspent at beginning of year	3,510	-	3,510	-
Current-year receipts	78,741	12,267	78,741	12,267
Conditions met - transferred to revenue	(70,946)	(8,757)	(70,946)	(8,757)
<b>Conditions still to be met - transferred to liabilities</b>	<b>11,305</b>	<b>3,510</b>	<b>11,305</b>	<b>3,510</b>

Funds were received from provincial government for various projects. In the prior year these grants were classified under Other Grants.

### 2010 DBSA

Current-year receipts	40,998	-	40,998	-
Conditions met - transferred to revenue	(29,998)	-	(29,998)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>11,000</b>	<b>-</b>	<b>11,000</b>	<b>-</b>

The grant was used to fund various roads infrastructure.

### Provincial health subsidies

Current-year receipts	32,851	31,804	32,851	31,804
Conditions met - transferred to revenue	(32,851)	(31,804)	(32,851)	(31,804)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix F). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

### Restructuring grant

Balance unspent at beginning of year	-	7,584	-	7,584
Current-year receipts	75,000	65,000	75,000	65,000
Conditions met - transferred to revenue	(75,000)	(72,584)	(75,000)	(72,584)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

This grant was used for the implementation of the Municipal Property Rates Act No. 6 of 2004. No funds have been withheld.

### Vuna Awards

Balance unspent at beginning of year	2,000	-	2,000	-
Current-year receipts	-	2,000	-	2,000
Conditions met - transferred to revenue	(125)	-	(125)	-
<b>Conditions still to be met - transferred to liabilities</b>	<b>1,875</b>	<b>2,000</b>	<b>1,875</b>	<b>2,000</b>

The Vuna Awards is an initiative of the Department of Provincial and Local Government, together with its partners in the coordination of development in local government, the South African Local Government Association, Development Bank of Southern Africa and the National Productivity Institute. The Vuna awards, as the awards are called, reward the municipalities that provide communities excellent services and governance.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>27. OTHER INCOME</b>				
Housing :Development Income	593,301	410,662	588,738	405,356
Sundry Income	475,225	362,653	193,364	240,325
	<b>1,068,526</b>	<b>773,315</b>	<b>782,102</b>	<b>645,681</b>
<b>28. FAIR VALUE ADJUSTMENTS</b>				
Fair Value Adjustment - Payables	-	16,094	-	16,094
Fair Value Adjustment-Receivables	-	(42,350)	-	(42,350)
	-	<b>(26,256)</b>	-	<b>(26,256)</b>
<b>29. EMPLOYEE RELATED COSTS</b>				
Employee related costs-Salaries and Wages	2,010,382	1,583,829	1,961,677	1,535,650
Medical aid and Pension Benefits	6 629,302	396,773	627,541	392,080
UIF	20,409	117,449	16,885	118,111
Leave pay provision contribution	39,941	39,137	39,769	39,137
Travel, motor car, accommodation, subsistence and other allowances	93,134	84,231	93,118	84,231
Overtime payments	168,654	155,452	166,215	152,810
Long-service awards	73,600	119	73,600	119
Housing benefits and allowances	26,539	26,134	26,539	26,134
Holiday Bonus	128,135	121,523	128,135	121,523
Other	24,808	342,548	20,552	340,557
Less: Employee costs capitalised to PPE	(80,501)	(127,476)	(80,501)	(127,476)
Less: Employee costs included in other expenses	-	(1,441)	-	(1,441)
	<b>3,134,403</b>	<b>2,738,278</b>	<b>3,073,530</b>	<b>2,681,435</b>

There were no advances to employees. Loans to employees are set out in note 18.

Included in the employee related costs are the following:

### Remuneration of the Municipal Manager

Annual Remuneration	1,074	986	1,074	986
Car Allowance	102	102	102	102
Contributions to UIF, Medical Aid and Pension Funds	1	1	1	1
<b>Total</b>	<b>1,177</b>	<b>1,089</b>	<b>1,177</b>	<b>1,089</b>

### Remuneration of the Chief Finance Officer

Annual Remuneration	759	702	759	702
Car Allowance	243	225	243	225
Contributions to UIF, Medical Aid and Pension Funds	161	150	161	150
<b>Total</b>	<b>1,163</b>	<b>1,077</b>	<b>1,163</b>	<b>1,077</b>

# eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>Governance</b>				
Annual Remuneration	759	702	759	702
Car Allowance	243	225	243	225
Contributions to UIF, Medical Aid and Pension Funds	154	142	154	142
<b>Total</b>	<b>1,156</b>	<b>1,069</b>	<b>1,156</b>	<b>1,069</b>
<b>Corporate and Human Resources</b>				
Annual Remuneration	812	741	812	741
Car Allowance	165	165	165	165
Contributions to UIF, Medical Aid and Pension Funds	25	20	25	20
<b>Total</b>	<b>1,002</b>	<b>926</b>	<b>1,002</b>	<b>926</b>
<b>Health, Safety and Social Services</b>				
Annual Remuneration	857	769	857	769
Car Allowance	144	144	144	144
Contributions to UIF, Medical Aid and Pension Funds	1	13	1	13
<b>Total</b>	<b>1,002</b>	<b>926</b>	<b>1,002</b>	<b>926</b>
<b>Procurements and Infrastructure</b>				
Annual Remuneration	917	769	917	769
Car Allowance	60	144	60	144
Contributions to UIF, Medical Aid and Pension Funds	26	13	26	13
<b>Total</b>	<b>1,003</b>	<b>926</b>	<b>1,003</b>	<b>926</b>
<b>Remuneration paid by Municipal Entities:</b>				
<b>I.C.C.: Remuneration of the Chief Executive Officer</b>				
Salaries, allowances and benefits	1,234	1,334	-	-
<b>Durban Marine Theme Park:</b>				
Chairman fees	24	12	-	-
Directors Fees	15	-	-	-
Directors Expenses	36	-	-	-
<b>Total</b>	<b>75</b>	<b>12</b>	<b>-</b>	<b>-</b>



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 30. REMUNERATION OF COUNCILLORS

Mayor	766	569	766	569
Deputy Mayor	627	484	627	484
Mayoral Committee Members	3,462	4,468	3,462	4,468
Speaker	430	486	430	486
Councillors	47,384	36,465	47,384	36,465
Councillors' pension contribution	4,685	3,919	4,685	3,919
<b>Total Councillors' Remuneration</b>	<b>57,354</b>	<b>46,391</b>	<b>57,354</b>	<b>46,391</b>

#### *In-kind Benefits:*

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

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards . The Deputy Mayor and speaker have two full-time bodyguards.

### 31. FINANCE COSTS

Non-current borrowings	525,168	574,837	500,954	543,175
Consumer Deposits	6,386	5,992	6,386	5,992
Finance leases	2,565	2,908	2,565	2,908
Other	19,080	8,242	19,080	8,242
<b>Total Finance costs</b>	<b>553,199</b>	<b>591,979</b>	<b>528,985</b>	<b>560,317</b>

### 32. BULK PURCHASES

Electricity	1,827,602	1,645,491	1,827,602	1,645,491
Water	857,009	797,762	857,009	797,762
<b>Total Bulk Purchases</b>	<b>2,684,611</b>	<b>2,443,253</b>	<b>2,684,611</b>	<b>2,443,253</b>

### 33. GRANTS AND SUBSIDIES PAID

Grant paid :Durban Arts Association	2,378	2,265	2,378	2,265
Grant paid: Enhanced Extended Discount Benefit	56,432	-	56,432	-
Grant paid: Sporting Organisations	28,827	26,920	28,827	26,920
Grant paid: Playhouse Company	2,366	2,346	2,366	2,346
Grant paid: Natal Philharmonic Orchestra	5,000	6,009	5,000	6,009
Grant paid: Tourism Indaba	6,085	5,211	6,085	5,211
Grant paid: Trade Point Durban	-	1,000	-	1,000
Grant paid: Food Aid Program	4,038	3,241	4,038	3,241
Grant paid: Other	18,323	7,753	18,323	7,753
<b>Total Grants and Subsidies Paid</b>	<b>123,449</b>	<b>54,745</b>	<b>123,449</b>	<b>54,745</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>34. CASH GENERATED FROM OPERATIONS</b>				
Surplus for the year	1,119,636	798,717	1,129,802	802,020
<b>Adjustments for:</b>				
Depreciation - Property, Plant and equipment	898,028	860,907	842,573	811,665
Gains on disposal of property, plant and equipment	(28,805)	(31,355)	(28,781)	(31,355)
Contributions to provisions-non current	83,829	-	83,829	-
Contribution to provisions - current	12,696	11,907	12,733	6,889
Contribution to bad debt provision	346,430	388,122	346,430	388,122
Investment income	(396,693)	(285,283)	(398,667)	(281,306)
Finance Costs	552,800	591,676	528,985	560,317
Net fair value adjustments	-	26,256	-	26,256
Loss on impairment	-	-	109,877	87,870
Loss on disposal of property, plant and equipment	7,963	1,519	342	141
Increase /Decrease in deferred income	(1,079)	677	-	-
Share of income from joint venture	-	-	(111,825)	(1,432)
Depreciation - Investment properties	5,405	4,509	802	244
Amortisation of Intangibles	44,256	1,144	43,373	-
<b>Changes in working capital:</b>				
Inventories	(18,719)	7,686	(18,525)	7,639
Debtors	(389,465)	(629,771)	(387,259)	(629,203)
(Increase) in other debtors	(312,804)	(13,912)	(102,017)	(75,581)
Decrease / (increase) in VAT debtors	47,658	(90,059)	23,498	(81,984)
Increase in deposits	48,256	44,727	43,604	44,527
Creditors	612,533	264,121	564,579	261,697
Unspent conditional grants and receipts	29,956	10,541	29,956	10,541
Increase in Retirement Benefit Obligations	438,717	38,258	438,717	38,258
	<b>3,100,598</b>	<b>2,000,387</b>	<b>3,152,026</b>	<b>1,945,325</b>
<b>35. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION</b>				
Long-term liabilities	4,810,088	4,457,874	4,582,580	4,218,133
Used to finance property, plant and equipment – at cost	(4,810,088)	(4,457,874)	(4,582,580)	(4,218,133)
Cash set aside for the repayment of long-term liabilities	16,623	343,849	16,623	343,849

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>36. COMMITMENTS</b>				
<b>36.1 Commitments in respect of capital expenditure</b>				
<b>Approved and contracted for</b>				
• Infrastructure	400,669	323,587	400,669	323,587
• Community	5,950	26,740	5,950	26,740
• Land and buildings	114	-	114	-
• Other assets	4,667	-	4,267	-
<b>Approved but not yet contracted for</b>				
• Infrastructure	300	332,687	300	332,687
• Community	6,776	11,720	6,776	11,720
Durban Marine Theme Park (Pty)Ltd	400	-	-	-
<b>Total</b>	<b>418,876</b>	<b>694,734</b>	<b>418,076</b>	<b>694,734</b>

Durban Marine Theme Park Pty (Ltd) has R0,4m worth of unexpended capital commitments approved by the directors to be funded by shareholders loan.

### Operating leases – as lessee (expense)

#### Minimum lease payments due

- within one year	169	155	-	-
- in second to fifth year inclusive	165	334	-	-
	<b>334</b>	<b>489</b>	-	-

Durban Marine Theme Park Pty (Ltd) : The operating leases relate to photocopies used for office administration. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 31 May 2009. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalation percentage varies from lease to lease, the average being about 10%.

### 36.2 Operating leases – as lessor (expenditure)

#### The future minimum lease payments payable under operating leases are as follows:

- within one year	44,460	29,686	29,519	14,211
- in second to fifth year inclusive	88,035	64,291	41,204	2,519
- later than five years	16,538	511	16,538	511
	<b>149,033</b>	<b>94,488</b>	<b>87,261</b>	<b>17,241</b>

Durban Marine Theme Park Pty (Ltd) : The operating leases relate to rental contracts derived from Ushaka Village Walk. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 28 February 2017. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalation percentage varies from lease to lease, the average being about 10%.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 37. CONTINGENCIES

Contractual Disputes	11,956	574	11,956	574
----------------------	--------	-----	--------	-----

Various departments within the municipality have price disputes with certain contractors.

Self Insurance Reserve	44,905	75,130	44,905	75,130
------------------------	--------	--------	--------	--------

Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.

Long Service Awards	-	1,193	-	1,193
---------------------	---	-------	---	-------

It is council policy to award employees who have been in service for a period of longer than ten years. The estimated liability of the award is disclosed.

In the current year a provision has been made for these awards.

Bank Guarantee	3,600,000	3,600,000	3,600,000	3,600,000
----------------	-----------	-----------	-----------	-----------

This guarantee is issued in favour of The Member(s), Jeena's Warehouse Close Corporation dated 11 November 1998.

Finance Guarantees	141,800	170,000	141,800	170,000
--------------------	---------	---------	---------	---------

The municipality has issued promissary notes as surety for Loans granted by Financial Institutions to the Durban Marine Theme Park (Pty) Ltd.

### 38. RELATED PARTIES

Relationships	
Municipal Entities	Durban Marine Theme Park (Proprietary) Limited I.C.C. Durban (Proprietary) Limited Refer to note 14
Joint Venture	Riverhorse Valley Joint Venture Refer to note 16

#### Related party balances

##### Loan accounts - Owing by related parties

I.C.C. Durban (Proprietary) Limited	222,564	201,325
Durban Marine Theme Park (Proprietary) Limited	476,978	470,364
Durban Marine Theme Park (Proprietary) Limited - Interest bearing	146,960	64,935
Loans fully impaired	(846,502)	(736,624)
	-	-

##### Amounts included in Trade receivable regarding related parties

I.C.C. Durban (Proprietary) Limited	506	320
Durban Marine Theme Park (Proprietary) Limited	988	1,425
	<b>1,494</b>	<b>1,745</b>

##### Amounts included in Trade Payable regarding related parties

Durban Marine Theme Park (Proprietary) Limited	23	362
--	----	-----

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>38. Related parties (continued)</b>				
<b>Related party transactions</b>				
<b>Sales to related parties</b>				
I.C.C. Durban (Proprietary) Limited:				
Electricity			3,082	2,313
Water			386	418
Business Levies			-	125
Rates			7,324	6,657
Insurance			-	1,618
Durban Marine Theme Park (Proprietary) Limited				
Electricity			6,776	6,500
Water			2,467	2,482
Business Levies			21	234
Interest			14,460	4,022
Riverhorse Valley Joint Venture				
Electricity and Water			37	77
Business Levies			-	3
Rates			18	5
Income from Joint Venture			111,825	1,432
			<b>146,396</b>	<b>25,886</b>
<b>Purchases from related parties</b>				
I.C.C. Durban (Proprietary) Limited				
General Expenses			4,906	4,398
Durban Marine Theme Park (Proprietary) Limited				
General Expenses			1,909	4,743
			<b>6,815</b>	<b>9,141</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>39. CORRECTION OF PRIOR YEAR ERRORS</b>				
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -				
<b>Property, Plant and Equipment</b>				
Balance previously reported	-	11,409,667	-	10,851,211
Capitalisation of Hostels incorrectly expensed	-	11,427	-	11,427
Finance Leased Assets incorrectly recorded as operating leases	-	9,986	-	9,986
Correction of Accumulated Depreciation	-	(242)	-	(242)
Transfer of I.C.C. Assets	-	-	-	(580,389)
Ushaka computer software reclassified as Intangible assets	-	(306)	-	-
I.C.C. computer software reclassified as Intangible assets	-	(1,274)	-	-
	-	<b>11,429,258</b>	-	<b>10,291,993</b>
<b>VAT receivable</b>				
Balance previously reported	-	31,010	-	32,337
Refund from SARS relating to the period 1991 to 1996	-	63,344	-	63,344
Reversal of previously consolidated Metro Trust VAT	-	(85)	-	-
	-	<b>94,269</b>	-	<b>95,681</b>
<b>Other debtors</b>				
Balance previously reported	-	1,159,855	-	1,118,742
Correction of Housing Debtors	-	(16,459)	-	(16,459)
	-	<b>1,143,396</b>	-	<b>1,102,283</b>
<b>Deposits</b>				
Balance previously reported	-	476,903	-	466,135
Reclassified as other creditors	-	(195)	-	(195)
	-	<b>476,708</b>	-	<b>465,940</b>
<b>Creditors</b>				
Balance previously reported	-	2,737,930	-	2,703,601
Accruals incorrectly omitted	-	123,629	-	123,629
Reversal of previously consolidated Metro Trust creditors	-	76	-	-
Reclassification from Ushaka bank balances	-	686	-	-
Deposits reclassified as creditors	-	195	-	195
Metro Trust accruals adjustment	-	2,063	-	-
Creditors reclassified as unspent conditional grants	-	(670)	-	(670)
	-	<b>2,863,909</b>	-	<b>2,826,755</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>39. Correction of Prior Year Errors (continued)</b>				
<b>Retirement benefit obligations</b>				
Balance previously reported	-	691,236	-	691,236
Reversal of Asset as per actuarial valuations : Durban Pension Fund	-	212,000	-	212,000
	-	<b>903,236</b>	-	<b>903,236</b>
<b>Housing Development Fund</b>				
Balance previously reported	-	709,881	-	709,881
Bad Debts written off	-	(16,459)	-	(16,459)
Accruals incorrectly omitted	-	479	-	479
	-	<b>693,901</b>	-	<b>693,901</b>
<b>Accumulated Surplus</b>				
Balance previously reported	-	6,619,570	-	6,171,815
Capitalisation of Hostels previously expensed	-	11,427	-	11,427
Finance Leased Assets	-	9,986	-	9,986
VAT refund	-	63,344	-	63,344
Housing bad debts written off	-	(16,459)	-	(16,459)
Housing Development Fund adjustment	-	15,980	-	15,980
Correction of Depreciation error	-	(242)	-	(242)
Expenses incorrectly omitted	-	(140,502)	-	(140,502)
ICC Assets transfer depreciation adjustment	-	-	-	16,447
Reversal of actuarial gain - Durban Pension Fund (Employee related costs - retirement benefit obligations)	-	(212,000)	-	(212,000)
Employee benefits - Performance Bonus payments	-	(4,146)	-	(4,146)
Transfer of future depreciation value of I.C.C. assets	-	196,350	-	196,350
Interest on Investments - Ethekewini interest earned via Metro Trust	-	186	-	-
Other Income - Metro Trust	-	(11,438)	-	-
General Expenses - Metro Trust	-	9,030	-	-
	-	<b>6,541,086</b>	-	<b>6,112,000</b>
<b>Unspent Conditional Grants and Receipts</b>				
Balance previously reported	-	100,681	-	100,681
Reclassified from Creditors	-	670	-	670
	-	<b>101,351</b>	-	<b>101,351</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>39. Correction of Prior Year Errors (continued)</b>				
<b>Donations and Public Contributions Reserve</b>				
Balance previously reported	-	1,265,539	-	1,265,539
Transfer of future depreciation value of I.C.C. assets	-	(196,350)	-	(196,350)
	-	<b>1,069,189</b>	-	<b>1,069,189</b>
<b>Finance Lease Obligations</b>				
Balance previously reported	-	-	-	-
Recognition of Finance Leases	-	21,013	-	21,013
	-	<b>21,013</b>	-	<b>21,013</b>
<b>Long-term Receivables</b>				
Balance previously reported	-	311,989	-	311,989
Transfer of I.C.C. Assets	-	-	-	580,389
I.C.C. Assets transfer depreciation adjustment	-	-	-	16,447
	-	<b>311,989</b>	-	<b>908,825</b>
<b>Intangible assets</b>				
Balance previously reported	-	43,121	-	43,121
Ushaka computer software reclassified from Property, Plant and Equipment	-	306	-	-
I.C.C. computer software reclassified from Property, Plant and Equipment	-	1,274	-	-
	-	<b>44,701</b>	-	<b>43,121</b>
<b>Bank balances and cash / Bank overdraft</b>				
Balance previously reported	-	(2,926)	-	(26,106)
Reclassification of Ushaka bank balances to Creditors	-	686	-	-
	-	<b>(2,240)</b>	-	<b>(26,106)</b>



# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### 40. POST REPORTING DATE EVENTS

Establishment of the Regional Electricity Distributors

A Cabinet decision was taken on the 25 October 2006 where approval was given to the proposal of creating six Regional Electricity Distributors which will be established as public entities under the auspices of the Electricity Distribution Industry (EDI) Holdings (Ltd). These entities will be accountable to the Ministry of Minerals and Energy. The next step will include the drafting of legislation and business plan for the establishment of the Regional Electricity Distributors. The financial impact of the establishment of the Regional Electricity Distributors is still to be assessed.

Durban Marine Theme Park (Pty)Ltd

In September 2007 the Municipality invested a further R157million into one of its entities, Durban Marine Theme Park (Pty)Ltd, for which 1617 shares were issued. In addition it was also decided to convert the interest-bearing loan from the Municipality into equity which will equate to 1545 shares at the date of conversion. Furthermore, the shareholders loan of R477million is also to be converted to the value of 4913 shares at the date of conversion. The eThekwini Municipality and the entity will account for these entries in the 2007/08 financial year.

### 41. TRAFFIC FINES

Traffic fines issued but not yet recovered at year end.	711,969	556,265	711,969	556,265
---	---------	---------	---------	---------

The recoverability of outstanding traffic fines is uncertain.

### 42. HOUSING

In the prior year no insurance was provided for houses that were constructed in terms of agency agreement with Province. Any costs, inclusive of insurance, were expensed against the project.

### 43. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure's E(1) and E(2).

### 44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

**A summary of material cases during 2006/07 are listed below**

Housing - Collections not deposited	117	-	117	-
Materials Management - Fraud and Cover quoting	3,396	-	3,396	-

#### Irregular expenditure

#### Reconciliation of irregular expenditure

Opening balance	2,280	-	2,280	-
Fruitless and wasteful expenditure current year	3,513	2,280	3,513	2,280
<b>Irregular expenditure awaiting condonement</b>	<b>5,793</b>	<b>2,280</b>	<b>5,793</b>	<b>2,280</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006
<b>45. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>Contributions to organized local government</b>				
Council subscriptions	6,000	6,000	6,000	6,000
Amount paid - current year	(6,000)	(6,000)	(6,000)	(6,000)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Audit fees</b>				
Opening balance	100	8,980	-	8,436
Current year audit fee	1,430	842	819	826
Previous years audit fee	7,517	-	7,517	-
Amount paid - current year	(1,430)	(945)	(819)	(826)
Amount paid - previous years	(7,617)	(8,777)	(7,517)	(8,436)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>-</b>
<b>VAT</b>				
VAT received(paid) for the year	61,574	(68,977)	61,574	(68,977)
<b>PAYE and UIF</b>				
Opening balance	163	160	-	-
Current year payroll deductions	363,943	359,038	357,682	356,655
Amount paid - current year	(363,717)	(358,875)	(357,682)	(356,655)
Amount paid - previous years	(163)	(160)	-	-
<b>Balance unpaid (included in creditors)</b>	<b>226</b>	<b>163</b>	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>				
Opening balance	235	233	-	-
Current year payroll deductions and Council Contributions	644,949	610,073	638,568	603,341
Amount paid - current year	(644,690)	(609,838)	(638,568)	(603,341)
Amount paid - previous years	(235)	(233)	-	-
<b>Balance unpaid (included in creditors)</b>	<b>259</b>	<b>235</b>	<b>-</b>	<b>-</b>

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand	Group		Municipality	
	2007	2006	2007	2006

### Councillors arrears

The following Councillors had arrear accounts outstanding for more than 90 days as at the end of the respective financial years:

<b>30 June 2007</b>	<b><u>Amount Outstanding Rands</u></b>	<b><u>Amount Outstanding Rands</u></b>
Councillor Mfeka P.	2,861	2,861
Councillor Mthembu M.K.	2,884	2,884
Councillor Ntanzu P.N.	15,166	15,166
	<b>20,911</b>	<b>20,911</b>

<b>30 June 2006</b>	<b><u>Amount Outstanding Rands</u></b>	<b><u>Amount Outstanding Rands</u></b>
Councillor Chamane B.N.	3,343	3,343
Councillor Buthelezi S.S.	320	320
Councillor Cele J.N.	4,884	4,884
Councillor Hoosen M.H.	54,960	54,960
Councillor Kaunda T.M.	1,737	1,737
Councillor Lutyeka V.	208	208
Councillor Mabuza F.T.	694	694
Councillor Mfeka P.	4,460	4,460
Councillor Mlaba T.O.	7,129	7,129
Councillor Mkhize N.I.	994	994
Councillor Mthembu M.K.	156	156
Councillor Mthembu N.E.	17,097	17,097
Councillor Mshibe Z.W.	237	237
Councillor Ngcece Z.V.	287	287
Councillor Ngcobo M.C.	1,292	1,292
Councillor Shabalala A.N.	1,657	1,657
	<b>99,455</b>	<b>99,455</b>

It should be noted, in the case of Councillor T.O. Mlaba, that the amount related to outstanding insurance proceeds due to a burst water pipe.

### 46. TAXATION

No provision has been made for the taxation of municipal entities as they have an assessed loss of R322 038 198 (2006: R239 257 719), which is available for set-off against future taxable income. No deferred tax asset has been raised.

### 47. GOVERNMENT GAZETTE NO. 30013 - EXEMPTIONS

During the year, the municipality took advantage of the exemptions in terms of Government Gazette no. 30013 approved by the Minister of Finance. The Accountant-General granted the municipality permission to deviate from the above government gazette with regard to full compliance with IAS 40/AC135 (Investment property) and IAS 19/AC116 (Employee benefits). The impact of these exemptions will result in assets and liabilities being disclosed at historical cost as opposed to fair value. The exemptions have been applied prospectively.

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

### 48. BANK BALANCES

Account number - Bank - Account Description	Cash Book Balance 30June 2007	Bank Statement balance 30June 2007	Cash Book Balance 30June 2006	Bank Statement balance 30June 2006
62085728106 - FNB - Main Expenditure	36,913	(169,133)	-	(662,821)
62085728263 - FNB - Main Expenditure EFT	6	(347,220)	4	(1,151,807)
62085720722 - FNB - Direct Deposits Account	3,286	152,243	(5,043)	(267,266)
62085725855 - FNB - Electronic Deposits Account	9,861	2,131,237	-	(41,810)
62085729948 - FNB - Cashiers Deposit Account	1,359	92,218	1,627,732	4,772,005
62085730119 - FNB - Government Deposit Account	6,190	43,369	-	80,810
62085723990 - FNB - Water and Sanitation Services Deposit Account	218	1,315	-	1,217
62085721952 - FNB - Electricity Income Account	126	14,264	-	2,151
62085721481 - FNB - Electricity Prepaid Vendor Deposits	2,283	32,218	-	49,135
62085729071 - FNB - SARS E-Filing Account	837	837	13,570	109,138
62085725996 - FNB - Dishonoured Cheques Account	(493)	(2,031)	(401)	(4,550)
62085721332 - FNB - Direct Debit Collections Account	-	41,412	-	370
62085721762 - FNB - Transwitch Account	72	73,986	-	353,276
62085722546 - FNB - Agents Deposit Account	1,144	23,245	-	16,798
62085722877 - FNB - Metro Police Deposit Account	14	2,646	-	2,640
62085729790 - FNB - Metro Police Transwitch Deposit Account	-	639	-	1,410
62085723495 - FNB - Parks, Recreation and Culture Deposit Acc.	12	2,223	-	9,624
62085723776 - FNB - City Engineers Account	85	39,395	-	13,541
62085724992 - FNB - Business Levies Income Deposit Account	-	143	-	15,803
62085725152 - FNB - Business Levies Direct Deposit Account	-	529	-	37,116
62085725384 - FNB - Business Levies Unpaid Cheques Account	-	207	-	(65)
62085729534 - FNB - Virginia Airport Account	-	277	-	343
62116972755 - FNB - Department of Housing Account	-	10,783	-	-
62085728908 - FNB - Sundry PAYE Account	449	449	264	264
62085729245 - FNB - Cash Payments Account	185	(246)	(663)	(2,032)
62088851764 - FNB - Refunds Expenditure Account	2,960	770	-	(1,393)
62085724542 - FNB - Water and Sanitation Services Expenditure Acc.	1,309	(4,082)	(3,232)	688
62085724732 - FNB - Water and Sanitation Services EFT Account	76	(198,645)	(179,446)	(1,354,731)
62085722348 - FNB - Electricity Expenditure Account	(1,882)	(1,882)	-	-
62085722463 - FNB - Electricity EFT Account	(258,481)	(258,481)	(177,853)	(347,652)
62085738750 - FNB - Salaries Account	(10)	(118,800)	-	(422,446)
62085727661 - FNB - Durban Fresh Produce Market Account	9,444	9,381	6,155	438,565
62085727143 - FNB - Short term 2 Account	(1,525,248)	(1,494,686)	(1,199,679)	(1,002,307)
62085727116 - FNB - General Bank Account	1,030,657	(743,500)	(1,053,464)	(1,944,279)
62085729378 - FNB - Bank Charges Account	-	(450)	-	(601)
62085726449 - FNB - Consolidated Investment Fund Bank Account	527,119	527,119	936,747	1,313,749

# eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2007

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

62085726879 - FNB - Consolidated Investment Fund EFT Account	93,467	93,467	-	(31,311)
62121186705 - FNB - 2010 Soccer Grant Account	75,492	75,492	-	-
Internal Inter-company Banks	150	-	86	-
<b>Totals: ETHEKWINI MUNICIPALITY</b>				
Bank balances	1,803,714	-	2,584,558	-
Bank overdraft	(1,786,114)	-	(2,619,781)	-
<b>Durban Marine Theme Park (Proprietary)</b>				
<u>Limited:</u>				
0500337036 - Citibank - Primary Bank Account	12,454	12,454	(2,116)	(2,116)
0500337052 - Citibank - Retail Bank Account	70	70	90	90
050033026 - Standard Bank - Overdraft Bank Account	2	2	(7,870)	(7,870)
0500337125 - Citibank - Schools Bank Account	8	8	1	1
0500337044 - Citibank - Debt Service Bank Account	3,788	3,788	3	3
<u>I.C.C. Durban (Proprietary) Limited:</u>				
50226959 - Standard Bank	(781)	-	(579)	-
332845 - Standard Bank	16,357	-	5,507	-
50881201632 - FNB	196	-	116	-
<u>Effingham Development Joint Venture:</u>				
Bank Balances	(2,516)	-	27,956	-
<b>Totals: MUNICIPAL ENTITIES</b>				
Bank balances	32,875	-	33,673	-
Bank overdraft	(3,297)	-	(10,565)	-
<b>Totals: GROUP</b>				
Bank balances	1,836,589	-	2,618,231	-
Bank overdraft	(1,789,411)	-	(2,630,346)	-

**APPENDIX A(1) : ETHEKWINI MUNICIPALITY - SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2007**

Description	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/06	Received during the year	Redeemed / (Interest Capitalised) during this period	Balance at 30/06/07	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		%		R'000	R'000	R'000	R'000	R'000	R'000
<b>ETHEKWINI MUNICIPALITY:</b>									
<b>LONG TERM LOANS</b>									
Debenture Stock	D142	3.75	10/11/2007	750	0	0	750	0	0
Stock Loan	N7	13	31/07/2006	500	0	500	0	0	0
Stock Loan	N8	15.25	30/06/2009	1,000	0	0	1,000	0	0
Stock Loan	V1	14.1	31/10/2008	11,448	0	0	11,448	0	0
Stock Loan	A700	12.7	30/06/2007	158	0	158	0	0	0
Stock Loan	A772	16.1	30/06/2009	2,000	0	0	2,000	0	0
Stock Loan	K34	14.6	30/06/2013	200	0	0	200	0	0
<b>Total Stock Loans</b>				<b>16,056</b>	<b>0</b>	<b>658</b>	<b>15,398</b>	<b>0</b>	<b>0</b>
FRB PN	1/58	Variable	30/06/2016	280,157	0	12,406	267,751		
INCA INDWA	1/66	9.52	30/06/2020	483,923	0	17,645	466,278	445,987	0
Nedbank Ltd	1/67	8.47	31/03/2021	909,709	0	32,199	877,510	786,002	0
SBSA	1/44	Variable	31/12/2006	31,106	0	31,106	0	0	0
DBSA Ph 1	P1	13.5	30/09/2017	597,625	0	23,654	573,971	0	0
DBSA Ph 2	P2	11.97	31/03/2016	345,543	0	29,682	315,861	0	0
DBSA Ph 3	P3	12.9	30/09/2017	399,350	0	15,268	384,082	0	0
DBSA Ph 4	P4	10.4	30/06/2019	529,402	0	20,666	508,736	0	0
DBSA Ph 5	P5	8.9	30/06/2020	301,542	0	10,825	290,717	42,555	0
DBSA Ph 6	P5	8.75	30/06/2022	0	800,000	0	800,000	485,397	0
DWAF	DW	8.9	31/03/2013	720	0	184	536	0	0
AFD Calyon	1/68	9.52	31/12/2018	0	58,740	0	58,740	0	0
<b>Total Annuity Loans</b>				<b>3,879,077</b>	<b>858,740</b>	<b>193,635</b>	<b>4,544,182</b>	<b>1,759,941</b>	<b>0</b>
MLS ABSA	1/36	Variable	12/06/2006	0	0	0	0	0	0
ABSA	1/41	Variable	31/05/2007	300,000	0	300,000	0	0	0
ABSA	1/64	Variable	31/10/2010	23,000	0	0	23,000	0	0
<b>Total Non Annuity Loans</b>				<b>323,000</b>	<b>0</b>	<b>300,000</b>	<b>23,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXTERNAL LOANS (ETHEKWINI MUNICIPALITY)</b>				<b>4,218,133</b>	<b>858,740</b>	<b>494,293</b>	<b>4,582,580</b>	<b>1,759,941</b>	<b>0</b>

APPENDIX A(2) : ETHEKWINI MUNICIPALITY AND ITS MUNICIPAL ENTITIES - SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2007

Description	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/06	Received during the year	Redeemed / (Interest Capitalised) during this period	Balance at 30/06/07	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		%		R'000	R'000	R'000	R'000	R'000	R'000
<b>DURBAN MARINE THEME PARK:</b>									
<b>LONG TERM LOANS</b>									
Debenture Stock		13		67,093	0	(6,500)	73,593	0	0
<b>Total Stock Loans</b>				<b>67,093</b>	<b>0</b>	<b>(6,500)</b>	<b>73,593</b>	<b>0</b>	<b>0</b>
Standard Bank		9.52		2,964	0	802	2,162	842	0
CITI Bank		13.84		125,977	0	16,513	109,464	564,662	0
DBSA		13.84		38,235	0	5,882	32,353	564,662	0
DBSA - Phantom ship		10.9		4,900	0	1,464	3,436	6,150	0
DBSA - Village Walk		8.5		0	0	(5,871)	5,871	5,870	0
<b>Total Annuity Loans</b>				<b>172,076</b>	<b>0</b>	<b>18,790</b>	<b>153,286</b>	<b>1,142,186</b>	<b>0</b>
Premium Finance Solutions		Variable		572	0	(56)	628	0	0
<b>Total Non Annuity Loans</b>				<b>572</b>	<b>0</b>	<b>(56)</b>	<b>628</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXTERNAL LOANS (DURBAN MARINE THEME PARK)</b>				<b>239,741</b>	<b>0</b>	<b>12,234</b>	<b>227,507</b>	<b>1,142,186</b>	<b>0</b>
<b>TOTAL EXTERNAL LOANS: ETHEKWINI MUNICIPALITY</b> (refer Appendix A (1))				<b>4,218,133</b>	<b>858,740</b>	<b>494,293</b>	<b>4,582,580</b>	<b>1,759,941</b>	<b>0</b>
<b>GROUP TOTAL:</b>				<b>4,457,874</b>	<b>858,740</b>	<b>506,527</b>	<b>4,810,087</b>	<b>2,902,127</b>	<b>0</b>

APPENDIX B : ETHEKWINI MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2007

	Cost / Revaluation							Accumulated Depreciations					Carrying Value
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Land and Buildings</b>													
Land	539,284	0	1,138	3,708	(5,575)	(87,783)	450,771	0	0	0	0	0	450,771
Buildings	1,199,358	55,941	65,632	29,078	(16,726)	(1,172)	1,332,112	453,123	37,494	(4,460)	(1,032)	485,125	846,987
	<b>1,738,642</b>	<b>55,941</b>	<b>66,770</b>	<b>32,786</b>	<b>(22,301)</b>	<b>(88,955)</b>	<b>1,782,883</b>	<b>453,123</b>	<b>37,494</b>	<b>(4,460)</b>	<b>(1,032)</b>	<b>485,125</b>	<b>1,297,758</b>
<b>Infrastructure</b>													
Roads	3,238,489	157,885	246,571	94,745	0	70,732	3,808,423	1,309,827	182,032	0	70,732	1,562,591	2,245,831
Traffic Equipment & Ranks	288,222	0	63,902	0	0	(60)	352,064	77,161	14,246	0	(14)	91,393	260,671
Stormwater Drainage	496,252	0	45,216	24,073	0	0	565,541	204,297	21,951	0	0	226,248	339,293
Servitudes	15,976	0	0	0	0	0	15,976	7,368	539	0	0	7,907	8,069
Sewerage Pumps	89,811	72,127	1,090	2,455	0	0	165,483	32,080	5,531	0	0	37,611	127,872
Sewerage Mains & Reticulation	998,780	129,604	40,772	229,046	0	0	1,398,203	332,835	49,772	0	0	382,607	1,015,596
Purification Works	390,402	11,483	10,509	40,095	0	0	452,489	178,517	16,814	0	0	195,331	257,158
Refuse Sites & Transfer Station	244,829	7,635	0	45,899	0	0	298,363	87,577	20,989	0	0	108,565	189,798
Water Mains & Reticulation	1,416,357	103,973	20,554	238,194	0	0	1,779,078	460,969	60,818	0	0	521,787	1,257,291
Water Reservoirs	212,918	374	116	6,809	0	0	220,216	73,184	10,208	0	0	83,393	136,824
General Infrastructure	562,601	4,253	12,844	526,505	0	(178,119)	928,083	304,147	18,096	0	(248,852)	73,391	854,692
Mains	1,151,765	26,259	32,324	135,463	0	0	1,345,810	413,004	7,158	0	0	420,162	925,648
Major Substations	1,250,777	95,130	6,876	102,521	0	(7,949)	1,447,355	408,011	124,856	0	(7,853)	525,015	922,341
Public Lighting	152,487	5,450	15,246	0	0	0	173,183	57,457	64	0	0	57,521	115,663
Connections & Switches	592,330	0	499	0	0	0	592,830	339,258	1,285	0	0	340,543	252,287
	<b>11,101,996</b>	<b>614,173</b>	<b>496,519</b>	<b>1,445,805</b>	<b>0</b>	<b>(115,396)</b>	<b>13,543,097</b>	<b>4,285,691</b>	<b>534,359</b>	<b>0</b>	<b>(185,986)</b>	<b>4,634,064</b>	<b>8,909,033</b>
<b>Community Assets</b>													
Recreation	459,217	1,533	10,948	12,505	0	(666)	483,537	168,680	18,598	0	8,230	195,508	288,029
Clinics & Depots	40,718	5,701	34	13,785	0	0	60,239	9,492	1,333	0	0	10,825	49,414
Cemeteries & Crematoria	60,858	1,013	549	(10)	0	1,087	63,497	16,668	2,047	0	(15,791)	2,924	60,573
Community Halls	64,343	2,104	6,378	(1,265)	0	0	71,560	16,207	2,145	0	0	18,352	53,208
Fire Stations	14,959	1,572	1,504	7,180	0	(2)	25,214	3,989	498	0	0	4,487	20,727
Libraries	51,676	0	0	0	0	0	51,676	19,172	1,718	0	0	20,890	30,787
Museums	925	0	0	0	0	0	925	378	31	0	0	409	517
Police Stations	720	3,239	10,702	(3,239)	0	0	11,421	43	24	0	0	67	11,355
	<b>693,417</b>	<b>15,162</b>	<b>30,115</b>	<b>28,956</b>	<b>0</b>	<b>420</b>	<b>768,071</b>	<b>234,628</b>	<b>26,394</b>	<b>0</b>	<b>(7,561)</b>	<b>253,461</b>	<b>514,610</b>
<b>Heritage Assets</b>													
Exhibits	6,459	0	40	53	0	0	6,553	0	0	0	0	0	6,553
	<b>6,459</b>	<b>0</b>	<b>40</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>6,553</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,553</b>
<b>Other Assets</b>													
Airconditioning	5,901	0	347	0	0	(256)	5,993	4,578	426	0	(225)	4,779	1,214
Security Systems	35,700	0	20,868	0	0	(40)	56,528	16,221	5,650	0	(33)	21,839	34,690
Computer Equipment	223,098	0	25,291	0	0	(28,981)	219,409	189,459	19,721	0	(25,772)	183,408	36,000
Car Parks & Fencing	6,252	0	2,054	0	0	0	8,307	3,776	1,119	0	0	4,895	3,412
Building	202	0	0	0	0	0	202	0	0	0	0	0	202
Plant & Equipment	1,013,957	0	14,869	0	(229,068)	(69,961)	729,797	487,957	88,183	(53,348)	(67,555)	455,237	274,561
Furniture & Fittings	42,220	0	2,539	0	0	(3,544)	41,215	27,095	3,670	0	(2,949)	27,817	13,399
Markets	21,704	0	3,724	0	0	0	25,428	3,602	706	0	0	4,308	21,121
Vehicles	840,129	0	182,505	0	0	(13,611)	1,009,023	454,829	117,971	0	(12,154)	560,646	448,377
Fire Engines	35,165	0	19,554	1,439	0	(695)	55,463	7,156	1,886	0	(209)	8,833	46,630
	<b>2,224,330</b>	<b>0</b>	<b>271,751</b>	<b>1,439</b>	<b>(229,068)</b>	<b>(117,086)</b>	<b>2,151,366</b>	<b>1,194,672</b>	<b>239,333</b>	<b>(53,348)</b>	<b>(108,896)</b>	<b>1,271,761</b>	<b>879,605</b>
<b>Leased Assets</b>													
	24,964	0	0	0	0	0	24,964	14,978	4,993	0	0	19,971	4,993
	<b>24,964</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,964</b>	<b>14,978</b>	<b>4,993</b>	<b>0</b>	<b>0</b>	<b>19,971</b>	<b>4,993</b>
<b>Total</b>	<b>15,789,809</b>	<b>685,277</b>	<b>865,195</b>	<b>1,509,040</b>	<b>(251,369)</b>	<b>(321,018)</b>	<b>18,276,933</b>	<b>6,183,093</b>	<b>842,573</b>	<b>(57,808)</b>	<b>(303,475)</b>	<b>6,664,382</b>	<b>11,612,551</b>



**APPENDIX B : GROUP : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Cost / Revaluation							Accumulated Depreciations					Carrying Value
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>Land and Buildings</b>													
Land	539,284	0	1,138	3,708	(5,575)	(87,783)	450,771	0	0	0	0	0	450,771
Buildings	2,256,090	55,986	72,385	206,256	(16,726)	(9,329)	2,564,663	479,435	68,418	(4,460)	(1,576)	541,817	2,022,846
	<b>2,795,374</b>	<b>55,986</b>	<b>73,523</b>	<b>209,964</b>	<b>(22,301)</b>	<b>(97,112)</b>	<b>3,015,435</b>	<b>479,435</b>	<b>68,418</b>	<b>(4,460)</b>	<b>(1,576)</b>	<b>541,817</b>	<b>2,473,618</b>
<b>Infrastructure</b>													
Roads	3,238,489	157,885	246,571	94,745	0	70,732	3,808,423	1,309,827	182,032	0	70,732	1,562,591	2,245,831
Traffic Equipment & Ranks	288,222	0	63,902	0	0	(60)	352,064	77,161	14,246	0	(14)	91,393	260,671
Stormwater Drainage	496,252	0	45,216	24,073	0	0	565,541	204,297	21,951	0	0	226,248	339,293
Servitudes	15,976	0	0	0	0	0	15,976	7,368	539	0	0	7,907	8,069
Sewerage Pumps	89,811	72,127	1,090	2,455	0	0	165,483	32,080	5,531	0	0	37,611	127,872
Sewerage Mains & Reticulation	998,780	129,604	40,772	229,046	0	0	1,398,203	332,835	49,772	0	0	382,607	1,015,596
Purification Works	390,402	11,483	10,509	40,095	0	0	452,489	178,517	16,814	0	0	195,331	257,158
Refuse Sites & Transfer Station	244,829	7,635	0	45,899	0	0	298,363	87,577	20,989	0	0	108,565	189,798
Water Mains & Reticulation	1,416,357	103,973	20,554	238,194	0	0	1,779,078	460,969	60,818	0	0	521,787	1,257,291
Water Reservoirs	212,918	374	116	6,809	0	0	220,216	73,184	10,208	0	0	83,393	136,824
General Infrastructure	562,601	4,253	12,844	526,505	0	(178,119)	928,083	304,147	18,096	0	(248,852)	73,391	854,692
Mains	1,151,765	26,259	32,324	135,463	0	0	1,345,810	413,004	7,158	0	0	420,162	925,648
Major Substations	1,250,777	95,130	6,876	102,521	0	(7,949)	1,447,355	408,011	124,856	0	(7,853)	525,015	922,341
Public Lighting	152,487	5,450	15,246	0	0	0	173,183	57,457	64	0	0	57,521	115,663
Connections & Switches	592,330	0	499	0	0	0	592,830	339,258	1,285	0	0	340,543	252,287
	<b>11,101,996</b>	<b>614,173</b>	<b>496,519</b>	<b>1,445,805</b>	<b>0</b>	<b>(115,396)</b>	<b>13,543,097</b>	<b>4,285,691</b>	<b>534,359</b>	<b>0</b>	<b>(185,986)</b>	<b>4,634,064</b>	<b>8,909,033</b>
<b>Community Assets</b>													
Recreation	459,217	1,533	10,948	12,505	0	(666)	483,537	168,680	18,598	0	8,230	195,508	288,029
Clinics & Depots	40,718	5,701	34	13,785	0	0	60,239	9,492	1,333	0	0	10,825	49,414
Cemeteries & Crematoria	60,858	1,013	549	(10)	0	1,087	63,497	16,668	2,047	0	(15,791)	2,924	60,573
Community Halls	64,343	2,104	6,378	(1,265)	0	0	71,560	16,207	2,145	0	0	18,352	53,208
Fire Stations	14,959	1,572	1,504	7,180	0	(2)	25,214	3,989	498	0	0	4,487	20,727
Libraries	51,676	0	0	0	0	0	51,676	19,172	1,718	0	0	20,890	30,787
Museums	925	0	0	0	0	0	925	378	31	0	0	409	517
Police Stations	720	3,239	10,702	(3,239)	0	0	11,421	43	24	0	0	67	11,355
	<b>693,417</b>	<b>15,162</b>	<b>30,115</b>	<b>28,956</b>	<b>0</b>	<b>420</b>	<b>768,071</b>	<b>234,628</b>	<b>26,394</b>	<b>0</b>	<b>(7,561)</b>	<b>253,461</b>	<b>514,610</b>
<b>Heritage Assets</b>													
Exhibits	6,459	0	40	53	0	0	6,553	0	0	0	0	0	6,553
	<b>6,459</b>	<b>0</b>	<b>40</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>6,553</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,553</b>
<b>Other Assets</b>													
Airconditioning	5,901	0	347	0	0	(256)	5,993	4,578	426	0	(225)	4,779	1,214
Security Systems	35,700	0	20,868	0	0	(40)	56,528	16,221	5,650	0	(33)	21,839	34,690
Computer Equipment	225,555	0	25,416	0	0	(29,011)	221,959	191,551	19,913	0	(25,793)	185,671	36,288
Car Parks & Fencing	6,252	0	2,054	0	0	0	8,307	3,776	1,119	0	0	4,895	3,412
Building	202	0	0	0	0	0	202	0	0	0	0	0	202
Plant & Equipment	1,107,504	0	17,038	0	(229,116)	(70,004)	825,421	512,000	97,264	(53,348)	(67,599)	488,316	337,105
Furniture & Fittings	103,544	0	11,536	0	0	(3,703)	111,376	52,075	18,649	0	(3,028)	67,696	43,680
Markets	21,704	0	3,724	0	0	0	25,428	3,602	706	0	0	4,308	21,121
Vehicles	841,628	0	182,624	0	0	(13,611)	1,010,641	455,744	118,249	0	(12,154)	561,838	448,803
Fire Engines	35,165	0	19,554	1,439	0	(695)	55,463	7,156	1,866	0	(209)	8,833	46,630
	<b>2,383,155</b>	<b>0</b>	<b>283,161</b>	<b>1,439</b>	<b>(229,116)</b>	<b>(117,320)</b>	<b>2,321,319</b>	<b>1,246,701</b>	<b>263,861</b>	<b>(53,348)</b>	<b>(109,040)</b>	<b>1,348,175</b>	<b>973,144</b>
<b>Leased Assets</b>													
	<b>24,964</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,964</b>	<b>14,978</b>	<b>4,993</b>	<b>0</b>	<b>0</b>	<b>19,971</b>	<b>4,993</b>
	<b>24,964</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,964</b>	<b>14,978</b>	<b>4,993</b>	<b>0</b>	<b>0</b>	<b>19,971</b>	<b>4,993</b>
<b>Total</b>	<b>17,005,366</b>	<b>685,322</b>	<b>883,358</b>	<b>1,686,218</b>	<b>(251,417)</b>	<b>(329,408)</b>	<b>19,679,439</b>	<b>6,261,434</b>	<b>898,025</b>	<b>(57,808)</b>	<b>(304,163)</b>	<b>6,797,488</b>	<b>12,881,951</b>

**APPENDIX C : ETHEKWINI MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000		R'000	R'000	R'000	R'000		R'000	R'000	
Miscellaneous	178,182	1,856	0	4,092	0	(178,119)	6,011	265,818	0	0	(265,755)	63	5,948
Legal Services	1,303	0	215	0	0	(104)	1,413	880	140	0	(95)	925	488
Real Estates	245,706	0	364	0	0	(2)	246,069	34,340	2,054	0	(1)	36,392	209,677
Health	151,450	2,919	2,601	20,820	0	(424)	177,366	63,881	7,607	0	(432)	71,056	106,310
Skills Development	1,319	0	61	0	0	(27)	1,353	919	142	0	(11)	1,051	302
Metropolitan Police	144,381	3,239	12,082	(3,239)	0	(852)	155,610	73,557	11,324	0	(753)	84,128	71,482
Retail Market	32,965	0	368	0	0	0	33,333	9,124	1,842	0	0	10,966	22,367
Housing	169,106	159,432	33,652	106,428	0	(250)	468,368	48,545	3,123	0	(173)	51,495	416,874
Municipal Information & Policy	4,353	0	1,356	0	0	(168)	5,541	2,022	654	0	(134)	2,541	2,999
Ombudsperson & Head : Investigation	768	0	38	0	0	(204)	603	369	107	0	(150)	326	276
Office Of International & Governance	163	0	47	0	0	(13)	198	43	33	0	(1)	75	122
Community Participation	2,844	0	166	0	0	0	3,010	540	558	0	0	1,098	1,912
Office Of Geographic Information	1,199	0	17	0	0	0	1,216	1,141	33	0	0	1,174	42
City Manager's Office	156	0	0	0	0	(25)	131	68	27	0	(15)	80	51
Strategic Projects	131	627	120	468,888	0	0	469,767	13	29	0	0	41	469,725
Office Of The D C M : Health, Safety	80	0	0	0	0	0	80	30	13	0	0	42	38
Office Of The D C M : Governance	12	0	0	0	0	0	12	2	2	0	0	5	7
Office Of The D C M : Treasury	1,096	0	130	0	0	0	1,226	357	151	0	0	509	718
Development Planning & Management	97,524	0	2,369	0	0	(240)	99,653	48,941	1,589	0	(199)	50,332	49,321
Economic Development & Facilitation	205,799	0	3,842	30,259	0	(124)	239,776	25,397	11,030	0	(94)	36,333	203,444
City Enterprises	7,362	(0)	35	0	0	(8)	7,389	6,224	278	0	(2)	6,500	889
Business Support	55,583	5,281	8,075	(4,804)	0	0	64,134	19,331	3,084	0	0	22,415	41,719
Procurement	9,447	0	2,565	0	0	(21)	11,992	4,141	1,621	0	(17)	5,745	6,246
Engineering	3,928,588	32,359	296,571	25,419	(330)	(965)	4,281,643	1,507,557	208,066	(306)	69,827	1,785,145	2,496,498
Emergency Services	143,570	1,572	24,080	8,587	0	(5,674)	172,135	59,164	11,651	0	(5,054)	65,760	106,375
Parks, Recreation, Cemeteries & Governance	1,070,556	4,862	22,097	1,501	0	(18,692)	1,080,323	394,953	49,751	0	7,497	452,201	628,122
Communications	84,471	0	4,495	0	0	(492)	88,474	57,581	3,600	0	(416)	60,764	27,710
Regional Centres	1,046	0	128	0	0	(341)	833	755	73	0	(328)	500	333
Human Resources	12,827	4,528	5,516	(255)	0	0	22,616	892	823	0	0	1,715	20,902
Management Services & Org Development	78,165	0	1,661	0	0	(261)	79,566	50,781	3,335	0	(158)	53,959	25,607
Finance	496	0	4	0	0	(27)	473	390	51	0	(16)	425	48
City Fleet	276,864	0	(32,670)	0	(177,970)	(1,857)	64,367	59,537	1,663	(25,904)	(1,683)	33,614	30,753
Office Of Audit & Performance Management	430,510	0	50,085	0	0	(6,393)	474,202	172,293	61,614	0	(5,250)	228,657	245,546
Information Technology	1,614	0	97	0	0	(326)	1,385	995	192	0	(281)	907	479
Ethekwini Transport Authority	235,906	0	57,829	0	(28,431)	(56)	265,249	132,562	34,635	(17,896)	(33)	149,269	115,980
Occupational Health & Safety	326,639	0	54,442	0	(3)	(2,599)	378,478	90,791	18,018	(3)	(2,107)	106,698	271,780
ABMS	2,513	0	122	0	0	(75)	2,561	1,646	293	0	(62)	1,877	684
Water	103,518	6,407	40,270	34,522	0	(17)	184,701	4,225	6,100	0	(4)	10,321	174,380
Sanitation	2,055,155	104,435	125,745	253,175	0	(60,428)	2,478,082	736,662	147,499	0	(57,743)	826,418	1,651,664
Solid Waste	1,540,400	213,214	25,852	271,683	0	(24,015)	2,027,134	610,882	33,506	0	(23,199)	621,188	1,405,945
Airport	492,141	1,218	28,699	18,991	0	(6,797)	534,252	241,223	49,099	0	(6,025)	284,297	249,955
Housing	1,313	0	193	0	0	0	1,507	351	5	0	0	356	1,150
Market Service	161,684	0	182	0	(22,301)	(1,773)	137,793	94,804	2,534	(4,460)	(1,338)	91,540	46,253
Gas	79,753	3,885	1,766	4,757	0	(4)	90,157	28,266	2,763	0	(3)	31,025	59,132
Electricity Service	0	6,417	0	26,908	0	0	33,325	0	0	0	0	0	33,325
	3,451,145	133,024	89,927	241,308	(22,335)	(9,643)	3,883,426	1,331,100	161,859	(9,240)	(9,267)	1,474,453	2,408,973
<b>Total</b>	<b>15,789,806</b>	<b>685,277</b>	<b>865,195</b>	<b>1,509,040</b>	<b>(251,369)</b>	<b>(321,016)</b>	<b>18,276,933</b>	<b>6,183,092</b>	<b>842,573</b>	<b>(57,808)</b>	<b>(303,475)</b>	<b>6,664,382</b>	<b>11,612,551</b>

**APPENDIX C : GROUP : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Miscellaneous	178,182	1,856	0	4,092	0	(178,119)	6,011	265,818	0	0	(265,755)	63	5,948
Legal Services	1,303	0	215	0	0	(104)	1,413	880	140	0	(95)	925	488
Real Estates	245,706	0	364	0	0	(2)	246,069	34,340	2,054	0	(1)	36,392	209,677
Health	151,450	2,919	2,601	20,820	0	(424)	177,366	63,881	7,607	0	(432)	71,056	106,310
Skills Development	1,319	0	61	0	0	(27)	1,353	919	142	0	(11)	1,051	302
Metropolitan Police	144,381	3,239	12,082	(3,239)	0	(852)	155,610	73,557	11,324	0	(753)	84,128	71,482
Retail Market	32,965	0	368	0	0	0	33,333	9,124	1,842	0	0	10,966	22,367
Housing	169,106	159,432	33,652	106,428	0	(250)	468,368	48,545	3,123	0	(173)	51,495	416,874
Municipal Information & Policy	4,353	0	1,356	0	0	(168)	5,541	2,022	654	0	(134)	2,541	2,999
Ombudsperson & Head : Investigation	768	0	38	0	0	(204)	603	369	107	0	(150)	326	276
Office Of International & Governance	163	0	47	0	0	(13)	198	43	33	0	(1)	75	122
Community Participation	2,844	0	166	0	0	0	3,010	540	558	0	0	1,098	1,912
Office Of Geographic Information	1,199	0	17	0	0	0	1,216	1,141	33	0	0	1,174	42
City Manager's Office	156	0	0	0	0	(25)	131	68	27	0	(15)	80	51
Strategic Projects	131	627	120	468,888	0	0	469,767	13	29	0	0	41	469,725
Office Of The D C M : Health, Safety	80	0	0	0	0	0	80	30	13	0	0	42	38
Office Of The D C M : Governance	12	0	0	0	0	0	12	2	2	0	0	5	7
Office Of The D C M : Treasury	1,096	0	130	0	0	0	1,226	357	151	0	0	509	718
Development Planning & Management	97,524	0	2,369	0	0	(240)	99,653	48,941	1,589	0	(199)	50,332	49,321
Economic Development & Facilitation	205,799	0	3,842	30,259	0	(124)	239,776	25,397	11,030	0	(94)	36,333	203,444
City Enterprises	6,180	(0)	35	0	0	(8)	6,207	6,218	278	0	(2)	6,494	(287)
Business Support	55,583	5,326	8,075	(4,804)	0	0	64,179	19,331	3,084	0	0	22,415	41,764
Procurement	9,447	0	2,565	0	0	(21)	11,992	4,141	1,621	0	(17)	5,745	6,246
Engineering	3,928,588	32,359	296,571	25,419	(330)	(965)	4,281,643	1,507,557	208,066	(306)	69,827	1,785,145	2,496,498
Emergency Services	143,570	1,572	24,080	8,587	0	(5,674)	172,135	59,164	11,651	0	(5,053)	65,761	106,374
Parks, Recreation, Cemeteries & Governance	1,070,559	4,862	22,097	1,501	0	(18,692)	1,080,326	394,958	49,751	0	7,497	452,206	628,120
Communications	84,471	0	4,495	0	0	(492)	88,474	57,581	3,600	0	(416)	60,764	27,710
Regional Centres	1,046	0	128	0	0	(341)	833	755	73	0	(328)	500	333
Human Resources	12,827	4,528	5,516	(255)	0	0	22,616	892	823	0	0	1,715	20,902
Management Services & Org Development	78,165	0	1,661	0	0	(261)	79,566	50,781	3,335	0	(158)	53,959	25,607
Finance	496	0	4	0	0	(27)	473	390	51	0	(16)	425	48
City Fleet	276,864	0	(32,670)	0	(177,971)	(1,857)	64,366	59,537	1,663	(25,904)	(1,683)	33,614	30,752
Office Of Audit & Performance Management	430,510	0	50,085	0	0	(6,393)	474,202	172,293	61,614	0	(5,250)	228,657	245,546
Information Technology	1,614	0	97	0	0	(326)	1,385	995	192	0	(281)	907	479
Ethekwini Transport Authority	235,906	0	57,829	0	(28,431)	(56)	265,249	132,562	34,635	(17,896)	(33)	149,269	115,980
Occupational Health & Safety	326,639	0	54,442	0	(3)	(2,599)	378,478	90,791	18,018	(3)	(2,107)	106,699	271,780
ABMS	2,513	0	122	0	0	(75)	2,561	1,646	293	0	(62)	1,877	684
Water	103,518	6,407	40,270	34,522	0	(17)	184,701	4,225	6,100	0	(3)	10,322	174,379
Sanitation	2,055,155	104,435	125,745	253,175	0	(60,428)	2,478,082	736,662	147,499	0	(57,743)	826,418	1,651,664
Solid Waste	1,540,400	213,214	25,852	271,683	0	(24,015)	2,027,134	610,882	33,506	0	(23,199)	621,188	1,405,946
Airport	492,141	1,218	28,699	18,991	0	(6,797)	534,252	241,223	49,099	0	(6,025)	284,297	249,955
Housing	1,313	0	193	0	0	0	1,507	351	5	0	0	356	1,150
Market Service	161,684	0	182	0	(22,301)	(1,772)	137,794	94,803	2,534	(4,460)	(1,337)	91,540	46,254
Gas	79,753	3,885	1,766	4,757	0	(4)	90,157	28,266	2,763	0	(3)	31,025	59,132
Electricity Service	0	6,417	0	26,908	0	0	33,325	0	0	0	0	33,325	0
Durban Marine Theme Park	3,451,145	133,024	89,927	241,308	(22,335)	(9,643)	3,883,426	1,331,100	161,859	(9,240)	(9,267)	1,474,453	2,408,973
International Convention Centre	615,372	0	15,418	0	(46)	(8,456)	622,288	66,059	36,429	0	(765)	101,722	520,565
	601,367	0	2,745	177,178	0	62	781,352	12,286	19,023	0	74	31,383	749,969
<b>Total</b>	<b>17,005,366</b>	<b>685,322</b>	<b>883,358</b>	<b>1,686,218</b>	<b>(251,416)</b>	<b>(329,408)</b>	<b>19,679,439</b>	<b>6,261,434</b>	<b>898,025</b>	<b>(57,808)</b>	<b>(304,163)</b>	<b>6,797,488</b>	<b>12,881,951</b>

**APPENDIX D : ETHEKWINI MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007**

<b>2006 Actual Revenue R'000</b>	<b>2006 Actual Expenditure R'000</b>	<b>2006 Surplus/ (Deficit) R'000</b>		<b>2007 Actual Revenue R'000</b>	<b>2007 Actual Expenditure R'000</b>	<b>2007 Surplus/ (Deficit) R'000</b>
25,564	142,911	(117,347)	Executive & Council	30,762	161,453	(130,691)
5,227,976	1,824,958	3,403,018	Finance & Admin	4,932,733	2,115,563	2,817,170
149,105	325,538	(176,433)	Planning & Development	558,157	342,000	216,157
34,968	229,582	(194,614)	Health	58,169	241,310	(183,141)
34,115	330,615	(296,500)	Community & Social Services	223,384	350,893	(127,509)
583,523	621,766	(38,243)	Housing	818,919	901,399	(82,480)
289,411	677,074	(387,663)	Public Safety	146,709	557,721	(411,012)
27,051	597,926	(570,875)	Sport & Recreation	19,608	617,384	(597,776)
0	5,211	(5,211)	Environmental Protection	315	7,381	(7,066)
604,329	991,777	(387,448)	Waste Management	655,455	1,079,825	(424,370)
166,142	815,017	(648,875)	Road Transport	204,807	898,368	(693,561)
1,695,388	1,882,007	(186,619)	Water	2,024,276	1,975,572	48,704
3,179,745	2,754,655	425,090	Electricity	3,572,760	2,957,014	615,746
48,750	66,442	(17,692)	Other	60,849	83,043	(22,194)
<b>12,066,067</b>	<b>11,265,479</b>	<b>800,588</b>	<b>Sub Total</b>	<b>13,306,903</b>	<b>12,288,926</b>	<b>1,017,977</b>
1,432	0	1,432	Share of Revenue from Joint Venture	111,825	0	111,825
(1,664,746)	(1,664,746)	0	Less Inter-Dep charges	(1,414,552)	(1,414,552)	0
<b>10,402,753</b>	<b>9,600,733</b>	<b>802,020</b>	<b>Total</b>	<b>12,004,176</b>	<b>10,874,374</b>	<b>1,129,802</b>

**APPENDIX D : GROUP : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007**

<b>2006 Actual Revenue R'000</b>	<b>2006 Actual Expenditure R'000</b>	<b>2006 Surplus/ (Deficit) R'000</b>		<b>2007 Actual Revenue R'000</b>	<b>2007 Actual Expenditure R'000</b>	<b>2007 Surplus/ (Deficit) R'000</b>
25,564	142,911	(117,347)	Executive & Council	30,762	161,453	(130,691)
5,194,688	1,721,411	3,473,277	Finance & Admin	4,891,738	1,981,149	2,910,589
149,105	325,538	(176,433)	Planning & Development	558,157	342,000	216,157
34,968	229,582	(194,614)	Health	58,169	241,310	(183,141)
34,115	330,615	(296,500)	Community & Social Services	223,384	350,893	(127,509)
583,523	621,766	(38,243)	Housing	818,919	901,399	(82,480)
289,411	677,074	(387,663)	Public Safety	146,709	557,721	(411,012)
27,051	597,926	(570,875)	Sport & Recreation	19,608	617,384	(597,776)
0	5,211	(5,211)	Environmental Protection	315	7,381	(7,066)
604,329	991,777	(387,448)	Waste Management	655,455	1,079,825	(424,370)
166,142	815,017	(648,875)	Road Transport	204,807	898,368	(693,561)
1,695,388	1,882,007	(186,619)	Water	2,024,276	1,975,572	48,704
3,179,745	2,754,655	425,090	Electricity	3,572,760	2,957,014	615,746
48,750	66,442	(17,692)	Other	60,849	83,043	(22,194)
68,105	72,123	(4,018)	International Convention Centre	81,655	91,286	(9,631)
112,652	182,197	(69,545)	Durban Marine Theme Park	114,395	208,349	(93,954)
3,653	2,220	1,433	Effingham/Link road Joint Venture	155,312	43,487	111,825
<b>12,217,189</b>	<b>11,418,472</b>	<b>798,717</b>	<b>Sub Total</b>	<b>13,617,270</b>	<b>12,497,634</b>	<b>1,119,636</b>
(1,664,746)	(1,664,746)	0	Less Inter-Dep charges	(1,414,552)	(1,414,552)	0
<b>10,552,443</b>	<b>9,753,726</b>	<b>798,717</b>	<b>Total</b>	<b>12,202,718</b>	<b>11,083,082</b>	<b>1,119,636</b>

**APPENDIX E(1) : ETHEKWINI MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	2007 Budget	2007 Variance	2007 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R'000	R'000	R'000	%	
<b>REVENUE</b>					
Property rates	3,141,393	3,167,752	(26,359)	(1)	
Property rates - penalties imposed and collection charges	203,761	227,502	(23,741)	(10)	
Service Charges	4,920,503	4,959,742	(39,239)	(1)	
Regional Services Levies	15,663	0	15,663	0	
Rental of facilities and equipment	126,236	110,153	16,083	15	For reasons refer to annexure E(1A): 1
Interest earned - external investments	306,345	213,073	93,272	44	For reasons refer to annexure E(1A): 2
Interest earned - outstanding debtors	92,322	77,466	14,856	19	For reasons refer to annexure E(1A): 3
Fines	117,037	139,638	(22,601)	(16)	For reasons refer to annexure E(1A): 4
Licences and permits	11,095	9,574	1,521	16	For reasons refer to annexure E(1A): 5
Government grants and subsidies	2,135,298	1,851,054	284,244	15	For reasons refer to annexure E(1A): 6
Public contributions and donations	11,815	0	11,815	0	
Other revenue	782,102	743,507	38,595	5	
Gains on disposal of property, plant and equipment	28,781	0	28,781	0	
<b>TOTAL REVENUE</b>	<b>11,892,351</b>	<b>11,499,459</b>	<b>392,892</b>		
<b>EXPENDITURE</b>					
Executive & Council	161,453	165,222	(3,769)	(2)	
Finance & admin	2,115,563	1,636,027	105,001	29	
Planning & Development	342,000	414,529	(72,529)	(17)	For reasons refer to annexure E(1A): 7
Health	241,310	245,015	(3,705)	(2)	
Community & Social Services	350,893	400,566	(49,673)	(12)	For reasons refer to annexure E(1A): 8
Housing	901,399	890,276	11,123	1	
Public Safety	557,721	711,271	(153,550)	(22)	For reasons refer to annexure E(1A): 9
Sport & Recreation	617,384	611,252	6,132	1	
Environmental Protection	7,381	7,572	(191)	(3)	
Waste Management	1,079,825	1,108,388	(28,563)	(3)	
Road Transport	898,368	929,710	(31,342)	(3)	
Water	1,975,572	1,992,276	(16,704)	(1)	
Electricity	2,957,014	3,094,272	(137,258)	(4)	
Other	83,043	82,358	685	1	
Inter-departmental charges	(1,414,552)	(1,573,635)	159,083	(10)	
<b>TOTAL EXPENDITURE</b>	<b>10,874,374</b>	<b>10,715,100</b>	<b>(215,261)</b>		
Share of Revenue from Joint Venture	111,825	0	111,825		
<b>SURPLUS FOR THE YEAR</b>	<b>1,129,802</b>	<b>784,359</b>	<b>719,978</b>		

**APPENDIX E(1) : GROUP : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	2007 Budget	2007 Variance	2007 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R'000	R'000	R'000	%	
<b>REVENUE</b>					
Property rates	3,134,051	3,167,752	(33,701)	(1)	
Property rates - penalties imposed and collection charges	203,761	227,502	(23,741)	(10)	
Service Charges	4,907,754	4,959,742	(51,988)	(1)	
Regional Services Levies	15,642	0	15,642	0	
Rental of facilities and equipment	168,450	110,153	58,297	53	For reasons refer to annexure E(1A): 1
Interest earned - external investments	304,770	213,073	91,697	43	For reasons refer to annexure E(1A): 2
Interest earned - outstanding debtors	92,322	77,466	14,856	19	For reasons refer to annexure E(1A): 3
Fines	117,037	139,638	(22,601)	(16)	For reasons refer to annexure E(1A): 4
Licences and permits	11,095	9,574	1,521	16	For reasons refer to annexure E(1A): 5
Government grants and subsidies	2,135,297	1,851,054	284,243	15	For reasons refer to annexure E(1A): 6
Public contributions and donations	15,207	0	15,207	0	
Other revenue	1,068,527	900,980	167,547	19	
Gains on disposal of property, plant and equipment	28,805	0	28,805	0	
<b>TOTAL REVENUE</b>	<b>12,202,718</b>	<b>11,656,932</b>	<b>545,786</b>		
<b>EXPENDITURE</b>					
Executive & Council	161,453	165,222	(3,769)	(2)	
Finance & admin	1,980,749	1,636,027	344,722	21	
Planning & Development	342,000	414,529	(72,529)	(17)	For reasons refer to annexure E(1A): 7
Health	241,310	245,015	(3,705)	(2)	
Community & Social Services	350,893	400,566	(49,673)	(12)	For reasons refer to annexure E(1A): 8
Housing	901,399	890,276	11,123	1	
Public Safety	557,721	711,271	(153,550)	(22)	For reasons refer to annexure E(1A): 9
Sport & Recreation	617,384	611,252	6,132	1	
Environmental Protection	7,381	7,572	(191)	(3)	
Waste Management	1,079,825	1,108,388	(28,563)	(3)	
Road Transport	898,368	929,710	(31,342)	(3)	
Water	1,975,572	1,992,276	(16,704)	(1)	
Electricity	2,957,014	3,094,272	(137,258)	(4)	
Other	83,043	82,358	685	1	
International Convention Centre	91,286	82,129	9,157	11	
Durban Marine Theme Park	208,749	189,500	19,249	10	
Metro Club Trust	0	0	0	0	
Effingham/Link Road	43,487	12,857	30,630	238	
Inter-departmental charges	(1,414,552)	(1,573,635)	159,083	(10)	
<b>TOTAL EXPENDITURE</b>	<b>11,083,082</b>	<b>10,999,585</b>	<b>83,497</b>		
Share of Revenue from Joint Venture	0	0	0		
<b>SURPLUS FOR THE YEAR</b>	<b>1,119,636</b>	<b>657,347</b>	<b>462,289</b>		

## APPENDIX E(1A) : GROUP : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

### 1. Rental of facilities and equipment – Increase

The increase in revenue from the rental of facilities and equipment is mainly attributable to an increase in the number of facilities generating rental income

### 2. Interest earned - external investments - Increase

The increase is mainly attributable to an increase in prime interest rates.

### 3. Interest earned - outstanding debtors - Increase

The increase is mainly due to an unexpected increase of customers in arrears.

### 4. Fines - Decrease

The decrease is mainly due to an increase in the 'Grace Window' and the problems experienced with the implementation of eNatis.

### 5. Licences and permits - Increase

The increase is due to an increase in the number of taxi ranks and an increase in the issue of Public Driver Permits at the municipal test centres.

### 6. Government grants and subsidies - Increase

- a. Mainly due to 2010 KZN Provincial Grant excluded during the budgetary process as there was no agreement in place at that stage (R 264 m).
- b. Increase in revenue as result of unspent grant from previous financial year.

### 7. Planning and Development

Budget is underspent mainly as a result of :

- a. Savings in employee related costs ( R26.8 m) due to the non filling of vacant posts
- b. The asset lives of actual acquisitions differed from those budgeted for, resulting in depreciation savings (R16.8 m)
- c. Stringent control of costs has resulted in the decrease in the general expenses – other (R20 m)

### 8. Community & Social Services

Budget is underspent mainly as a result of :

- a. The asset lives of actual acquisitions differed from those budgeted for, resulting in depreciation savings (R16 m)
- b. Decreases in the employee related costs due to non filling of vacancies (R11 m)
- c. Decrease in general expenses due to stringent control of costs (R13 m)

### 9. Public Safety

Budget is underspent mainly as a result of savings in internal charges (R148 m)



**APPENDIX E (2) : ETHEKWINI MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007**

Output Unit	2007 Actual	2007 Under Construction	2007 Total Additions	2007 Budget	Adjustment	Revised Budget	2007 Variance	2007 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	
Legal Services	215	4,092	4,307	3,927	0	3,927	380	10	Construction of the Municipal Court was more than anticipated due to variations in the contract.
Real Estates	364	0	364	7,138	0	7,138	(6,774)	(95)	Savings primarily due to re-allocation of the Sports Clubs which did not occur.
Health	2,601	20,820	23,421	28,227	1,964	30,191	(6,770)	(22)	Delay in construction of Isipingo Clinic due to contractor problems. Delay in finalisation of tender of Adams Mission Clinic. Electricity and Water connection incomplete iro abluition blocks.
Skills Development	61	0	61	84	0	84	(23)	(27)	Budgeted expenditure for Plant and Equipment not fully utilized.
Metropolitan Police	12,082	(3,239)	8,843	9,284	2,202	11,486	(2,643)	(23)	Savings due to additional funds allocated for the KwaMashu Police Station, which was not required.
Retail Market	368	0	368	1,562	(1,000)	562	(194)	(35)	Underspending due to a delay in the implementation of project as a result of a dispute in the awarding of the contract.
Housing	33,834	13,029	46,863	285,300	(185,600)	99,700	(52,837)	(53)	Savings due to delay in the implementation of various housing projects.
Office of Geographic Information	17	0	17	33	0	33	(16)	(48)	Budgeted expenditure for Plant and Equipment not fully utilized.
Ombudsperson & Head : Investigation	38	0	38	61	0	61	(23)	(38)	Budgeted expenditure for Plant and Equipment not fully utilized.
Office Of International & Governance	47	0	47	46	0	46	1	2	
Community Participation	166	0	166	604	0	604	(438)	(73)	Budgeted expenditure for Plant and Equipment not fully utilized.
Municipal Information & Policy	1,356	0	1,356	1,505	0	1,505	(149)	(10)	Budgeted expenditure for Plant and Equipment not fully utilized.
City Manager's Office	0	0	0	0	0	0	0	0	
Strategic Projects	120	468,888	469,008	436,544	48,867	485,411	(16,403)	(3)	
Office Of The D C M : Health, Safety	130	0	130	0	0	0	130	100	Purchase of Office Furniture and Equipment for which no provision was made.
Office Of The D C M : Treasury	0	0	0	0	0	0	0	0	
Development Planning & Management	2,369	0	2,369	3,771	0	3,771	(1,402)	(37)	Savings due to delays in land purchases encountered by Real Estate department.
Economic Development & Facilitation	3,842	30,259	34,101	46,945	(10,506)	36,439	(2,338)	(6)	Underspending due to tender disputes,late award of tenders and inclement weather delay in projects.
City Enterprises	229	0	229	0	0	0	229	100	To be adjusted via adjustment budget.
Business Support	8,075	(4,804)	3,271	6,434	(2,500)	3,934	(663)	(17)	Delay in appointing a contractor for Ezimbuzini project. The contractor only moved on site towards the end of April 2007.
Procurement	2,565	0	2,565	352	0	352	2,213	629	Over expenditure due to extension of the implementation of the Capital Monitoring System.
Engineering	296,571	118,818	415,389	236,822	223,627	460,449	(45,060)	(10)	Over spending due to certain projects carried forward from 05/06 to slow progress and contractor delays that were being experienced.
Emergency Services	24,080	8,587	32,667	36,872	(4,802)	32,070	597	2	
Parks, Recreation, Cemeteries & Culture	22,097	1,501	23,598	27,502	0	27,502	(3,904)	(14)	Savings due to the delay in the awarding of contracts and contractor delays.
Governance	4,495	0	4,495	8,186	(1,000)	7,186	(2,691)	(37)	Certain projects will be completed in 2007/2008 financial year, Heavy printer to be delivered at the end of August 2007. One order for Park homes was cancelled due to late delivery. Car park Facility project didn't proceed as various process had to be followed such as Land clearance and rezoning. The department is currently following up with the relevant departments. Once approval and clearance has been obtained, the project will be initiated again as there is a huge pressure to provide additional parking.
Communications	128	0	128	142	0	142	(14)	(10)	Budgeted expenditure for Plant and Equipment not fully utilized.
Regional Centres	5,516	(254)	5,262	5,262	0	5,262	0	0	
Human Resources	1,661	0	1,661	4,549	0	4,549	(2,888)	(63)	Savings mainly due to delay in the completion of the Centralisation of Pay Project.
Management Services & Org Development	4	0	4	9	0	9	(5)	(56)	To be adjusted via adjustment budget.
Finance	81,115	0	81,115	85,961	0	85,961	(4,846)	(6)	Under expenditure due to certain consultation fees transferred to operating on the payable software and delay in the role out of the RMS Project.
City Fleet	50,085	0	50,085	32,862	18,102	50,964	(879)	(2)	
Office Of Audit & Performance Management	97	0	97	101	0	101	(4)	(4)	
Information Technology	57,829	0	57,829	57,736	0	57,736	93	0	
Ethekwini Transport Authority	54,442	0	54,442	41,401	0	41,401	13,041	31	To be adjusted via adjustment budget.
Occupational Health & Safety	122	0	122	185	0	185	(63)	(34)	To be adjusted via adjustment budget.
Area Based Management	40,270	34,522	74,792	113,528	0	113,528	(38,736)	(34)	The under expenditure is due to the ff: 1. Budget was inclusive of 14% Vat, expenditure is exclusive of vat due to the new vat ruling. 2. Certain projects did not start due to various problems being incurred such as Land dispute and EIA delays. 3.Certain projects are still in work in progress as at 30 June 2007, and will be completed in 2007/08 , the funds to complete these projects will be carried forward as they are Grant funded. 4.Due to contractor delays, certain projects are experiencing delays and these will be resolved in 07/08 and point 3 above will apply.
Water	125,745	253,175	378,920	332,012	28,246	360,258	18,662	5	Savings primarily due to delays in the awarding of contracts and contractor delays.
Sanitation	25,852	271,683	297,535	222,058	34,637	256,695	40,840	16	Monies for Sub Aqueous Tunnel and Additional Macro Funds for Sanitation Projects, requested and agreed upon during the 06/07 year have not yet been allocated to our projects.
Solid Waste	28,699	18,991	47,690	51,415	(1,513)	49,902	(2,212)	(4)	Savings primarily due to delays in the awarding of contract and contractor delays.
Housing Service	0	0	0	0	0	0	0	0	
Market Service	1,766	4,757	6,523	6,720	0	6,720	(197)	(3)	
Gas	0	26,908	26,908	38,083	0	38,083	(11,175)	(29)	Savings primarily due to delays in commissioning of plant at Marriannahill, Bisaser and La Mercy sites as a result of technical issues.
Electricity Service	91,153	241,308	332,461	395,983	(51,312)	344,671	(12,210)	(4)	
<b>Total</b>	<b>980,206</b>	<b>1,509,041</b>	<b>2,489,247</b>	<b>2,529,206</b>	<b>99,412</b>	<b>2,628,618</b>	<b>-139,371</b>	<b>-5</b>	

APPENDIX E (2) : GROUP : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

Output Unit	2007 Actual	2007 Under Construction	2007 Total Additions	2007 Budget	Adjustment	Revised Budget	2007 Variance	2007 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	
Legal Services	215	4,092	4,307	3,927	0	3,927	380	10	Construction of the Municipal Court was more than anticipated due to variations in the contract.
Real Estates	364	0	364	7,138	0	7,138	(6,774)	(95)	Savings primarily due to re-allocation of the Sports Clubs which did not occur.
Health	2,601	20,820	23,421	28,227	1,964	30,191	(6,770)	(22)	Delay in construction of Isipingo Clinic due to contractor problems. Delay in finalisation of tender of Adams Mission Clinic. Electricity and Water connection incomplete in abulution blocks.
Skills Development	61	0	61	84	0	84	(23)	(27)	Budgeted expenditure for Plant and Equipment not fully utilized.
Metropolitan Police	12,082	(3,239)	8,843	9,284	2,202	11,486	(2,643)	(23)	Savings due to additional funds allocated for the KwaMashu Police Station, which was not required.
Retail Market	368	0	368	1,562	(1,000)	562	(194)	(35)	Underspending due to a delay in the implementation of project as a result of a dispute in the awarding of the contract.
Housing	33,834	13,029	46,863	285,300	(185,600)	99,700	(52,837)	(53)	Savings due to delay in the implementation of various housing projects.
Office of Geographic Information	17	0	17	33	0	33	(16)	(48)	Budgeted expenditure for Plant and Equipment not fully utilized.
Ombudsperson & Head : Investigation	38	0	38	61	0	61	(23)	(38)	Budgeted expenditure for Plant and Equipment not fully utilized.
Office Of International & Governance	47	0	47	46	0	46	1	2	
Community Participation	166	0	166	604	0	604	(438)	(73)	Budgeted expenditure for Plant and Equipment not fully utilized.
Municipal Information & Policy	1,356	0	1,356	1,505	0	1,505	(149)	(10)	Budgeted expenditure for Plant and Equipment not fully utilized.
City Manager's Office	0	0	0	0	0	0	0	0	
Strategic Projects	120	468,888	469,008	436,544	48,867	485,411	(16,403)	(3)	
Office Of The D C M : Health, Safety	130	0	130	0	0	0	130	100	Purchase of Office Furniture and Equipment for which no provision was made.
Office Of The D C M : Treasury	0	0	0	0	0	0	0	0	
Development Planning & Management	2,369	0	2,369	3,771	0	3,771	(1,402)	(37)	Savings due to delays in land purchases encountered by Real Estate department.
Economic Development & Facilitation	3,842	30,259	34,101	46,945	(10,506)	36,439	(2,338)	(6)	Underspending due to tender disputes, late award of tenders and incompletion weather delay in projects.
City Enterprises	229	0	229	0	0	0	229	100	
Business Support	8,075	(4,804)	3,271	6,434	(2,500)	3,934	(663)	(17)	Delay in appointing a contractor for Ezimbuzini project. The contractor only moved on site towards the end of April 2007.
Procurement	2,565	0	2,565	352	0	352	2,213	629	Over expenditure due to extension of the implementation of the Capital Monitoring System.
Engineering	296,571	118,818	415,389	236,822	223,627	460,449	(45,060)	(10)	Over spending due to certain projects carried forward from 05/06 to slow progress and contractor delays that were being experienced.
Emergency Services	24,080	8,587	32,667	36,872	(4,802)	32,070	597	2	
Parks, Recreation, Cemeteries & Culture	22,097	1,501	23,598	27,502	0	27,502	(3,904)	(14)	Savings due to the delay in the awarding of contracts and contractor delays.
Governance	4,495	0	4,495	8,186	(1,000)	7,186	(2,691)	(37)	Certain projects will be completed in 2007/2008 financial year, Heavy printer to be delivered at the end of August 2007. One order for Park homes was cancelled due to late delivery. Car park Facility project didn't proceed as various process had to be followed such as Land clearance and rezoning. The department is currently following up with the relevant departments. Once approval and clearance has been obtained, the project will be initiated again as there is a huge pressure to provide additional parking.
Communications	128	0	128	142	0	142	(14)	(10)	Budgeted expenditure for Plant and Equipment not fully utilized.
Regional Centres	5,516	(254)	5,262	5,262	0	5,262	0	0	
Human Resources	1,661	0	1,661	4,549	0	4,549	(2,888)	(63)	Savings mainly due to delay in the completion of the Centralisation of Pay Project.
Management Services & Org Development	4	0	4	9	0	9	(5)	(56)	To be adjusted via adjustment budget.
Finance	81,115	0	81,115	85,961	0	85,961	(4,846)	(6)	Under expenditure due to certain consultation fees transferred to operating on the payable software and delay in the role out of the RMS Project.
City Fleet	50,085	0	50,085	32,862	18,102	50,964	(879)	(2)	
Office Of Audit & Performance Management	97	0	97	101	0	101	(4)	(4)	
Information Technology	57,829	0	57,829	57,736	0	57,736	93	0	
Ethekeini Transport Authority	54,442	0	54,442	41,401	0	41,401	13,041	31	To be adjusted via adjustment budget.
Occupational Health & Safety	122	0	122	185	0	185	(63)	(34)	To be adjusted via adjustment budget.
Area Based Management	40,270	34,522	74,792	113,528	0	113,528	(38,736)	(34)	The under expenditure is due to the ff. 1. Budget was inclusive of 14% Vat, expenditure is exclusive of vat due to the new vat ruling. 2. Certain projects did not start due to various problems being incurred such as Land dispute and EIA delays. 3. Certain projects are still in work in progress as at 30 June 2007, and will be completed in 2007/08, the funds to complete these projects will be carried forward as they are Grant funded. 4. Due to contractor delays, certain projects are experiencing delays and these will be resolved in 07/08 and point 3 above will apply.
Water	125,745	253,175	378,920	332,012	28,246	360,258	18,662	5	Savings primarily due to delays in the awarding of contracts and contractor delays.
Sanitation	25,852	271,683	297,535	222,058	34,637	256,695	40,840	16	Monies for Sub Aqueous Tunnel and Additional Macro Funds for Sanitation Projects, requested and agreed upon during the 06/07 year have not yet been allocated to our projects.
Solid Waste	28,699	18,991	47,690	51,415	(1,513)	49,902	(2,212)	(4)	Savings primarily due to delays in the awarding of contract and contractor delays.
Housing Service	0	0	0	0	0	0	0	0	
Market Service	1,766	4,757	6,523	6,720	0	6,720	(197)	(3)	
Gas	0	26,908	26,908	38,083	0	38,083	(11,175)	(29)	Savings primarily due to delays in commissioning of plant at Marnanhill, Bisaser and La Mercy sites as a result of technical issues.
Electricity Service	91,153	241,308	332,461	395,983	(51,312)	344,671	(12,210)	(4)	
Durban Marine Theme Park	15,830	0	15,830	0	0	0	15,830	100	
International Convention Centre	2,745	177,178	179,923	140,000	37,178	177,178	2,745	2	
<b>Total</b>	<b>998,781</b>	<b>1,686,219</b>	<b>2,685,000</b>	<b>2,669,206</b>	<b>136,590</b>	<b>2,805,796</b>	<b>-120,796</b>	<b>-4</b>	

APPENDIX F : ETHEKWINI MUNICIPALITY : GRANTS AND SUBSIDIES RECEIVED - 30 JUNE 2007

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 MFMA,56 OF 2003

NAME OF GRANTS	NAME OF ORGAN OF STATE OR MUNICIPAL ENTITY	QUARTERLY RECEIPTS				QUARTERLY EXPENDITURE				GRANTS AND SUBSIDIES DELAYED / WITHHELD				REASON FOR DELAY / WITHHOLDING OF FUNDS	DID YOUR MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF GRANT	REASON FOR NON COMPLIANCE
		Sept R'000	Dec R'000	Mar R'000	Jun R'000	Sept R'000	Dec R'000	Mar R'000	Jun R'000	Sept R'000	Dec R'000	Mar R'000	Jun R'000			
Municipal Infrastructure Grant	National Treasury	0	0	0	0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Financial Management Grant	National Treasury	500	0	0	0	500	0	0	0	0	0	0	0	N/A	Yes	N/A
Equitable Share/Subsidy	National Treasury	551,230	350,320	13,441	10,000	551,230	40,320	347,055	0	0	0	0	4,672	N/A	Yes	N/A
Equitable Share - INK	National Treasury	2,940	2,205	3,675	0	2,310	2,076	2,259	2,175	0	0	0	0	N/A	Yes	N/A
Equitable Share - BSL	National Treasury	185,977	0	0	0	185,977	0	0	0	0	0	0	0	N/A	Yes	N/A
Vuna Awards	National Treasury	0	0	0	0	0	0	0	125	0	0	1,875	0	N/A	Yes	N/A
Restructuring Grant	National Treasury	806	74,194	0	0	806	74,194	0	0	0	0	0	0	N/A	Yes	N/A
Municipal Infrastructure Grant	National Treasury	1,305	0	106,257	208,041	1,305	208,041	4,551	105,698	0	109	247	1,458	N/A	Yes	N/A
Equitable Share - KZNPA	National Treasury	4,496	3,372	5,620	0	4,496	3,372	5,620	0	0	0	0	0	N/A	Yes	N/A
NDOT	National Treasury	20,250	0	0	0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
DEAT	Health Subsidy	0	0	699	0	729	729	0	0	0	2,978	0	0	N/A	Yes	N/A
District Health Office	District Health Office	0	0	0	0	0	0	2	0	0	0	0	0	N/A	Yes	N/A
Provincial Housing Board	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Provincial Grants & Subsidy(CFF)	Provincial Government	16,396	7,718	7,718	0	8,607	8,606	6,825	0	0	0	0	11,304	N/A	Yes	N/A
KZNPA Subsidy	Provincial Government	0	0	0	0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Grant - Accreditation	Provincial Government	9,500	0	0	0	0	9,500	0	0	0	0	0	0	N/A	Yes	N/A
Govt Subs - Primary Health	Dept Of Health - State	16,338	8,169	8,168	0	8,129	7,976	8,194	8,376	0	0	0	0	N/A	Yes	N/A
Govt Subs - Environ Health	Dept Of Health - State	0	176	0	0	0	176	0	0	0	0	0	0	N/A	Yes	N/A
Food Samples - Subsidy	Dept Of Health - State	0	10	0	0	10	0	0	0	0	0	0	0	N/A	Yes	N/A
Govt Subs - Health Other	Dept Of Health - State	0	0	0	0	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Public Sponsorship	Provincial Government	0	3,104	0	0	0	217	0	0	0	0	2,954	0	N/A	Yes	N/A
City Managers Fund	Provincial Government	0	0	42	0	0	0	0	0	0	0	0	42	N/A	Yes	N/A
Subsidies	Provincial Government	0	0	1,144	0	1,144	0	0	0	0	0	0	0	N/A	Yes	N/A
	KZN Dept of Transport	10,672	0	0	0	0	0	0	0	0	0	23,973	0	N/A	Yes	N/A
Capital Grants - Dwaf	DWAF	0	1,392	0	0	0	0	556	0	0	836	0	0	N/A	Yes	N/A
2010 KZN Provincial Grant	Provincial Government	0	132,479	132,479	0	0	132,479	132,479	0	0	0	0	0	N/A	Yes	N/A
<b>TOTAL</b>		<b>820,410</b>	<b>583,139</b>	<b>279,243</b>	<b>218,041</b>	<b>765,243</b>	<b>487,686</b>	<b>507,541</b>	<b>116,374</b>	<b>0</b>	<b>3,923</b>	<b>29,049</b>	<b>17,476</b>			

## **Assessment of Arrears**

### **Rates**

A major portion of rates debt is Ingonyama Trust and private properties, which are in Ingonyama Trust area. A dispute has been declared with Ingonyama Trust and the matter is with the facilitator. The individual owners in Ingonyama Trust area are disputing the fact that they are supposed to pay rates and they have taken the matter to Court. Since the matter is going to trial it is still going to take a long time to resolve this issue.

Due to the introduction of Municipal Property Rates Act, which repealed some sections of the Ordinance and Extended Powers that enabled the Municipality to follow the Sale in Execution (SIE) process, rates debt has increased. Legal action is taking longer because the Municipality has to take each matter to Court. The processes prior to court have been automated like issuing of summons.

### **Water**

The consumers with properties valued R100 000 and less are encouraged to pay current accounts whilst arrears are written off over a period of 20 months. The major portion of water debt is in this category, which is considered the poorest of the poor. There is an improvement in the collection of current amounts for these consumers.

### **Bulk Electricity**

The major portion of this debt is for hostels. Negotiations are ongoing with the provincial Department of Housing to settle this debt. Council cannot take legal action against the other organ of state therefore a proper procedure needs to be followed to recover from province.

## **Information Technology and Systems (IT&S)**

### **Introduction**

The 2006-07 financial year saw continued emphasis and progress towards achieving objectives as set out IDP and the IT strategy document. Not many new projects were initiated, mainly because:

We were focused on completing or progressing the existing major projects

We initiated the planning, budgeting of 2010 ICT projects, and

The department focused on consolidation of human resources that were previously located in a number of different offices around council.

### **Laying Optical Fiber Cables and Creating a Broadband Network**

Progress during 07/08 on the project covered three main aspects.

The first is the continued rollout of the fibre to key locations in the northern and western parts of the city. This allows for more office buildings and facilities to connect directly onto the municipality's backbone.

The second was the issuing of a request for proposal for the upgrade of the network into a next generation network (NGN). The tender was issued and awarded by financial year end. Progress on the project was however delayed by an appeal against the award, putting the project behind schedule by 3 months. Despite this the completion of the upgrade should be achieved in the current financial year. The upgrade of the network to an NGN creates the platform for selling spare capacity on the network and gives both the public and private sectors access to the network. The final step in the project is to secure a partner who will give the municipality to capacity to provide access to others. This should be accomplished in the current financial year.

The third aspect of the laying of fibre optic cables relates to 2010 projects. A considerable need has emerged for broadband connectivity for the 2010 Soccer World Cup. The municipality began the rollout of fibre in 06/07 and will continue the further installations during the current financial year.

### **2010 Soccer World Cup**

With preparations of this event well on its way, it became evident during 06/07, that many of the workstreams relied on information technology as part of delivering on their mandate. As a consequence a significant time during 06/07 was spent determining what each workstream required from IT. This was

followed by a series of planning and budgeting sessions with municipal officials, national government and the local organising committee.

In addition to the main event taking place in 2010, the preliminary drawing scheduled for 25 November 2007 also required involvement from the IT department.

### **Wireless Network**

Having invested in a wireless network during the 05/06 financial year and continuing of the project in 06/07, the municipality applied for and is waiting for a license from ICASA. The spectrum licensed will improve the level of security around the wireless network thereby making it more suitable to integrate into the municipality's wide area network

### **Website**

A revamped municipal website was completed in 06/07, improving the user-friendliness of the site as well as increasing functionality. This allows for better service to be rendered to the public

### **Consolidation of IT personnel**

The finalization of staff placement took place during 06/07. This major task of consolidating all IT staff from various council departments is now 97% complete.

The benefits of consolidating the staff include:

Better utilisation of resources;

Uniting staff around a central vision and strategy, and

Providing a more consistent service to the end user.

### **C Track**

Following the installation of a fleet management system, the council implemented a vehicle tracking to complement the fleet management system. The implementation of the vehicle tracking system caters for monitoring the movement of all vehicles, monitoring the use or abuse of vehicles (e.g. measuring rev counts and fuel consumption patterns), as well as measuring utilization of vehicles. Ultimately this will lead to greater efficiencies in the deployment of the municipality's fleet.

### **Conclusion**

The efforts put in 06/07 allow for new projects to be initiated during the current financial year as well meeting significant milestones in 07/08 and 08/09 financial years.

# ETHEKWINI MUNICIPALITY

AT 30 JUNE 2007

## NATIONAL/PROVINCIAL DEPARTMENTS AND PUBLIC ENTITIES SUMMARY

	ELECTR/WATER	RATES
<b>DEPT OF PUBLIC WORKS</b>	12.467.608,78	364.942.020,84
DEPT OF SOCIAL WELFARE	859.768,32	
HOSTELS	122.521.209,86	59.052.632,07
<b>DEPT OF HOUSING</b>	130.710,35	6.182.370,43
DEPT OF WORKS	1.444.263,42	
DEPT OF HEALTH	3.625.654,89	
METRO RAIL	1.060.155,83	
DEPT OF TRANSPORT	400.782,38	
INTERSITE PROPERTY	47.718,36	
S A REVENUE SERVICES	336.593,10	
TRANSNET	595.228,21	6.799.299,06
KZN NATURE CONSERVATION	206.474,40	
UMGENI WATER	1.198.426,90	
<b>DEPT OF EDUCATION</b>	1.723.418,95	
GOVERNMENT SCHOOLS	3.801.990,04	
SENTECH (SABC)	166.149,07	
OFFICE OF THE PREMIER	36.339,24	
PORTNET	617.439,70	
DEPT OF ECONOMIC DEV	143.122,23	
<b>INGONYAMA TRUST</b>		124.103.281,82
	<b>151.383.054,03</b>	<b>436.976.322,40</b>

## ANNEXURE H

### ENTITIES ARREARS

---

TOTAL
377.409.629,62
859.768,32
181.573.841,93
6.313.080,78
1.444.263,42
3.625.654,89
1.060.155,83
400.782,38
47.718,36
336.593,10
7.394.527,27
206.474,40
1.198.426,90
1.723.418,95
3.801.990,04
166.149,07
36.339,24
617.439,70
143.122,23
124.103.281,82
<b>588.359.376,43</b>



# ANNEXURE I

## eThekwini Municipality

### **LONG-TERM CONTRACTS** **FOR THE YEAR ENDED 30 JUNE 2007**

No	Name	Main / Sub Function	Purpose Extent and Other Particulars	Date Established	Total Value (Rand)
1	S L Balakisten Consulting cc	General	Evacuation of Pit Latrines	18/04/2007	12.829.560
2	Hentiq 2147 (Pty) Ltd	General	Contract Centre Infrastructure	20/04/2004	12.348.000
3	Gezinsila Cleaning Services CC	Environmental Protection/Other	Refuse Collection & Street Cleaning	07/01/2003	10.208.827
4	Blue Train Investments CC	Environmental Protection/Other	Refuse Collection & Street Cleaning	07/01/2003	9.338.485
5	Umlazi Cleaning Services CC	Environmental Protection/Other	Refuse Collection & Street Cleaning	07/01/2003	8.693.176
6	Wasteng (Pty) Ltd	Environmental Protection/Other	Refuse Collection & Street Cleaning	07/01/2003	8.354.449
7	Pardey Valuations	Finance & Admin/Property Services	Valuation rolls maintenance	07/01/2004	7.944.000
8	Khaya-Lami Cables CC	Environmental Protection/Other	Refuse Collection & Street Cleaning	07/01/2003	7.701.874
9	Gabhisa Services cc	Environmental Protection/Other	Refuse Collection and Street Cleaning	07/01/2003	7.662.440
10	KP Dela Kuchi CC	Environmental Protection/Other	Refuse Collection & Street Cleaning	07/01/2003	7.556.275
11	Evaluations	Finance & Admin/Property Services	Valuation rolls maintenance	07/01/2004	6.673.000
12	Wasteng (Pty) Ltd	Environmental Protection/Other	Refuse Collection & Street Cleaning	01/01/2003	2.984.520
13	Kagiso Khulani Supervision Food	General	Catering Facility Service	13/04/2004	1.159.000
14	Natal Sharks Board	Public Safety/Other	Safety of Bathers	01/01/1980	6.965.650
<b>TOTAL</b>					<b>110.419.256</b>

## **Service delivery backlogs:**

The Quality Living Environment, Plan 3 of the IDP, includes as one of its Strategic Focus Areas, a programme to “Address Service Backlogs” .

The above programme includes, as a project, the development of a backlog model, which is currently underway and which will allow co-ordinated reporting of backlog figures across the Procurement and Infrastructure cluster. As part of this process, agreement is being sought from provincial and national government departments on what key performance indicators are the most relevant when reporting service delivery backlogs.

In the interim, we are reporting on service delivery in terms of the SDBIP format below. The municipality is striving to meet national government service delivery targets and has set 5 year delivery targets as well as annual targets that are based on current resource constraints.

The backlogs in service delivery cover not only basic services as defined by the Department of Provincial Local Government and Traditional Affairs – these being water, sanitation, electricity/basic energy, refuse removal and housing. From a Total or Quality Living Environment perspective one must include a range of other services such as access roads, sidewalks & foot paths, storm water drainage, public transport infrastructure & services, greening, street numbers & names as well as the accessibility of all households to the full range of social services.

PLAN 3		QUALITY LIVING ENVIRONMENTS						
National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0506	Annual Target 0607	5 year target-2010/11	Means of Verification	Postion at 30 June 07	
<b>Unaudited section</b>								
INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY	Meet community service backlogs	No/% of households with access to basic services -reduction of backlogs						
		Water Backlog (households)	See audited results		0	GIS HHLd count & service records		
		Sanitation backlog (Households)	See audited results		116 080			
		Housing Backlog (units)	See audited results			136 000	Housing Project Managers data	
		Solid Waste Service (households served)	See audited results			1 340 002	Contracts schedules, contracts register, Site Inspection	
		Electricity (backlog)	236 000	8800	180 000	New data connections	226816	
		Backlog-Unsurfaced to asphalt conversion	2125km	26km	2075km	Contracts data	2085.3km	
		Primary Health Care backlog	44%	0,40%	42%	Access Model, Capital Budgets	44%	
		Libraries backlog	36%	0,80%	32%		36%	
		Education backlog	20%	0,80%	16%		20%	
Parks & Leisure backlog	24%	0,60%	21%	22,8%				
Fire backlog (population coverage)	45%	0,40%	43%	45%				
INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY	Meet infrastructure and service needs and address backlogs	No of households with access to basic levels of service delivery:						
		Indigency Relief - No of Properties -Zero Rates	60714	3900	80 000	Finance Department; Rates	64 288	
		Total number of houses with access to free basic water services	952 610	8000	984 838	GIS HHLd count & service records	952 610	
		No.of new households earning less than R1100 with access to free basic electricity services per annum	7447 pa	23000 pa	115 000	FBE cystemer base data	7650 pa	





# **ANNEXURE K**

## **uShaka MARINE WORLD**

### **ANNUAL REPORT FOR THE PERIOD 30 JUNE 2007**

- A. Introduction and Overview including Performance Report
- B. Human Resource and Other Organisational Management
- C. Financial information
  - Audited Annual Financials Statements
  - Budget to Actual Comparison
  - Comments on Auditors General Report included in the Annual Financial Statements

# FINANCIAL REPORT

## 1. Audited Annual Financial Statements – attached

## 2. Budget to Actual Comparison

Refer to the Appendix B on pages 34 – 35 of the Annual Financial Statements.

## 3. Comments on Auditors General Report included in the Annual Financial Statements

uShaka MARINE WORLD received an unqualified audit report with attention drawn on the following matters:-

- **Going Concern**

The board of directors met on 9 November 2007 and agreed to increase the share capital of the company. This will ensure that the necessary shares can be issued to Ethekwini Municipality

- **Performance Information**

Communication with the parent municipality has already commenced and the non-financial performance indicators will be included in the plan for 2007/08 financial year.

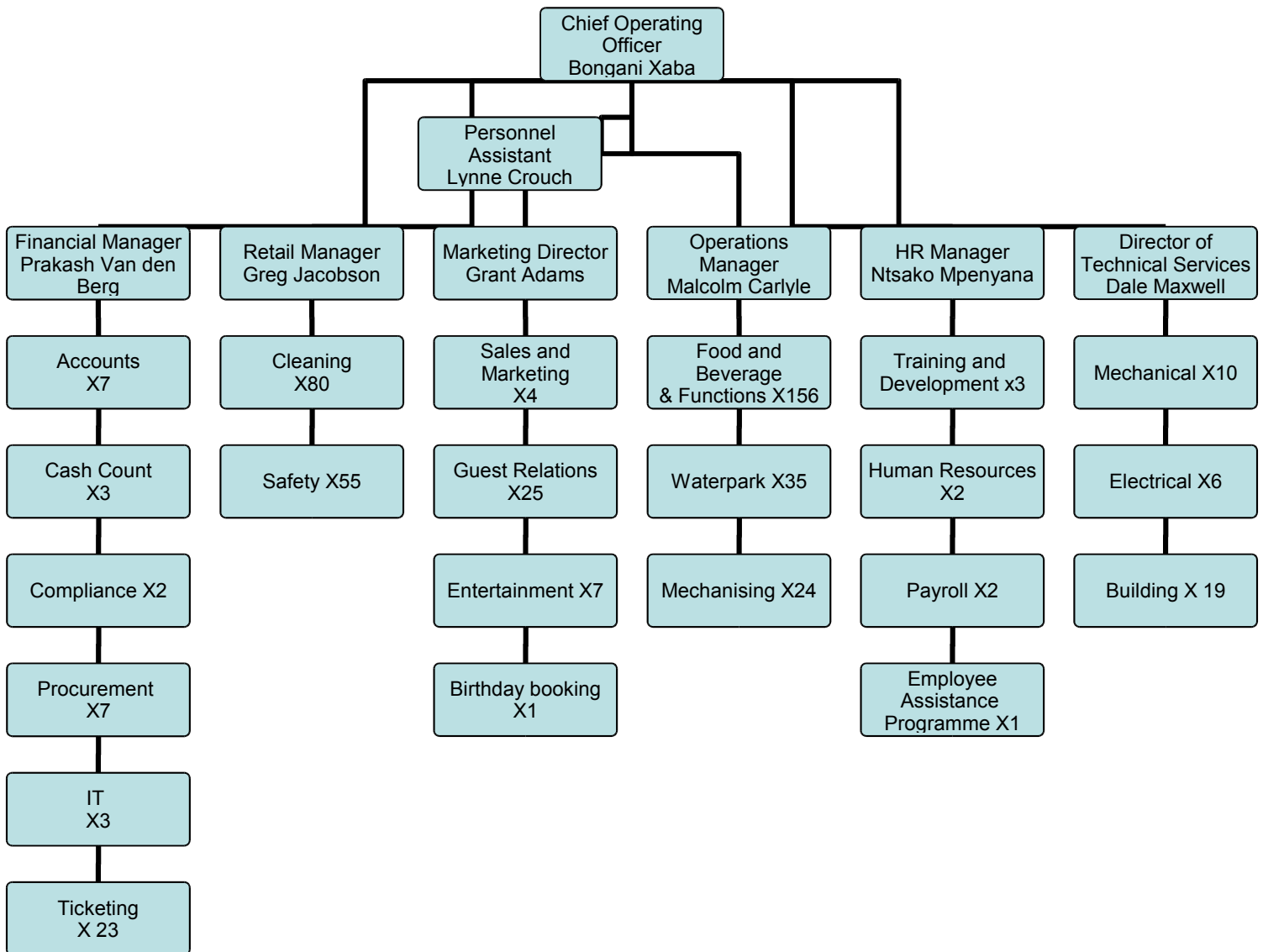


**HUMAN RESOURCES AND**



**ONAL MANAGEMENT**

**1. ORGANOGRAM**





## **2. JOB CREATION**

uShaka creates jobs through of the expansion of the Park's activities and the employment of additional casual labour during the school holiday peak-season periods. In the 2006/ 2007 year, this has resulted in the creation of 300 permanent jobs and approximately 300 seasonal jobs from uShaka Management specifically. New businesses opening within the Park create additional permanent and seasonal employment; for example, the opening of T-Rifik children's amusement facility which has created approximately 30 new jobs; the opening of Moyo restaurant has created approximately 50 new jobs.

uShaka has a planned and systematic approach to recruiting both permanent and temporary staff. Wherever possible, vacant posts are advertised internally to allow staff to move up in their career paths. uShaka has a structured training plan for both permanent and temporary staff which aims to increase people's skills and effectiveness; this policy ensures that staff and applicants for posts are not disadvantaged by a lack of access to education and qualifications.

## **3. TRAINING & EMPLOYEE DEVELOPMENT**

uShaka Management is a registered levy payer of the Services Sector Education & Training Authority (SSETA). Expenditure on training is 2% of total payroll, approximately R800 000.00 per year.

### **Skills Development Strategy**

#### ***Internal training***

The training division monitors and tracks the qualifications, training and work experience of every employee and develops the Annual Training Plan on the basis of the needs of the employees. The training unit has an open door policy which allows all employees to meet with trainers at any time to discuss their development as employees.

The training staff also provides job coaching where needed and facilitates mentoring within departments.

Employees are given both internal and external training, including job skills and life skills.

Training provided in the 2006/ 2007 year includes:

- Management Development Programme
  - Business writing skills
  - Conflict management
  - Effective Management

- Performance Management
- Supervisory Skills
- Interview & Selection Skills
- Finance for Non-Financial Managers
- Tendering
- Mentoring & Coaching
- Teamwork
- Financial
  - Finance for Non-Financial Managers
  - Tendering
  - Retail Marketing & Merchandising
  - Stock Control
  - Micros Fidelio
- Staff Development
  - Basic Computer Skills
  - HIV & Aids Awareness
  - HIV & Aids Peer Counseling
  - Stress Management
  - Substance Abuse
  - Train-the-Trainer
- Industrial Relations
  - Disciplinary Procedures: Misconduct
  - Disciplinary Procedures: Chairing
- Service
  - Food and beverage preparation and service
  - Guest Care
  - Park Knowledge
  - Telephone Etiquette
  - Dealing with Difficult Customers
  - Retail Marketing & Merchandising
  - Stock Control
  - Micros Fidelio
  - Refrigeration & Air-Conditioning
- Health & Safety
  - Fire Fighting
  - First Aid
  - Health & Safety
  - Height cleaning Safety
  - Lifeguard Competence
  - Commercial Diving

### ***Gateway Training Programme (Multi-Skilling Programme)***

This programme aims to multi-skill cleaning staff to facilitate career progression. Staff are given the opportunity gain experience in other areas of the Park, by filling positions created by the peak season demand. Staff receive training and practical experience which is logged. This experience and knowledge facilitates career progression by improving chances of success when applicants apply for vacant posts.

At present 55 staff out of a total of 81 are participating in the programme. .

### ***Management Development Programme***

The Management Development Programme, called *Crew2Captain Quickly*, identifies staff with senior management potential and gives them exposure to analytical ability, judgment, strategic & global and management flexibility (Thinking competency). Candidates work in teams and are required to present solutions to the uShaka Executive Management Team for evaluation. The winning team receives a prize and members attend specialized training in senior management skills following the end of the programme.

### ***Learnerships***

uShaka is running three learnership programmes as Lead Employer in 2008, funded and overseen by the Services SETA. The qualifications for the learnerships are:

- (1) General Education & Training Certificate: Hygiene & Training (NQF1)
- (2) National Certificate: Customer Management (NQF4)
- (3) National Certificate: Marketing Communication (NQF4)

The learners will all be current uShaka employees (18.1 learners) who are employed in relevant positions. Employees will be required to apply for a position on the learnership and will be selected by a panel including HR representatives, the relevant line manager and a representative of the training provider.

### ***Apprenticeships***

uShaka has joined the SSETA apprentice & trade test programme which will allow staff who are working in technical positions without a trade certificate, to participate in a Recognition of Prior Learning Process (RPL), attend necessary training and complete their Trade Tests, all funded by the SSETA. At present ten uShaka staff are participating in this programme.

### ***In-Service Training***

uShaka is in the process of signing a Memorandum of Understanding with the Durban University of Technology (DUT) which will allow DUT students who are registered for relevant qualifications to complete their in-service training at uShaka.

The Memorandum of Understanding will ensure that students are managed jointly by uShaka and the DUT, are covered by DUT insurance, and have their workplace experience effectively monitored and logged.

Candidates for in-service training will need to apply by submitting a CV, and will be required to participate in the same interview process as any other prospective employee.

### **3.2.1. Development Planning and Career Pathing**

All staff are asked to complete a personal development plan in consultation with their line managers and HR Staff. This plan is updated annually and is implemented by the training unit in consultation with the HR staff and relevant line managers.

## **4. EMPLOYMENT EQUITY**

uShaka has achieved and exceeded its equity goals in race and gender categories, and is now focusing on employing people with disabilities. At present 1% of our workforce are people with disabilities; however, there is a strong possibility that people who might have “hidden” disabilities such as diabetes, epilepsy or learning problems have not disclosed these conditions.

uShaka is in the process of becoming “disability competent”, i.e. a company that meets the needs of people with disabilities, be they staff or customers. This process requires a physical audit of the premises to ensure accessibility; a systems audit to ensure that there is no direct or indirect discrimination in our procedures for recruiting, assessing, promoting, managing or disciplining people with disabilities; and sensitization of staff and management to ensure that attitudes are supportive of people with disabilities. Once these goals have been achieved, employees are more likely to be willing to disclose disabilities.

The Employment Equity Committee and key HR staff have been tasked with this process, under the supervision of the Human Resource Manager.

## **5. BENEFITS**

### **Medical Aid**

Staff may choose to join either Discovery Health or Momentum medical aids. uShaka contribute 50% of the contribution up to a maximum of R800.00 per employee.

### **Provident Fund**

It is the conditions of employment that all staff belongs to the provident fund. uShaka will contribute 10% of the amount, and staff contributes 6% towards the provident fund. All employees belong to Momentum provident fund.

### **Subsidized Meals**

uShaka has a canteen where staff can buy a full meal at a subsidized rate R7.50 per meal.

## **6. RISKS & RISK MANAGEMENT**

### **HIV/ Aids**

uShaka is aware that many of our staff are infected or affected by the HIV/ Aids epidemic sweeping through KwaZulu-Natal. Access to Voluntary Counseling and Testing and the support of our Employee Assistance Programme is available to all staff that are affected by HIV and Aids.

uShaka also actively promotes safe sex practices to prevent the spread of HIV/Aids through the provision of condoms and awareness raising for staff.

### **Skills Shortages**

uShaka continues to face challenges from the fast-changing tourism and retail environments. Each year the Annual Training Plan and associated HR interventions are tailored to fit the changing goals of the company. The Annual Training Plan is tailored to be flexible to meet unexpected staff requirements.

# **uShaka MARINE WORLD**

## **PERFORMANCE REPORT**

### **INTRODUCTION AND OVERVIEW**

uShaka Marine World is a phenomenal success story which has offered much to the City of Durban and KZN. Having been built three years ago primarily as a growth catalyst within the Point Precinct, uShaka Marine World has made noticeable strides in changing the landscape and negative perception that had clouded this part of Durban for a long time.

Exuding an air of fun and adventure, uShaka Marine World has positioned itself as a great family holiday destination in the minds of many across the province and the country alike, only three years after opening its doors to the public. The unique offering of uShaka Marine World is unparalleled, and much effort and time has been dedicated to sharing this offering with the community in which it operates. To this end, we have achieved the following:

- Provided direct employment to 750 people.
- 72% of all purchases are procured from local empowered companies.
- The Golden Spear Tenant Awards were introduced for Village Walk tenants in November 2006.
- The second Annual Zulu Dance Championship was hosted in December 2006, and received immense television coverage on what was then a new show, Ses'Khona on SABC 1.
- The third annual Mr & Miss uShaka and Junior Miss pageant took place in March 2007. This pageant is fast becoming the breeding ground of winners as Megan Coleman, Miss uShaka 2005, was crowned as Miss SA 2007, whilst Geslin Gunasen who was Mr uShaka 2006, came fifth in Mr SA 2006 and was awarded Model of the Year 2006 in the same competition.
- Provided structured learning to 150 000 KZN learners.

**FOR A DETAILED PERFORMANCE REPORT – REFER TO ANNEXURE A**

**uShaka MARINE WORLD**  
**PERFORMANCE REPORT - ANNEXURE A**  
**For the year ended 30 June 2007**

Objective	Key Performance Indicator	Target	Performance Result	Reasons for Variance
<b>HUMAN RESOURCES</b>				
To be the employer of choice with the ability to recruit and retain sufficient numbers of skilled and motivated staff to deliver and continue to develop services	To develop the skills retention strategy	30 June 2007	Skills retention strategy in place	N/A
	To produce Workforce Developmental plan ensuring the right skills are available at the right time	30 June 2007	Succession planning and Multiskilling programmes has been put in place	
	Provision of workforce information across the organization to enable effective HR management and planning for attrition etc	30 June 2007	Coo's quarterly monthly Departmental minuted meetings. Dissemination of information via notice boards.	
	Submission of Workforce Skills plan to Department of Labour	30 June 2007	WSP complied and submitted to the SERVICES SETA	
To ensure that there is a clear framework for staff involvement and effective communication and to develop and promote sound labour relations throughout the organisation.	Workforce forum committee	To meet on a monthly basis	Workforce forum committee meets.	N/A
	Employment equity committee	Meet on a monthly basis	EE committee meets, Target set	
	Training and development committee	Once every six months	Needs analysis compiled and filled	
	Weekly Management meetings	Weekly		
Develop, monitor and control the budget so that expenditure is in line with uShaka's requirements.	Prepare and submit budget to the Chief Operating Officer for approval. Budget submitted within the required deadline and format.	Fiscal year 2006/7	Human Resources Budget submitted for approval.	N/A
	All spending occurs within the parameters of the budget		Salaries budget for the entire organization submitted for approval  Not exceeding the allocated approved budget	

**uShaka MARINE WORLD**  
**PERFORMANCE REPORT - ANNEXURE A**  
**For the year ended 30 June 2007**

Objective	Key Performance Indicator	Target	Performance Result	Reasons for Variance
Monitor implementation of the Employment equity plan for uShaka.	Develop employment equity plan	Ongoing	Staff are made aware through training.	N/A
Review existing employment practices to ensure that employees profiles is demographically represented and culturally sensitive	Monitor meet plan and progress against plan available for inspection	Ongoing  01 October 2006	Monthly report to the COO with PPG progress report  Report submitted to the Department off Labour	
<b>OPERATIONS</b>				
To provide a service of “World Class Standard” to Guests and Visitors	Correctly trained staff is in attendance at all Food & Beverage, Merchandising, Water Park, Photo Opportunity & Beach activity services during published park operating times.	Every staff member to attend induction prior to deployment in operational areas	All crew attends a 3 day Induction prior to commencement of employment	N/A
	Equipment and support services are always functional	Equipment & Support services will be subject to a down time of no longer than 1 hour	Achieved	N/A
	Improve service offering to Guests	New menu offering at Cargo Hold Restaurant  Live Entertainment offering for Upper Deck	Achieved  In place Wednesdays to Sundays	N/A
Staff are trained & developed to improve their skills and create career opportunities	Staff attend in-service and cross development training	Each staff member will attend in-service & cross development training at least every six months	Needs analysis conducted with training conducted as per the analysis	N/A
<b>MARKETING</b>				
<i>Promotions:</i> To provide a comprehensive marketing and promotions strategy, off-peak promotions, implementation of promotions including on the ground promotions, brand awareness promos and measure results.	Improving footfall and increasing revenue.	4 Major price promotions (off peak) per annum.	<ul style="list-style-type: none"> <li>• First 500 FREE promotion</li> <li>• Kids Price Promo</li> <li>• Brand awareness Promotion (99 things to do at uShaka)</li> <li>• Kids price promotion.</li> </ul>	<ul style="list-style-type: none"> <li>- Inclement weather</li> <li>- Limited Marketing budget</li> <li>- Increased media costs</li> </ul>
<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Target</b>	<b>Performance Result</b>	<b>Reasons for Variance</b>



**uShaka MARINE WORLD**  
**PERFORMANCE REPORT - ANNEXURE A**  
**For the year ended 30 June 2007**

<p><u>Events:</u>  Introducing and hosting various events, creating a memorable and unforgettable experience to GUESTS mostly after normal park operating hours; and increasing revenue.</p>	<p>Footfall, revenue and profit driven.</p>	<p>4 x Evening Dolphin extravaganzas per annum, plus a host of smaller events – to deliver R500k net.</p> <p>3 x Music concerts with popular South African bands.</p> <p>Other smaller events</p>	<ul style="list-style-type: none"> <li>• 2 Night Dolphin by Starlight Christmas shows</li> <li>• Halloween</li> <li>• Music of the Movies</li> <li>• Idols concert in Wet 'n Wild.</li> <li>• Watershed</li> <li>• Heritage Day celebration</li> <li>• Mr. &amp; Miss uShaka</li> <li>• Secretaries Day</li> <li>• Dolphin Dash</li> </ul>	<p>Challenges experienced are issues like weather, time of year, etc - as well as the high cost of sales. Going forward, cost of sales will be kept to a minimum and increased event sponsorship will ensure that budget is consistently achieved to a high level.</p>
<p><u>Sponsorship:</u>  Relationship building with corporate sponsors, exposure for sponsors, increasing revenue, funding of events and promotions, and sponsorship of entertainment and park areas.</p>	<p>Event Sponsorship and amount of funding attained within the park. i.e. Dolphin Stadium, Wet 'n Wild, Aquarium, peak periods entertainment, etc</p>	<p>R4 million in sponsorship including added value with media partners.</p>	<ul style="list-style-type: none"> <li>○ Tying up sponsorship in every available area in the park and event, and negotiating long term deals (3 years).</li> </ul>	<p>N/A</p>
<p><u>Sales:</u>  Bulk ticket Sales, group bookings, corporate's, cruise liners, consignment and kids birthday parties</p>	<p>Increasing revenue, attracting interest, large bookings, and sales targets.</p>	<p>6% growth over previous year, building relationships, increased visitation.</p>	<p>Achieved 29% growth.</p>	<p>N/A</p>

**uShaka MARINE WORLD**  
**PERFORMANCE REPORT - ANNEXURE A**  
**For the year ended 30 June 2007**

<p><u>Retail Promotions:</u>  Events and Activities in non-paid environment creating excitement and increasing footfall.</p>	<p>Creating a pleasant vibe and various activities in Village Walk, consistent entertainment, increased footfall, and advertising awareness.</p>	<p>Increase in footfall and spend in retail.</p>	<p><b>Promotions:</b></p> <ul style="list-style-type: none"> <li>• Month end market</li> <li>• Sea World/ Village Walk snorkel offer</li> <li>• Village Walk Matric competition</li> <li>• Spend, Shop and Win promotion</li> <li>• Porsche Show and Shine Expo</li> <li>• Vespa display</li> <li>• Women's Expo</li> <li>• Win a Car</li> <li>• Cooking with Coke</li> <li>• Eastern promotion</li> <li>• Charity gift wrapping</li> <li>• Summer sidewalk sale</li> <li>• Romance sidewalk sale</li> <li>• 500 Free Promotion Caxtons and SM Magazine competition</li> <li>• Lotus FM Valentine's Breakfast OB</li> <li>• Month end market</li> <li>• Body Art &amp; Graffiti Competition</li> <li>• Easter Egg Hunt, live bunny farm and school holiday entertainment</li> <li>• Mother's Day Expo and sidewalk sale</li> <li>• Comrades Marathon</li> <li>• Father's Day Expo and sidewalk sale</li> </ul>	<p>N/A</p>
<p><u>Publicity:</u>  To increase awareness of "What's happening" at uShaka Marine World for promotions, events, footfalls, new attractions, results, etc.</p>	<p>Amount of PR value attained in every key category – events, entertainment, promotions, etc.</p>	<p>To achieve R250k Public Relations value per month.</p>	<p>PR average monthly value: R354 188.75</p>	

**uShaka MARINE WORLD**  
**PERFORMANCE REPORT - ANNEXURE A**  
**For the year ended 30 June 2007**

<p><u>Entertainment:</u>          Providing world-class entertainment in the park and Durban.</p>	<p>Number of and extent of entertainment, how often shows are changed to draw people to uShaka, the actual performance of the performers and crowd interaction - buskers, parades, bands and dinner theatre shows i.e. Tribute to Swing, African Pirate Dinner Adventure and residency by top local bands.</p>	<p>To offer 3 different shows per year on Upper Deck, offer entertainment that cannot be matched and seen elsewhere, to search for SA's best performers and entertainers and to continue to delight and surprise our guests.</p>	<p>Resident band on the Upper Deck from Wednesday's to Sundays, African Pirate Dinner Adventure on Fridays and A Tribute to Swing on Thursdays. Parades during weekends and Peak season,</p>	<p>N/A</p>
<b>TECHNICAL SERVICES</b>				
<p>The Highest Slide in Africa</p>	<p>To provide a new high adrenaline ride for the waterpark, and rectify civil engineering deficiencies at the same time.</p>	<p>To have the new slide ready for the September holiday season</p>	<p>Project brought in on time and budget.</p>	<p>Civil engineering rectifications were paid for from the Major Maintenance budget.</p>
<p style="text-align: center;"><b>Objective</b></p>	<p style="text-align: center;"><b>Key Performance Indicator</b></p>	<p style="text-align: center;"><b>Target</b></p>	<p style="text-align: center;"><b>Performance Result</b></p>	<p style="text-align: center;"><b>Reasons for Variance</b></p>
<p>Moyo restaurant</p>	<p>To help to co-ordinate the building and integration of the new restaurant into the uShaka complex and operations</p>	<p>To have the restaurant operational for the April holiday season</p>	<p>The restaurant opened later than anticipated</p>	<p>The delay in opening was caused by architectural, building and legislative hold ups.</p>
<p>T-Rifik kids play area</p>	<p>To help co-ordinate the building and integration of the new T-Rifik kids play area into the uShaka site and operations.</p>	<p>To have the play area fully operational for the July holiday season.</p>	<p>The play area opened later than expected.</p>	<p>The delay was caused by a too optimistic expectation by the developer.</p>
<p>Dolphin stage and fountains</p>	<p>To enhance the facilities and provide a fixed entertainers stage with big screen, upgraded audio system and water hurdles, for up-charged public shows.</p>	<p>To have the facility complete for the April Holiday season</p>	<p>The stage and water hurdles opened on schedule and budget, however the big screen and enhanced audio had to be deferred.</p>	<p>The second part of this project, the big screen and enhanced Audio system was delayed due to tendering process problems.</p>
<p>Ultrasonic sewerage level detections</p>	<p>To provide a reliable system for the control of sewerage pumps</p>	<p>To have all sewerage sumps converted by June</p>	<p>Project brought in on time and budget</p>	<p>Project paid for under major maintenance budget.</p>

**uShaka MARINE WORLD  
PERFORMANCE REPORT - ANNEXURE A  
For the year ended 30 June 2007**

Upgraded public lighting in Arena 1	To provide for better public lighting in response to requests from the public.	To have lighting installed as a matter of urgency	Lighting installed within 1 month from request	Lighting installation carried out in-house and with normal budget
Upgraded public lighting in Village Walk Arena 4.	To provide for better public lighting in response to requests from the public.	To have lighting installed as a matter of urgency	Lighting installed within 1 month from request	Lighting installation carried out in-house and with normal budget
Tensile Canopy in Arena 3	To provide for a weather proof roof cover, so as to be able to carry out functions in Arena 3 in bad weather	To have the basic tensile canopy erected by the December holiday season	The basic canopy was only erected by the following April holiday season	Challenges experienced with the supplier.
Shade cover over seated area in penguin rookery	To provide for a shade cover over seated areas at the penguin rookery to shield people from the sun.	To have the shade cover installed as soon as practically possible	The cover was installed in time for the December holiday season	The cover was built in-house on normal budgets.
<b><u>FINANCIAL PERFORMANCE</u></b>				
<b><u>Footfalls</u></b>				
Achieving desired footfalls for park entry tickets COMBO SEA WORLD WET N' WILD	Achievement of target	Achievement of budgeted footfall	Achieved 112% Achieved 112% Achieved 160%	Exceeded targets in all areas
<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Target</b>	<b>Performance Result</b>	<b>Reasons for Variance</b>
<b><u>Village Walk Occupancy</u></b>				
Village Walk Occupancy – % of square metres let	Achievement of target	Target set at 95% of Budget	Achieved 96 %	This percentage includes 6% of tenants that are still under beneficial occupation.
<b><u>Budgeted Cost of Sales – Actual vs Budget</u></b>				
Maintain Food Cost of Sales at budgeted levels	Achievement of target	Budget of 38% for food cost of sales	Achieved 41%	- In shoulder season to cater for the Durban market discounted revenues promotions were ran. - The buffet restaurant averages a food cost of 44% while the industry norm is higher for buffets.
Maintain Beverage Cost of Sales 40%	Achievement of target	Budget of 40% for beverage cost of sales	Achieved 38%	Exceeded targets by 2%.
Maintain Merchandising Cost of Sales 53%	Achievement of target	Budget of 53% for merchandising cost of sales	Achieved 52%	Exceeded targets by 1%.
<b><u>Budgeted Revenue – Actual vs Budget</u></b>				
Food & Beverage	Achievement of target	Target set at Budget	Achieved 110%	Exceeded targets by 10%.
Merchandising	Achievement of target	Target set at Budget	Achieved 116%	Exceeded targets by 16%.

**uShaka MARINE WORLD**  
**PERFORMANCE REPORT - ANNEXURE A**  
**For the year ended 30 June 2007**

Village Walk – Rental Income	Achievement of target	Target set at Budget	Achieved 94%	A variety of leases was pre-empted before expiry dates and board approved reduced rentals was signed on varying between 10 and 20%.
<b>Cash Flow Management</b>				
Cash-Flow Management (Ability to service debt)	Achievement of target	Target set at R500 000 + debt payments	Exceeded target	At year end we closed with a positive balance of R16,8m with R3,1m uncommitted funds.
<b>Debtors</b>				
Function and Sponsorship Debtors – 30 days	Achievement of target	Debtors analysed between Current, 30 days and greater than 30 days	15% of debtors were in current status while 38% were in 30 days and 47% were in greater than 30 days status.	After taking the provisions for doubtful debts into account the percentages change to: Achieved 18% current + 45% in 30 days + 37% in greater than 30 day's status. Most of the sponsors renewed their contracts in April. Invoices were raised between April and June 2007. All doubtful debts were provided for.
<b>Objective</b>	<b>Key Performance Indicator</b>	<b>Target</b>	<b>Performance Result</b>	<b>Reasons for Variance</b>
<b>Procuring from empowered companies and Employment Equity</b>				
Achieving Procuring empowerment targets	Achievement of target	Set at 60% of all purchases	Achieved 72%	Exceeded target by 12%.
Achieving target % for Employment Equity	Achievement of target	Target set at varying levels SM – 25% MM – 25% LM – 45% TP – 30% SS – 60% WF – 63%	Achieved :- SM 43% MM 61% LM 42% TP 96% SS 99% WF 100%	Achieved green target in almost all categories except LM wherein Scarce skills more specifically in the technical supervisory positions prove to be a challenge.
<b>VILLAGE WALK</b>				

**uShaka MARINE WORLD**  
**PERFORMANCE REPORT - ANNEXURE A**  
**For the year ended 30 June 2007**

<p>at the  sure</p> <p>To achieve the correct tenant mix and increase foot traffic.</p>	<p>Tenancy to exceed 90% occupancy in Village Walk with relevant tenant mix.</p>	<p>Secure tenants that draw new foot traffic to Village Walk and add to the shopping/entertainment experience</p>	<p>Village Walk is currently running at 96 % occupancy. Negotiations for the remaining space are progressing. Three new “anchor” tenants were secured (Moyo-African themed entertainment restaurant with Corporate and tourist appeal; T-Rifik-children’s theme park appealing to parents with children aged 2-12 years; Emporers Kitchen- Chinese restaurant adding a specialty dining experience to the restaurant mix at uShaka).</p>	<p>32 Leases that were due to expire were pre-empted and negotiations 12 months prior resulting in the renewal of 29 of these leases with new terms ranging from 3 to 5 years. Successful tenants were persuaded to enlarge their outlets (e.g. Butik Asia and Clothesline) or to take on additional offerings (e.g. Piranha Surf added Jeep to their shop and the Wimpy owner took on the Steers brand). Moyo to open their first outlet in Durban at uShaka. The T-Rifik concept was launched by a local investor and he was persuaded to open his first outlet at uShaka. Specialty dining was seen as a gap in the restaurant mix and a Chinese food operator from Johannesburg will open an outlet in October. As a result of these large lettings, tenancy for smaller vacant shops increased.</p>
---	--	---	--	--

**DURBAN MARINE THEME PARK (PTY) LTD**

**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2007**

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 10 to 29, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Durban Marine Theme Park (Pty) Ltd.

2 November 2007

---

Dr M O Sutcliffe  
Accounting Officer

---

DATE

## INDEX

	<b>Page</b>
Report of the independent auditors	4
Report of Directors'	7
Statement of Financial Position	10
Statement of Financial Performance	11
Statement of Changes in Net Assets	12
Cash Flow Statement	13
Accounting Policies	14
Notes to the Annual Financial Statements	18
Appendix A: Analysis of Property, Plant and Equipment	30
Appendix B: Actual versus Budget (Revenue and Expenditure)	34
Appendix C: Actual versus Budget (Acquisition of Property, Plant and Equipment)	38



## **1.1 REPORT OF THE AUDITOR-GENERAL TO THE ETHEKWINI COUNCIL AND THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF DURBAN MARINE THEME PARK (PTY) LTD FOR THE YEAR ENDED 30 JUNE 2007**

1. I have audited the accompanying financial statements of the Durban Marine Theme Park (Pty) Ltd which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 7 to 29.

### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act, 1973 (Act No. 61 of 1973). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 92 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the Durban Marine Theme Park (Pty) Ltd in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis of accounting**

9. The municipal entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements.

### **Opinion**

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Durban Marine Theme Park (Pty) Ltd as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial

statements and in the manner required by the MFMA and the Companies Act, 1973 (Act No. 61 of 1973).

### **Emphasis of matter**

Without qualifying my audit opinion, I draw attention to the following matter:

#### **11. Highlight of a matter affecting the financial statements, which is disclosed in a note to the financial statements**

With reference to paragraph 9 of the directors' report, I draw attention to note 32 of the financial statements disclosing the measures put in place to ensure the entity's ability to continue as a going concern. Subsequent to year-end the parent municipality invested R157 million in the entity, which was used to settle two external capital loans. In addition, the parent municipality converted its loans amounting to approximately R624 million into equity.

### **OTHER REPORTING RESPONSIBILITIES**

#### **Reporting on performance information**

12. I have audited the performance information as set out in the annual report, except for the non-financial performance information as indicated in paragraph 16 below.

#### **Responsibility of the accounting officer for the performance information**

13. In terms of section 121(4)(d) of the MFMA the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

#### **Responsibility of the Auditor-General**

14. I conducted my engagement in accordance with section 13 of the PAA, read with *General Notice 646 of 2007*, issued in *Government Gazette No. 646 of 25 May 2007*.

15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence of the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

#### **Audit findings**

16. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit finding reported below.

17. I draw attention to the fact that the non-financial objectives are reported in the annual report of the Durban Marine Theme Park (Pty) Ltd, although they were not included as predetermined objectives in the multi-year business plan as required in terms of section 87(5)(d)(i) of the MFMA.

## **APPRECIATION**

18. The assistance rendered by the staff of the Durban Marine Theme Park (Pty) Ltd during the audit is sincerely appreciated.

Pietermaritzburg

2 November 2007



**A U D I T O R - G E N E R A L**

## **REPORT OF DIRECTORS' FOR THE YEAR ENDED 30 JUNE 2007**

### **1. Statement of Director's Responsibility**

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement.

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

## **2. Nature of business**

The company is defined as a Municipal Entity as it is controlled by the eThekweni Municipality. As part of an urban regeneration project for the Point Precinct in Durban, the company has developed a large marine theme park situated on the beachfront in the Point Precinct.

This marine theme park which trades as uShaka Marine World is the sole operation of the company and commenced operations on 30 April 2004. uShaka Marine World comprises four main components, being:

- an Oceanarium, known as SeaWorld;
- a Waterpark, known as Wet 'n Wild;
- a Retail Shopping Mall known as Village Walk;
- and linkages to the beachfront.

## **3. Management**

The company has entered into a ten year contract with uShaka Management (Pty) Ltd, expiring on 31 March 2013 in terms of which uShaka Management (Pty) Ltd are responsible for the management and operations of uShaka Marine World. In terms of this contract, all staff who work at uShaka Marine World, with the exception of those employed by The South African Association for Marine Biological Research (SAAMBR) are employed by uShaka Management but the entire cost of such staff is borne by the company.

The company has also entered into a long term agreement with SAAMBR, in terms of which SAAMBR are responsible for the operations of SeaWorld. The company reimburses SAAMBR for all costs incurred by it in the performance of those obligations, including the costs of staff employed for that purpose. For detail on employee costs re-imbursed refer to note 18.

## **4. Financial results of the company**

The financial statements from pages 10 to 29 set out fully the financial position and results of operations and cash flows of the company for the period ended 30 June 2007. Pages 30 – 40 do not form part of the audited financials however are included as additional information.

No dividends have been declared during the period.

## **5.**

The authorized share capital of the company remains unchanged.  
The issued share capital increased by 103 shares issued on 30 April 2007 at a premium of R97 086 per share.

## 6. Directors and secretary

- The directors of the company are:

G J Whiteford	(appointed 14 March 2003)
H C Rudham	(appointed 16 November 2004)
J T Russell	(appointed 8 April 2005)
B J Mtembu	(appointed 8 April 2005)
T V Norman	(appointed 8 April 2005)
S Pillay	(appointed 8 April 2005)
S Zulu	(appointed 8 April 2005)
J H de Villiers Botha	(appointed 3 December 2001)
M L Mashaba	(appointed 28 July 2006)

- Alternate directors:

B D Rebeck	(appointed 23 April 2002)
A W McCree	(appointed 14 March 2003)
J M T Ndlovu	(appointed 16 November 2004)

- The secretary of the company is DLD de Marigny, whose details are:

Business address	Postal address
Ground Floor - The Marine Building 22 Gardiner Street Durban	PO Box 5478 Durban 4000

- The company's registration number is - 2001/020025/07

- Non Voting Municipal Representatives

O Mlaba (Mayor)  
M Sutcliffe (Municipal Manager)

## 7. Interest of directors and officers in share capital and contracts

No material contracts in which the directors have an interest were entered into in this period.

## 8. Controlling shareholder

The controlling shareholder is eThekweni Municipality which owns 511 of the 512 issued shares.

## 9. Subsequent Events

We draw your attention to Note 32 where-in material subsequent events are fully explained.

## 10. Material Transactions

We draw your attention to Appendix B, Note 5 – Loss on disposal of property, plant and equipment.

The financial statements set out on pages 10 to 40 were approved by the board of directors on 2 November 2007 and are signed on their behalf by:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007**

	Note	2007 R	2006 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>(259,515,954)</b>	<b>(175,550,892)</b>
Share Capital	2	512	409
Share Premium	2	9,999,897	-
Accumulated Deficit		(269,516,363)	(175,551,301)
<b>Non-current liabilities</b>		<b>820,065,846</b>	<b>750,415,809</b>
Shareholders loan	3	476,977,150	470,363,079
Debentures	4	73,592,922	67,092,922
Long Term Liabilities	5	269,495,774	212,959,808
<b>Current liabilities</b>		<b>47,639,071</b>	<b>50,418,215</b>
Current Portion Long Term Liabilities	5	31,378,726	24,623,663
Tenant Rental Deposits	6	1,294,588	1,266,518
Trade and other payables	7	9,258,272	12,474,397
Provisions	8	1,169,089	2,042,460
Interest payable		4,538,396	889,210
Bank overdraft	9	-	9,121,967
<b>Total Net Assets and Liabilities</b>		<b>608,188,963</b>	<b>625,283,132</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>580,894,229</b>	<b>612,741,179</b>
Property, plant and equipment	10	520,410,792	549,457,646
Intangible Assets	11	129,147	305,739
Investments – Property	12	56,983,659	60,685,553
Deferred income	13	3,370,631	2,292,241
<b>Current assets</b>		<b>27,294,734</b>	<b>12,541,953</b>
VAT	14	1,763,067	3,508,477
Receivables and prepayments	15	5,021,333	5,934,175
Inventory	16	3,046,926	3,099,301
Cash and Cash Equivalents	9	17,463,408	-
<b>Total Assets</b>		<b>608,188,963</b>	<b>625,283,132</b>



**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**

**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
<b>REVENUE</b>			
Ticketing Revenue		47,844,699	50,456,530
Food and Beverage Revenue		29,417,385	27,069,381
Merchandising Revenue		5,352,016	5,536,323
Functions Revenue		6,471,905	5,306,274
Village Walk Rental Revenue		18,026,292	17,249,190
Sponsorship Revenue		3,392,146	3,298,661
Other Income	17	2,337,151	2,029,050
Gains on disposal of property, plant and equipment		6,210	-
Parking Revenue		1,546,973	1,706,525
Interest received		399,244	303,179
<b>Total Revenue</b>		<b><u>114,794,021</u></b>	<b><u>112,955,113</u></b>
<b>Cost of sales</b>		<b><u>18,962,259</u></b>	<b><u>17,505,535</u></b>
<b>Gross Operating Profit</b>		<b><u>95,831,762</u></b>	<b><u>95,449,578</u></b>
<b>EXPENDITURE</b>			
Employee costs re-imbursed	18	30,721,701	28,462,685
Bad debts		150,624	76,588
Depreciation		41,917,567	36,234,408
Repairs and maintenance		4,155,443	3,518,755
Contracted services		1,171,648	1,263,100
SAAMBR		24,485,289	21,180,625
Marketing		7,360,175	8,109,375
Loss on disposal of property, plant and equipment	22	7,627,293	51,771
Other operating expenses	19	34,077,669	30,007,532
Pre-opening costs	20	(544,461)	406,397
Finance Costs	21	38,673,876	35,683,685
<b>Total Expenditure</b>		<b><u>189,796,824</u></b>	<b><u>164,994,921</u></b>
<b>DEFICIT FOR THE YEAR</b>	22	<b><u>(93,965,062)</u></b>	<b><u>(69,545,343)</u></b>
<b>Refer to Appendix B for the comparison with the approved budget</b>			

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		145,352,434	117,234,574
Cash paid to suppliers and employees		(153,961,473)	(112,308,665)
Cash generated from/(utilized in) operations	24	(8,609,039)	4,925,909
<b>2006</b>			
Ordin Net finance (costs) / income		(18,601,066)	(24,995,904)
Bal			
Ord			
<b>Rest</b>		<b>(27,210,105)</b>	<b>(20,069,995)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Accu Purchase of property, plant and equipment		(16,685,312)	(3,337,019)
Bal			
Sur Proceeds on disposal of property, plant and equipment		72,000	
Capit			
Dona			
Asse			
<b>Offse</b>		<b>(16,613,312)</b>	<b>(3,337,019)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>2007</b>			
Ordin New loans raised/(repaid)			
Bal			
Ord			
Sha			
<b>Rest</b>		<b>(24,927,937)</b>	<b>(18,536,670)</b>
Accu Proceeds from Issue of shares		10,000,000	
Bal			
Sur Proceeds from borrowing		85,308,659	30,992,525
Capit			
Dona			
Asse			
<b>Offse</b>		<b>28,070</b>	<b>(148,260)</b>
<b>Bala</b>		<b>70,408,792</b>	<b>12,307,595</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>26,585,375</b>	<b>(11,099,419)</b>
Cash and cash equivalents at the beginning of the year		<b>(9,121,967)</b>	<b>1,977,452</b>
Cash and cash equivalents at the end of the year	9	<b>17,463,408</b>	<b>(9,121,967)</b>

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007**

**1 Accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those of the previous year.

**1 Basis of Preparation**

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

<b>Standard of GRAP</b>	<b>Replaced Statement of GAAP</b>
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting errors	AC103: Accounting policies, changes in accounting estimates and accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

1. Terminology differences:

<b>Standard of GRAP</b>	<b>Replaced Statement of GAAP</b>
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of change in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share Capital
Distributions to owners	Dividends

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information has been presented separately on the statement of financial position such as:  
 (a) receivables from non-exchange transactions, including taxes and transfers;  
 (b) taxes and transfers payable;  
 (c) trade and other payables from non-exchange transactions;

4. Amount and nature of any restrictions on cash balances is required.

**2 Presentation Currency**

These annual financial statements are presented in South African Rand and rounded to the nearest rand.

**3 Going Concern Assumption**

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

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**4 Property, Plant and Equipment**

Property, plant and equipment comprises: - land and buildings; furniture, fittings and equipment; plant and machinery and vehicles and are included at historical cost. Cost includes all costs that are directly attributable to bringing the assets to working condition for their intended use.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period required to prepare and complete the asset for its intended use. Other borrowing costs are expensed.

Repairs and maintenance are expensed as and when incurred.

All assets, other than land, are depreciated on a straight line basis over their estimated useful lives and the rates range between:

*	Buildings and Building Structures	10-40 years
*	Furniture and Fittings and Equipment	3-10 years
*	Plant and Machinery	10 years
*	Motor vehicles	5 years

Useful life and residual value is reviewed annually and the prospective depreciation is adjusted accordingly.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income or expenditure.

Land is not depreciated as it is deemed to have an indefinite life.

**5 Intangible Assets**

Intangible assets that meet the recognition criteria are stated in the statement of financial position at amortised cost, being the initial cost price less any amortisation and impairment.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method as follows:

- Computer software	2 years
---------------------	---------

The useful lives of intangible assets are reassessed at the end of each financial year.

**6 Leased assets**

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payment.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the year of the lease. When an operating lease is terminated before the lease year has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the year in which termination takes place.

**7 Financial Instruments**

**Recognition**

Financial assets and financial liabilities are recognized on the company's statement of financial position when the company becomes a party to the contractual provision of the instrument.

Financial instruments carried on the statement of financial position include a loan, prepayments and advances, non-exchange transfers receivable, trade and other receivables from exchange transactions, cash and cash equivalents, non-exchange transfers payable, trade and other payables from exchange transactions and VAT payable. Where relevant, the particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**Measurement**

Financial instruments are initially measured at fair value plus any transaction costs directly attributable to the acquisition or issue of financial asset / liability. Subsequent to initial recognition, these instruments are measured as set out below.

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

**Financial assets**

The company's financial assets are cash and bank balances trade and other receivables.

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalent comprise cash on hand, deposits held with banks, and bank overdrafts.

**Trade receivables**

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

**Financial liabilities**

The company's financial liabilities are trade creditors which are stated at fair value and the policy is to pay within 30 days.

**Derecognition**

A financial asset or a portion thereof is derecognised when the company realises that the contractual rights to the benefits specified in the contract expire; the company surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset.

On

derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in net surplus or deficit for the period.

**Fair value considerations**

The fair values at which financial instruments are carried at the reporting date have been determined using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimated using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that could be realised in the normal course of business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short-term trading cycle of these items.

**8 Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**9 Revenue recognition**

Revenue comprises rental income, entrance and parking fees, sales of merchandise, food and beverage, sponsorship income, eventing income and interest net of Value Added Tax and discounts.

Rental income is recognised on the straight-line basis over the lease term and accordingly deferred income is raised.

Entrance and parking fees and sales of merchandise, food and beverage are recognised immediately upon receipt.

Interest, sponsorship and eventing income is recognised as it accrues (taking into account in respect of interest income, the effective yield on the asset) unless collectability is in doubt.

**10 Provisions**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**11 Inventories**

Inventories are valued at the lower of cost or net realizable value. Provision is made for slow moving goods and obsolete materials are written off. Cost is determined at invoice cost on a weighted average basis.

**12 Foreign currency transactions**

Transactions in foreign currencies are converted to South African Rand at the rate of exchange ruling at the date of the transaction.

**13 Retirement Obligations**

The company reimburses uShaka Management (Pty) Ltd for the cost of the Provident Fund maintained by it for staff who works at uShaka Marine World. All such staff are obliged to be members of the Provident Fund which is governed by the Pension Funds Act of 1956. Contributions are based on a percentage of the payroll and charged to the income statement in the year to which they relate.

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

**14 Investment Property**

Investment property is the uShaka Village Walk Shopping Mall and comprises: - Building and Structures, Furniture, fittings and equipment. Investment property is valued at cost less accumulated depreciation. Cost includes all costs that are directly attributable to bringing the assets to working condition for their intended use.

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

Interest costs on borrowings to finance the construction of investment property are capitalised during the period required to prepare and complete the asset for its intended use. Other borrowing costs are expensed.

All assets within investment property are depreciated on a straight line basis over their estimated useful lives and the rates range between:

*	Buildings and Building Structures	10-40 years
*	Furniture and Fittings and Equipment	3-10 years

**15 Unauthorized**

**Expenditure**

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

**16 Irregular Expenditure**

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

**17 Fruitless And Wasteful Expenditure**

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

	R	R
<b>2. SHARE CAPITAL</b>		
Authorised		
Ordinary Shares		
1,000 ordinary shares of R1 each	1,000	1,000
Issued		
Ordinary Shares		
Shares of R1 each	<u>512</u>	<u>409</u>
<b>SHARE PREMIUM</b>	<u>9,999,897</u>	<u>-</u>
103 Shares issued at premium of R97,086		
<b>3. SHAREHOLDERS LOAN</b>		
<i>eThekweni Municipality</i>	<b>476,977,150</b>	<b>470,363,079</b>
This loan is interest free, has no fixed terms of repayment. The shareholder has subordinated its claim against the company in favour of other creditors, until such time as the assets fairly valued, exceed its liabilities. This loan has been settled subsequent to year end, refer note 32		
<b>4. DEBENTURES</b>		
Debentures issued		
- capital	50,000,000	50,000,000
- interest	<u>23,592,922</u>	<u>17,092,922</u>
	<u><b>73,592,922</b></u>	<u><b>67,092,922</b></u>

The unsecured convertible debenture bears interest at a non-compounding rate of 13% per annum. The accrued interest is payable at the end of the twelfth year of the issued debenture. The debenture is convertible at the option of the holder into ordinary shares of the company at anytime during 12 years from date of issue. Should the holder not exercise the option to convert, the debenture is redeemable at the option of either the issuer or the bearer after the 12 years from date of issue. On redemption the debenture capital is repayable in three equal annual tranches.

**5. LONG TERM LIABILITIES**

<b>EXTERNAL LOANS - 2007</b>	<b>Balance at 30/06/06</b>	<b>Interest during the year</b>	<b>(Payments) / Advances during the year</b>	<b>Balance at 30/06/07</b>	<b>Less Current Portion</b>	<b>Disclosure of Long Term Portion</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>LONG-TERM LOANS</b>						
Premium Finance Solutions	572,166	55,862	370	628,398	(628,398)	-
Standard Bank	2,963,638	363,054	(1,164,752)	2,161,940	(970,242)	<b>1,191,698</b>
CITI Bank	125,976,66	12,691,165	(29,204,196)	109,463,636	(21,892,728)	<b>87,570,908</b>
DBSA Loan	38,235,294	-	(5,882,353)	32,352,941	(5,882,353)	<b>26,470,588</b>
DBSA Phantom Ship	4,900,117	-	(1,463,527)	3,436,590	(1,626,461)	<b>1,810,129</b>
DBSA Village Walk	-	5,871,029	-	5,871,029	(378,544)	<b>5,492,485</b>
eThekwini Municipality Loan	64,935,589	9,524,377	72,500,000	146,959,966	-	<b>146,959,966</b>
<b>Total long-term loans</b>	<b>237,583,47</b>	<b>28,505,487</b>	<b>34,785,542</b>	<b>300,874,500</b>	<b>31,378,726</b>	<b>269,495,774</b>
<b>TOTAL EXTERNAL LOANS</b>						

<b>EXTERNAL LOANS - 2006</b>	<b>Balance at 30/06/05</b>	<b>Interest during the year</b>	<b>(Payments) / Advances during the year</b>	<b>Balance at 30/06/06</b>	<b>Less Current Portion</b>	<b>Disclosure of Long Term Portion</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>LONG-TERM LOANS</b>						
Premium Finance Solutions	-	27,074	545,092	572,166	572,167	-
Standard Bank	3,840,473	263,724	(1,140,559)	2,963,638	945,507	<b>2,018,131</b>
CITI Bank	136,438,33	6,051,364	(16,513,031)	125,976,667	16,513,031	<b>109,463,635</b>
DBSA Loan	44,117,648	-	(5,882,353)	38,235,294	5,882,353	<b>32,352,941</b>
DBSA Phantom Ship	6,215,931	(605,458)	(710,356)	4,900,117	710,605	<b>4,189,512</b>
DBSA Village Walk	-	-	-	-	-	-
eThekwini Municipality Loan	33,913,835	4,021,753	27,000,000	64,935,589	-	<b>64,935,589</b>
<b>Total long-term loans</b>	<b>224,526,22</b>	<b>9,758,457</b>	<b>3,298,793</b>	<b>237,583,471</b>	<b>24,623,663</b>	<b>212,959,808</b>
<b>TOTAL EXTERNAL LOANS</b>						

The Standard Bank loan bears interest at 9.52% and is repayable in 60 monthly instalments.  
The loan is secured by the assets with a book value of R841,509  
(2006: R1, 848,556) as detailed in note 10, 11 and 12 respectively.

The Citibank loan bears interest at 13.84% and is repayable in 17 semi annual instalments.  
The loan is secured by the assets with a book value of R564,662,002  
(2006: R601, 373,456) as detailed in note 10, 11 and 12 respectively.

The DBSA loan bears interest at 13.84% and is repayable in 17 semi annual instalments.  
The loan is secured by the assets with a book value of R564,662,002  
(2006: R601, 373,456) as detailed in note 10, 11 and 12 respectively.

The DBSA Phantom Ship loan bears interest at 10.9% and is repayable in 10 semi annual instalments.  
The loan is secured by the assets with a book value of R6,149,749  
(2006: R6, 774,776) as detailed in note 10, 11 and 12 respectively.

The DBSA Village Walk loan bears interest at 8.5% and is repayable in 18 quarterly instalments.  
(2006: Nil)

The eThekwini Municipality (Controlling Shareholder) loan bears interest at 2% below prime and there are no fixed repayment terms.

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

2007                      2006  
R                              R



<b>6. TENANT RENTAL DEPOSITS</b>			
Tenant Rental Deposits		<b>1,294,588</b>	<b>1,266,518</b>
<b>7. TRADE AND OTHER PAYABLES</b>			
Trade creditors		8,863,885	12,132,500
Other creditors		394,387	341,897
		<u>9,258,272</u>	<u>12,474,397</u>
<b>8. PROVISIONS</b>			
<i>Leave pay (Leave pay is owed to employees)</i>			
- Opening balance		1,030,966	796,537
- Income Statement movement		138,123	234,429
- Closing Balance		<u>1,169,089</u>	<u>1,030,966</u>
<i>Bonus</i>			
- Opening balance		1,000,000	612,321
- Income Statement movement		(1,000,000)	387,679
- Closing Balance		<u>-</u>	<u>1,000,000</u>
<i>Other provisions</i>			
- Opening balance		11,494	-
- Income Statement movement		(11,494)	11,494
- Closing Balance		<u>-</u>	<u>11,494</u>
<b>Total Provisions</b>		<u><b>1,169,089</b></u>	<u><b>2,042,460</b></u>
<b>9. CASH AND CASH EQUIVALENTS</b>			
<i>Durban Marine Theme Park (Pty) Ltd has the following bank accounts: -</i>			
<b><u>Current Account (Primary Bank Account)</u></b>			
<i>Citibank - Johannesburg Branch: Account Number 0500337036</i>			
Cash book balance at beginning of year		(2,116,231)	1,072,855
Cash book balance at end of year		<u>12,454,358</u>	<u>(2,116,231)</u>
Bank statement balance at beginning of year		(2,116,231)	3,252,770
Bank statement balance at end of year		<u>12,454,358</u>	<u>(2,116,231)</u>
<b><u>Retail Bank Account</u></b>			
<i>Citibank - Johannesburg Branch: Account Number 0500337052</i>			
Cash book balance at beginning of year		90,205	(53,372)
Cash book balance at end of year		<u>70,273</u>	<u>90,205</u>
Bank statement balance at beginning of year		90,205	8,627
Bank statement balance at end of year		<u>70,273</u>	<u>90,205</u>
<b><u>Schools Bank Account</u></b>			
<i>Citibank - Johannesburg Branch: Account Number 0500337125</i>			
Cash book balance at beginning of year		975	688
Cash book balance at end of year		<u>8,489</u>	<u>975</u>
Bank statement balance at beginning of year		975	24,688
Bank statement balance at end of year		<u>8,489</u>	<u>975</u>

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
2007**

	2007	2006
	R	R
<b>9. CASH AND CASH EQUIVALENTS (Continued)</b>		

**Debt Service Bank Account***Citibank - Johannesburg Branch: Account Number 0500337044*

Cash book balance at beginning of year	2,926	(328)
Cash book balance at end of year	<u>3,788,330</u>	<u>2,926</u>
Bank statement balance at beginning of year	2,926	(328)
Bank statement balance at end of year	<u>3,788,330</u>	<u>2,926</u>

**Overdraft Bank Account***Std Bank – Durban Branch: Account Number 050033026*

Cash book balance at beginning of year	(7,869,918)	38
Cash book balance at end of year	<u>2,038</u>	<u>(7,869,918)</u>
Bank statement balance at beginning of year	(7,869,918)	(961)
Bank statement balance at end of year	<u>2,038</u>	<u>(7,869,918)</u>

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances	16,323,488	(9,892,043)
Cash on hand	1,139,920	770,076
<b>Total cash and cash equivalents at the end of the year</b>	<u>17,463,408</u>	<u>(9,121,967)</u>

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**10. PROPERTY, PLANT AND EQUIPMENT**  
**30 June 2007**

	<u>Capital Work in Progress</u>	<u>Land and Buildings</u>	<u>Motor Vehicle</u>	<u>Furn. Fittings &amp; Equip</u>	<u>Plant &amp; Machinery</u>	<u>Phantom Ship</u>	<u>Total</u>
Reconciliation of Carrying Value							

	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2006</b>							
Cost	45,712	478,391,494	1,093,764	56,229,616	71,731,026	7,880,027	615,371,639
Accumulated depreciation	-	(28,130,253)	(595,376)	(21,415,483)	(14,667,630)	(1,105,251)	(65,913,993)
Opening carrying amount	45,712	450,261,241	498,388	34,814,133	57,063,396	6,774,776	549,457,646
Additions / Transfers	184,902	6,568,389	-	8,479,982	460,050	-	15,693,323
Acquisitions							
Net borrowing costs capitalised							
Capital under Construction							
Depreciation	-	(14,478,173)	(218,754)	(14,473,596)	(7,205,832)	(625,027)	(37,001,381)
Carrying value of disposals	-	(7,613,240)	-	(79,843)	-	-	(7,693,083)
Cost	-	(8,157,043)	-	(159,189)	-	-	(8,316,232)
Accumulated depreciation	-	543,803	-	79,345	-	-	623,148
Impairment losses							
Other movements	(45,712)						(45,712)
<b>Carrying values at 30 June 2007</b>	<b>184,902</b>	<b>434,738,217</b>	<b>279,634</b>	<b>28,740,676</b>	<b>50,317,614</b>	<b>6,149,749</b>	<b>520,410,792</b>
Cost	184,902	476,802,840	1,093,764	64,550,409	72,191,076	7,880,027	622,703,018
Accumulated depreciation	-	(42,064,623)	(814,130)	(35,809,733)	(21,873,462)	(1,730,278)	(102,292,226)

<b>30 June 2006</b>							
	<b>Capital Work in Progress</b>	<b>Land and Buildings</b>	<b>Motor Vehicle</b>	<b>Furn. Fittings &amp; Equip</b>	<b>Plant &amp; Machinery</b>	<b>Phantom Ship</b>	<b>Total</b>
	R	R	R	R	R	R	R
<b>Reconciliation of Carrying Value</b>							
<b>Carrying values at 1 July 2005</b>							
Cost		478,065,230	841,821	54,662,107	70,739,709	7,813,105	612,121,972
Accumulated depreciation		(15,140,056)	(383,782)	(11,287,171)	(7,520,283)	(593,472)	(34,924,764)
Opening carrying amount		462,925,174	458,039	43,374,936	63,219,426	7,219,633	577,197,208
Additions / Transfers							
Acquisitions	45,712	326,264	251,943	1,633,344	991,317	66,922	3,315,502
Net borrowing costs capitalised							
Capital under Construction							
Depreciation		(12,990,197)	(211,594)	(10,142,376)	(7,147,347)	(511,779)	(31,003,293)
Carrying value of disposals	-	-	-	(51,771)	-	-	(51,771)
Cost				(65,837)			(65,837)
Accumulated depreciation				14,065			14,065
Impairment losses							
Other movements							
<b>Carrying values at 30 June 2006</b>	<b>45,712</b>	<b>450,261,241</b>	<b>498,388</b>	<b>34,814,133</b>	<b>57,063,396</b>	<b>6,774,776</b>	<b>549,457,646</b>
Cost	45,712	478,391,494	1,093,764	56,229,616	71,731,026	7,880,027	615,371,639
Accumulated depreciation	-	(28,130,253)	(595,376)	(21,415,483)	(14,667,630)	(1,105,251)	(65,913,993)

The above assets are pledged against the loans from Citibank Limited and the Development Bank of Southern Africa Ltd (refer note 5).

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**2007**                      **2006**  
**R**                              **R**

**10. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Change in Estimate – Useful Life of Property, Plant and Equipment reviewed:**

A change in the estimated useful life of various assets of the company has resulted in the following increases in depreciation for the mentioned categories for the financial

year ending 30 June 2007

Air conditioners initially written off over 5 years are now written off over 4 years	3,550,709	-
Upperdeck Furniture originally written off over 10 years are now written off over 3 years	109,983	-
Signage originally written off over 10 years are now written off over 3 years	550,584	-
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>4,211,276</b>	<b>-</b>

**11. INTANGIBLE ASSETS (COMPUTER SOFTWARE)**

Opening carrying amount	305,739	1,250,270
Additions/Transfers	136,430	21,515
Depreciation charge	(313,022)	(966,046)
Closing carrying amount	<b>129,147</b>	<b>305,739</b>
Cost	2,259,734	2,123,303
Accumulated depreciation	(2,130,587)	(1,817,564)
Closing carrying amount	<b>129,147</b>	<b>305,739</b>

**12. INVESTMENTS – PROPERTY**

Opening carrying amount	60,685,553	64,950,622
Additions/Transfers	901,270	-
Depreciation charge	(4,603,164)	(4,265,069)
Closing carrying amount	<b>56,983,659</b>	<b>60,685,553</b>
Cost	70,827,803	69,926,533
Accumulated depreciation	(13,844,144)	(9,240,980)
Closing carrying amount	<b>56,983,659</b>	<b>60,685,553</b>

The above assets are pledged against the loans from Citibank Limited and the Development Bank of Southern Africa Ltd (refer note 5). Investment Property comprises the Village Walk retail shopping mall from which rental income is derived. The original cost of this property including land was approximately R69,000,000. The directors fair value there-of is R117,000,000 based on a valuation method of net rental return, capitalised at 10, 5%.

**13. DEFERRED INCOME**

Rental Adjustment	<b>3,370,631</b>	<b>2,292,241</b>
-------------------	------------------	------------------

**14. VAT**

VAT Payable	-	(525,166)
VAT Debtor	1,763,067	4,033,643
VAT is payable on the accrual basis. VAT inputs receivables and VAT outputs receivables are shown in the balance sheet. All VAT returns have been submitted by the due date throughout the year.	<b>1,763,067</b>	<b>3,508,477</b>

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>15. RECEIVABLES &amp; PREPAYMENTS</b>		
<b>Trade Debtors</b>	<b>5,860,174</b>	<b>5,370,197</b>
Current (0 – 30 days)	1,231,489	1,513,907
31 - 60 Days	966,112	880,318
61 - 90 Days	824,047	260,022

91 - 120 Days	2,838,526	2,715,950
<b>Provision for Doubtful Debts</b>	<b>(2,058,439)</b>	<b>(1,313,610)</b>
- Opening balance	(1,313,610)	(920,718)
- Income Statement movement	(744,829)	(392,892)
<b>Sundry Debtors</b>	<b>369,450</b>	<b>766,777</b>
Current (0 – 30 days)	86,380	739,546
31 - 60 Days	17,165	27,231
61 - 90 Days	1,201	-
91 – 120 Days (Hand over debtors)	264,704	-
<b>Prepayments :- will be released into the income statement over the following periods</b>	<b>827,259</b>	<b>748,321</b>
Current (0 – 30 days)	139,772	128,832
31 - 60 Days	139,772	128,832
61 - 90 Days	139,772	128,831
91 - 120 Days	407,943	361,826
<b>eThekwini Municipality</b>		
Current	<b>22,889</b>	<b>362,490</b>
<b>Total Other Debtors</b>	<b>5,021,333</b>	<b>5,934,175</b>
<b>16</b>		
<b>INVENTORY</b>		
Closing stock of product		
Food and Beverage	1,033,061	853,242
Merchandise	1,236,402	1,521,570
Consumables Stores – at cost (Includes Wristbands, Stationery, Packaging)	777,463	724,489
<b>Total Inventory</b>	<b>3,046,926</b>	<b>3,099,301</b>
<b>17</b>		
<b>OTHER INCOME</b>		
Ticketing Related Revenues	62,113	-
Tattoo Sales	237,991	109,141
Party's	492,978	450,640
Merchandising (Bambino + Shop Mobility)	228,509	211,930
Rarepix	1,098,908	973,911
Helicopter Rides	111,016	156,335
Seawater Permits	3,947	3,000
uShaka Radio Adverts	34,764	124,093
Umbrella Hire	36,930	-
Jet Ski	549	-
Ocean Safari	29,446	-
	<b>2,337,151</b>	<b>2,029,050</b>

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	R	R
<b>18. EMPLOYEE COSTS RE-IMBURSED</b>		
<i>uShaka Management (Pty) Ltd</i>		
Number of persons employed at year end: Full time	499	466

Salaries, Wages, Travel allowances and Bonuses	24,672,119	23,400,381
Contributions to UIF, Provident fund, Medical aid and Workmen's Compensation	3,438,440	2,338,429
Leave Pay	172,112	234,429
Overtime payments	2,439,030	2,489,446
	<b>30,721,701</b>	<b>28,462,685</b>

**South African Association For Marine Biological Research**

Number of persons employed at year end: Full time	<b>142</b>	<b>135</b>
Salaries, Wages, Travel allowances and Bonuses	13,438,800	12,380,450
Contributions to UIF, Provident fund, Medical aid and Workmen's Compensation	2,735,221	2,420,780
Leave Pay	19,886	246,013
Overtime payments	185,594	133,477
	<b>16,379,502</b>	<b>15,180,720</b>

**19. OTHER OPERATING EXPENSES**

*Included in the Other Operating Expenses are :-*

Water and Electricity	9,243,543	8,981,973
Management Fees	5,472,080	3,893,124
Staff Related Costs	2,274,887	3,236,455
Promotions and Entertainments	3,008,554	2,198,065
Bank Charges	1,092,340	1,192,179
Security	1,149,149	1,119,478
Insurance	1,240,705	1,081,584
Consumables	1,534,125	1,029,600
Other	1,479,137	1,003,970
Cleaning costs	934,132	940,592
Ticketing Costs	1,119,725	891,359
Legal Fees and Licences	801,678	736,848
Durban Point Waterfront Levy	689,400	689,400
Telephone and Fax	649,811	650,116
Service Contracts	1,046,196	507,274
Printing and Stationery	412,939	484,117
Doubtful Debts Provision	744,829	392,892
Equipment Replacement Costs	542,508	386,833
Free Parking	51,480	313,113
Travel and Accommodation	111,007	309,079
Operating Leases	172,226	88,473
Audit Fees	307,218	-118,992
	<b>34,077,669</b>	<b>30,007,532</b>

20

**PRE-OPENING COSTS**

Pre-opening costs are costs incurred prior to the commencement of trading of uShaka Marine World on 30 April 2004 and costs relating to the project development of uShaka Marine World. The credit in the current year is a recoupment of previous costs written off.

**(544,461) 406,397**

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>21. FINANCE COSTS</b>		
Citibank	16,478,607	18,182,358
DBSA	5,476,892	6,404,571
Standard Bank	363,054	263,725

Glenrand	61,618	27,074
Overdraft interest	43,046	284,204
DBSA debenture	6,500,000	6,500,000
Ethekweni Municipality	9,524,377	4,021,753
DBSA Village Walk	226,282	-
	<b>38,673,876</b>	<b>35,683,685</b>

22

**DEFICIT FOR THE YEAR**

The following items have been charged in arriving at a deficit for the year:

<i>Income Statement charge</i>	307,218	(118,992)
<i>Loss on disposal of assets (Refer : Appendix B )</i>	(7,627,293)	(51,771)

23

**OPERATING LEASES**

*Total of future minimum lease payments under non-cancellable leases*

**23.1 Lessee**

Not later than one year	168,703	155,278
Later than one year and not later than five years	165,199	333,902

The operating leases relate to photocopies used for office administration. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 31 May 2009 . For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalation percentage varies from lease to lease, the average being about 10%.

**23.2 Lessor**

Not later than one year	14,940,913	15,475,456
Later than one year and not later than five years	46,830,979	61,771,892

The operating leases relate to rental contracts derived from uShaka Village Walk. The lease agreements were entered into on various dates and will be operational for varying periods, the last expiring on 28 February 2017. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalation percentage varies from lease to lease, the average being about 10%.

24

**CASH FLOW INFORMATION**

***Cash flow from operating activities***

Operating loss	(93,965,062)	(69,545,343)
Adjustment for non-cash items		
Depreciation	41,917,567	36,234,408
Deferred income adjustment	(1,078,390)	676,467
Add back gains made on foreign transactions	-	(5,408)
Add back finance costs	38,274,632	35,380,506
Provisions	(873,374)	147,104
Loss on disposal	7,621,083	51,771
Changes in working capital		
Inventories and operating equipment	52,375	(86,079)
Decrease in receivables	2,658,252	3,379,581
Decrease in trade and other payables	(3,216,122)	(1,307,098)
<b>Cash generated from operations</b>	<b>(8,609,039)</b>	<b>4,925,909</b>

25

**TAX**

No provision has been made for tax as an assessed loss of R209,201,549 (2006: R137, 230,473) is available for set off against future taxable income. No deferred tax asset has been raised since there is no expectation of realisation.

26

**CAPITAL COMMITMENTS**

Durban Marine Theme Park (Pty) Ltd has R400,015 worth of unexpended commitments approved by the directors to be funded by Shareholders loan

27

**DIRECTORS FEES**

Chairman fees paid	24,000	12,000
Directors fees paid	15,000	-
Directors expenses paid	36,246	-
	<b>75,246</b>	<b>12,000</b>

28

**COMPARISON WITH THE BUDGET**

The comparison of the Durban Marine Theme Park (Pty) Ltd actual financial performance with that budgeted is set out in Appendix B

29

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT****29.1 Audit fees**

Opening balance	100,000	543,722
Increase in provision	-	16,278
Income Statement Charge	307,218	(118,992)
Amount paid – Audit June 2006	(307,218)	-
Amount paid - previous years	(100,000)	(341,008)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>100,000</b>

**29.2 PAYE and UIF**

Opening balance	163,146	160,101
Current year payroll deductions	2,791,262	2,383,190
Amount paid - current year	(2,565,330)	(2,220,044)
Amount paid - previous years	(163,146)	(160,101)
<b>Balance unpaid (included in creditors)</b>	<b>225,932</b>	<b>163,146</b>

The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during July 2007.

**29.3 Provident and Medical Aid Deductions**

Opening balance	235,256	233,232
Current year payroll deductions	2,884,683	3,196,042
Amount paid - current year	(2,625,801)	(2,960,786)
Amount paid - previous years	(235,256)	(233,232)
<b>Balance unpaid (included in creditors)</b>	<b>258,882</b>	<b>235,256</b>

The balance represents provident and medical aid contributions deducted from employees in the June 2007 payroll as well as Company's contributions to provident and medical aid funds. These amounts were paid during July 2007.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
<b>30</b>		
<b>RELATED PARTIES</b>		
The following related party transactions have occurred for the period under review		
<b>30.1 Expenses Paid to :-</b>		
<b>30.1.1 eThekweni Municipality (Controlling Shareholder) (99.8% Shareholding) Refer Item 9 Directors report for Subordination details</b>		
Electricity	6,776,056	6,500,370
Water	2,467,488	2,481,603
Regional Services Levy	21,332	233,613
<b>30.1.2 Development Bank of Southern Africa (Minority Shareholder) (0.2% Shareholding)</b>		
Interest on Loans	5,476,892	6,404,571
<b>30.1.3 Ushaka Management (Pty) Ltd (Management Company)</b>		
Management Fees	5,472,080	3,893,124
Employee Related Costs	30,721,701	28,462,685
<b>30.1.4 Three Cities Group (Pty) Ltd (Shareholder of Management Company) (40% Shareholding)</b>		
Travel and Accommodation Costs	79,241	178,884
<b>30.1.5 Isundu Leisure (Pty) Ltd (Shareholder of Management Company) (40% Shareholding)</b>	-	-
<b>30.1.6 Profun Management Inc (Shareholder of Management Company) (20% Shareholding)</b>	-	-
<b>30.1.7 South African Association For Marine Biological Research (Responsible for the operations of Sea World)</b>		
Expenses	27,971,197	25,605,724
Less: Research Income	(3,485,908)	(4,425,099)
	<u>24,485,289</u>	<u>21,180,625</u>
<b>30.1.8 Internal Audit of eThekweni Municipality (Responsible for Internal Audit)</b>		-
<b>30.2 Interest Capitalised On Loan from Shareholder :-</b>		
eThekweni Municipality	14,459,966	4,935,589
Development Bank of Southern Africa (Refer : Note 4)	23,592,922	17,092,922
<b>30.3 Included in Accounts Receivable is an amount due by :-</b>		
eThekweni Municipality	22,889	362,490
South African Association For Marine Biological Research	271,491	565,241
<b>30.4 Included in Accounts Payable are the following amounts due to :-</b>		
eThekweni Municipality	987,924	1,424,730
uShaka Management (Pty) Ltd	43,821	470,855
South African Association For Marine Biological Research	3,084,067	4,168,058
<b>30.5 Included in Long Term Liabilities are the following amounts due to :-</b>		
eThekweni Municipality (Refer Note 5)	132,500,000	60,000,000
DBSA (Refer Note 5 for security details)		
- DBSA Loan	32,352,941	38,235,294
- DBSA Phantom Ship	3,436,590	4,900,117
- DBSA Village Walk	5,871,029	-
DBSA Debenture (Refer Note 4)	50,000,000	50,000,000

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**2007**                      **2006**  
**R**                                      **R**

**31**

**RISK EXPOSURES**

The company is at risk in the following areas:

- (i) *Credit Risk*, which is defined as the risk that one party to a financial instrument will fail to honour its obligation, thus causing the other party to incur a financial loss.
- (ii) *Interest Rate Risk*, which is defined as the risk that the fair value or future cash flow associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of credit risk and interest rate risk consist mainly of long term debtors, consumer's debtors, other debtor's cash and cash equivalents.

The company limits its exposures by only dealing with well established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the company's rental policy.

Consumer debtors comprise of a large number of tenants, dispersed across different sectors of retail. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "hand over for collection", whichever procedure is applicable in terms of the company's Doubtful debt policy.

Long term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting.

The maximum credit and interest risk exposure in respect of the relevant financial instrument is as follows :

Trade Debtors	3,801,735	4,056,587
Other Debtors (Including Prepayments)	1,219,598	1,877,588
Cash and Cash Equivalents	17,463,408	(9,121,967)

**32**

**SUBSEQUENT EVENTS**

1. In terms of the agreement regarding the eThekweni Municipality's Contribution for the Effingham Road Development Joint Venture surplus, the second amount of R10m was received on 03 August 2007 for which eThekweni Municipality received 103 shares.
2. On 19 September 2007 the controlling shareholder, eThekweni Municipality, invested a further R157m into the theme park for which 1 617 shares will be issued. These funds were used to settle the outstanding capital loans with Citibank (R88m as of 30 June 2007 refer to note 5) and the Development Bank of Southern Africa (R32m as of 30 June 2007 refer to note 5).
3. In addition to note 2 above, eThekweni Municipality has decided to convert the interest bearing loan (R147m as of 30 June 2007 refer to note 5) into equity for which they will receive approximately 1 545 shares at the date of conversion.
4. In addition to note 2 and 3 above, eThekweni Municipality has decided to convert the shareholders loan (R477m as of 30 June 2007 refer to note 3) into equity for which they will receive approximately 4 913 shares at the date of conversion.
5. The Annual General Meeting of the Shareholders is set for 09 November 2007 wherein the authorised share capital will be increased to effect the above mentioned share issues.
6. Both eThekweni Municipality and uShaka Marine World will account for these entries in November 2007.

APPENDIX A

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current Year	Disposals	Closing Balance	
<b>Land and Buildings</b>										
Airconditioning		15,100			15,100		8		8	15,092
Land	27,614,030				27,614,030	-			-	27,614,030
Buildings	401,453,679	6,445,068		-8,157,043	399,741,705	21,726,067	11,420,078	-543,803	32,602,342	367,139,363
Buildings -Equipment	1,069,099	6,543			1,075,642	231,638	107,247		338,885	736,757
Pier Project		184,902			184,902				-	184,902
Doors and Gate	2,515,430				2,515,430	1,090,020	503,086		1,593,106	922,324
Piping	21,282,778				21,282,778	2,305,634	1,064,139		3,369,773	17,913,005
Piers	15,520,057	101,677			15,621,734	840,670	489,971		1,330,641	14,291,092
Slides	8,936,421				8,936,421	1,936,225	893,642		2,829,867	6,106,554
	<b>478,391,494</b>	<b>6,753,290</b>	<b>-</b>	<b>-8,157,043</b>	<b>476,987,742</b>	<b>28,130,254</b>	<b>14,478,172</b>	<b>-543,803</b>	<b>42,064,623</b>	<b>434,923,119</b>
<b>Plant &amp; Machinery</b>										
Chiller Plant	6,009,852				6,009,852	628,278	600,985		1,229,263	4,780,589
Cable Car	45,712		-45,712		-	-			-	-
Generators	496,519				496,519	74,478	49,652		124,130	372,389
Plant & Machinery	63,671,217				63,671,217	13,784,507	6,367,122		20,151,629	43,519,588
Turnstiles	216,346				216,346	41,640	21,635		63,275	153,071
Slides	-	460,050			460,050	32,730			32,730	427,320
Wet n Wild Heating	1,337,092				1,337,092	138,728	133,709		272,437	1,064,655
	<b>71,776,738</b>	<b>460,050</b>	<b>-45,712</b>	<b>-</b>	<b>72,191,076</b>	<b>14,700,361</b>	<b>7,173,103</b>	<b>-</b>	<b>21,873,463</b>	<b>50,317,613</b>
<b>Phantom Ship</b>										
Buildings	5,301,925				5,301,925	284,057	132,548		416,605	4,885,320
Computer Hardware	14,511				14,511	11,285	3,238		14,523	-12
Equipment	329,441				329,441	118,989	54,918		173,907	155,534
Furniture and Fittings	306,624				306,624	64,616	29,930		94,546	212,078
Furniture	463,537				463,537	97,157	160,021		257,178	206,359
Doors and Gate	9,759				9,759	3,904	1,952		5,856	3,903
Shop fitting	1,454,229				1,454,229	525,243	242,420		767,663	686,566
	<b>7,880,026</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,880,026</b>	<b>1,105,251</b>	<b>625,026</b>	<b>-</b>	<b>1,730,277</b>	<b>6,149,749</b>
<b>Motor Vehicles</b>										
Motor Vehicles	1,093,764	-			1,093,764	595,375	218,753		814,128	279,636
	<b>1,093,764</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,093,764</b>	<b>595,375</b>	<b>218,753</b>	<b>-</b>	<b>814,128</b>	<b>279,636</b>
<b>Total carried forward</b>	<b>559,142,022</b>	<b>7,213,340</b>	<b>-45,712</b>	<b>-8,157,043</b>	<b>558,152,608</b>	<b>44,531,241</b>	<b>22,495,053</b>	<b>-543,803</b>	<b>66,482,491</b>	<b>491,670,116</b>

APPENDIX A

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current Year	Disposals	Closing Balance	
<b>Total brought forward</b>	<b>559,142,022</b>	<b>7,213,340</b>	<b>-45,712</b>	<b>-8,157,043</b>	<b>558,152,608</b>	<b>44,531,241</b>	<b>22,495,053</b>	<b>-543,803</b>	<b>66,482,491</b>	<b>491,670,116</b>
<b>Furniture, Fitting &amp; Equipment</b>										
Air-conditioning	22,865,772	-410,058			22,455,714	9,712,548	8,474,339		18,186,887	4,268,827
CCTV Cameras	1,037,143	38,125			1,075,268	449,429	209,446		658,875	416,393
Computer Hardware	4,214,220	561,964			4,776,184	2,663,082	1,344,286		4,007,368	768,816
Equipment	10,135,712	5,058,203		-149,449	15,044,466	2,843,293	1,489,198	-78,822	4,253,669	10,790,798
Furniture & Fitting	483,955				483,955	104,800	48,395		153,195	330,760
Furniture	1,891,654	1,899,102		-9,740	3,781,016	346,150	203,183	-523	548,810	3,232,205
Doors & Gates	37,119	130,485			167,604	9,148	10,985		20,133	147,471
Signage	1,986,881	33,517			2,020,398	420,387	397,800		818,187	1,202,211
Shop fitting	12,200,029	821,994			13,022,023	4,377,761	2,034,125		6,411,886	6,610,136
Telephone Equipment	972,121				972,121	405,190	193,060		598,250	373,871
Theming	97,825	153,284			251,109	16,779	18,767		35,546	215,564
Slides		153,350			153,350		12,903		12,903	140,447
Turnstile Equipment	235,421	40,016			275,437	45,982	25,143		71,125	204,312
Xpanda Cage	71,764				71,764	20,935	11,963		32,898	38,866
	<b>56,229,616</b>	<b>8,479,981</b>	<b>-</b>	<b>-159,189</b>	<b>64,550,408</b>	<b>21,415,484</b>	<b>14,473,595</b>	<b>-79,345</b>	<b>35,809,734</b>	<b>28,740,675</b>
<b>Total ( Property, plant &amp; Equipment)</b>	<b>615,371,638</b>	<b>15,693,322</b>	<b>-45,712</b>	<b>-8,316,232</b>	<b>622,703,016</b>	<b>65,946,725</b>	<b>36,968,649</b>	<b>-623,148</b>	<b>102,292,225</b>	<b>520,410,792</b>
<b>Total (Intangible Assets)</b>										
Computer Software	<b>2,123,304</b>	<b>136,431</b>	<b>-</b>	<b>-</b>	<b>2,259,735</b>	<b>1,817,565</b>	<b>313,022</b>	<b>-</b>	<b>2,130,587</b>	<b>129,147</b>
<b>Investments Property</b>										
Airconditioning		452,150			452,150		98,763		98,763	353,386
Building	54,596,820	449,120			55,045,940	2,957,328	1,604,254		4,561,582	50,484,359
Lifts	1,417,056				1,417,056	254,834	117,616		372,450	1,044,606
Thatching	13,912,657				13,912,657	6,028,818	2,782,531		8,811,349	5,101,308
	<b>69,926,533</b>	<b>901,270</b>	<b>-</b>	<b>-</b>	<b>70,827,803</b>	<b>9,240,980</b>	<b>4,603,164</b>	<b>-</b>	<b>13,844,144</b>	<b>56,983,659</b>
<b>Total (Investments Property)</b>	<b>69,926,533</b>	<b>901,270</b>	<b>-</b>	<b>-</b>	<b>70,827,803</b>	<b>9,240,980</b>	<b>4,603,164</b>	<b>-</b>	<b>13,844,144</b>	<b>56,983,659</b>

APPENDIX A

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
	Opening	Additions	Under Construction	Disposals	Closing	Opening	Current	Disposals		Closing
	Balance				Balance	Balance	Year			Balance
<b>Land and Buildings</b>										
Land	27,614,030	-	-	-	27,614,030	-	-	-	-	27,614,030
Buildings	401,127,415	326,264	-	-	401,453,679	11,691,648	10,034,419	-	21,726,067	379,727,613
Buildings -Equipment	1,069,099	-	-	-	1,069,099	124,728	106,910	-	231,638	837,461
Doors and Gate	2,515,430	-	-	-	2,515,430	586,934	503,086	-	1,090,020	1,425,410
Piping	21,282,778	-	-	-	21,282,778	1,241,495	1,064,139	-	2,305,634	18,977,144
Piers	15,520,057	-	-	-	15,520,057	452,668	388,001	-	840,670	14,679,387
Slides	8,936,421	-	-	-	8,936,421	1,042,582	893,642	-	1,936,225	7,000,197
	<b>478,065,230</b>	<b>326,264</b>			<b>478,391,494</b>	<b>15,140,056</b>	<b>12,990,197</b>		<b>28,130,253</b>	<b>450,261,241</b>
<b>Plant &amp; Machinery</b>										
Chiller Plant	5,276,428	733,423		-	6,009,852	43,295	584,983	-	628,278	5,381,574
Cable Car			45,712	-	45,712			-		45,712
Generators	496,519	0	-	-	496,519	24,826	49,652	-	74,478	422,041
Plant & Machinery	63,615,919	55,298	-	-	63,671,217	7,421,532	6,362,974	-	13,784,507	49,886,710
Turnstiles	193,708	22,638	-	-	216,346	20,985	20,655	-	41,640	174,706
Wet n Wild Heating	1,157,135	179,957	-	-	1,337,092	9,645	129,083	-	138,728	1,198,364
	<b>70,739,709</b>	<b>991,317</b>	<b>45,712</b>		<b>71,776,738</b>	<b>7,520,283</b>	<b>7,147,347</b>		<b>14,667,630</b>	<b>57,109,107</b>
<b>Phantom Ship</b>										
Buildings	5,235,003	66,922	-	-	5,301,925	152,688	131,370	-	284,057	5,017,868
Computer Hardware	14,511		-	-	14,511	6,449	4,836	-	11,285	3,226
Equipment	329,441		-	-	329,441	64,071	54,918	-	118,989	210,452
Furniture and Fittings	306,624		-	-	306,624	34,686	29,930	-	64,616	242,009
Furniture	463,537		-	-	463,537	50,804	46,353	-	97,157	366,380
Doors and Gate	9,759		-	-	9,759	1,952	1,952	-	3,904	5,855
Shop fitting	1,454,229		-	-	1,454,229	282,823	242,420	-	525,243	928,986
	<b>7,813,105</b>	<b>66,922</b>			<b>7,880,027</b>	<b>593,472</b>	<b>511,779</b>		<b>1,105,251</b>	<b>6,774,776</b>
<b>Motor Vehicles</b>										
Motor Vehicles	841,821	251,943	-	-	1,093,764	383,782	211,594	-	595,375	498,389
	<b>841,821</b>	<b>251,943</b>			<b>1,093,764</b>	<b>383,782</b>	<b>211,594</b>		<b>595,375</b>	<b>498,389</b>
	<b>557,459,865</b>				<b>559,142,023</b>		<b>20,860,917</b>			
<b>Total carried forward</b>	<b>5</b>	<b>1,636,446</b>	<b>45,712</b>		<b>3</b>	<b>23,637,592</b>	<b>7</b>		<b>44,498,509</b>	<b>514,643,513</b>

APPENDIX A

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation				Carrying Value
	Opening	Additions	Under Construction	Disposals	Closing	Opening	Current	Disposals	Closing	
	Balance				Balance	Balance	Year		Balance	
<b>Total brought forward</b>	<b>557,459,865</b>	<b>1,636,446</b>	<b>45,712</b>	<b>-</b>	<b>559,142,023</b>	<b>23,637,592</b>	<b>20,860,917</b>	<b>-</b>	<b>44,498,509</b>	<b>514,643,513</b>
<b>Furniture, Fitting &amp; Equipment</b>										
Air-conditioning	22,413,572	452,150	-	-	22,865,772	5,229,834	4,482,714	-	9,712,548	13,153,174
CCTV Cameras	1,037,143	-	-	-	1,037,143	242,000	207,429	-	449,429	587,715
Computer Hardware	3,931,363	282,857	-	-	4,214,220	1,303,669	1,359,413	-	2,663,082	1,551,138
Equipment	9,541,950	593,761	-	-	10,135,712	1,451,561	1,391,732	-	2,843,293	7,292,419
Furniture & Fitting	483,955	-	-	-	483,955	56,404	48,396	-	104,800	379,156
Furniture	1,837,865	119,625	-	(65,837)	1,891,654	173,770	186,445	(14,065)	346,150	1,545,504
Doors & Gates	29,010	8,109	-	-	37,119	2,901	6,247	-	9,148	27,972
Signage	1,928,722	58,159	-	-	1,986,881	224,554	195,832	-	420,387	1,566,494
Shop fitting	12,152,016	48,014	-	-	12,200,029	2,346,000	2,031,761	-	4,377,761	7,822,269
Telephone Equipment	925,119	47,003	-	-	972,121	215,964	189,226	-	405,190	566,931
Theming	97,825	-	-	-	97,825	6,996	9,783	-	16,779	81,046
Turnstile Equipment	211,802	23,668	-	-	235,470	24,710	21,271	-	45,982	189,488
Xpanda Cage	71,764	-	-	-	71,764	8,972	11,963	-	20,935	50,829
	<b>54,662,106</b>	<b>1,633,346</b>	<b>-</b>	<b>(65,837)</b>	<b>56,229,615</b>	<b>11,287,335</b>	<b>10,142,212</b>	<b>(14,065)</b>	<b>21,415,482</b>	<b>34,814,133</b>
<b>Total ( Property, plant &amp; Equipment)</b>	<b>612,121,971</b>	<b>3,269,791</b>	<b>45,712</b>	<b>(65,837)</b>	<b>615,371,638</b>	<b>34,924,927</b>	<b>31,003,129</b>	<b>(14,065)</b>	<b>65,913,991</b>	<b>549,457,646</b>
<b>Total (Intangible Assets)</b>										
Computer Software	<b>2,101,789</b>	<b>21,515</b>	<b>-</b>	<b>-</b>	<b>2,123,304</b>	<b>851,519</b>	<b>966,046</b>	<b>-</b>	<b>1,817,565</b>	<b>305,739</b>
<b>Investments Property</b>										
Building	54,596,820	-	-	-	54,596,820	1,592,407	1,364,921	-	2,957,328	51,639,492
Lifts	1,417,056	-	-	-	1,417,056	137,218	117,616	-	254,834	1,162,222
Thatching	13,912,657	-	-	-	13,912,657	3,246,287	2,782,531	-	6,028,818	7,883,839
	<b>69,926,533</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,926,533</b>	<b>4,975,912</b>	<b>4,265,068</b>	<b>-</b>	<b>9,240,980</b>	<b>60,685,553</b>
<b>Total (Investments Property)</b>	<b>69,926,533</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,926,533</b>	<b>4,975,912</b>	<b>4,265,068</b>	<b>-</b>	<b>9,240,980</b>	<b>60,685,553</b>

**APPENDIX A**

<b>Total</b>	684,150,29 3	3,291,306	45,712	(65,837)	687,421,47 5	40,752,358	36,234,24 3	(14,065)	76,972,536	610,448,938
--------------	-----------------	-----------	--------	----------	-----------------	------------	----------------	----------	------------	-------------

**APPENDIX B**

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

<b>REVENUE</b>	<b>2007 Actual (R)</b>	<b>2007 Budget (R)</b>	<b>2007 Variance (R)</b>	<b>2007 Variance (%)</b>	<b>Significant Variances greater than 10% versus Budget</b>
Ticketing Revenue	47,844,699	36,587,336	11,257,363	31%	<i>Note 1</i>
Food and Beverage Revenue	29,417,385	26,732,875	2,684,510	10%	
Merchandising Revenue	5,352,016	4,619,058	732,958	16%	<i>Note 1</i>
Functions Revenue	6,471,905	5,688,550	783,355	14%	<i>Note 2</i>
Village Walk Rental Revenue	18,026,292	17,980,675	45,617	-	
Sponsorship Revenue	3,392,146	4,514,368	(1,122,222)	(25)%	<i>Note 3</i>
Other Income	2,337,151	1,541,754	795,397	52%	
Gains on disposal of property, plant and equipment	6,210	-	6,210	-	
Parking Revenue	1,546,973	1,129,073	417,900	37%	<i>Note 1</i>
Interest Received	399,244	-	399,244	-	
<b>Total Revenue</b>	<b>114,794,021</b>	<b>98,793,689</b>	<b>16,000,332</b>	<b>16%</b>	
<b>Cost of sales</b>	<b>18,962,259</b>	<b>16,122,587</b>	<b>2,839,672</b>	<b>18%</b>	<i>Note 6</i>
<b>Gross Operating Profit</b>	<b>95,831,762</b>	<b>82,671,102</b>	<b>13,160,660</b>	<b>16%</b>	
<b>EXPENDITURE</b>					
Employee related costs	30,721,701	30,959,793	(238,092)	(1)%	
Bad debts	150,624	-	150,624	-	
Depreciation	41,917,567	37,347,464	4,570,103	12%	<i>Note 4</i>
Repairs and maintenance	4,155,443	5,366,637	(1,211,194)	(23)%	
Contracted services	1,171,648	1,325,725	(154,077)	(12)%	
SAAMBR	24,485,289	24,575,769	(90,480)	-	
Marketing	7,360,175	8,137,943	(777,768)	(10)%	
Loss on disposal of property, plant and equipment	7,627,293	-	7,627,293	-	<i>Note 5</i>
Other operating expenses	34,077,669	28,765,904	5,311,765	18%	<i>Note 6</i>
Pre-opening costs	-544,461	-	(544,461)	-	
Finance Costs	38,673,876	36,897,359	1,776,517	5%	
<b>Total Expenditure</b>	<b>189,796,824</b>	<b>173,376,594</b>	<b>16,420,230</b>	<b>9%</b>	

<b>NET DEFICIT FOR THE YEAR</b>	<b>(93,965,062)</b>	<b>(90,705,492)</b>	<b>(3,259,570)</b>	<b>4%</b>
---------------------------------	---------------------	---------------------	--------------------	-----------

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**

**NOTES TO: - APPENDIX B - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) [Significant Variances greater than 10% versus Budget]**

- 1. Ticketing, Merchandising & Parking Revenue** - Revenue exceeded budget due to increased footfall compared to budgeted footfall.
  
- 2. Function Revenue** - This business unit has grown to the extent that it was able to exceed budgeted revenues.
  
- 3. Sponsorship Revenue** - Sponsorship revenue achieved 75% of cash budget. However sponsorship of 102% was achieved against the cash and value budget.
  
- 4. Depreciation** - The board revised the depreciation policy in February 2007 and accordingly the depreciation charged to the income statement exceeded budget.
  
- 5. Loss on disposal of property, plant and equipment** - Portion of waterproofing of pools capitalised on construction, the depreciated value was written off. The original waterproofing covered 11 222 sqm. In respect of the Dolphin show pool, Seal show pool and Penguin pools plus the large aquarium tanks. Waterproofing in the pools has been peeling off and have become a threat to the animals and is presently in the process of being replaced. A provisional claim for work done to date, against the original contractor was lodged. This matter is awaiting arbitration.
  
- 6. Cost of Sales & Other operating expenses** - These costs are related to revenues and with a 16% increase in revenues, these costs increased.



**APPENDIX B**  
**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006**

<b>REVENUE</b>	<b>2006 Actual (R)</b>	<b>2006 Budget (R)</b>	<b>2006 Variance (R)</b>	<b>2006 Variance (%)</b>	<b>Significant Variances greater than 10% versus Budget</b>
Ticketing Revenue	50,456,530	65,583,675	(15,127,145)	(23)%	<b>Note 1</b>
Food and Beverage Revenue	27,069,381	31,732,258	(4,662,877)	(15)%	<b>Note 2</b>
Merchandising Revenue	5,536,323	8,075,325	(2,539,002)	(31)%	<b>Note 3</b>
Functions Revenue	5,306,274	5,315,055	(8,781)	0%	
Village Walk Rental Revenue	17,249,190	19,202,508	(1,953,318)	(10)%	
Sponsorship Revenue	3,298,661	3,700,000	(401,339)	(11)%	<b>Note 4</b>
Other Income	2,029,050	1,702,879	326,171	19%	
Gains on disposal of property, plant and equipment	-	-	-	0%	
Parking Revenue	1,706,525	2,245,738	(539,213)	(24)%	<b>Note 5</b>
Interest Received	303,179	-	303,179	-	
<b>Total Revenue</b>	<b>112,955,113</b>	<b>137,557,438</b>	<b>(24,602,325)</b>	<b>(22)%</b>	
<b>Cost of sales</b>	<b>17,505,535</b>	<b>19,183,866</b>	<b>(1,678,331)</b>	<b>(9)%</b>	
<b>Gross Operating Profit</b>	<b>95,449,578</b>	<b>118,373,572</b>	<b>(22,923,994)</b>	<b>(19)%</b>	
<b>EXPENDITURE</b>					
Employee related costs	28,462,685	27,640,584	822,101	3%	
Bad debts	76,588	-	76,588	100%	<b>Note 6</b>
Depreciation	36,234,408	35,371,372	863,036	2%	
Repairs and maintenance	3,518,755	2,541,816	976,939	38%	<b>Note 7</b>
Contracted services	1,263,100	2,206,026	(942,926)	(43)%	
SAAMBR	21,180,625	24,812,963	(3,632,338)	(15)%	
Marketing	8,109,375	9,941,558	(1,832,183)	(18)%	
Loss on disposal of property, plant and equipment	51,771	-	51,771	100%	<b>Note 8</b>
Other operating expenses	30,007,532	33,209,579	(3,202,047)	(10)%	
Pre-opening costs	406,397	-	406,397	100%	<b>Note 9</b>
Finance Costs	35,683,685	36,612,180	(928,495)	(3)%	
<b>Total Expenditure</b>	<b>164,994,921</b>	<b>172,336,078</b>	<b>(7,341,157)</b>	<b>(4)%</b>	
<b>NET DEFICIT FOR THE YEAR</b>	<b>(69,545,343)</b>	<b>(53,962,506)</b>	<b>(15,582,837)</b>	<b>28%</b>	

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED**

**NOTES TO: - APPENDIX B - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) [Significant Variances greater than 10% versus Budget]**

**1. Ticketing Revenue**  
impacts

decline in

- Ticketing revenue is footfall related. Achievement was 78% of the budgeted footfall. The weather is the single most uncontrollable factor that negatively on footfall. Sea-World showed a 35% decline against year on year footfalls, whilst combo tickets showed a corresponding 10% footfalls. Heating of the Water Park contributed to the 21% year on year increase in Wet n Wild footfalls.

**2. Food and Beverage Revenue**  
outlets

- Food and Beverage consists of food outlets within the paid environment of the park and the Phantom Ship. The paid environment food are dependent on footfall of the park. This business unit achieved 84% of budget. Phantom Ship achieved 86% of budget.

**3. Merchandising Revenue**

- Merchandising revenue achieved 69% of budget. This is dependent on footfall and customer mix.

**4. Sponsorship Revenue**

- Sponsorship revenue achieved 89% of budget. At the time of budgeting it was anticipated that sponsorship for Wet n Wild, would materialize in this financial year.

**5. Parking Revenue**

- Parking revenue achieved 76% of budget. This is dependent on footfall and duration of customer stay.

**6. Bad debts**

- Bad debts written off consists of R63, 102 for King David High School, R10, 209 for Tribal Images (tenant) and R3,277 for Skewers (tenant).

**7. Repairs and maintenance**

- Due to lack of historical data, repairs and maintenance budget was understated. The location of the park so close to the sea, has a negative impact on Repairs and Maintenance costs due to high levels of atmospheric corrosion.

**8. Loss on disposal of property, plant and equipment**

- Loungers in Wet 'n Wild were rendered irreparable and were thus written off.

**9. Pre-opening costs**

- Costs incurred under the Developer's administration and accounted for as pre-opening costs, as per board approval.

**APPENDIX C**

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007 Actual</b>	<b>2007 Under Construction</b>	<b>2007 Total Additions</b>	<b>2007 Budget</b>	<b>2007 Variance</b>	<b>2007 Variance</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
<b>SAAMBR</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
Desk Top Computers x 9	15,820	-	-	15,900	80	1%	
Laptop x 2	32,787	-	-	32,800	13	0%	
Laser Printers x 2	2,112	-	-	2,200	88	4%	
Air conditioner	57,862	-	-	57,900	38	0%	
Digital Camera	12,305	-	-	12,350	45	0%	
Penguin shade and sound		-	-	25,000	25,000	100%	<b>Note 1</b>
Laboratory Equipment	23,765	-	-	27,800	4,035	15%	<b>Note 2</b>
Touch pool shade	-	-	-	15,000	15,000	100%	<b>Note 1</b>
Built in cupboards for hospital	-	-	-	20,000	20,000	100%	<b>Note 1</b>
Concrete in half of medical pool	-	-	-	30,000	30,000	100%	<b>Note 1</b>
Portable Chiller	15,830	-	-	15,900	70	0%	
Zyxel port switches	29,488	-	-	30,000	512	2%	
KVM switch and cables	12,284	-	-	12,500	216	2%	
Maxi drilling machine	12,800	-	-	12,800	0	0%	
Microphone set	13,715	-	-	14,000	285	2%	
Pipe car	22,895	-	-	23,000	105	0%	
Weighing system	35,400	-	-	35,400	0	0%	
Chain hoist with electric crawl	25,900	-	-	25,900	0	0%	
Kenwood VHF portable radios	13,645	-	-	14,000	355	3%	
Seal interaction platform	7,615	-	-	7,800	185	2%	
Screen and mount data projector	4,900	-	-	5,000	100	2%	
Turboflotor blue ocean runner and pvc pipes	8,309	-	-	8,400	91	1%	
Bollards	3,311	-	-	3,500	189	5%	
Security beams	33,190	-	-	34,600	1,410	4%	
Parameter digital meter	29,580	-	-	30,000	420	1%	
Recycling bins	2,163	-	-	2,500	337	13%	<b>Note 2</b>
Light boxes	23,023	-	-	25,000	1,977	8%	<b>Note 2</b>
Recycle bin	12,650	-	-	13,000	350	3%	
Cabinets and shelves	15,750	-	-	15,750	0	0%	
Aquarium sound system	47,366	-	-	50,000	2,634	5%	
Kivellert monitoring system	20,101	-	-	20,500	399	2%	
Hydrophone	19,990	-	-	20,000	10	0%	
<b>TOTAL</b>	<b>554,555</b>	<b>-</b>	<b>-</b>	<b>658,500</b>	<b>103,945</b>	<b>16%</b>	

APPENDIX C Continued

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007 Actual</b>	<b>2007 Under Construction</b>	<b>2007 Total Additions</b>	<b>2007 Budget</b>	<b>2007 Variance</b>	<b>2007 Variance</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	
<b>Operations</b>							
Oceanwalker equipment	14,088	-	-	15,000	912	6%	<i>Note 2</i>
Compressor for equipment	24,584	-	-	40,000	15,416	39%	<i>Note 2</i>
Functions operation equipment	150,168	-	-	100,000	-50,168	-50%	<i>Note 4</i>
Upper deck furniture upgrade	134,673	-	-	120,000	-14,673	-12%	<i>Note 4</i>
Signage	23,570	-	-	26,400	2,830	11%	<i>Note 2</i>
	<b>347,083</b>	<b>-</b>	<b>-</b>	<b>301,400</b>	<b>-45,684</b>	<b>-15%</b>	
<b>Information Systems</b>							
Disaster recovery	550	-	-	800,000	799,450	100%	<i>Note 5</i>
Wireless network Micros vending	69,045	-	-	500,000	430,955	86%	<i>Note 5</i>
Guest survey	60,000	-	-	60,000	-	0%	
Accpac and Micros interface	23,252	-	-	21,000	-2,252	-11%	<i>Note 3</i>
Server upgrades	86,303	-	-	100,000	13,697	14%	<i>Note 2</i>
Leased line upgrade	1,500	-	-	3,500	2,000	57%	<i>Note 2</i>
Switches	8,760	-	-	4,000	-4,760	-119%	<i>Note 3</i>
Computers	30,450	-	-	32,000	1,550	5%	<i>Note 2</i>
Printers	8,072	-	-	8,000	-72	-1%	
Gateway	46,219	-	-	50,000	3,781	8%	<i>Note 2</i>
Micros	40,045	-	-	50,000	9,955	20%	<i>Note 2</i>
	<b>374,196</b>	<b>-</b>	<b>-</b>	<b>1,628,500</b>	<b>1,254,302</b>	<b>77%</b>	
<b>TOTAL</b>	<b>1,275,834</b>	<b>-</b>	<b>-</b>	<b>2,588,400</b>	<b>1,312,563</b>	<b>51%</b>	

Assets funded by eThekweni Municipality are not included in the above schedule as these amounts were not budgeted for in Durban Marine Theme Park (Pty) Ltd.

Assets funded by the additional equity are not included in the above schedule as these relate to specific projects as approved by the board from time to time.

Assets funded by DBSA Loan are not included in the above schedule as these amounts relate to tenant installation.

**Notes:-**

1. Asset was not purchased.
2. Asset price below budgeted amount.
3. Budgeted amount understated.
4. The proceeds from the disposal of Rays equipment was used to purchase the additional assets.

5. Due to timing delays these asset will be purchased in the new financial year as per board approval.

**APPENDIX C**

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006 Actual</b>	<b>2006 Under Construction</b>	<b>2006 Total Additions</b>	<b>2006 Budget</b>	<b>2006 Variance</b>	<b>2006 Variance</b>	<b>Explanation of Significant Variances greater than 5% versus Budget</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>	<b>(Explanations to be recorded)</b>
<b>Ocean Walker Helmets</b>			45,694	-	45,694	100%	<b>Note 1</b>
<b>Cable Car</b>			45,711	-	45,711	100%	<b>Note 2</b>
<b>TOTAL</b>							

**Notes:-**

- 1. Ocean Walker Helmets** - Approved by Durban Marine Theme Park (Pty) Ltd Board (equivalent to three months rental).
- 2. Cable Car** - Approved by Durban Marine Theme Park (Pty) Ltd board.



## **I.C.C. DURBAN (PTY) LTD**



**ANNUAL REPORT - 30 JUNE 2007**

# I.C.C. DURBAN (PTY) LTD

	<b>Page</b>
<b>A. INTRODUCTION AND OVERVIEW</b>	2-3
<b>B. OPERATIONAL REVIEW</b>	
1. Marketing & Sales	4-9
2. Operations & Events	10
3. Building Services	10
4. Culinary	11
5. Human Resources	12-13
6. Financials	14
<b>C. ANNUAL FINANCIAL STATEMENTS</b>	
Report of the Independent Auditors	17-20
Directors' Report	21-22
Statement of Financial Position	23
Statement of Financial Performance	24
Statement of Changes in Net Assets	25
Cash Flow Statement	26
Accounting Policies	27-29
Notes to the Annual Financial Statements	30-37
Appendix A: Actual versus Budget (Revenue and Expenditure)	38-39
<b>D. PERFORMANCE AGAINST OBJECTIVES</b>	41

## **I.C.C. DURBAN (PTY) LTD**

### **ANNUAL REPORT**

#### **PART A INTRODUCTION AND OVERVIEW**

In the early 1990's the City took the decision to finance the ICC Durban, the then Durban City Council knew and accepted that the Centre's primary advantage would be its role as an *economic catalyst* (as reflected in the report to Council dated 20 September 1992), attracting new investment and in-bound spending into the City's economy over time.

ICC Durban (including Durban Exhibition Centre and ICC Arena) is operated through the management company I.C.C. Durban (Pty) Ltd which is wholly owned by Ethekewini Municipality.

On 8<sup>th</sup> August 2006, nine full trading years will have elapsed and it is timely and entirely opportune that the key stakeholders reflect back on the extent to which the Centre has realised the primary objective as espoused in the former Durban City Council's resolution to commit to this project, as well as to consider the Centre's management plan for the period that lies ahead.

ICC Durban enjoys a rather unique position as a public funded amenity: unlike many other examples of public sector-funded development *infrastructure* – such as roads, bridges and water reticulation plants – the Convention Centre has over the past nine years since opening clearly demonstrated its capacity to bring about tangible and measurable economic impact for the City and the region.

Since opening in August 1997, ICC Durban has surpassed even the most optimistic stakeholder expectations of an international-standard Convention Centre in Durban. The economic impact to the City since inception has been conservatively determined to be R5.5 billion. The Centre has become a national landmark and has established new best practices and benchmarks for the South African meetings industry. The Centre's successes have included the hosting of many major international events, such as the Commonwealth Heads of Government Meeting (CHOGM), the Non-Aligned Movement (NAM), the World AIDS Summit, the World Conference on Racism and the inaugural African Union (AU) meeting.

Not only have these meetings resulted in significant positive multiplier effects for the local and regional economy, creating jobs and generating substantial tourism and related sector revenue flows for a broad mix of businesses and individual recipients, but the events have been (bar none) outstanding successes in terms of organization, hosting and event management practices. On each occasion, ICC Durban and Durban's meetings industry stakeholders have risen to the occasion and delivered the highest possible levels of service excellence.

These achievements have done much to place Durban firmly on the international meeting industry map and large-meeting organisers now recognize Durban as a prime venue in which to host important international meetings in Africa or in the southern hemisphere.

In addition to securing an enviable share of the in-bound international meetings market, ICC Durban has also proved very successful in attracting local and national meetings and events, and its popularity is evidenced by its selection (yet again) as the preferred venue

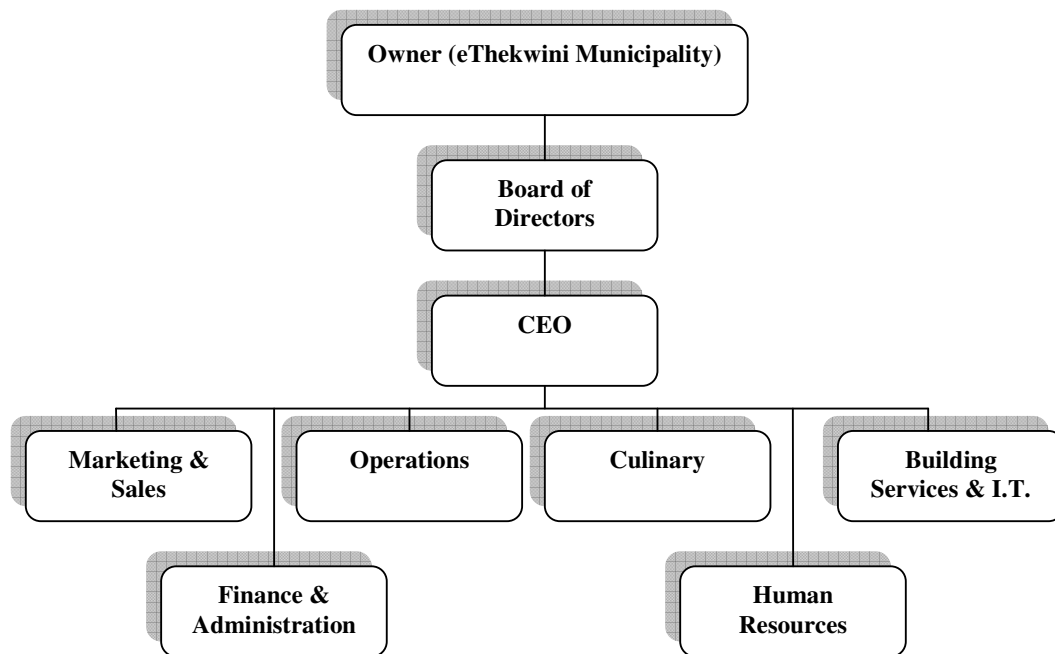


in which SA Tourism (SAT) will host Indaba, the premier travel and tourism event in Africa.

ICC Durban has established an enviable niche profile on the national and international meetings map, and having achieved this positioning it looks set to continue attracting major meetings in the years ahead. There are, however, a number of factors at play that could measurably affect ICC Durban's ability to compete effectively on the long term and these have been addressed in detail in the business plan taking into consideration that the global meetings market is constantly changing and evolving, and that the national and local meetings industry is becoming increasingly competitive as other major metropolitan regions construct and open world class venues.

During the period under review the new R460 million ICC Durban Arena was launched, with performance featuring top international artists George Benson and Al Jarreau. The ICC Durban Arena opened its doors in March 2007. Eight (8) major events were held in the Arena between March and June 2007 and seven (7) new events were secured during this period.

#### **GOVERNANCE STRUCTURE:**



The Board of Directors during this period was comprised of the following non executive directors:

- M. Madlala Chairperson
- T. Ngcobo
- L. Pampallis
- M. Ngubane
- B. Ndamase
- A. Serwnarain
- P. Silal
- J. van Rooyen

## **B. OPERATIONAL REVIEW**

### **1. MARKETING & SALES**

The Marketing Department's Business Strategy has been based on the following principles and values:

- Be a market leader in all aspects of business from marketing through to the conclusion of an event.
- Provide international standards of service.
- Maximize the economic impact to the City even if this represents an opportunity cost in terms of revenue to ICC Durban.
- Continue to increase the awareness of Durban and KwaZulu Natal as a conference destination.
- Forge viable strategic partnerships and alliances and initiate co-operative marketing opportunities.
- Utilise resources in a responsible and sustainable manner.
- A ranking in the top three 'Leading Convention Centres in the World' by AIPC.

#### **Target Markets**

ICC Durban's target markets are segmented by type of event and geographical area. The order of priority is as follows:-

1. International Conferences and Exhibitions
2. National Conferences of over 300 delegates
3. Government Conferences
4. Arena Events such as concerts, indoor sporting events, etc.
5. National Exhibitions
6. Banquets (including weddings and Christmas functions)
7. DDPs and meetings and seminars
8. Product Launches
9. Conferences can be further segmented into the association, corporate and governmental markets.

Marketing resources were focused on the first five types of events.

#### **Key Focus Areas:**

The Marketing and Sales Department focused on key areas of priority within its marketing programme. These were as follows:

- 1) To increase local, national and international market share.
- 2) To focus its marketing energies on selected target markets and core business areas.
- 3) To continue existing and new develop co-operative marketing initiatives in order to generate new business.
- 4) The existing Memorandum of Agreement between ICC Durban and Tourism KwaZulu-Natal will be sustained.
- 5) Developing strong relationships with Durban Africa and the Convention Bureau.
- 6) Increased focus on electronic marketing techniques and ensuring the continual upgrade and updating of the ICC Durban website.

- 7) ICC Durban continues to develop the marketing department's human resources through successful implementation of its trainee programme and encourage inclusive approach to development of marketing initiatives.
- 8) Re-branding all ICC Durban collateral to incorporate the Arena and in order to portray the new 'feel' of ICC Durban.
- 9) Focusing on positioning and marketing of the new Arena as an added value attraction.
- 10) Maintain overseas representation.
- 11) Continue to maintain its sales focus on the South African Association market.
- 12) Increased attention being paid to relationship marketing.
- 13) Continue to refine and promote novel packages.

### **International**

In order to strengthen our chances of securing business leads for international conferences, the ICC Durban appointed a new European Representation company based in London. This company continued to work closely with our internal research and business development unit to try and secure new business for the ICC Durban.

During this financial year a total of 225 leads were researched, of which 12 were qualified. A total of 22 sales promotions and sales calls were undertaken by the International Sales and Marketing team, and the following 6 bids were prepared during the year under review:

- 2011 Intl Soc of Scientometrics & Informetrics Conf – 300pax
- 2012 Intl Mathematical Education Congress – 4000pax
- 2013 World Energy Council Congress x 5000pax
- 2014 Occupational Therapists – 2000pax
- 2014 Study of Obesity – 2000pax
- 2014 Architects – 7000pax

Through strong cooperation with our industry partners, the Marketing & Sales team were able to secure the following two bids:

- 2011 World Federation of the Deaf – 5000pax
- 2012 International Musicological Society Congress – 1000pax

### **National**

Between July 2006 and June 2007, the National Sales & Marketing team secured conference business to the value of R4.3m. New events with a total value of R5.2m were also secured during this period. Fewer sales promotions were undertaken during this period due to staff shortages.

The National Sales & Marketing team participated in the following events as part of their marketing effort:

- Markex Gauteng (5-7 June 2007)
- Meetings SA (February 2007)

#### *National – Government*

Five (5) government conferences; worth R5.2 million, were hosted during this period.

## Arena

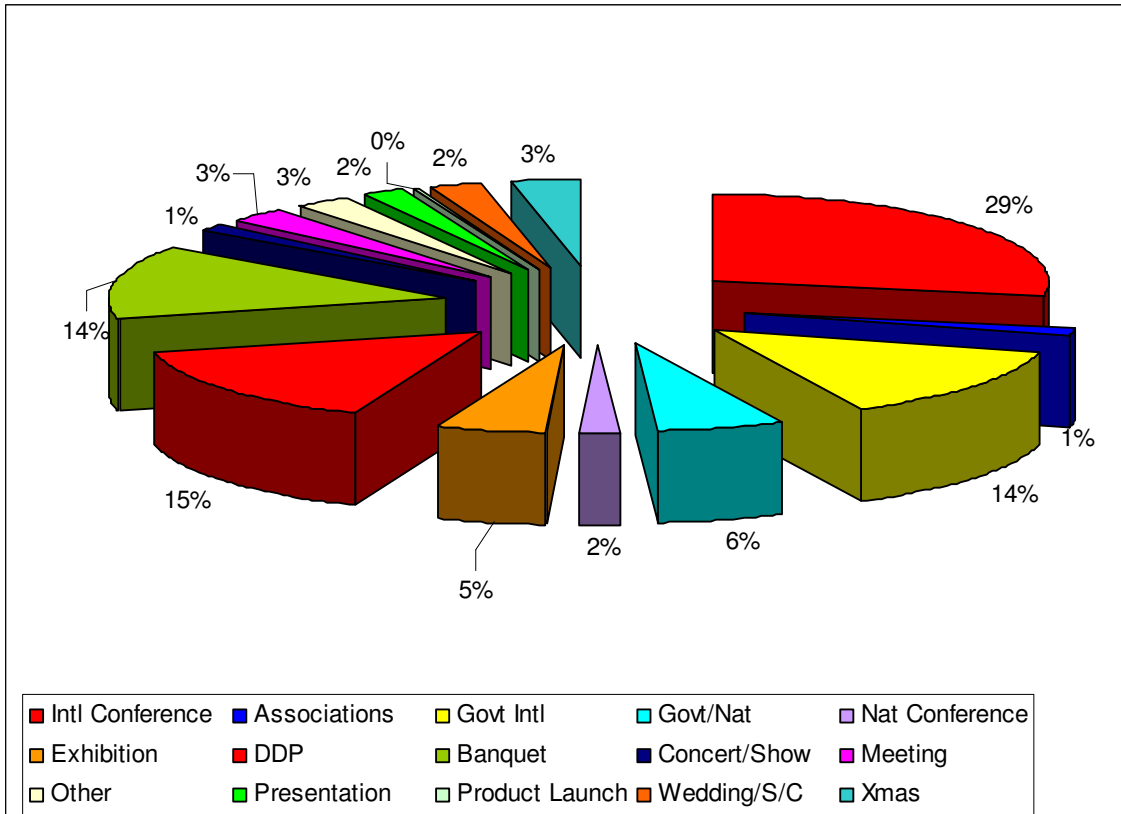
The business levels in the arena picked up gradually and there was a marked increase in enquires, although the conversion rate was initially slow in the months immediately after the opening. Ongoing analysis of the arena business and particularly the purchase behaviour of event promoters was undertaken and lead times to try and understand and service this market segment better. Eight (8) major events were held in the Arena between March and June 2007, with a total revenue contribution of seven (7) new events, worth about R522k were secured during this period.

It has become increasingly evident though that the Arena will require a separate team to source and service the business as the requirements and modus operandi is very different from that of the conference market. The growth in resource allocation though will be organic and commensurate with the growth in business levels.

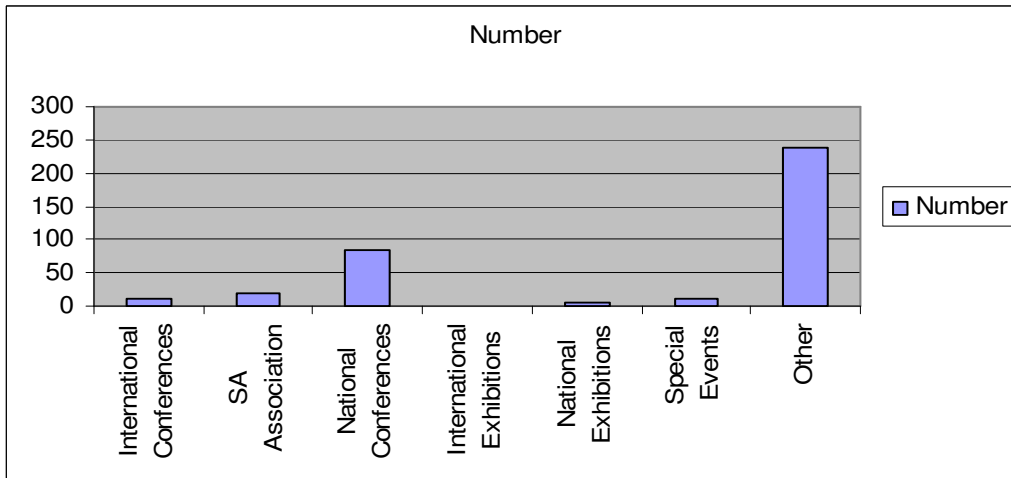
### **Summary of Business Activity for the Financial Year**

<b>Market</b>	<b>Bids in progress</b>	<b>Bids/Events won</b>	<b>New contracts</b>	<b>New events/business</b>
International	5	5	16	
SA Association	15	36	40	
National – Corporate	1	11	8	
National – Government	2		2	5
Special Events	1			14
<b>Total No</b>	<b>24</b>	<b>52</b>	<b>66</b>	<b>19</b>

It is noteworthy though that the bulk of the business – in terms of number of events – came from other functions and events as opposed to international conferences. In terms of revenue though, the international conferences continued to contribute more than 29% of the ICC Durban's turnover.



In terms of number of events held, the business mix of the Centre continued to be dominated by National Conferences and other social events and functions as the business environment became increasingly more competitive and new convention centres opened for business throughout the world.



**Annual Report 2006 / 2007**

<b>NUMBER OF EVENTS HOSTED</b>	
International Conferences	11
SA Association	21
National Conferences	84
International Exhibitions	1
National Exhibitions	6
Special Events	10
Other	239

<b>MARKET</b>	<b>BIDS IN PROGRESS</b>	<b>BIDS WON</b>	<b>NEW CONTRACTS</b>
International	5	5	16
SA Association	15	36	40
National Corp	1	11	8
National Government	2		2
Special Events	1		
Total No	24	52	66

**OTHER INCLUDES MEETINGS, BANQUETS, PRESENTATIONS, PRODUCT LAUNCHES, WED**

**NEW BUSINESS / EVENTS – NOT YET CONFIRMED  
NEW CONTRACTS – CONFIRMED BUSINESS**

## ICC ECONOMIC IMPACT ON DURBAN

### For Period 1 July 2006 – 30 June 2007

International Conferences	9
No of Delegates	10, 690
No of Bednights	43, 630
Direct Spend at R1, 200 per day	R52.3 million
International Exhibitions	1
No of Delegates	12, 000
No of Bednights	48, 000
Direct Spend at R1, 200 per day	R57.6 million
National Conferences held	18
No of Delegates	12, 899
No of Bednights	39, 390
Direct Spend at R800 per day	R31.5 million
TOTAL DIRECT SPEND (a)	R141.4 million
TOTAL ECONOMIC IMPACT (4xa)	R565.6 million

Over 20 000 delegates in the past fiscal. Additional 5 200 from Conferences with limited economic impact.

## **2. OPERATIONS & EVENTS**

The Operations division is the 'engine room' of the entire facility. This Unit manages all internal and external activities pertaining to the staging of meetings and events. The unit is responsible for managing the assets of the business and for ensuring that the offering to the Centre's clients remains world class.

In terms of general objectives, the Unit identifies as its primary goals, the optimising of customer satisfaction, achieving global competitiveness and 'top three' status, increasing the levels of repeat business, maintaining a leading technological edge in terms of technical and IT infrastructure, and attaining employment equity targets.

### **Event Business Management System (EBMS)**

Until recently ICC Durban used a DOS-based CABS management system. An investment was made into a new international-standard event management system and a supply contract has concluded. The Windows-system (EBMS) is German-designed and is present in most major convention centres worldwide. The EBMS represents the global benchmark for event management system software.

### **Refurbishment and Re-Fit Programme**

A new retrofit strategy was embarked upon, with festive season shutdown period being used to conduct our 10 year maintenance programme and the retrofitting of the old building to the same standard as the new arena. Key areas of the retrofit programme included new carpets, painting of all walls and pillars and refurbishment of the operable walls.

## **3. BUILDING SERVICES**

The Building Services function was managed by an outsourced contractor, Drake & Scull.

The Contractors' responsibility included 'hard services' such as electrical maintenance, plumbing and carpentry, as well as assumption of oversight responsibility over the outsourced parking contractor, air conditioning, landscaping, lift maintenance, waste management, and pest control contractors.

### **Building Maintenance**

A key aspect of Building Services is the management and operation of a planned, preventative maintenance strategy that focuses on asset management within the context of the centre's infrastructure. Until recently the strategy was largely reactive and with the appointment of the facility management company, the ICC Durban intends to have a more proactive maintenance programme. The assets under management include the air-conditioning plants, the chiller plants, electrical reticulation, building fabric and all plumbing. Daily operational issues pertaining to building maintenance will form part of the outsourced contract.



## **Information Technology (IT)**

The Building Services function is also responsible for the IT framework within ICC Durban. The Centre operates on a Building Management System (BMS) and this requires management, maintenance and regular upgrades. ICC Durban is regarded as being an 'intelligent building' and enjoys energy savings devices linked to the air-conditioning plants.

In order to remain technologically updated the BMS and fire detection system are to be upgraded and will be appropriately networked using the latest technology available.

The Centre is driven by technology, and management is currently considering how it can become more environmentally friendly (reduce its carbon footprint) in keeping with 21<sup>st</sup> century philosophies. In recent times, ICC Durban has enjoyed various improvements to its technological capabilities, not least of which was the introduction of EBMS, requiring new servers and major IT backbone upgrades. The building is 3G, GPRS and Wi-Fi enabled

## **OSHAC**

The building services function operates to standards determined by the Occupational Health & Safety Act and in 2006 a new, robust compliance programme was devised and instituted. A full time Safety Officer has been appointed.

## **Help Desk and Disaster Management**

Building Services operates a 24/7 functioning help desk comprising a centralised Call Centre into which any member of staff, customer or member of public can call to report a building services query, complaint or problem. This is consistent with the planned preventative maintenance strategy, allowing for damaged or malfunctioning equipment to be reported immediately and remedied.

The Building Services contractor also assumes responsibility for a Disaster Management Programme that includes IT disaster management and recovery, functional disaster management and risk appraisal.

## **4. CULINARY**

The Culinary Unit management is recognising that after nine years the ICC Durban required a definitive change in its approach to culinary services. Customers have been increasingly demanding new trends in terms of food choice, display methods, themes and branding. The outcome of a survey of clients, event organisers and overseas visitors, has prompted management to subscribe to a change strategy for the Culinary Unit. Management has reviewed and was re-working the entire ICC Durban culinary offering, including food presentation and menu options such that it will differ substantively and materially from that of previous years and add a novelty element to regular clients.

Key actions has been the re-working of the culinary offering including a review of the structuring of the menus, a review of the culinary management plan, and the introduction and further development of new bespoke menus to cater for local, indigenous African tastes and food choices.

## **Branding**

The Culinary unit recognises that the Centre's Food and Beverages offering required brand management. To this end, a communications campaign has been undertaken to alert selected market audiences to the F&B offering, including the showcasing of signature dishes, the hosting of a 'Chef's Table' through in-house promotion.

## **Halaal Catering**

In order to contribute to increased revenues, the Culinary Unit introduced a Halaal kitchen and menu to meet the demand from the local Asian community. The profitability of this sub-set is being monitored and, if it proves successful, it may be extended into the main production kitchen.

## **5. HUMAN RESOURCES**

ICC Durban Management team has a strategy that will enable the Centre to substantially improve on its employment equity goals and objectives. In terms of the BEE scorecard, ICC Durban already meets 2009 requirements; however the new revised strategy now also addresses the issue of introducing black females at management level.

Another primary ongoing initiative is to match the personnel complement's work ethic against the Centre's stated goal of being the world's best Convention Centre. There has been a purposeful drive to move away from the culture of entitlement to one based on performance and attitude. This strategy has resulted in some personnel movement and has influenced some appointments and promotions however it has also consolidated our position as Africa's Best meetings venue.

During the course of this financial year, management identified the need for an integrated Human Resource strategy which would assist in driving business objectives while at the same time addressing key issues such as succession management, staff retention and career pathing.

## **Industrial Relations**

Personnel working at ICC Durban can become members of SACCAWU, the trade union. While the union is under-represented in terms of our Recognition Agreement, Management has chosen to continue to engage with it in terms of a wide range of HR issues and, illustratively, was challenged by the Union regarding its adherence to the Employment Equity Act. The key HR challenge is to ensure that the ICC Durban achieves full compliance with national statutory labour legislation whilst still maintaining its leading edge status. At present date, the ICC Durban has a focus on achieving recruitment targets for black, female candidates.

Key issues pertaining to IR include the introduction of communications mechanisms such as forums and engagements with line management in order to share mission critical information at all levels.

## **Safety, Health and Environment (SHE)**

In terms of SHE issues, the HR department has as its key objective ensuring that all internal policies are aligned to meet statutory requirements, and that these are capable of promoting a safe working environment, free from accidents and injuries caused by negligence or unsafe behaviour.

## **Personnel Administration**

HR has an oversight responsibility for personnel administration and to this end has identified as its primary objectives, the ensuring of personnel benefits comply with general company policies and legislative/statutory standards; that all stakeholders (personnel) have access to a comprehensive information system on the regulation of personnel administration; and that all employee records are up to date.

## **Organisational Development and Training**

HR views its responsibilities in terms of organisational development and training as comprising three key areas of focus:

- Transformation: the objective is to inculcate among ICC Durban personnel a culture that is flexible and responsive to react, adapt and change to external stimuli.
- Leadership and development: the primary objective is to institute within ICC Durban a leadership and development programme and a culture of change management that ensures that sufficient and suitably qualified and capable new leaders emerge from within the ranks of the company.
- Training and development: HR seeks to create a sustainable skills pool in order to overcome personnel churn and labour turnover, specifically to address the skills scarcity within the South African meetings industry.

The HR department seeks to undertake regular benchmarking against competitor convention centres and the general sentiment at present date is that the company's offering to personnel is in line with that on offer from Sandton and Cape Town centres.

The HR department has set as an objective the profiling of ICC Durban as an 'employer of choice', promoting a work environment that attracts and retains the best personnel for the work required. Being a relatively young company with limited (low) employee churn creates perceptions of 'glass ceilings' for junior and middle management and these concerns will need to be properly addressed in time.

## **ECONOMIC IMPACT**

The total economic impact flowing from the ICC Durban business for the financial year was R565.5m. Based on a multiplier of 4, which is the commonly used factor in the tourism industry, the total economic impact of the business generated by the ICC Durban equates to

R1, 068b. This effectively means that the contribution of the Centre to the GDP of the KZN province is almost 1% (0.58%). Foreign exchange earnings to the tune of

R81million and a total direct spend estimated at R267million were generated from conference delegates.

Job Creation

Current employment impact is 10 jobs for every R1million of direct tourism expenditure. Therefore, about 2670 annual jobs were generated in our 2006/2007 financial year as a result of the expenditure of ICC and DEC delegates.

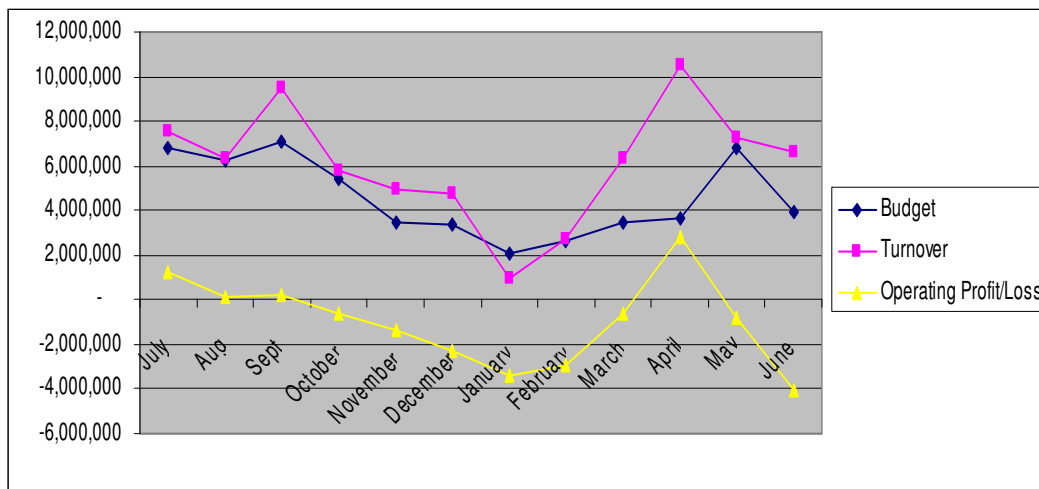
**6. FINANCIAL**

**Financial Performance Summary**

Overall financial performance for the year was better than budget, with total revenue at R72.5m against a budget target of R54.1m. This was largely driven off business levels for the first and second quarters of the financial year. The operating loss for Q3 was largely due to the loss of revenue from the shutdown and the extraordinary expenditure related to the Arena launch and opening.

The overall operating loss for the trading period though was lower than originally budgeted; with an actual operating loss of R11million against a budgeted R27million.

	Q1	Q2	Q3	Q4	TOTAL
<b>BUDGET</b>	20,101,523	12,258,771	8,263,995	14,333,737	<b>54,195,976</b>
<b>ACTUAL TURNOVER</b>	23,397,078	15,540,533	9,955,061	24,448,958	<b>72,542,422</b>
<b>OPERATING PROFIT/LOSS</b>	1,484,177	4,257,376	6,919,743	2,026,494	<b>25,973,479</b>
<b>ECONOMIC IMPACT</b>					<b>565,500,000</b>





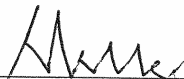
## **I.C.C. DURBAN (PTY) LTD**



# **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2007**

**I.C.C. DURBAN (PROPRIETARY) LIMITED**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended**  
**30 June 2007**

I am responsible for the preparation of these financial statements, which are set out on pages 8 to 24, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the I.C.C. Durban (Proprietary) Limited.

  
\_\_\_\_\_  
M Mátola  
Accounting Officer

14/12/2007  
Date



**REPORT OF THE AUDITOR-GENERAL TO THE MUNICIPAL COUNCIL AND THE  
KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL  
STATEMENTS AND PERFORMANCE INFORMATION OF THE  
I.C.C. DURBAN (PTY) LTD FOR THE YEAR ENDED 30 JUNE 2007**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the I.C.C. Durban (Pty) Ltd which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 23 to 37.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act, 1973 (Act No. 61 of 1973). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 92 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the



I.C.C. Durban (Pty) Ltd in this respect will be limited to reporting on non-compliance with this disclosure requirement.

8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

9. The municipal entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements.

#### **Opinion**

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the I.C.C. Durban (Pty) Ltd as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements and in the manner required by the MFMA and the Companies Act, 1973.

#### **Emphasis of matter**

Without qualifying my audit opinion, I draw attention to the following matter:

**11. Highlight of a matter affecting the financial statements, which is disclosed in a note to the financial statements**

Attention is drawn to note 11 to the financial statements and paragraph 12 of the directors' report, which indicate that the entity's ability to continue as a going concern is dependent on annual loans and that the eThekweni Municipality, the major shareholder, has subordinated its claim of approximately R996,6 million against the company in favour of other creditors. These conditions and the fact that the I.C.C. Durban (Pty) Ltd continues to incur annual deficits indicate the existence of material uncertainty, which may cast significant doubt on the entity's ability to continue as a going concern.

#### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

**12. Non-compliance with applicable legislation**

**Municipal Finance Management Act**

A risk assessment was not conducted and a fraud prevention plan was not in place during the year under review. The I.C.C. Durban (Pty) Ltd did therefore not effectively manage its risks in accordance with section 95(c)(i) of the MFMA.

**13. Material corrections made to the financial statements submitted for audit**

The financial statements approved by the accounting officer and submitted for audit on 27 August 2007 have been significantly revised in respect of the following misstatements identified during the audit:

- The building complex where the municipal entity is operating from was not accounted for as property, plant and equipment. The financial statements were adjusted by increasing the carrying value of property, plant and equipment by R741 million. As a result of the higher asset value depreciation and accumulated losses were increased by R16,5 million.
- Computer software was erroneously disclosed as property, plant and equipment. The value of property, plant and equipment was decreased and the carrying value of intangible assets increased by R978 073 to correct the error.

14. **Value-for-money matters**

The supply chain management policy was not strictly followed for all procurement. At least 24 service contracts expired during the year under review, but were continuing without the required approval.

15. **Internal control**

Section 95(c)(i) of the MFMA states that the accounting officer must ensure that the municipal entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Emphasis of matter</b>					
Going concern		<input type="checkbox"/>			
<b>Other matters</b>					
Non-compliance with applicable legislation		<input type="checkbox"/>			
Material corrections made to the financial statements			<input type="checkbox"/>		<input type="checkbox"/>
Value-for-money matters			<input type="checkbox"/>	<input type="checkbox"/>	

16. **Unaudited supplementary schedules**

The I.C.C. Durban (Pty) Ltd provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages 23 to 24 does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

## **OTHER REPORTING RESPONSIBILITIES**

### **Reporting on performance information**

17. I have audited the performance information as set out on pages 23 to 40.

### **Responsibility of the accounting officer for the performance information**

18. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

### **Responsibility of the Auditor-General**

19. I conducted my engagement in accordance with section 13 of the PAA, read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007*.
20. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence of the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit finding reported below.

### **Audit finding (performance information)**

22. A clear link between objectives in the multi-year strategic plan, the I.C.C. Durban (Pty) Ltd performance action plan and the objectives reported in the annual report did not exist. None of the objectives reported on in the annual report could be linked back to the multi-year strategic plan.

**APPRECIATION**

23. The assistance rendered by the staff of the I.C.C. Durban (Pty) Ltd during the audit is sincerely appreciated.

Pietermaritzburg

17 December 2007



**A U D I T O R - G E N E R A L**

# I.C.C. DURBAN (PROPRIETARY) LIMITED

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2007

The directors present their report for the year ended 30 June 2007. This report forms part of the audited financial statements.

### 1. **Business and Operations**

The company is defined as a municipal entity and is 100% controlled by the eThekweni Municipality. In terms of an agreement, the company has agreed to manage the International Convention Centre and Durban Exhibition Centre related amenities and ancillary buildings for the eThekweni Municipality.

### 2. **Statements of Responsibility**

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with South African Auditing Standards. The financial statements have been prepared in accordance with Municipal Finance Management Act and Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act, 1973.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

### 3. **Financial Results**

The financial statements set out on pages 8 to 11 set out fully the financial position and results of operations and cash flow of the company for the period ended 30 June 2007.

### 4. **Share Capital**

The authorized and issued share capital of the company remains unchanged.

### 5. **Property, Plant and Equipment**

There have been major changes in the property, plant and equipment during the period or any changes in the policy relating to their use.

Buildings were acquired from eThekweni Municipality and separate disclosure of intangible assets was done.

**6. Events subsequent to the year end**

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

**7. Directors**

The directors of the company during the accounting period and up to the date of this report were as follows:

D Madlala	(appointed 25 January 2005)
L Pampallis	(appointed 25 January 2005)
B Ndamase	(appointed 25 January 2005)
T Ngcobo	(appointed 25 January 2005)
J van Rooyen	(appointed 25 January 2005)
A Sewnarain	(appointed 25 January 2005)
M Ngubane	(appointed 25 January 2005)

**8. Secretary**

The Secretary of the company is N M Nathoo.

**9. Auditors**

Auditor General will continue in office in terms of the Municipal Finance Management Act.

**10. Interest of Directors and Officers in Share Capital and Contracts**

No material contracts in which the Directors have an interest were entered into this period.

**11. Shareholder**

The sole shareholder is eThekweni Municipality.

**12. Going Concern**

The Company's sole shareholder, eThekweni Municipality has put in place the financial measures necessary to ensure the Company's ability to continue as a going concern. These measures are:

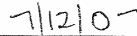
- a) Subordination of its loan of R996,577,870 as at 30 June 2007;
- b) The Agreement also provide for additional funding loan in any year in which expenditure exceeds income.

**Approval**

The financial statements which appear on pages 23 to 37 were approved by the board of directors on 7 December 2007 and signed on their behalf by:



Director



Date

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

	<u>Notes</u>	<b>2007</b> <b>R</b>	<b>2006</b> <b>R</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>120,879,086</b>	<b>104,616,728</b>
Cash and Cash Equivalents	2	15,795,955	5,032,421
Short-term investment	3	81,341,321	80,592,398
Receivables	4	22,852,246	18,349,801
Inventories	5	889,564	642,108
<b>Non-Current Assets</b>		<b>749,973,316</b>	<b>589,080,995</b>
Property, Plant and Equipment	6/24	748,995,244	587,807,230
Intangible Assets	7/24	978,072	1,273,765
<b>Total Assets</b>		<b>870,852,402</b>	<b>693,697,723</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>		<b>30,170,743</b>	<b>25,459,456</b>
Payables	8	12,233,123	12,982,377
Client Deposits	9	14,125,404	9,500,950
Provisions	10	3,812,216	2,976,129
<b>Non Current Liabilities</b>		<b>996,577,870</b>	<b>798,160,599</b>
Long-term liabilities	11/24	996,577,870	798,160,599
<b>Total Liabilities</b>		<b>1,026,748,613</b>	<b>823,620,055</b>
<b>Capital</b>		<b>-155,896,211</b>	<b>-129,922,333</b>
Share Capital	12	1	1
Retained Income/(Accumulated Loss)	24	-155,896,212	-129,922,334
<b>Total Equity and Liabilities</b>		<b>870,852,402</b>	<b>693,697,723</b>

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2007 R	2006 R
Revenue	13	72,540,422	62,024,630
Cost of Sales		<u>17,256,713</u>	<u>13,926,964</u>
<b>Gross Operating Profit</b>		<b>55,283,709</b>	<b>48,097,666</b>
Operating Lease Income	14	911,105	712,984
Operating Income	15	8,312,927	4,565,066
<b>Expenses</b>		<b>90,481,620</b>	<b>73,838,986</b>
Employee Related Costs	16	18,945,221	18,830,731
Audit Fees		304,087	168,146
Casual Wages		9,589,625	8,204,218
Directors Fees	17	37,800	80,000
Depreciation and Amortisation Expenses		19,021,389	18,416,616
Repairs & Maintenance		3,257,283	2,339,599
Contract Services		6,468,687	5,947,154
Marketing Expenses		4,028,098	3,461,213
Finance Costs		0	292
Loss on sale of PPE		-	4,329
Legal Fees		254,439	275,759
Insurance		1,029,452	931,572
Council Services		10,792,718	9,388,888
Arena opening costs		6,229,855	0
Training Costs		421,679	475,864
Laundry uniforms		765,234	786,816
Equipping		516,862	203,915
Operating Expenses - Other	18	8,819,191	4,323,874
<b>Surplus / (Deficit) for the period</b>		<b><u>(25,973,879)</u></b>	<b><u>(20,463,270)</u></b>

**I.C.C DURBAN (PROPRIETARY) LIMITED**

Annual Financial Statement for the year ended 30 June 2007

**STATEMENT OF CHANGES IN NET ASSETS**

	<u>Contributed Capital</u>	<u>Accumulated Surpluses/ (Deficits)</u>	<u>Total</u>
<b>Balance at 1 July 2005</b>	<b>1</b>	<b>(109,459,062)</b>	<b>(109,459,061)</b>
<b>Surplus / (Deficit) for the year</b>		<b>(20,463,270)</b>	<b>(20,463,270)</b>
Loss previously reported	<b>1</b>	(4,017,709)	(4,017,708)
Prior year adjustment	24	(16,445,562)	(16,445,562)
<b>Balance at 30 June 2006</b>	<b>1</b>	<b>(129,922,333)</b>	<b>(129,922,332)</b>
Surplus / (Deficit) for the year		(25,973,879)	(25,973,879)
<b>Balance at 30 June 2007</b>	<b>1</b>	<b>(155,896,212)</b>	<b>(155,896,211)</b>



# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

	2007	2006
	R	R
<b>Cash Flow from Operating Activities</b>		
Cash receipts from customers	51,903,267	62,742,531
Cash paid to suppliers and employees	(71,611,628)	(86,979,801)
Cash generated from / (utilised in) operations	20 <u>(19,708,361)</u>	<u>(24,237,270)</u>
Interest Received	8,077,671	4,346,235
Interest Paid	-	(292)
<b>Net Cash from Operating Activities</b>	<b><u>11,630,690</u></b>	<b><u>(19,891,327)</u></b>
<b>Cash Flow from Investing Activities</b>		
Purchase of plant, furniture and equipment	(179,922,937)	(3,788,152)
Proceeds on disposal of property, plant & equipment	24,357	(4,329)
<b>Net Cash from Investing Activities</b>	<b>(179,898,578)</b>	<b>(3,792,481)</b>
<b>Cash Flow from Financing Activities</b>		
New Loans Raised / (Repaid)	198,417,271	19,690,880
Increase in consumer deposits	4,624,454	348,449
Decrease/increase in short-term investments	(748,923)	
<b>Net Cash from Financing Activities</b>	<b>202,292,802</b>	<b>20,039,329</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>10,763,534</b>	<b>(3,644,479)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>5,032,421</b>	<b>8,676,900</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>2 <u>15,795,955</u></b>	<b><u>5,032,421</u></b>

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## ACCOUNTING POLICIES

### 1. Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those of the previous year.

#### 1.1 Basis of Preparation

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as

Standard of GRAP	-	Replaced Statement of GAAP
GRAP 1: Presentation of Financial Statement	-	AC101: Presentation of Financial Statement
GRAP 2: Cash flow statement	-	AC118: Cash flow statement
GRAP 3: Accounting policies, changes in accounting accounting estimates and errors	-	AC103: Accounting policies, changes in estimates, accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result material differences in items presented and disclosed in the financial statements. The implementation of GRAP1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

#### 1. Terminology differences

Standard of GRAP	-	Replaced Statement of GAAP
Statement of financial performance	-	Income statement
Statement of financial position	-	Balance Sheet
Statement of changes in net assets	-	Statement of change in equity
Net assets	-	Net assets
Surplus/ deficit for the period	-	Profit / loss for the period
Accumulated surplus / deficit	-	Retained earnings
Contributions from owners	-	Share capital
Distribution to owners	-	Dividends
Reporting date	-	Balance sheet date

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions; must be presented separately on the statement of financial position

4. The amount and nature of any restrictions on cash balances is required to be disclosed.

#### 1.2 Presentation Currency

These annual financial statements are presented in South African Rand.

#### 1.3 Going Concern

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

#### 1.4 Property, Plant and Equipment

Property, plant and equipment comprises: - land and buildings; furniture, fittings and equipment; plant and machinery and vehicles and are included at historical cost. Cost includes all costs that are directly attributable to bringing the assets to working condition to their intended use.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period required to prepare and complete the asset for its intended use. Other borrowing costs are expensed.

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

All assets, other than land, are depreciated on a straight line basis over their estimated useful lives and the rates range between:

• Computer Equipment	3 years
• Furniture, Fittings and Equipment	5 years
• Plant and Machinery	4 years
• Motor vehicles	5 years
• Buildings	30 years

Operating Equipment is not depreciated.

## 1.5 Intangible Assets

Intangible assets that meet the recognition criteria are stated in the financial statement of financial position at amortised cost, being the initial cost price less any amortisation and impairment.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight-line method as follows:

-Computer software 2 years

## 1.6 Leased Assets

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the years of the lease. When an operating lease is terminated before the lease year has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the year in which termination takes place.

## Financial Instruments

### 1.7 Recognition

Financial assets and financial liabilities are recognized on the company's statement of financial position when the company becomes a party to the contractual provision of the instrument.

Financial instruments carried on the statement of financial position include a loan, prepayments and advances, non-exchange transfers' receivables, trade and other receivables from exchange transactions, cash and cash equivalents, non-exchange transfers payable, trade and other payables from exchange transactions and VAT payable. Where relevant, the particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 1.8 Measurements

Financial instruments are initially measured at fair value plus transaction costs except for financial instruments at fair value through profit or loss where transaction costs are expenses immediately. Subsequently to initial the fair value of these instruments are determined as set out under note 21 hereafter. Subsequent to initial recognition the items are measured as set out below:

### 1.9 Financial Assets

The company's financial assets are cash and bank balances; trade and receivables.

### 1.10 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalent comprises cash on hand, deposits held with banks.

### 1.11 Trade and Other Receivables

Trade and other receivables are carried at anticipated realizable value. An estimate for doubtful debts was not made as most of the outstanding debtors are made of Government departments and the monies will be received.

### 1.12 Financial Liabilities

Financial liabilities are recognised at amortised cost, namely original debt less principal payments and amortisation's, except for derivatives which are subsequently measured at fair value.

### 1.13 Derecognition

A financial assets or portion thereof is derecognised when the company realises that the contractual rights to the benefits specified in the contract expire; the company surrenders those rights or otherwise loses control of the contractual rights that comprise the financial assets. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in net surplus or deficit for the period..

### 1.14 Fair value considerations

Fair values at which financial instruments are carried at the reporting date have been determined by using available market values. Where market values are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The fair values have been estimate using available market information and appropriate valuation methodologies, but are not necessarily indicative of the amounts that could be realised in the normal course of

business. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair value due to the short term trading cycle of these items.

#### **1.15 Deferred Income Tax**

Deferred income is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred income tax. Deferred tax assets are recognised to the extent that it is probably that future taxable profit will be available against which the temporary differences can be utilised.

#### **1.16 Revenue Recognition**

- Revenue comprises rental income, entrance and parking fees, sales of merchandise, food and beverage, eventing income and interest net of Value Added Tax and discounts.
- Rental income is recognised on the straight-line basis over the lease term.
- Interest and eventing income is recognised as it accrues (taking into account in respect of interest income, the effective yield on the asset) unless collectability is in doubt.

#### **1.17 Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### **1.18 Inventories**

Inventories are valued at the lower of cost or net realized value. Provision is made for slow moving goods and obsolete materials are written off. Cost is determined at invoice cost on a weighted average basis.

#### **1.19 Foreign Currency Transactions**

Transactions in foreign currencies are converted to South African Rand at the rate of exchange ruling at the date of the transaction.

#### **1.20 Retirement Obligation**

All staff are obliged to be members of the Pension / Provident Fund which is governed by the Pension Funds Act of 1956. Contributions are based on a percentage of the payroll and charged to the income statement in the year to which they relate.

#### **1.21 Unauthorised Expenditure**

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

#### **1.22 Irregular Expenditure**

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

#### **1.23 Fruitless and Wasteful Expenditure**

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

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

### 2. CASH AND CASH EQUIVALENT

BANK NAME	2007	2006
STANDARD CALL (AC/NO:332845)	16,357,420	5,507,421
STANDARD (AC/NO:50226959)		
FNB (AC/NO:50881201632)	195,593	115,801
CASH CONTROL	4,673	
FLOATS	19,200	16,794
	<b>16,576,886</b>	<b>5,640,016</b>
STANDARD (AC/NO:50226959)	(780,931)	(578,851)
CASH CONTROL		(28,744)
	<b>15,795,955</b>	<b>5,032,421</b>

### 3. SHORT-TERM INVESTMENT

BANK NAME		
ABSA (AC/NO: 2063644267)	-	10,332,486
ABSA (AC/NO: 2062971506)	-	10,229,512
ABSA (AC/NO: 2065703718)	20,355,584	15,134,630
ABSA (AC/NO: 9148806852)	15,788,035	-
INVESTEC (AC/NO: 169966-450)	17,295,246	12,076,738
INVESTEC (AC/NO: 169966-451/2)	-	5,019,468
NEDBANK (AC/NO: 03/7881023341/1)	-	15,335,441
NEDBANK (AC/NO: 03/7881023341/2)	27,483,189	12,077,116
STANDARD (AC/NO:50018949)	119,267	87,007
STANDARD (AC/NO:33309)	300,000	300,000
	<b>81,341,321</b>	<b>80,592,398</b>

### 4. RECEIVABLES

Trade Debtors	4,918,785	1,585,964
Current (0-30 days)	3,540,933	820,709
31-60 days	469,491	153,812
61-90 days	708,964	301,529
Over 90 days	199,397	309,914
eThekwini	17,632,030	16,690,238
SARS	144,313	
Sundry Debtors	47,316	73,599
Lease Accrual	109,802	
<b>TOTAL RECEIVABLES</b>	<b>22,852,246</b>	<b>18,349,801</b>

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

### 5. INVENTORY

	<b>2007</b>	<b>2006</b>
Food and Beverages	717,420	434,346
Merchandise	8,070	29,618
Consumable Stores - at Cost	164,074	178,144
<b>Total Inventory</b>	<b>889 564</b>	<b>642 108</b>

### 6. PROPERTY, PLANT AND EQUIPMENT

	<u>Computer Equipment</u>	<u>Equipment</u>	<u>Furniture &amp; Fittings</u>	<u>Motor Vehicle</u>	<u>Operation Equipment</u>	<u>Buildings</u>	<u>Total</u>
<b><u>Reconciliation of carrying values</u></b>							
<b>Carrying value at 1 July 2005</b>	<b>313,677</b>	<b>3,334,852</b>	<b>1,033,551</b>	<b>144,591</b>	<b>1,988,494</b>	-	<b>6,815,165</b>
Cost	2,190,037	8,150,595	4,216,691	410,752	1,988,494		16,956,569
Accumulated Depreciation	(1,876,360)	(4,815,743)	(3,183,140)	(266,161)	-		(10,141,404)
Additions	266,065	829,737	877,320	-	458,446	596,835,512	599,267,080
Depreciation	(216,387)	(1,142,464)	(380,933)	(53,056)	-	(16,445,562)	(18,238,402)
Disposals	-	(30,429)	-	( 6,184)	-		(36,613)
<b>Carrying value at 30 June 2006</b>	<b>363,355</b>	<b>2,991,696</b>	<b>1,529,938</b>	<b>85,351</b>	<b>2,446,940</b>	<b>580,389,950</b>	<b>587,807,230</b>
Cost	2,456,102	8,949,903	5,094,011	404,568	2,446,940	596,835,512	616,187,036
Accumulated Depreciation	(2,092,747)	(5,958,207)	(3,564,073)	(319,217)	-	(16,445,562)	(28,379,806)
Additions	124,881	1,679,419	516,648	119,665	29,373	177,178,231	179,648,217
Disposals	(9,227)	0	-	-	-	-	(9,227)
Depreciation	(191,133)	(1,249,765)	(505,443)	(59,073)	-	(16,445,562)	(18,450,976)
<b>Carrying value at 30 June 2007</b>	<b>287,876</b>	<b>3,421,350</b>	<b>1,541,143</b>	<b>145,943</b>	<b>2,476,313</b>	<b>741,122,619</b>	<b>748,995,244</b>
Cost	2,571,756	10,629,322	5,610,659	524,233	2,476,313	774,013,743	795,826,026
Accumulated Depreciation	(2,283,880)	(7,207,972)	(4,069,516)	(378,290)	-	(32,891,124)	(46,830,782)

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

### 7. INTANGIBLE ASSETS

#### Reconciliation of carrying values

<b>Carrying value at 1 July 2005</b>	<b>104,034</b>
Cost	348,220
Accumulated Depreciation	(244,186)
Additions	1,347,948
Depreciation	(178,214)
<b>Carrying value at 30 June 2006</b>	<b>1,273,768</b>
Cost	1,696,168
Accumulated Depreciation	(422,400)
Additions	274,718
Depreciation	(570,413)
<b>Carrying value at 30 June 2007</b>	<b>978,073</b>
Cost	1,970,886
Accumulated Depreciation	(992,813)

Intangible assets were removed from computer equipment and classified as intangible assets.

### 8. PAYABLES

Trade creditors	8,880,030	7,965,517
Ethekwini Insurance	-	1,617,534
SARS		104,471
Sundry creditors	3,353,093	3,294,855
<b>TOTAL PAYABLES</b>	<b>12,233,123</b>	<b>12,982,377</b>

### 9. CLIENT DEPOSITS

Conference Bookings	14,100,144	9,475,690
Other Receivables	25,260	25,260
<b>TOTAL CLIENT DEPOSITS</b>	<b>14,125,404</b>	<b>9,500,950</b>

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

### 10. PROVISIONS

	2007	2006
Leave pay, bonus & additional hours	3,812,216	2,976,129

#### Long Service Awards

Employees who achieved 10 years of service will be granted 50% of total cost.  
Employees who achieved 5 years of service will be granted 25% of total cost.  
The above mentioned leave is only applicable to those who achieve the stated years of service after the effective date of these conditions.  
The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2007. It has been assumed that the staff turnover rate will be insignificant based on the historical data.

#### Performance Bonus

The performance bonus is for senior management as per approval by Board.

### 11. LONG TERM LIABILITY

eThekwini Municipality	996,577,870	798,160,599
------------------------	-------------	-------------

The loan is interest free and has no fixed terms of repayment. The eThekwini Municipality has agreed to provide finance to the company in the form of annual loans which are to enable the company to fulfil its obligations. Repayment has been deferred until such time as the assets of the company, fairly valued, exceed its liabilities.

eThekwini Municipality has subordinated its rights to claim payment of the amount advanced to the company until the assets of the company, fairly valued, exceed its liabilities.

### 12. SHARE CAPITAL

#### **Authorised**

Ordinary shares		
1000 ordinary shares of R1 each	1,000	1,000

#### **Issued**

Ordinary shares		
1 ordinary shares of R1 each	1	1

### 13. REVENUE

Room Hire	24,263,213	22,313,941
Food	23,199,077	19,383,035
Beverage	5,850,964	4,705,609
Coffee Shop	474,468	328,989
Risk Catering	1,513,678	726,755
Parking	2,482,435	1,882,966
Recoveries	14,756,587	13,485,505
	<b>72,540,422</b>	<b>62,826,800</b>
Discount Allowed	0	802,170
<b>Total Revenue</b>	<b>72,540,422</b>	<b>62,024,630</b>



# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

### 14. OPERATING LEASE INCOME

Operating lease received	801,303	712,984
Add: Operating Lease Accrual	109,802	0
<b>TOTAL INCOME</b>	<b>911,105</b>	<b>712,984</b>

Not later than one year	194,488	712,984
Later than one year and not later than five years	606,815	0

The operating leases relate to rental contracts derived from the INkosi Albert Luthuli ICC Complex and Durban Exhibition Centre.

The lease agreements were entered into on various dates and will be operational for varying periods. For the purposes of calculating the lease commitments, options to renew the leases on expiry have been ignored. The rental escalation percentage varies from lease to lease, the average being about 12%.

### 15. OPERATING INCOME

Proceeds from insurance claims	24,357	0
Interest Income	8,077,671	4,346,235
Discount received	175,875	194,310
Canteen Recoveries	35,024	24,521
<b>TOTAL OPERATING INCOME</b>	<b>8,312,927</b>	<b>4,565,066</b>

### 16. EMPLOYEE RELATED COSTS

Number of employees at year end: Full time	74	73
Salaries & Benefits: CEO	1,233,619	1,333,734
Salaries & Benefits: Senior Managers	3,917,408	3,435,190
Salaries, Wages Travelling Allowances and Bonuses	11,442,288	11,724,171
UIF, Retirement Med Aid & WCA	1,844,885	1,693,398
Leave Pay	371,874	491,698
Overtime Payment	135,147	152,540
<b>TOTAL EMPLOYEE RELATED COSTS</b>	<b>18,945,221</b>	<b>18,830,731</b>

### 17. DIRECTORS FEES

	<b>2007</b>	<b>2006</b>
Chairman fees paid	24,000	24,000
Directors fees paid	13,800	56,000
<b>Directors fees</b>	<b>37,800</b>	<b>80,000</b>

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

### 18. OTHER OPERATING EXPENSES

Floral Décor		85,267
Motor Vehicles Expenses		37,436
Office Teas		27,735
Postage & Courier		91,105
Bank charges	127,673	108,288
Canteen costs	455,941	369,415
Client Relations	108,064	93,005
Commission paid	558,294	577,994
Consultants Fees	3,683,064	284,377
Consumables	1,348,736	946,050
Printing & Stationery	300,714	230,655
Recruitment	1,442,738	793,265
Subscription	151,594	183,798
Telephone	413,039	359,392
Travel & Entertainment	53,439	19,105
General Expenses	175,895	116,987
<b>Total Operating Expenses</b>	<b>8,819,191</b>	<b>4,323,874</b>

### 19. TAX

Tax expense	0	0
-------------	---	---

No provision has been made . No deferred tax assets have been raised.

### 20. CASH GENERATED FROM OPERATIONS

<b>Reconciliation of cash flows from operations</b>	<b>2007</b>	<b>2006</b>
Surplus/ (Deficit)	(25,973,878)	
Depreciation	19,021,389	
Gain on disposal of property, plant and equipment	(15,132)	
(Increase)/Decrease in provisions	836,087	
Investment Income	(8,077,671)	
Operating Surplus before Working Capital changes	(14,209,205)	
Increase/(Decrease) in inventory	(247,456)	
Increase/(Decrease) in receivables	(4,502,446)	
(Increase)/Decrease in payables	(749,254)	
	<b>(19,708,361)</b>	<b>(24,236,910)</b>

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

### 21 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 21.1 Audit Fees

Amount Paid	304,087	168,146
-------------	---------	---------

#### 21.2 PAYE & UIF

Opening Balance	0	0
Current year payroll deductions	3,469,659	4,247,046
Amount Paid	3,469,659	4,247,046
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

#### 21.3 Pension and Medical Aid Deductions

Opening Balance	0	0
Current year payroll deductions & contributions	3,496,491	3,536,486
Amount Paid	3,496,491	3,536,486
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>

### 22 RELATED PARTIES

The following related party transactions have occurred for the period under review

#### 1. EXPENSES PAID TO ETHEKWINI MUNICIPALITY

Electricity	3,082,063	2,313,148
Water	386,292	418,254
Regional Services Levy	0	125,368
Rates	7,324,363	6,657,485
	<b>10,792,718</b>	<b>9,514,255</b>

#### 2. INCLUDED IN ACCOUNTS PAYABLES

eThekwini Municipality	506,408	20,115
------------------------	---------	--------

#### 3. SHAREHOLDER'S LOAN

996,577,870	798,160,599
-------------	-------------

#### 4. INTERNAL AUDIT OF ETHEKWINI MUNICIPALITY

(Responsible for internal audit - no fees paid)

5. Revenue generated from eThekwini Municipality includes discount of 20% on room Hire

### 23. FAIR VALUE OF FINANCIAL INSTRUMENTS

At 30 June 2007 the carrying amounts of cash and short-term deposits, accounts receivable, accounts payable and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

### 24. CORRECTION OF PRIOR YEARS ERRORS

The following adjustments were made to amounts previously reported in the annual financial statements of the ICC Durban arising from the implementation of GAMAP:-

	2007	2006
<b>Property, plant and Equipment</b>		
Balance previously reported	-	8,691,045
Buildings acquired from eThekweni	-	580,389,950
Reclassified as Intangible Assets	-	(1,273,765)
	<u>-</u>	<u>587,807,230</u>
<b>Intangible Assets</b>		
Balance previously reported	-	-
Reclassified as Intangible Assets	-	1273765
	<u>-</u>	<u>1,529,938</u>
<b>Long Term Liability</b>		
Balance previously reported	-	201,325,087
Buildings transfer	-	596,835,512
	<u>-</u>	<u>798,160,599</u>
<b>Accumulated Surplus/(Deficit)</b>		
Balance previously reported	-	(113,476,771)
Depreciation: Buildings	-	(16,445,562)
	<u>-</u>	<u>(129,922,333)</u>

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

APPENDIX A

## ACTUAL VS BUDGET (REVENUE AND EXPENDITURE)

	NOTE	2007			2006		
		ACTUAL R	BUDGET R	VAR (%) R	ACTUAL R	BUDGET R	VAR (%) R
<b>REVENUE</b>							
ROOM HIRE		24,263,213	20,200,137	20%	22,313,941	18,844,525	18%
FOOD		23,199,077	14,611,037	59%	19,383,035	13,831,656	40%
BEVERAGE		5,850,964	3,778,513	55%	4,705,609	3,630,060	30%
COFFEE SHOP		474,468	450,000	5%	328,989	425,000	-23%
RISK CATERING		1,513,678	1,350,000	12%	726,755	1,150,000	-37%
PARKING		2,482,435	2,122,369	17%	1,882,966	1,110,823	70%
RECOVERIES		14,756,587	11,683,920	26%	13,485,505	10,687,489	26%
DISCOUNT ALLOWED		0	0		-802,170	0	
<b>TOTAL REVENUE</b>	1	<b>72,540,422</b>	<b>54,195,976</b>	<b>34%</b>	<b>62,024,630</b>	<b>49,679,553</b>	<b>25%</b>
<b>COST OF SALES</b>	7	<b>17,256,713</b>	<b>12,129,595</b>	<b>42%</b>	<b>13,926,964</b>	<b>11,037,421</b>	<b>26%</b>
<b>GROSS OPERATING PROFIT</b>		<b>55,283,709</b>	<b>42,066,381</b>	<b>31%</b>	<b>48,097,666</b>	<b>38,642,132</b>	<b>24%</b>
LEASE OPERATING INCOME		911,105	825,538	10%	712,984	725,123	-2%
<b>OPERATING INCOME</b>		<b>8,312,927</b>	<b>3,657,500</b>	<b>127%</b>	<b>4,565,066</b>	<b>2,844,000</b>	<b>61%</b>
INTEREST EARNED - EXTERNAL	2	8,077,292	3,500,000	131%	4,324,972	2,700,000	60%
INTEREST EARNED - DEBTORS		379	-		21263		
GAIN ON DISPOSAL OF ASSETS		24,357					
OTHER INCOME		210,899	157,500	34%	218,831	144,000	52%
<b>EXPENDITURE</b>		<b>90,481,620</b>	<b>69,999,068</b>	<b>29%</b>	<b>57,393,424</b>	<b>61,924,840</b>	<b>-7%</b>
EMPLOYEE RELATED COSTS	3	18,945,221	23,265,380	-19%	18,830,731	23,079,477	-18%
AUDIT FEES	4	304,087	175,000	74%	168,146	95,000	77%
CASUAL WAGES	5	9,589,625	6,311,797	52%	8,204,218	6,256,798	31%
DIRECTORS FEES	6	37,800	25,000	51%	80,000	50,000	60%
DEPRECIATION		19,021,389	2,415,580	687%	1,971,054	1,230,000	60%
BAD DEBTS		0	10,000	0%	0	0	0%
LOSS ON DISPOSAL OF ASSETS		0	0	0%	4329	0	0%
REPAIRS & MAINTENANCE	8	3,257,283	2,682,845	21%	2,339,599	3,379,652	-31%
CONTRACT SERVICES		6,468,687	7,458,984	-13%	5,947,154	5,959,499	0%
MARKETING EXPENSES	9	4,028,098	4,742,000	-15%	3,461,213	4,522,278	-23%
INTEREST PAID		0	2,000		292	2,000	-85%
LEGAL FEES	10	254,439	90,000	183%	275,759	65,000	324%
INSURANCE		1,029,452	1,017,600	1%			
COUNCIL SERVICES		10,792,718	10,489,889	3%			
ARENA OPENING COSTS		6,229,855	30,000	0%			
TRAINING COSTS		421,679	675,400	-38%			
LAUNDRY UNIFORMS		765,234	688,057	11%			
EQUIPPING		516,862	629,440	-19%			
OPERATING EXPENSES - OTHER		8,819,191	9,290,096	-5%	16,110,929	17,285,136	-7%
<b>DEFICIT FOR THE YEAR</b>		<b>-25,973,879</b>	<b>-23,449,649</b>	<b>11%</b>	<b>-4,017,708</b>	<b>-19,713,585</b>	<b>-80%</b>
REFER TO APPENDIX B FOR THE COMPARISON WITH BUDGET NOTE (APPENDIX A CONT.)							

# I.C.C DURBAN (PROPRIETARY) LIMITED

Annual Financial Statement for the year ended 30 June 2007

## NOTES TO THE FINANCIAL STATEMENTS

- 1. TOTAL REVENUE AND COST OF SALES**  
Revenue budget was based on 39% of confirmed events. The balance of 61% was projected for events still to be sourced or targeted with little or no indication of the type of events. Cost of Sales are directly dependent on Revenues and Type of Events.
- 2. INTEREST EARNED**  
Budget was based on lower interest rates than anticipated.
- 3. EMPLOYEE RELATED COSTS**  
Budgeted new positions and vacancies were not filled.
- 4. AUDIT FEES**  
Auditor General fees were higher than the previous auditors (private sector) and agreed by the Shareholder.
- 5. CASUAL LABOUR COSTS**  
These costs are Revenue and Event type related.
- 6. DIRECTORS FEES**  
Directors Fees were authorised by the shareholder, eThekweni – The fees were payable to seven (7) Directors.
- 7. COST OF SALES**  
These costs are directly related to increase in Revenue.
- 8. REPAIRS AND MAINTENANCE**  
Major refurbishments were commenced due to ageing of building & equipment.
- 9. MARKETING COSTS**  
Budgeted advertising cost was not fully utilised.
- 10. LEGAL FEES**  
Fees in respect of issues relating to Human Resources and outsourcing of Facilities Management were not budgeted.



## **I.C.C. DURBAN (PTY) LTD**



## **PERFORMANCE AGAINST OBJECTIVES**

## ICC DURBAN (PTY) LTD

### PERFORMANCE AGAINST OBJECTIVES – 30 June 2007

A summary of the business performance against objectives.

<b>Strategic Objective</b>	<b>Key Performance Measure / Indicator</b>	<b>Target</b>	<b>Actual</b>	<b>Performance Results</b>
Economic impact to the region	- Maximise economic impact to the region	R440m	R565.5m	Exceeded
Funding Requirements	- Minimise funding requirement from Ethekewini	R21.2m	R9.8m	Achieved
Black Economic Empowerment	- Maximise procurement expenditure black economic empowerment	60%	63%	Exceeded
Employment Equity	- Black professional staff levels	50%	61%	Exceeded
Customer Satisfaction	- Increase customer satisfaction levels	90%	97%	Exceeded
Governance & Accountability	- Internal controls are in place and are effective - Training provided on the MFMA	Yes Yes	Yes Yes – Ongoing	Audit report – no major issues Ongoing
Safety	- Minimise disabling injury rate	0%	0%	Achieved





**Our Ref:** AU/STN/2007-230

**Enquiries:** (031) 311 3009

**City Manager**  
**eThekweni Municipality**

**28 September 2007**

### Performance Management Audit

#### Introduction

The Internal Audit Department of the eThekweni Municipality has conducted a limited review of the Performance Management system in place, and the results of performance against the Municipality's set objectives and plans for the year-ending 30 June 2007.

#### Background

The Municipal Systems Act, 2000 (Section 45) requires that the results of performance measurements, be audited as part of the Municipality's Internal Auditing processes. In Terms of Regulation 14 (1) of the Municipal Planning and Performance Management Regulations, 2001, of the Systems Act, it is the Municipality's responsibility to develop and implement mechanisms, systems and processes for auditing the results of the performance measurements, as part of its internal audit processes.

In addition, the Municipal Finance and Management Act No 56 of 2003, Section 165 (2) (b) (v) requires that the Internal Audit Unit of a Municipality, report to the Audit Committee on matters relating to Performance Management.

#### The Performance Management System at eThekweni Municipality

National Government has placed considerable focus in this area by issuing legislation to guide local government in the implementation of performance management systems. Accordingly, performance management is an important process in the operations of the eThekweni Municipality as it is one of the strategic measures to monitor performance and the achievement of service delivery initiatives. The regulations issued during the current year gave the management an opportunity to review and re-structure the process being implemented. This has resulted in

- The abandonment of the Organisational scorecard utilized in previous years;
- The development of a new Organisational Scorecard in the form of an 8 point plan ensuring alignment to the Integrated Development Plan (IDP).
- The establishment of a new Performance Management Unit in the Office of the Municipal Manager.



## **Audit Objective, Scope and Approach**

The objective of the review was to assess the reliability of the performance management information. This objective is in line with regulations which require Internal Audit to:

- Audit the functionality of the performance management system (PMS).
- Verify that the PMS complies with the Act and
- Comment as to whether the measures are reliable.

Our audit procedures were limited to a high level review of the Key Performance Indicators (KPI's) included in the Municipality's Organisational Scorecard. The scope of the audit was limited as a result of the performance management process being in an infancy stage.

The scope of the review covered the following:

- The National KPI's for the 2006/07 financial year and high risk areas relating to service delivery.
- Plan 1 and Plan 3 in the Organisational Scorecard.
- The reliability of the performance information in the Individual performance plans of the Heads of Departments and the Deputy City Managers for the 2005/2006 financial year.
- The appropriateness of Targets and Baselines set and whether the Targets are Specific, Measurable, Attainable, Reliable and Time Specific (Smart)
- In the event of information being available management reports substantiating the baselines and / or position achieved were inspected for confirmation i.e. compare to source.

It is our intention to review our audit approach for the 2007/2008 year so as to include both the audit of the performance management system implemented as well as the audit of performance information utilising our risk based audit approach to determine our focus areas and extent of testing.

## **Results of the Review**

The organizational scorecard is attached hereto. Our review revealed the following

- A new Balanced Scorecard is utilized to monitor performance against set objectives and there is a degree of alignment of this scorecard to the eight point plan per the IDP;
- A policy, framework and guidelines for the overall performance management process for the Municipality is to be developed and formally adopted.
- Each cluster has developed the KPI's which are aimed at meeting the SMART principle.
- Performance Agreements and performance plans for the section 57 employees have been formalized and actual performance is evaluated on a quarterly basis, in compliance with applicable legislation.
- Performance plans for other levels of management are also in place.
- A Performance monitoring system for all levels of employment will be incorporated in the new Human Resources Application solution that is to be acquired.
- Performance information was available and verifiable by way of manual systems.
- A performance management application system to support and enable performance management is still under development;

## **CONCLUSION**

eThekwini Municipality's performance management system is in its infancy and is currently being refined and developed.

Sinaye Nxumalo  
Head: Internal Audit & Risk Services

PLAN 8	FINANCIAL VIABILITY AND SUSTAINABILITY								
National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0506	Annual Target 0607	5 year target- 2010/11	Status	Postion at 30 June 2007	Audit Comments	Management Comments
Municipal Financial Viability and Management	Budget Strategically and sustainably	Outstanding Service Debtors to Revenue	41%	38%	29%	Not Achieved	41,5%	Target not achieved as adjustments for rates write off has not been processed timeously.	
		% Capital Budget Spent	94,13%	100%	100%	Above baseline, but target not achieved	98,7%	Target not achieved. However there is an improvement in baseline.	
		Debt Coverage Ratio (No of Times)	8,01	10,2	12,04	Achieved	9,5%	Agreed.Target achieved. Information provided by the department verifies this figure.	Accepted
		Cost Coverage Ratio (no of Times)	7,35	7,49	4,02	Not Achieved	4,2	Agreed.Target achieved. Basis of target calculation is incorrect	Accepted

PLAN 8	FINANCIAL VIABILITY AND SUSTAINABILITY								
National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0506	Annual Target 0607	5 year target- 2010/11	Status	Postion at 30 June 2007	Audit Comments	Management Comments
Municipal Financial Viability and Management	Value for money expenditure	Salaries and Wages as a % of Operating Budget	30%	31%	29%	Achieved	31%	Agreed.Target achieved.Information provided by the department verifies this figure.	Accepted
		Repairs and Maintenance as a % of Total Operating Budget	9%	10%	10%	Achieved due to income having increased.	9%	Agreed.Target achieved.Information provided by the department verifies this figure.	Accepted
		Availability of Vehicles	80%	85%	95%	Achieved	96%	Agreed.Target achieved.Information provided by the department verifies this figure.	Accepted
		Benchmark to the private sector for vehicle hire rates	17% below benchmark	20% below benchmark	26% below benchmark	Achieved	20%	Agreed. Target achieved in excess of baseline. Information provided by the department verifies figure of 31% below benchmark.	Accepted

PLAN 8	FINANCIAL VIABILITY AND SUSTAINABILITY								
National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0506	Annual Target 0607	5 year target- 2010/11	Status	Postion at 30 June 2007	Audit Comments	Management Comments
Municipal Financial Viability and Management	Grow and diversity our revenues	Valuation Roll - Compliance with MPRA provisions - will measure Recapitulation Certificate, lag in incorporating property change and the no. of successful appeals	99,9% in terms of current Ordinance	98% in terms of current Ordinance  Compliance with Project Plan to deliver new Roll ito MPRA in Jan 2008	100 % compliance with MPRA		99,9% in terms of current Ordinance.  On track to deliver new Roll ito MPRA in Jan 2008	Target achieved, however audit is unable to verify successful number of appeals, as process has just begun.	Accepted
		Manage Council Property Assets - Grow total income	Sale Income - R32,9m Rental Income - R106,7m	Sale Income - R31,4m Rental Income - R109m	By 2 % above CPI		Sale Income - R33,7m Rental Income - R113m	Target achieved.Sale Income of R 33.7 was verified.However,our figure as calculated using figures provided by the dept for Rental Income reflects R115.3.	Accepted

PLAN 8	FINANCIAL VIABILITY AND SUSTAINABILITY								
National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0506	Annual Target 0607	5 year target- 2010/11	Status	Position at 30 June 2007	Audit Comments	Management Comments
		Increase in tariffs	Rates - 5.9 Water - 7.5 Electricity - 5.9 CPI - 5.1	Rates - 7.5 Water - 7.5 Electricity - 7.5 CPI - 5.2	CPI related	Achieved	Rates - 7,5% Water - 7,5% Electricity - 7,5% CPI - 7,0	Agreed.Target achieved.Information provided by the department and stats SA verifies this figure.	Accepted

## **Audit and Risk Management Committee Report**

### **Membership**

The eThekweni Municipality has an Audit and Risk Management Committee set up in accordance with the prescripts of the Municipal Finance Management Act, no. 56 of 2003, section 166. The Committee comprises of three independent members, who are not in the employ of the eThekweni Municipality or its entities, nor are they political office bearers.

The Chairperson of the Audit Committee is an independent person who is knowledgeable of the status of the position and has the requisite legal, business and leadership skills. The Committee operates in terms of written terms of reference approved by the municipality's Accounting Officer and Council's Executive Committee, which is in accordance with best practice.

### **Audit Committee members and attendance**

The Committee performs its responsibilities as required in terms of the Municipal Finance Management Act (MFMA), as well as the code of Corporate Governance. The Audit Committee meets a minimum of four (4) times during a financial year. For the financial year ending 30 June 2007, the Committee has reviewed and /or advised on matters relating to:

The adequacy, reliability and accuracy of financial reporting and information;  
The activities and effectiveness of internal audit function;  
The accounting and auditing concerns identified as a result of the internal or external audits;  
The effectiveness of the internal control systems;  
Risk Management;  
Compliance with the MFMA and other applicable legislation;  
Performance Management;  
Reports on forensic investigations

### **Internal Audit**

The eThekweni Municipality has a system of Internal Audit under the control and direction of its Audit and Risk Committee. Based on the results of assurance work carried out by the Internal Audit unit, there are areas where the internal control systems have been identified as weak. The weaknesses in internal control systems have been brought to the attention of management to take corrective measures.

### **Performance Management**

The municipality made significant changes to the organizational scorecard which was as a direct result of the changes in the applicable National Treasury regulations. The scorecard has also been revised to ensure alignment to the Integrated Development Plan (IDP) of the Municipality. Systems are being implemented to monitor organizational and individual performance.

### **Risk Management**

The Audit and Risk Management Committee will, in terms of its authority delegated by Council, facilitate the development of a formal Risk Management Framework and Strategy. The results of the risk assessments should be used to direct internal audit efforts and priorities, and to determine the skills required of managers and staff to improve controls and to manage these risks.



Management has formed an Operational Risk Management Committee (Risk Sub Committee) chaired by the Deputy City Manager: Treasury. The aim of the Risk Sub Committee is to implement the risk management strategies and give feedback to the Audit and Risk Management Committee on a regular basis. The risk register will be updated regularly with identified and new emerging risks including the risk mitigating responses and action plans.

#### **Review of annual financial statements for the year ending 30 June 2007**

The Committee has evaluated the annual financial statements of the eThekweni Municipality, and its Municipal entities Ushaka Marine World and the Durban International Convention Centre, for the year ended 30 June 2007. The Committee concluded that these financial statements comply, in all material respects, with the requirements of the Municipal Finance Management Act, the South African Statements of Generally Recognised Accounting Practice.

The review of annual financial statements pays specific attention to:

- Underlying accounting policies or changes thereto;
- Major estimates and managerial judgments;
- Significant adjustments flowing from the year end audit;
- Compliance with Generally Accepted Accounting Practice, the MFMA and other statutory precepts;
- The appropriateness of the going concern assumption.
- The report of the Auditor-General for the year

#### **Going Concern Assumption**

The Audit and Risk Committee agrees that the adoption of the going concern assertion is appropriate in preparing the annual financial statements of the Municipality. The Committee has therefore recommended the adoption of the annual financial statements by the Council of eThekweni Municipality.



Advocate B.S. Khuzwayo

**Chairperson: Audit Committee  
eThekweni Municipality**

## ***Annexure O***

### **AUDIT COMMITTEE CHARTER**

#### **PURPOSE**

- o To advise the City Manager in fulfilling his oversight responsibilities for the financial reporting process, the systems of internal control, the audit process, and the Council's process for monitoring compliance with approved procedures and systems.
- o To advise the Executive Committee of the Council on matters relating to internal control and performance as set out in section 166. of the Municipal Finance Management Act.

#### **AUTHORITY**

- o The Head of Internal Audit and Performance Management (HIAPM) has authority to conduct or authorise audits into matters within his scope of responsibility.

#### **COMPOSITION**

The Audit Committee will consist of four external members who have appropriate experience.

The Executive Committee will appoint members and the Audit Committee will elect its own Committee Chair.

Ex Officio members will be the City Manager, Head Audit and Performance Management, Ombudsperson and Head : Investigations and the Auditor General. The Ex-Officio members shall be advisory and non voting.

#### **MEETINGS**

The Committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. One such meeting shall be held prior to the release of the financial statements and should consider the report of the Auditor General. The Committee may invite members of Management, auditors, or others to attend meetings and provide pertinent information as necessary. The Committee will hold private meetings with the HIAPM or Ombudsperson when required. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing material. Minutes will be prepared and circulated to the Executive Committee. The quorum of the Committee shall be three members.

#### **RESPONSIBILITIES**

The Committee will carry out the following responsibilities.

#### **FINANCIAL STATEMENTS**

- o Review interim financial reports with management and the external auditors, before filing with regulators, and consider whether they are complete and consistent with the information known to Committee members.

#### **INTERNAL CONTROL**

o Consider the effectiveness of the Council's internal control over annual and interim financial reporting, including information technology security and control.

o Understand the scope of internal and external auditor's review of internal control, and obtain reports on significant findings with specific reference to the safeguarding of assets, accounting records and the maintenance of effective internal control systems.

### **INTERNAL AUDIT**

- Review with Management and the (HIAPM) the charter, plans, activities, staffing organisational structure of the internal audit activity.
- Ensure there are no unjustified restrictions or limitations.
- Review the effectiveness of the internal audit activity, including compliance with the Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with HIAPM to discuss any matters that the Committee or Auditors believe should be discussed privately.

### **EXTERNAL AUDIT**

- On a regular basis, meet separately with the External Auditors to discuss any matters that the Committee or External Audit believes should be discussed privately.

### **COMPLIANCE**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Council personnel and for monitoring compliance therewith.
- Obtain regular updates from Management and Council Legal counsel regarding compliance matters.

### **OTHER RESPONSIBILITIES**

- Perform other activities related to this charter as requested by Management.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Executive Committee approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the Committee's performance on a regular basis.

## **REQUIREMENTS OF AUDIT COMMITTEE**

Section 14(4) (a) (iii) of the Local Government Municipal Planning and Performance Management Regulations requires that the Audit Committee will report to the Municipal Council at least twice a year.

## **MUNICIPAL FINANCE MANAGEMENT ACT REQUIREMENTS FOR THE AUDIT COMMITTEE**

### **AUDIT COMMITTEES**

166. (1) Each Municipality and each municipal entity must have an audit committee, subject to subsection (6).

(2) An audit committee is an independent advisory body which must -

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity, on matters relating to –

- (i) internal financial control and internal audits;
- (ii) risk management;
- (iii) accounting policies;
- (iv) the adequacy, reliability and accuracy of financial reporting and information;
- (v) performance management;
- (vi) effective governance;
- (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- (viii) performance evaluation; and
- (ix) any other issues referred to it by the municipality or municipal entity;

(b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;

(c) respond to the council on any issues raised by the Auditor-General in the audit report;

(d) carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality, or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may request; and

(e) perform such other functions as may be prescribed.

(3) In performing its functions, an audit committee -

(a) has access to the financial records and other relevant information of the municipality or municipal entity; and

(e) must liaise with –

(i) the internal audit unit of the municipality; and

- (ii) the person designated by the Auditor-General to audit the financial statements of the municipality or municipal entity.
- (4) An Audit committee must
  - (a) consist of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality or municipal entity, as the case may be; and
  - (b) meet as often as is required to perform its functions, but at least four times a year.
- (5) The members of an audit committee must be appointed by the council of the municipality or, in the case of a municipal entity, by the council of the parent municipality. One of the members who is not in the employ of the municipality or municipal entity, must be appointed as the chairperson of the committee. No councillor may be a member of an audit committee.
- (6) A single audit committee may be established for-
  - (a) a district municipality and the local municipalities within that district municipality;  
and
  - (b) a municipality and municipal entities under its sole control.

## **GENERAL**

- The Councils Executive Committee has authority to make appointments and determine such remuneration as may be necessary to ensure that the Audit Committee is successfully established.
- In fulfilling its role and in carrying out its duties and responsibilities, the Audit Committee may conduct such investigations and seek from any employee or Councillor such information as it considers necessary to enable it to fulfil its functions, and all employees and Councillors shall be required to co-operate with any request made by the Audit Committee.
- To appraise and recommend improvements in financial control and accounting systems as well as to assess extraordinary items or abnormal disclosures with specific reference to :-
  - the annual financial statements;
  - accounting policies and practices;
  - specific strategic reports;
  - external Audit procedure;
  - the Annual External Audit report before submission to the relevant committee;
  - all Internal Audit activity;
  - compliance with law, audit and accounting standards; and
  - Reports of the Head : Investigations/Ombudsperson.
- Audit Committee members do not have any authority to make any decisions on behalf of the Council.

## **APPROVED**

**CITY MANAGER**