

ANNUAL REPORT 2007/2008
eThekweni Municipality

29 January 2009

Contents

	Page
Annexures	1
List of Abbreviations	2
Preface	4
Message from Mayor	5
Overview of the Municipality	6
Executive Summary	12
Report on SDBIP projects and departmental achievements and highlights	21
Introduction	
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
 Annexures	
A Council, its Committees and the involvement of Senior Traditional leaders	39
B Report of the Auditor General on the Group Financial Statements and Performance Information of the eThekweni Municipality for the year ended 30 June 2008	40
C Responses to the Audit Report	45
D Report of the Chief Financial Officer	48
E eThekweni and its Municipal Entities - Annual Financial Statements	64
F Assessment of arrears	139
G National & Provincial Departments and Public Entities Arrears Summary	140
H Information technology and systems	141
I Long term contracts	143
J Service delivery backlogs	144
K Durban Marine Theme Park (Pty) Ltd	145
L ICC Durban (Pty) Ltd	205
M Internal Audit and Performance Management Report on the Organisational Performance Scorecard	266
N Report of the Audit Committee	282
O Audit and Risk Committee Terms of Reference	288
P Service delivery and budget implementation plan (SDBIP)	304

Abbreviations

ABM	Area-based management
ABET	Adult basic education and training
AQMP	Air quality management plan
BEE	Black economic empowerment
BPM	Business process management
BPO	Business process outsourcing
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
DUT	Durban University of Technology
EDU	Economic Development Unit
EE	Employment equity
EFA	Electricity for All
EESMP/DMOSS	eThekweni Environmental Services Management Plan/ Durban Metropolitan Open Space System
EIA	Environmental impact assessment
EMA	eThekweni Municipality Area
EMD	Environmental Management Department
EMS	Environmental Management System
ETA	eThekweni Transport Authority
ETM	eThekweni Municipality
EPWP	Expanded Public Works Programme
ETA	eThekweni Transport Authority

EXCO	Executive Committee
GIPO	Geographic Information and Policy Office
GIS	Geographic information systems
HHL D	Household
HR	Human resources
ICC	International Convention Centre
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IMCI	Integrated Management of Childhood Illnesses
IMESA	Institution of Municipal Engineering of Southern Africa
INK	Inanda, Ntuzuma and Kwa Mashu area
IOD	Injured on duty
IGP	Inter-governmental relations
IT	Information Technology
KM	Knowledge management
KPIs	Key performance indicators
KZNDED	KwaZulu-Natal Department of Economic Development
LAP	Local area plan
LED	Local Economic Development
LGSETA	Local Government Sectoral Education Training Authority
LUMS	Land use Management System
LUS	Land use system
MCI	Millennium Cities' Initiative
MDG	Millennium Development Goals
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
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
PET	Polyethylene terephthalate
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

RMS	Revenue Management System
ROD	Record of decision
SACN	South African Cities Network
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
TIKZN	KwaZulu-Natal Department of Trade and Industry
UNCTAD	United Nations Conference on Trade and Development
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 2007/2008;
- (c) Provide a report on performance against the budget of the eThekweni Council for the financial year 2007/2008;
- (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 2007/2008;
- (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

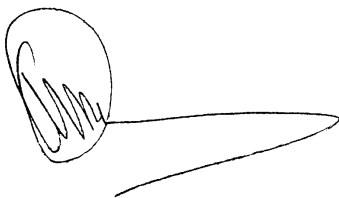
The City is unwavering in its commitment to achieving a sustainable, economically-successful, smart, democratic and equal city that also strives to reduce poverty and provide quality living environments. Many of the reports in this Annual Report illustrate successes towards accomplishing these goals and I have singled out a few for special attention.

Taking care to maintain the quality and usefulness of our possessions, is one of the most sustainable actions for any city (or individual). If immovable infrastructure and moveable items such as motor vehicles and computers are re-furbished or serviced regularly, they will last longer and delay the need for massive expenditure on replacements. The City is implementing a wide-ranging asset management programme which involves identifying infrastructure for maintenance and scheduling the maintenance. This is a massive task but will have a positive impact on the budget and living environments.

We are all looking forward in anticipation to the 2010 FIFA World Cup and the developments which will have an impact beyond that event. However, I also want to commend to you the Durban Natural Science Museum that celebrated 120 years of operation in July 2007 (just within the period that this Annual Report covers). This Durban institution has been attracting visitors and conducting valuable research since the 19th century and is an example of excellence that we trust our new public developments will emulate.

Congratulations are extended to the officials, departments and units that won prizes and awards in 2007/2008; I am aware that there are many more who deserve to be honoured. In particular I would like to mention the work of the libraries and librarians who facilitate the joy of the written word, and to say how pleased I was to hear about the container libraries operating in the rural areas of Mbumbulu, Ntshongweni, Mzinyathi and kwaXimba where no library services exist.

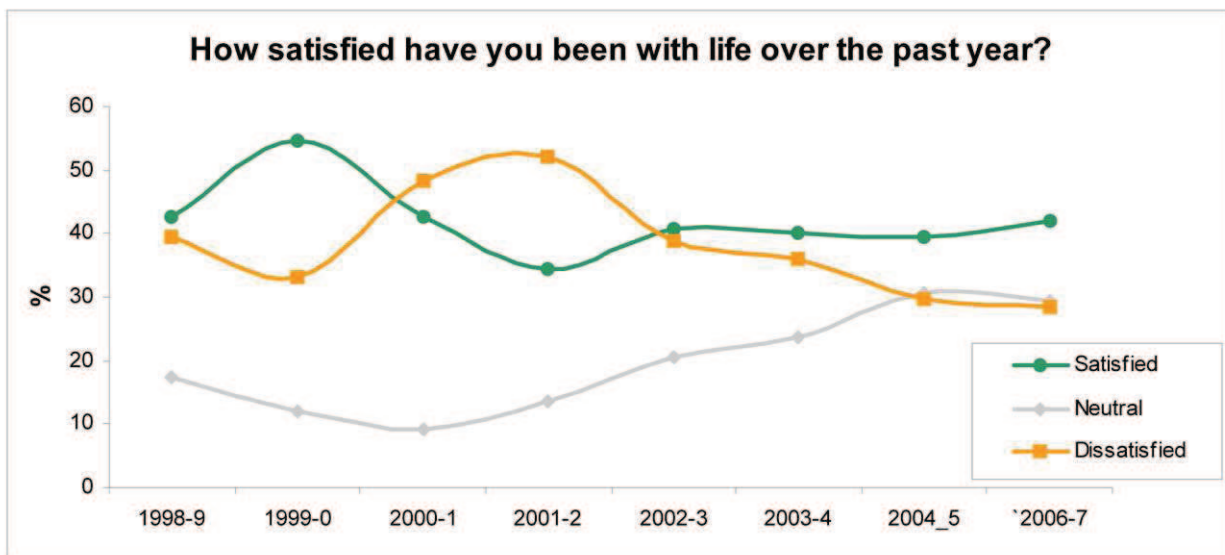
I thank my fellow Councillors, the Municipal Manager and all Council employees for their commitment and hard work.

A handwritten signature in black ink, consisting of a circular loop followed by several vertical strokes and a long horizontal tail.

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 Quality of Life Survey, satisfaction with life showed a marginal increase for the first time in 4 years. This increase was from 39.6% to 41.9%. Dissatisfaction and neutrality were on a par around 29%.

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 has the lowest satisfaction with life, the Indian and Coloured populations have similar satisfaction levels, and the White population has the highest life satisfaction levels. In the 2006/07 survey the White population was the only group to report a decline in life satisfaction.

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
2006/07	28	57	60	82

The Economy

The eThekweni Municipality's economy is affected by the performance of the national economy, although recent indicators suggest it is outperforming the national one in terms of the Gini Coefficient, unemployment rate and the Gross Domestic Product. The national economy continued to enjoy growth of around 4.7% during 2006 and is starting to reap the benefits of sustained sound macroeconomic management and structural reforms.

In addition to achieving the ASGISA target of 4.5% per annum, the country has also experienced 36 quarters of uninterrupted economic growth. Presently South Africa is ranked as the 18th most attractive destination for Foreign Direct Investment according to a recent international survey.

Massive infrastructure investment plans have been announced by both the private and public sectors for public transport, new power plants and township renewal growth. Unemployment remains high, but job prospects are amongst the highest in the world for the second year running, creating 200 000 jobs between March 2006 and 2007.

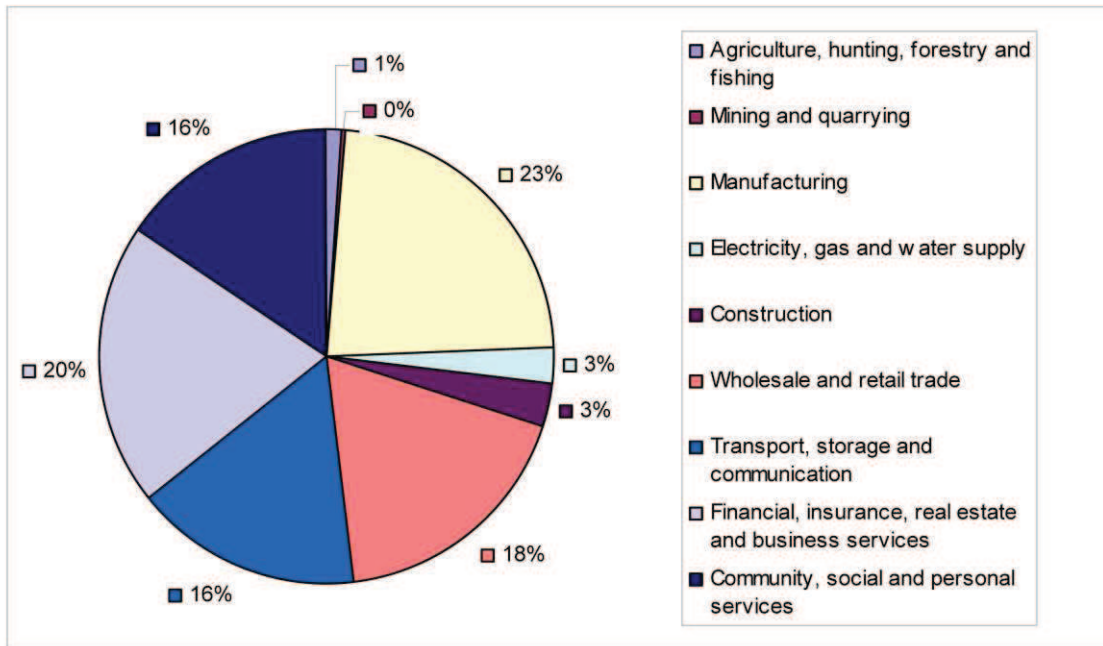
	GDP (R1000)		Gini Coefficient		Unemployment Rate	
	2005	2006	2005	2006	2005	2006
South Africa	R1 115 809 825	R1 171 365 988	0.64	0.64	39.3%	37.7%
Cape Town	R125 318 659	R135 851 635	0.55	0.54	26.9%	25.1%
Johannesburg	R191 809 643	R202 328 200	0.57	0.56	30.6%	28.8%
Durban	R120 324 858	R126 641 878	0.60	0.60	38.8%	36.8%

Source: Global Insight

From the table it is evident from the GDP indicators amongst the 3 major economic regions and nationally for the period 2005-2006, that the required GDP targets as prescribed by ASGISA1, have been achieved. South Africa's GDP growth during this period was 4.7% while Cape Town, Johannesburg and Durban recorded increases of 7.7%, 5.2% and 5.0% respectively.

GDP growth in Durban has grown at an average annual rate of 3.9% over the period 1996-2006 and has been consistently strong and lagging slightly behind Johannesburg and Cape Town. As reflected in the graph below, the manufacturing sector in Durban is the biggest contributor to the GDP growth, followed by finance, Trade and then Transport. When deconstructing the manufacturing sector in Durban, the success is due largely to the chemical, automotive, pulp and paper, wood and wood products and food and beverages components. The City's Economic Strategy acknowledges the importance of these sectors' potential for

growth, job creation and global competitiveness, and has aligned appropriate medium-to-long-term plans for further enhancement. The National Government's new industrial-policy framework that re-emphasizes the development of the country's manufacturing sector as the cornerstone of the economy will also contribute to this sectors growth.



Contribution to total GDP by sector for 2006

In the first phase, between 2005 and 2009, ASGISA seeks an annual growth rate that averages 4,5% or higher. In the second phase, between 2010 and 2014, an annual average growth rate of at least 6% of GDP is targeted.

The introduction of the Dube Trade Port and King Shaka International Passenger Airport, the 2010 World Cup Soccer Competition and the major expansion plans around the Port of Durban are the 3 main projects that will act as a major catalyst to the City's economy over the next 10 years.

The ongoing serious economic challenges for the City remain persistently high – unemployment, poverty, large wealth disparities (Gini coefficient = 0.60) and a high incidence of HIV/AIDS which needs to be addressed. Other factors such as the oil price fluctuations, high interest rates, inflation, negative perceptions from investors, and more recently the challenges around guaranteeing stable energy provision will also impinge on the city's and ASGISA's targeted growth rate of 6% and the halving of unemployment to 17% over the next 7 years.

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 following table 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.

Key Development Challenges

Low economic growth and job creation

The welfare and quality of life of all citizens, as well as the ability of Council to meet their needs, is dependent on the ability of our City's economic base to generate jobs and income. eThekweni also faces a severe and worsening unemployment situation with estimates placing unemployment levels between 30% and 40% of the population. Since 1997, there has been a net loss of formal jobs of 1.5% pa (40 000 jobs in total).

Poor access to basic household services

Substantial progress has been made in extending basic household services to previously unconnected households, with approximately 75% of all households now having access to adequate levels of basic household services. The major backlog areas coincide geographically with existing informal settlements and peri-urban areas. The key development challenge is addressing the service delivery backlogs in the rural areas of the Municipality.

High levels of poverty

Poverty is the result of inadequate access to jobs, infrastructure and the full range of opportunities that a person might have. In short, it translates to societal inaccessibility, with a low income merely one aspect of this complex problem. For purposes of measurement, however, income levels are an obvious indicator of poverty. Research conducted at the Nelson Mandela Metropolitan University has estimated that a family of about 4 members needs to spend R1500 pm in order to access only the most basic of essentials.

The table below indicates that households were more able to afford a bundle of essential goods in 2006/07 than in 2004/05. Despite more households being able to afford essentials there is still a high percentage that could not.

Household can afford	Yes 2004-5	Yes 2007
Shelter	60.7	72
Food	67.0	80
Water and Electricity	62.5	79
Education	56.2	67
Health Care	57.6	70
Clothing	56.8	74
Transport	66.4	74
Leisure	42.9	48

Low levels of literacy and skills development

eThekweni's greatest asset is its people. Historically, the local government has invested very little in developing its people. It is of concern that 16% of all adults are functionally illiterate, and that while 38% of the adult population has passed matric, only 8% have tertiary qualifications. In terms of employment skills, there is a gap at all levels between the skills required in the workplace and the skills available in the working population.

For example, 60% to 70% of information technology graduates from universities in eThekwni leave the area immediately after completing their degrees.

As the Council steps up its involvement in promoting skills development and overcoming this skills gap, this issue poses a new and exciting challenge.

Sick and dying population affected by HIV/AIDS

KwaZulu-Natal has the highest rate in the country in terms of progression of the pandemic. While Council has, over the past few years, made great strides in attempting to deal with the pandemic, the challenge of maintaining that momentum remains a central concern.

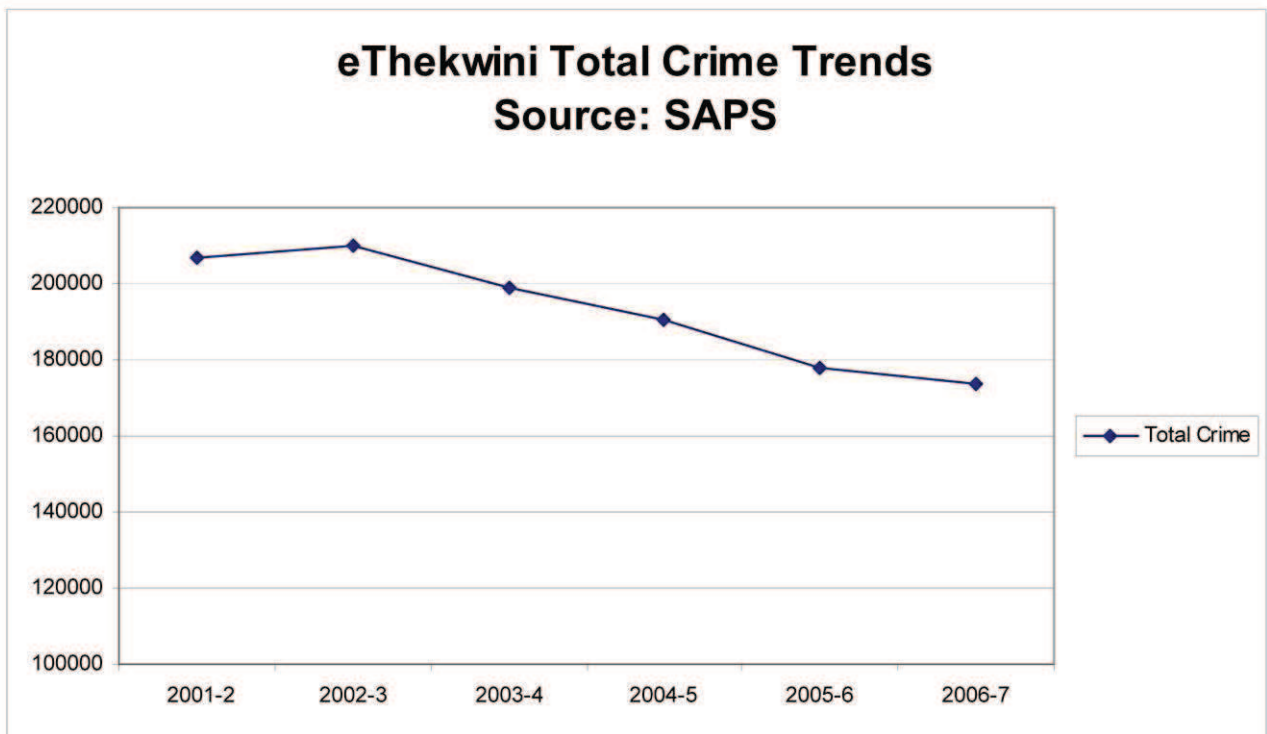
Exposure to unacceptably high levels of crime and risk

Ensuring a safe environment remains one of the Municipality's key challenges because it is critical for social development and contributes significantly to investor confidence and economic development in the EMA.

The South African Police Services released data for incidences of crime for the period 2001/2 to 2006/07. The following graph indicates that the total incidents of crime have decreased each year from 2002 to 2007. The Municipality has noted the encouraging signs of an overall decline in crime, but is committed, within its mandate, to continue reducing the crime rate, especially since some of the crimes on the rise are serious violent crimes.

eThekwni Total Crime Trends

Source: SAPS



Total Crime

Although the statistics indicate reduced victimisation rates, the public in general feel less safe than before. Those who felt safe walking in the areas where they live during the day decreased from 79% in 2004/05 to 66% in 2006/07 and those who felt safe at home at night decreased by 6% to reach 48% in 2006/07 (Quality of Life Survey 2006/07).

Besides crime, if we are to realise the City Vision, the following safety and security issues need to be addressed: high levels of road accidents; susceptibility to air and other types of pollution; slow response times to fire emergencies; poor information on the nature and level of risk within the EMA; and approximately 9 000 households are subject to flood risk. The Municipality must improve information gathering and dissemination techniques in respect of risks to maintain a secure environment.

Executive summary

The eThekwini Annual Report for 2007/2008 complies with the legislative requirements outlined in the Local Government: Municipal Finance Management Act 56 of 2003 and the requirements in Annexure C to MFMA Circular No 32 issued by National Treasury.

The Message from the Mayor highlights some achievements on 2007/2008 and makes pertinent observations for eThekwini's future progress.

The Overview of the Municipality contains interesting statistics and information from the eThekwini IDP 2008-2009 Review.

The qualitative report on the SDBIP and departmental achievements and highlights is arranged under the 8 Plans of the IDP structure. Some of the reporting in the SDBIP has been criticised and an internal process is to be introduced to ensure more measurable and properly measured targets in future reports.

While not all departments and units supplied additional information on achievements and highlights, there are sufficient to give a clear picture of the City's achievements: the Buffelsdraai reforestation project; the wide and varied activities to encourage economic growth and job creation; the engineering prizes for excellence in coastal management and solid waste management; successes in the EPWP and Zibambebe programmes that are also changing lives for the better; the readiness for Phase 2 of the next generation fibre network which will allow the Municipality to sell spare capacity to third parties; the cultural and learning experiences offered by our libraries, museums and art galleries; the far-ranging scope of the sister city projects; the new financial model that will be a unified solution for financial planning and operations.

Plan One deals with sustaining the City's natural and built environment. It covers projects to ensure the sustainability of the natural resource base and describes results from the river health project, work on mapping the impacts of climate change, protection of biodiversity, as well as important administrative activities, and education, outreach, awareness and capacity-building programmes. Climate protection and pollution minimisation projects are described. The status of coastal and estuary management plans and projects is outlined, and management of negative impacts from the Shongweni landfill site and with respect to transport-based emissions described. The extensive work of spatial planners and those involved in regulation and enforcement is also detailed.

Plan Two projects are concerned with economic development and job creation. The work done in key sectors such as maritime, furniture, automotive and clothing and textile is highlighted. Tourism success and challenges are dealt with separately as is the range of 2010 FIFA World Cup projects. Projects to promote LED and investment facilitation are described and the many and varied activities of DIPA recorded. Business support to informal traders is a large task with many facets, some of which are outlined. Project results for Dube Tradeport, the logistics platform and the City/Port partnership are also supplied.

Plan Three contains the projects of departments and units delivering infrastructure or supporting its delivery. There is information on: hostels, rental accommodation, informal housing upgrades and new housing developments; public transport projects; coastal, stormwater and catchment engineering successes; award-winning solid waste projects; developments by the electricity department; and community facilities supplied. The interesting work of the Architecture and Buildings Department is highlighted at some length as is the valuable work to manage infrastructure assets. The service delivery backlogs work is extremely important and more details may be found in Annexure J. The value and spend of the Municipal Infrastructure Grant (MIG) is also covered,

Plan Four is a multi-sectoral Plan that incorporates the vital activities of a number of departments which relate to safety, health and security. Some Metro Police projects are noted and details of road and pedestrian safety projects supplied. Fire and rescue projects had some success and they have enthusiastic staff but need more resources. There are not many primary health care projects in the SDBIP but those included largely reached their targets. Projects to help the vulnerable are covered and here the work of the Expanded Public Works Programme (EPWP) and Zibambele stand out. Safety of municipal information assets is also dealt with.

Plan Five is aimed at empowering citizens and municipal staff through skills development and learning. The projects to audit skills and fill the skills gaps by training and a variety of other means are described. The smart city concept is exciting and the prospects offered by the next generation fibre network an attractive prospect to businesses and private users. There is a variety of projects in the knowledge management programme, and with more resources and support, this area could develop into an important area of expertise for Thekwini.

Plan Six has a very worthy goal but it is hampered by inadequate, specific operational funding especially with respect to arts, culture and heritage. Annual targets were not supplied for all sports programmes and not all the reported achievements confirmed. Projects in the field of arts, culture and heritage were reported as generally successful. The training and exhibitions offered by the Durban Art Gallery and Museums are highlighted. The wonderful record of the Durban Natural Science Museum teaching understanding and researching for 120 years was celebrated in July 2007.

Plan Seven delivers good governance in the form of intergovernmental relations (IGR), links with foreign cities and countries, and in the way it conducts business for and on behalf of eThekwini citizens. NEPAD and the sister city activities are covered in summary and some IGR interactions described. There were 97 events organized by the City in 2007/2008 and some of the major ones are listed. Communication with the public and customer care matters are dealt with in a number of projects each, and community participation activities were undertaken. Clean, accountable, efficient and effective administration is a best practice goal for government and, in eThekwini, a number of projects work to achieve this—the anti-fraud policy, business process re-engineering, IT solutions, GIS decision-making, and organisational culture and occupational health matters.

Plan Eight is concerned with maximising the Municipality's financial resources and seeking new sources of revenue to ensure long-term financial viability and sustainability. Projects relate to financial planning, budgeting, rates income, credit control and debt management, and maintenance of assets. The new financial model is described in summary. The projects to grow and diversify revenues are largely of the ongoing type. The projects under the programme to maximize the rates will have contributed to the increased rates revenue in 80/09. Another successful revenue source is the electricity surcharge on private homes introduced to compensate for the loss of business levies. Projects to achieve value for money expenditure were not successful except for the installation of the city fibre-based PABX system and various fleet management projects.

Annexures

A - Describes the Council structure and the functioning of the Senior Traditional Leaders.

B - Report of the Auditor-General to the KwaZulu-Natal Provincial Legislature and the Council on the Group Financial Statements and Performance information of the eThekweni Municipality for the year ended June 2008.

The Auditor-General's opinion is that the financial statements present fairly in all material respects the financial position of the eThekweni Municipality and the group as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the applicable basis of accounting determined by National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA.

Without qualifying his audit opinion, the Auditor-General drew attention to 6 matters:

- the acquisition of Durban Transport buses and ancillary equipment of the Durban Transport contractor at a total cost of approx. R405m after the balance sheet date and the Municipality's subsequent actions in relation to the business and an exit strategy for the contractor
- amendments to the applicable basis of accounting
- material losses at Durban Marine Theme Park (Pty) LTd and ICC, Durban (Pty) Ltd as a result of fraudulent transactions
- matters of governance concerning financial and risk management and internal control with which the MFMA tasks the accounting officer
- supplementary information presented as additional information and not part of the financial statements was not audited and no opinion expressed thereon
- supplementary budget information in the financial statements relating to whether certain resources were obtained and used in accordance with GRAP 1 Presentation of Financial Statements does not form part of the financial statements and no opinion expressed thereon.

With respect to the Performance information, the Auditor-General found:

- 4 instances of non-compliance with MFMA and MSA requirements
- KPIs reported in the annual report but not in the IDP as required by the MFMA and MSA
- lack of sufficient appropriate audit evidence of actual achievements with regard to 14 KPIs
- evidence in the annual report for the electricity backlog was materially inconsistent with the reported performance information.

C - Responses to the Audit Report; year ended 30 June 2008

The comments made by the Auditor-General are responded to thus:

- the acquisition of Durban Transport buses and related activities are going according to plan
- the Municipality considers it best practice to early adopt accounting standards when possible
- no legal action is possible in relation to the alleged perpetrator of the fraud at ICC Durban (Pty) Ltd as he resigned then passed away; the fraud at Durban Marine Theme Park (Pty) Ltd is to be prosecuted and R810 000 was received from insurers after year end; internal controls have been strengthened
- the Performance Management Unit was established in April 2007 whereafter the performance management framework was prepared and adopted by Council on 27 June 2008
- research into performance management of service providers is underway with the aim of implementing a system for the next financial year
- annual targets will be sent for Council approval for 08/09
- procedures have been implemented to ensure that internal auditors audit the performance measurement of the entities with immediate effect whereafter the audit committee will advise the accounting officers and management staff of the entities on matters relating to performance management
- it is not possible to include all the general KPIs in the current format into the IDP as there are no mechanisms to measure them
- measures will be implemented to ensure that consistent and accurate substantiating evidence for audit purposes is available in the new financial year
- measures will be implemented to ensure that consistent and accurate substantiating evidence for audit purposes is available in the new financial year.

D - Report of the Chief Financial Officer

The CFO reports that the year under review has been successful for Council; the strong balance sheet, together with sustained financial performance has provided a solid foundation for sustainable growth.

The Report supplies fairly detailed and interesting information and explanations on:

- Sources of income (Rates 26%, Sale of electricity 24%, Grants and subsidies 22%)
- Expenditure (Employee costs 28%, Bulk purchases 26%, Other 20%)
- Assets (Fixed assets 62%, Investments 19%)
- Rates assessment (raised R 3 660 407 723)
- Water services (actual deficit of R174,7m funded from Rates and General)
- Electricity (surplus of R147m after allocations to capex and Rates and General)
- Housing (actual deficit of R153 248m funded from Housing Operating Fund and Rates and General))
- Market service (surplus of R7,7m after contribution to Rates and General)
- Airport service (surplus of R210 000)
- Investments (comparative with 06/07supplied)
- Pension funds (3 schemes)
- General Insurance Fund (re-insurance and claim amounts supplied)
- Credit rating (Short term A1+; Long term AA)

E - eThekweni Municipality and its Municipal Entities Annual Financial Statement for the year ended 30 June 2008

These contain:

- Statement of Financial Position
- Statement of Financial Performance
- Statement of Changes in Net Assets
- Cash Flow Statement
- Accounting Policies
- Notes to the Financial Statements
- Appendix A: Schedule of External Loans
- Appendix B: Analysis of Property, Plant and Equipment
- Appendix C: Segmental Analysis of Property, Plant and Equipment
- Appendix D: Segmental Statement of Financial Performance
- Appendix E (1): Actual versus Budget (Revenue and Expenditure)
- Appendix E (2): Actual versus Budget (Acquisition of Property, Plant and Equipment)
- Appendix F: Disclosures of Grants and Subsidies in terms of the Local Government: Municipal Finance Management Act 56 of 2003

F - Assessment of Arrears

The major portion of the rates debt is Ingonyama Trust and private properties. There has been progress in recovering from Government departments. The major portion of water debt is in the category of properties valued R100 000 or less. The major portion of bulk electricity debt is for hostels.

G - National and Provincial Departments and Public Entities Arrear Summary

The summary of arrears in the Annexure is clear; the total of electricity, water and rates for 2007/2008 is R617 753 129.

H - Information technology and systems

A major blow was the loss of the Deputy Head of the relevant department (the senior manager) when key matters needed to be addressed but most of the issues were picked up during the year. Phase 1 of two major projects were completed: establishment of a next generation fibre network, and Voice over Internet Protocol (VOIP) to enable free telephone calls between major municipal sites. Two major projects were initiated: the HR/Payroll replacement system and the ICT component of the asset management project. The revenue management system (RMS) reached the testing phase in 07/08; aligned to this is Phase 1 of the GIS-based property management system which provides all available information on property on the Municipality and is the foundation of the rates billing process. Bad policies and procedures were addressed, the asset register brought up to date, and more streamlined ICT budgeting adopted.

I - Long term contracts

There are 9 long term contracts for a maximum duration of 3 years. The total value is R104 472 774.

J - Service delivery backlogs

This consists of a short note and table showing the baseline, 5 year target and 07/08 targets.

K - Durban Marine Theme Park (Pty) Ltd

The Annual Report for the period until 30 June 2008 is presented in 3 parts.

- Executive summary and Performance Report
3,7 million visitors processed through uShaka Wet 'n Wild and uShaka Sea World. Village Walk is a themed shopping centre of approx. 10 000 sq.m and has 79 outlets. The South African Association for Marine Biological Research (SAAMBR) is an independent contractor to Durban Marine Theme Park (Pty) Ltd and had total attendance figures to Sea World of 552 334. A very positive future is foreseen with uShaka Marine World the pride and joy of the Durban-KZN tourism and entertainment node.
- Human Resources and other Organisational Management
The organogram is supplied and the job creation, management development and skills development policies outlined. The commitment to employment equity is noted: equity goals in race and gender have been exceeded. The focus has shifted to becoming disability competent and physical and systems audits are underway. Staff are assisted to pursue or achieve wellness, deal with addictions and given disability assistance. Programmes have been instituted to recognize innovative ideas and excellence.
- Annual Financial Statements for the year ended 30 June 2008 and Audit Committee Report
 - Report of the Auditor-General to the KwaZulu-Natal Provincial Legislature and eThekweni Council on the Financial Statements and Performance information of Durban Marine Theme Park (Pty) Ltd
 - The financial statements present fairly, in all material respects, the financial position of Durban Marine Theme Park (Pty) Ltd as at 30 June 2008 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 prescribed by the MFMA and the Companies Act
 - Without qualifying the audit opinion, attention was drawn to the following:
 - As a net loss of R62 969 151 was incurred for the year, the entity's ability to continue as a going concern was dependent on the subordination agreement with eThekweni Municipality.

- Fraudulent transactions relating to ticketing revenue amounting to R 1,8m were discovered.
 - Corresponding figures for 30 June 2007 relating to retail revenue and receivable have been restated as a result of errors discovered during the year ended 30 June 2008.
 - Attention drawn to the accounting officer's responsibilities concerning financial and risk management and internal control and 3 areas found wanting.
 - The supplementary information was provided in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget in accordance with GRAP 1 *Presentation of Financial Statements*. As the supplementary budget information does not form part of the financial statements and is presented as additional information, no opinion is expressed thereon.
- Internal auditing of performance measurements:
 - The accounting officer did not ensure that the internal auditors audited the performance measurement during the year under review as required in terms of the MFMA and, consequently, the audit committee did not advise the accounting officer and the management staff of Durban Marine Theme Park (Pty) Ltd on matters relating to performance management as required in terms of the MFMA.
- Report of Directors
 - Statement of Financial Position
 - Statement of Financial Performance
 - Statement of Changes in Net Assets
 - Cash Flow Statement
 - Accounting Policies
 - Notes to the Annual Financial Statements
 - Appendix A: Analysis of Property, Plant and Equipment
 - Appendix B: Actual versus Budget (Revenue and Expenditure)
 - Appendix C: Actual versus Budget (Acquisition of Property, Plant and Equipment)
- Audit Committee Report

L - ICC Durban (Pty) Ltd

The Annual Report for the period until 30 June 2008 is presented in 4 parts.

- About the ICC
A short history of the ICC.
- Executive summary
This highlights the strategy and business plan and gives performance highlights. There is an operational review and sections dealing with marketing and sales, operations, catering and facilities. Human resources is covered and finance and administration at some length. Key issues and challenges are staffing, management accounts and aspects relating to pricing and safety.
- Sustainability report
This is a comprehensive report dealing with employees, employment equity and health and safety. It is reported that the profile of delegates has changed and 282 000 people attended an event at the ICC in 2007/2008. Sustainability measures with respect to energy, air quality, water consumption and waste management are in place and the ICC expects its suppliers to meet all relevant environmental requirements. With respect to Corporate Governance, staff of ICC Durban is bound by a Code of Ethics, there is a Board Charter and a risk management framework and policy have been developed. In the matter of the ICC Durban being recognized as a going concern, it is suggested that the loan account owing to the shareholder be repaid by issuing an equity instrument to the shareholder thus rendering the ICC solvent.
- Annual Financial Statements for the year ended 30 June 2008
 - Directors' Responsibilities and Approval
 - General Information
 - Report of the Auditor-General to the KwaZulu-Natal Provincial Legislature and the eThekweni Council on the Financial Statements and Performance information of the ICC Durban (Pty) Ltd for the year ended 30 June 2008
 - The financial statements present fairly, in all material respects, the financial position of ICC Durban (Pty) Ltd as at 30 June 2008 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 prescribed by the MFMA and the Companies Act, 1973.

- Without qualifying the audit opinion, attention was drawn to the following:
 - As a deficit for the year under review amounted to R20,8m, resulting in an accumulative deficit of R178,9m the entity's ability to continue as a going concern was dependent on annual loans as well as the eThekweni Municipality, the major shareholder, subordinating its claim of approx. R1,307m against the entity in favour of other creditors.
 - Fraudulent transactions amounting to R 1, 662 264 m were discovered.
 - Corresponding figures for 30 June 2007 relating to retail revenue and receivable have been restated as a result of errors discovered during the year ended 30 June 2008.
 - Attention drawn to the accounting officer's responsibilities concerning financial and risk management and internal control and 3 areas found wanting.
 - The supplementary information provided in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget in accordance with GRAP 1 *Presentation of Financial Statements*. As the supplementary budget information does not form part of the financial statements and is presented as additional information, no opinion is expressed thereon.

- Internal auditing of performance measurements:
 - The accounting officer did not ensure that the internal auditors audited the performance measurement during the year under review as required in terms of the MFMA and, consequently, the audit committee did not advise the accounting officer and the management staff of Durban Marine Theme Park (Pty) Ltd on matters relating to performance management as required in terms of the MFMA.

- Directors' Report
- Statement of Financial Position
- Statement of Financial Performance
- Detailed Income Statement

- Statement of Changes in Net Assets
- Cash Flow Statement
- Accounting Policies
- Notes to the Annual Financial Statements
- The following supplementary information does not form part of the annual financial statements and is unaudited: Supplementary information
- Appendix E (1): Actual versus Budget (Revenue and Expenditure)

M - Internal Audit and Performance Management Report on the Organisational Performance Scorecard

The Organisational Performance Scorecard is appended to the Internal Audit Report.

- It was found that a performance management framework had been developed and adopted by Council and actions in terms of it in place and being implemented.
- A new Organisational Scorecard had been implemented in the year under review to monitor performance against set objectives and there is alignment with the IDP Eight Point Plan. KPIs had been developed that are aimed at meeting the SMART principle.
- A new form of performance management application system is being contemplated as the previous system was developed but not implemented. A new HR application solution being developed will include performance monitoring for all staff other than management.
- Performance Management information for the KPIs was in hard copy and all other available, relevant reports were used for confirmation.
- Audit observations being addressed by management and the Performance Management Unit:
 - Non-compliance with legislation governing performance management
 - Non-alignment of the Organisational Scorecard with the SDBIP; not all KPIs meeting the SMART principle; municipal entities not included in the Organisational Scorecard
 - KPIs not supported by documentation or auditable information; unauthorized changes to KPIs; targets incapable of measurement or not clearly defined; KPIs dependent on QOL survey which not current.
 - Inadequate performance management procedures
 - Performance Management application system not in use.
- Conclusion: Despite the challenges with the availability and reliability of performance information that resulted in Internal Audit not being able to express an opinion on the achievement of a number of targets, management efforts to address these issues were noted.

Notwithstanding the fact that there is a lack of auditable evidence, the inroads made by eThekweni Municipality in the provision of basic services such as housing, electricity, water and sanitation, all aimed at addressing service delivery backlogs were commended.

N - Report of the Audit Committee of eThekweni Municipality and its entities for the financial year ended 30 June 2008

The Committee membership is named and the attendance record for the 8 meetings supplied. The fiduciary duties of the members are outlined. Mention is made of recommendations made during the financial year and the functions carried out in terms of the MFMA are outlined. In particular, the Committee evaluated the Financial Statements, and the effectiveness of Internal Audit and internal control systems. With regard to the latter, weaknesses in internal controls and fraud and irregularities were highlighted and reported. With respect to Performance Management and Information, areas of non-compliance were reported. The Municipality's implementing of an Enterprise Risk Management System is noted and reference made to a separate report on the Municipality's risk profile and matters of risk management.

The Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

O - Audit and Risk Committee Terms of Reference

The Charter was effective from 29 April 2008. Its requirement in terms of the MFMA and its alignment to South Africa's Code of Corporate Governance is outlined. Membership and administrative matters, authority, status and responsibilities of the Audit and Risk Committee are described, the latter in full detail.

P - Service Delivery and Business Implementation Plan (SDBIP)

The summary of this document is carried in the following section.

Report on SDBIP projects and departmental achievements and highlights

Introduction

eThekwini IDP's Eight Plans provide the reporting categories for the Service Delivery and Business Implementation Plan (SDBIP). The SDBIP is a requirement of the Local Government: Municipal Finance and Management Act No. 56 of 2003 and below is an overview of achievements and highlights from the SDBIP for the financial year 2007/2008.

The full SDBIP for 2007/2008 is carried in Annexure P. Presently, the SDBIP results are not internally audited; some verification has been undertaken for the purposes of this Report, but the results are largely unsupported.

Following consideration of the SDBIP at its meeting on 20 September 2007, Council noted some low achievement areas 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. This has not occurred in great detail in the political realm but an internal process to audit SDBIP results is to be adopted for 2009/2010 and carried out by officials from relevant departments.

There will also be attention given to setting appropriate targets that are measurable. It was raised at Exco on 26 August 2008 that some of the targets are too low and this aspect will also be considered when SDBIP 2009/2010 is drafted. 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 can be difficult to achieve a successful output in a specified time.

In addition to the qualitative assessment, information on Unit and Departmental highlights and achievements is included under the Plan where it logically belongs even where the scope of work itself is not included in the SDBIP. This aspect of the report is uneven as not all Units and Departments supplied additional material.

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 our natural and built environment

A large portion of the City's Vision stands to be delivered, directly or indirectly, by this Plan. Ecological integrity is a key choice and sustainability is one of the City's value filters used to ensure that programmes, projects and initiatives support key values. The City's commitment to sustainable development is required, encouraged and reinforced by national legislation and international agreements and a number of Municipal officials working in this Plan make a large contribution to national and international endeavours to plan and implement sustainable development. It should be acknowledged that while environmental projects more frequently get the headlines, it is work of the land use and strategic planners that provides the structure for such projects to be undertaken.

Sustainability of the natural resource base

In 2007/2008, a variety of projects to ensure the long term sustainability of the natural resource base were undertaken and were mainly on target.

Chief among them was the analysis of the river health project that was undertaken by an aquatic ecologist. A very interesting report is available documenting the methodology and results – in summary these are that the health of eThekweni rivers is better in the less urbanised areas and in the upper catchments; only 4% of river sites sampled were in a natural condition and 32% of river sites samples were in a poor condition averaged over the two sampling years (Durban's Sustainability Best Practice Portfolio – WATER, Special Edition 2007/2008: Environmental Management Department, eThekweni Municipality).

The energy strategy was finalised and is awaiting approval, in the meanwhile two pilot projects in the automotive industry and light industry were undertaken.

Work has been done to include a layer in the EESMP that will map climate change impacts on the natural resource base. It is in the process of being verified by a range of scientists and, although it wasn't completed in 2007/2008, it will possibly be finalised in the next year.

Environmental Management is also involved in a range of assessment and compliance activities and all targets were met (one project is on a 2 year programme). Where acquisition of land is the only means for securing critical environmental assets this is undertaken and in 2007/2007, 30.45 ha of important grassland in eThekweni catchment areas were purchased. Grasslands, especially the the KwaZulu-Natal Sandstone Sourveld, are endangered as a result of urban and peri-urban development, agriculture and encroachment by woody species.

A detailed Invasive Alien Species Strategy and Management Plan has been drafted and circulated for public comment. The Reports on SOE Headline Indicators and the Best Practice Portfolio were delivered as scheduled and are an excellent source of practical and academic information and guidance. Further to this, a Communication Strategy has been developed and various outreach, awareness and capacity-building programmes undertaken.

Climate protection and pollution minimisation

The Air Quality Management Plan is now in its implementation phase and has a wide sub-project range. An odour strategy is being developed and there has been focus on informal burning of waste and the chemical emissions that emanate from this. Air quality data is also being publicised at shopping centres to make citizens aware of air quality and related health matters.

An historic milestone has been the development of a Schedule Trade Permit with international expert input for Assmang in Cato Ridge.

There is an outreach programme on integrated waste minimisation in the SDB and INK ABM areas which has the intention of making the environment every citizen's concern. One of the projects is to recycle PET bottles which are a major obstacle to clean streams and drains.

A two year project to develop an integrative assessment tool was on target; this will be an alpha version of the Integrative Assessment Model which, inter alia, explores and evaluates ways to avoid, mitigate or adapt to climate change amidst the complex interactions of natural and human systems, and will enable optimal policy and development choices.

A far-reaching project is the 2010 FIFA World Cup Greening Programme which has goals and programmes in six areas (climate neutrality, energy efficiency, sustainable waste management, water efficiency and recycling, biodiversity, and sustainable transportation) to ensure that this event will have a minimal effect on the environment. The majority of anticipated carbon emissions associated with hosting 2010 events will need to be offset by carbon sequestration (e.g tree planting, reforestation) and carbon emissions reductions (e.g. biogas, landfill gas to energy). The first community reforestation project is being established in the municipal-owned buffer area of the new Buffelsdraai Landfill Site. It involves members of the rural community collecting seed, growing trees, planting them in the degraded forest areas in the landfill buffer area, and maintaining them. The project aims to plant 62,500 trees on 125ha of degraded forest land, offsetting several thousand tones of CO₂ over a 20 year period. (Of course this project will also have income generation opportunities for the local community, and will assist with biodiversity protection and management of the upper catchment.)

Coastal and estuary management

Coastal management plans were programmed; the Umhlanga CMP was 95% complete but the Umhlanga to the Harbour plan was not commenced. Under the sustainable coastal livelihood programme, with funds from DEAT poverty relief (Working for the Coast), there was success in partnering the Isipingo Island Institute to write a business plan for poverty relief activities such as beach cleaning, alien removal and staff training. The project to draft Environmental Management Plans for Amanzimtoti and Umdhloti estuaries failed for lack of funds. Coastal water quality management is an ongoing task.

Management of negative impacts

A transport based emissions inventory has been developed to model transport based emissions and their impact on air quality. Ground based traffic count data will be read into the dispersion model system to predict air quality. The system also can be used to test the effect of different transport routes, vehicle choices and public transportation influences on air quality.

With regard to the odour emissions from the Shongweni landfill site, a robust process involving stakeholders, including the local monitoring committee, established a Schedule Trade Permit (STP) and process that has improved the situation.

Rationalising building applications

Also falling under the Strategic Focus Area of “Develop, manage and regulate the built and natural environment”, but with a regulatory focus, are several projects intended to improve the building applications framework and the building control enforcement system. In a notoriously difficult environment, moderate success has been achieved and the workshopping of procedures and requirements with citizens admirable. Further, four submissions and enquiries services have been established in de-centralised one stop shops which is most helpful for applicants who have difficulty getting to the major building control offices.

Package of plans

The City is still finalising its package of plans. The Spatial Development Plans (SDPs) in the Northern and Southern regions were only 50% complete and the Central region Spatial Development Framework (SDF), at 25%. The Western SDP was 95% complete and an LAP (Local Area Plan) for Shongweni 45% complete. The Ohlanga to Tongati LAP is still in the public consultation stage but the Umhlanga precinct plan has been approved by Council. There are several other regeneration node and framework plans, and LAPs underway but not as far advanced as had been intended. The target to update eleven land use systems in the Northern region was achieved and the same exercise for seven land use systems in the Southern region progressed well in 2007/8.

Also, in the Southern region, a property trends investigation and report was commissioned to inform planning needs. Residential, agricultural, industrial, and retail and commercial developments were analysed. It was found that the demand for low cost housing outstrips supply. Middle income housing was being developed in the Umkomaas area by demand and also due to land availability and it was concluded that this was the correct area for future residential expansion but that it should be managed holistically (i.e. not suffer the same problems as occurred in the Hillcrest area when residential development burgeoned there). It was reported that industrial expansion and re-development was only really feasible in the SDB and the issues that are blocking this were highlighted for attention. A need for more retail expansion was not observed but it is recommended that home to office conversions be permitted where suitable and larger office sites considered. The report did not interrogate traditional forms of property and trends and issues in Umlazi, nor did it make projections of future property trends.

As a result of the volume of applications, there is still a backlogs list for land use applications (planning changes) but some progress has been achieved in reducing it. Staffing levels have

improved and the completion of the electronic processes is anticipated. The customer information campaign did not occur due to lack of capacity. Enforcement has been bolstered with peace officer training for all technical planners and there is an awareness of the need to improve the planning advice and approval system within the parameters of good planning practice.

Plan Two: Economic development and job creation

As part of the Economic Strategy that was adopted in 2008, the local economic development implementation plan has been finalised and this is expected to deliver improved economic growth. In addition, a strategic partnership for implementing economic development has been concluded with KZNDED. This is a critical Plan for the City as with economic growth and more employment there will be an improved quality of life for more citizens and the much-needed expanded rates base.

Growth in key sectors

Actions to stimulate key sectors have been largely successful with implementation plans/business plans fully underway in the business process outsourcing (BPO), automotive, agri-business, clothing/textile/footwear, furniture and indigenous medicine sectors which is most promising for growth. Implementation plans for creative industries and renewable energies technologies are partially complete.

There has been success in establishing industrial and fashion design forums, a chemicals cluster and significant progress towards craft and shipbuilding and repair clusters. A pre-feasibility study for a centre of manufacturing excellence was completed and an implementation plan for a horticulture centre of excellence partially completed. Incubation and post-incubation planning and implementation were not completed except in the case of an integrated craft and creative industries hub which has been planned and a building identified.

Maritime cluster

In 2007/2008, Durban port handled 76.5 million tons of cargo of all types; 33.9 tons being container traffic. Most of South Africa's imports and exports are through the Durban harbour and it is a significant direct and indirect source of employment.

Furniture cluster

The furniture industry is the third largest labour intensive industry in KZN after the construction and clothing and textile industries. The joint initiative of the Municipality, KZNDED and the private sector is to strengthen the industry's basic capabilities and develop competitive advantages to allow the industry to compete effectively.

Automotive cluster

The Section 21 Company set up by the City's Economic Development Department in 2002 is succeeding with its primary purpose of developing the competitiveness of the local automotive industry. In 2007/2008, it employed 20 000 people and contributed roughly R21 billion to the local economy.

Clothing and textile cluster

This is a private-public partnership between government, industry, retailers and clothing and textile manufacturers dedicated to helping the clothing and textile industries become more competitive. There are more than 629 firms in the clothing, textile, footwear and leather sector in eThekweni employing about 60 000 people. This industry has the ability to create jobs and absorb relatively low-skilled workers, thus helping to cut poverty. One of the cluster programmes seeks to improve the competitiveness of the local fashion industry and to promote design.

LED promotion

Twelve town centre nodes were upgraded (5 each in the southern and northern parts of the City and Clermont and Pinetown in the west) and there was some progress towards completing town centre investment and management strategies. Funds from National Treasury and private sector sources assisted in Umlazi and Clermont redevelopment. LED strategies were implemented in three underinvested township areas and two LED projects were 75% towards implementation.

Business support

Managing informal trade, providing business support to priority sectors and promotion and stimulation of entrepreneurship is a very critical area of the City's endeavours and projects mostly met their targets.

Co-operatives in the arts and crafts sector were identified, trained and assisted to access markets. There was training and incubation provided to clothing manufacturers. Flea markets and other markets were reviewed and a support programme provided for the participation of vulnerable groups in participation in the economy. There was business selection, training and linkages made to markets for the priority sectors of tourism, agriculture and manufacturing.

The Business Support Unit (BSU) initiated a productivity capacity building programme for empowerment of women in business within eThekweni Municipality area. The programme targeted those businesses that are male dominated like the maritime, automotive, and construction industries, however it was later extended to all types of businesses. In 2008, BSU trained 81 women and, in addition, 60 women who were trained on productivity in 2006/2007, have undergone a mentorship programme.

The Support to Enterprise Programme deals mainly with the capacity building of informal traders to improve and also sustain their business. The courses are in basic business management skills, leadership skills, customer care service, ABET and HIV Aids awareness.

During 2007/08, the Unit trained 135 informal traders who were selling food. The programme was initiated to fight unhygienic practices in food preparation and was conducted by ICESA School of Hospitality. It included theoretical sessions as well as practical ones to ensure that the participants practised what they had been taught.

Business Support also assists in the provision of trading infrastructure of various types (kiosks, shelters) and in 2007/2008, the value supplied was R13m.

In 2007/2008, 290 trading sites were allocated in the entire eThekweni Municipality Area which brought the total to 10 200. Collection of rentals realized R1 980 771 from street traders and R780 833 from business hives.

The enforcement of street trading bylaws has been a challenge due to their fragmentation across the old Operational entities. The Unit has extended the bylaws to the entire eThekweni in a uniform set of street trading bylaws. Law enforcement is easier now there is Bylaws booklet available to potential and existing traders. An agreement has been reached with Metro Police to form a dedicated team of 50 peace officers to focus specifically on street trading bylaws; this is funded by Business Support Unit at a cost of R3m. Strategic areas have been identified where there is dense informal trading activity or high profile projects being implemented and declared management zones; here a restrictive as opposed to prohibitive approach is encouraged. During the year, there were investigations into extending the Durban and Pinetown CBDs' management zone boundaries and those in Phoenix Industrial Park.

Tourism

Eleven tourism nodes and corridors were upgraded: 3 coastal areas in the north, Inanda and Hazelmere Dams, Intathakusa and the Inanda Heritage Route, and 4 coastal areas and the Umkomaas dive site in the south, but the tourism strategy itself was not very advanced. Generally, the projects in the tourism sector were well off their targets. Those concerned with completing implementation plans for business tourism and customer care in tourism, with one exception, reported 100%. Details on these plans are scant, however, a Business Tourism Plan was completed for implementation from 1 July 2008. Also, a customer care office has been set up at the Gandhi settlement, and a working document for a consistent approach to dealing with tourists in distress, and a variety of media for customer feedback, established.

Procurement

Integrated procurement management and monitoring has also reported mediocre achievements but this is a very complex operating environment and the projects specified are additional to the considerable day-to-day supply chain management activities.

Investment facilitation and promotion

In the investment facilitation and promotion programme, the project to maximise the business profile of the City locally and abroad has reported 100% success. Some of these activities target proactive business promotion and marketing of Durban as a premium investment destination, as well as proactive communication and marketing of the City's larger investment projects and core strategies. This has involved working with: the Department of Trade and Industry; Trade and Investment KwaZulu-Natal (TIKZN); the Durban Chamber of Commerce and Industry; the KZN Growth Coalition; other parastatals such as the DBSA, IDC, and Eskom, along with other financiers and organised business to promote economic growth and investment in Durban. Durban Investment Promotion Agency (DIPA) held or participated in

nearly 60 business events over the year that positively impacted on more than 1800 businesses. The Commonwealth Business Council African Investment Forum and Exhibition was successfully secured and staged at the ICC. Durban was promoted through all available media channels, including nearly 40 print media titles and new marketing products were developed and distributed. There have also been ongoing good relations with the Foreign Consular Corps in Durban as well as with the bilateral Chambers of Commerce. The South African foreign offices abroad have increased their communication with the City which has used the foreign offices to assist with potential investor leads, immigration issues and export promotion.

DIPA's specific business retention target of >90% was achieved. A variety of successful activities assisted with this in achieving expansion of investment. The advice, facilitation, promotion and retention services were extended in the past year with several hundred key local business and important foreign investor engagements in person, plus related meetings. This is over and above the many hundreds of other advices supplied via e-mail. All interactions have followed a global best practice Investment Promotion model.

Foreign investor support has been attracted by synergising/leveraging targeted work with other government spheres and agencies, Several FDI engagements were held: 3 large FDI enquiries were converted; 2 incubated on site; bids for more in progress (18 in all; totalling R5,5Bn pipeline).

In the case of undercapitalised investment development, 3 projects are being developed: one in multiple location aquaculture; the other a large Umlazi Business Service Centre; the 3rd in computer and TV assembly. Call Centre and BPO support via KZNonSource continues.

Shortage of staff has impacted negatively on the strategy to implement land use controls and business development in townships, and the project to create a business friendly environment (ad hoc interventions continue on a case by case basis.

A Business Investment Policy and Targeted incentives strategy has been drafted and a first work shop held but it couldn't be delivered in full as planned because of staff related issues. DIPA assisted National DTI (Department of Trade and Industry) with their Investment Promotion and Facilitation Strategy and this will be assimilated locally.

An AgriBusiness Forum based on a public -private partnership was established and staffed. It has held Summits and breakfast workshops, launched Market Days and progressed Amakhosi projects.

Given the above focal points and activities, the Agency has therefore been involved in converting more than R3bn worth of new or expansion investments this past year, with a calculated job value of greater than 3000 new jobs. In pursuing these objectives, the majority of the Unit's discretionary spend has been applied to BEE companies. In addition, there has been active contribution into & dissemination of the various BEE Charters, Scorecards and Codes, along with eThekwin's own Preferential Procurement Policies, presentations and processes.

DIPA was recognised as a best practice example in municipal investment in the UN's Millennium Cities Initiative (MCI) – part of Millennium Development Goals (MDGs) - and invited by the UN to help several times across Africa this year. The partnership has grown and DIPA has been asked to co-author the City Investment Promotion Manual with the UN and MDG/MCI Support Teams. The Agency's Acting CEO, Russell Curtis, was appointed by the United Nations to their global Investment Advisory Council (IAC) within UNCTAD.

2010 FIFA World Cup

The programme to drive the 2010 event for eThekweni is cross-sectoral and very detailed. The stadium construction and visitors' centre establishment were on target as were the People Mover launch and Warwick Junction transport planning. A communications strategy has been developed but not rolled out as anticipated; a marketing agency has been procured. Training venues have been identified but the initiation of upgrades is behind target. The framework plan for upgrading the beachfront was completed but the planning has not progressed as far as intended. Work in the development of tourism routes, establishing a disaster management centre, and identification of fan park infrastructure has been well below target. The project to assess infrastructure needs for 2010 wasn't on target, neither was the project planning for IT requirements. The economic and business opportunities' studies, and identification and costing of the greening programme (see Plan One) achieved 75% of their target.

Dube Tradeport

The infrastructure programme is proceeding as scheduled and will be ready for the commissioning of the airport in early 2010. There is no report on actions taken to resolve environmental and planning issues.

Logistics platform

The city freight plan reached 40% of its target and the infrastructure planned for economic growth was completed.

City/Port partnership

The City/Port projects stuttered in 2007/2008 with the car terminal abandoned by Transnet, the City/Port plan EIA pended by them, and the land use management strategy overtaken by the proposed Point LAP which was then not commenced. The revised development approach on the Victoria Embankment (now called Margaret Mncadi Avenue) is dependent on Transnet and transport issues are dealt with on an ad hoc basis.

Municipal Infrastructure Grant (MIG)

The MIG programme is a conditional grant from national government aimed at providing all South Africans with at least a basic level of service by 2013 through the provision of grant finance to cover the capital cost of basic infrastructure for the poor. eThekweni receives the largest MIG allocation compared to other cities and in 2007/2008, the amount received was R342 455m. In 2007/2008, the majority of the funds went to bulk water and sanitation provision and the rural water and sanitation programme. Some of basic services provided were 6,385 urine diversion toilets, 3,130 water ground tanks (200l) and 1,514 street lights. Currently, there are 138 active MIG projects in different stages of their project life cycles with a total value of

R1, 589b which are being implemented within the current 3 year MTEF period. The Project Management Unit has developed a MIG programme management process that is self-auditing and they initiate, facilitate and assist with the wide range of activities involved.

Plan Three – Quality living environments

This is the Plan that plans, manages and delivers new infrastructure. Also falling within the responsibility of the various departments concerned is the most important task of maintaining existing infrastructure.

Housing

The Housing Department has a large remit: hostels: rental accommodation; social housing, upgrading informal settlements and relocations; and developing new housing areas.

With respect to hostels, the access control strategy was completed, more than the targeted number of family hostel units were provided, and R80m was spent on rehabilitation and maintenance of hostels.

The maintenance cost of rental stock also vastly exceeded the target budgeted. A social housing policy was completed and awaits alignment with a parliamentary Bill, in the meanwhile social housing is facilitated for special needs.

The target of 5 000 upgraded informal houses was easily reached and in fact 10 000 houses were delivered. There has been no progress in the project to investigate and report on the options for top structures and the review by National Government to revise the subsidy limitations is still underway. There were 8 149 houses constructed in new housing – the target was 5 000. The densification strategy was not completed but is underway.

Backlogs

The City has developed a backlogs strategy and model which enables it to verify, monitor and plan backlogs and the reduction of them. The verification exercise exceeded the target set, and the rural and urban service levels were agreed on. All the targets for reducing backlogs in the water, sanitation, storm water, access roads and public transport sectors were achieved.

Infrastructure asset management

Infrastructure asset management is a critical aspect of sustainable government. The responsible department has developed a 10 year business plan and has set up an integrated, computerized system. A steering committee meets every 2 months and the user group comprising representatives from all relevant infrastructure departments meets monthly. Fifty nine officials (including senior management) have been trained, and asset managers have been appointed. A Risk Management Policy and Procedural Manual has been developed for use by infrastructure departments.

The City has put in place rehabilitation and maintenance programmes for its assets and, in 2007/2008, water and solid waste achieved over their targets in some activities as did roads. Sewer replacement, except for the Clermont sewer rehabilitation was below target, and stormwater infrastructure management was held up in certain areas by a legal challenge instituted by an unsuccessful tenderer (the high court ruled in favour of the City and the department concerned has accelerated its activities to make up for lost time). Electricity achieved its target for replacing reticulation where necessary but did not achieve its target for new substations.

Community facilities

Last year it was reported that a model had been developed to generate an understanding of the spatial location of backlogs with a view to locating new community facilities. An extension to this model intended to assist in the elimination of backlogs in the most efficient manner was due to be completed in 2007/2008 and achieved 95% of this target. A number of optimal locations for new facilities were generated using the extended model and if these facilities are built, it will result in service delivery above 80% for all types of services. The locations are being investigated as is the possibility of clustering facilities to achieve still further benefits.

Three clinics as planned were delivered as was the planned community hall. The goal to complete a new swimming pool and two sports centres was not achieved although the pool will be going ahead in Clermont and a sports centre in north is in the planning stage. Two out of four kickabout sites were delivered and the targeted cemetery site was secured.

The work to include community participation in the management of community facilities was not far advanced but the monitoring reports on public realm urban design and streetscape, and maintenance achieved 80% of their targets.

Public transport

In the public transport sector, the travel survey to inform the City's transport plan was undertaken but its completion delayed. The preliminary design of the Warwick modal interchange was completed; this is an element of the integrated precinct plan for Warwick Junction area that will align pedestrian, economic and land use plans.

Projects in the CBD for routing buses and at two railway stations to facilitate modal interchanges achieved 80% of their targets. The bus/taxi business plan for the CBD only advanced 20%.

Successes in urban traffic control were the introduction of the public transport lane on the Western Freeway and the commencement of the first phase of a freeway management system involving the erection of twelve variable message signs along the M4 between Durban International Airport and Umhlanga CBD.

Progress in the sector continues to be hampered by difficulties in securing the necessary skilled resources in this specialist field.

Architecture

The Architectural Maintenance Branch is now implementing a Proactive Maintenance strategy based on life-cycle costing. Efforts have initially been concentrated on the 250 most important Council-owned buildings. Immediate, three year and five year proactive maintenance plans, together with life-cycle asset management procedures, will ensure that the most visible and used municipal building assets are regularly maintained and protected.

The Durban City Hall is finally receiving its long-awaited external restoration. Work is under way to return, what is arguably Durban's most iconic building, to something resembling its former glory in time for its centenary and the expected tourist influx in 2010. Sandstone from the same seam as the original quarry has been identified in Northern KZN, allowing for both the replacement of the original profiles and the restoration of the plaster work at higher level.

The Municipality has a strong social agenda and aims to deliver amenities to a broad range of citizens. The architecture department implements this aspiration by delivering architecturally-designed buildings appropriate to each context, which are fresh and contemporary in design approach. The Kwa Mashu Police HQ was conceived as an urban landmark within the new urban setting of the Kwa Mashu Town Centre. The product is a 2/3 storey medium rise building that gives bulk to the development and serves as an indicator for future building proposals. The massing of the building gives it an authoritative presence along the street edge with the intention of boosting investor confidence in the area. The Charge Office Tower is the focal point and a landmark element. The Police HQ also has an internal stair lift to facilitate use of the building: this is a first in eThekweni.

The Somsteu Road Municipal Court project comprised the refurbishment of an old building, abandoned for many years and allowed to fall into a state of disrepair. The design approach was to adopt an architectural aesthetic symbolizing transparency and openness – a move away from the prison like quality of older court models. The retention of the inner courtyard as waiting area, which is landscaped to suit people with disabilities, and to maximise natural lighting and ventilation, was intrinsic to this approach.

Having been involved since 1992 in the architectural realisation of the Inkosi Albert Luthuli International Convention Centre, the Architecture Department initiated, conceptualized, developed and managed the successful delivery of the ICC Durban Arena in 2007. The project entailed doubling the size of the original facility, and has provided ICCD management with the opportunity to market and create a new business niche for the reinvented and revitalized convention centre. The building was designed for maximum flexibility, and embraces its role as an inclusive and accessible arena and meeting place for the people of the City. The project was completed within budget and on time, and complements the original award-winning building, without simply repeating its architectural characteristics.

Urban Design and Landscape Architecture

A framework plan for the 'Toti CBD identified the need for upgrading public open spaces including the central courtyard flanked by shops, banks and offices. The scope of work included a redesign of the existing square including the paving, landscaping street furniture and pedestrian scaled LED lighting, simplifying the layout to take account of security and

maintenance issues. An outdoor chessboard has been created and provision made for a service kiosk.

The programme for improvements on the Umhlanga beachfront were accelerated by the devastating storm damage in early 2007. The loss of natural dunes and retaining structures had to be made good using sand bags and “Loffelstein” walling and reinstatement of vegetation suited to the coastal dune ecology. Wider walkways have been provided, attractively paved with freeform patterns to enhance the promenade experience.

The commercialisation of Durban North’s Broadway corridor (now called SWAPO Road) in accordance with the approved rezoning was the catalyst for this streetscape upgrade project, at a cost of around R7m.

Public realm development has been in progress for some years in KwaMashu town centre, commencing with the construction of a stepped and ramped walkway between the station crossing and the newly landscaped central park. Current projects include Bhejane Road (which traverses the Centre), complementing the civil works with sidewalk paving, landscaping and lighting, remedial work and enhancement to the transverse walkway, realigned and new walkways to take account of the new combi sports court in the park.

Mechanical and Electrical Building Services

These Branches are committed to practical, sustainable and efficient building functioning. Energy saving strategies are being proactively developed and implemented in Council buildings across the City, and 5 major buildings are subject to regular energy surveys, audits and reporting.

Coastal, Stormwater and Catchment Engineering

The newly constructed Umhlanga Pier won the South African Institute of Civil Engineers’ branch award for Technical Excellence. The pier is a continuation of a large box culvert and extends approximately 85 metres across the beach into the surf zone to ensure maximum dispersal of stormwater into the sea. Most of the stormwater that was discharged directly onto the beach at Granny’s Pool and McCausland Crescent has now been rerouted to the new system maintaining Umhlanga’s ability to offer visitors a beach of the highest quality. The pier is unlike any constructed in the region previously with long span sections on columns to permit continuous access along the beach. The architectural styling has been a very important element of the design and is in keeping with current improvements to the promenade.

With respect to coastal management, eThekweni is very proactive and our Project Executive won the best paper at the Institute of Municipal Engineers conference in September 2007 for his presentation “Coastal erosion and sea level rise – are municipalities prepared?”. He also contributed to the KZN response strategy for coastal erosion by defining a coastal setback line; this paper was the winner at the IAIA conference.

Durban Solid Waste

In June 2008, eThekweni was proclaimed the winner of the National Clean Town Competition in the category for large municipalities. R1m was awarded to DSW and R800,000 was awarded by the Buyisa e-Bag Plastics company for recycling initiatives.

The Mariannhill Landfill Conservancy was highly commended in the technical excellence category of SAICE awards in October 2007. Over the years, the Mariannhill Landfill Site has won a number of awards. It accepts 450 tons of solid waste per day and its innovation is with respect to the conservancy elements. The closed loop system collects/extracts/treats emissions from the decomposing waste before use or release into the environment. Naturalistic engineering and the method of capping layers stimulates vegetation and growth and the landfill leachate is simply treated and wetlands created to reduce storm water energy.

Another prize was the best environmental waste management project awarded by the Department of Public Works. This recognised the value of the community-based domestic waste collection programmes in previously under-serviced areas that also created 2000 employment opportunities. eThekweni also received the Golden Arrow award for business excellence in the waste management category from the Professional Management Review Unit.

The Mariannhill Landfill Site has established a material recycling facility which has drastically reduced waste going to the landfill. Domestic recycling commenced last year and approx. 260 tons of paper and cardboard are being collected from the Highway each month.

There are now 7 buy-back centres in eThekweni. Purchases of cardboard are contributing to poverty alleviation by creating employment and the development of small business.

Electricity

Besides the challenge to continue supply to customers during a prolonged period of load-shedding, the Department also replaced R12m of reticulation. Three substations to supply major customers (Edwin Swales, Addington and Himalayas - SDB) were commissioned during 2007/2008.

A meter management and electricity loss control system is being implemented and this will be an asset in the protection of revenue. Collection of revenue in Council flats has been poor but after a pilot project in one block of flats where the tamper rate had exceeded 70% and the arrear amount was R4 398 718, R1m of revenue has been collected through prepayment metering.

Plan Four – Safe, healthy and secure environment

This is a far-ranging, multi-sectoral Plan that incorporates the activities of several departments in the important fields of safety, health and security.

Safe from crime

The targets for projects in this programme are not clear (they have been clarified in the 08/09 SDBIP) and no additional statistics were provided by Metro Police. Some targets were met

although the project to provide a satellite Police Station and offices at Albert Park was dropped. In the recruiting and training of new police officers, the department was more successful and the target was met. Enforcement at 4 intersections in the CBD where 'smash and grabs' were prevalent was successful.

Road and pedestrian safety

In the programme dealing with road and pedestrian safety, the planned road safety audits were undertaken in several areas across the City and the target to make improvements in 2 high frequency accident locations was reached. Traffic calming interventions were made outside 4 schools as planned; schools road safety and adult pedestrian awareness campaigns were initiated and they are assessed regularly as are the occurrence and frequency of accidents. Proposed upgrades and landscaping in the SDB to South Coast Road and Edwin Swales VC Drive (now called Solomon Mahlangu Drive) delivered limited results.

Fire and rescue

In the project to extend fire and rescue services to under-serviced areas, 20% of the target to cover the southern area of eThekweni was achieved and 0% for under-protected areas. The Umhlanga Fire Station was opened in September 2007. Forty fire-fighting learnerships were offered in eThekweni and courses were also run for Alfred Nzo Municipality and ACSA.

Building a new workshop in the Mobeni area has achieved the goal of improving the maintenance of the Emergency Service vehicle fleet. The facilities for emergency services skills development were not improved as planned. The risk and vulnerability assessment in the disaster management sector was not undertaken although the refurbishment of the Disaster Recovery Centre was completed.

Planning and preparation has been made for the preliminary draw of the 2010 FIFA World Cup. Fire (Operations branch) and Disaster Management have scheduled additional staff and appliances and the Command Room at the Disaster Management Centre is in a state of readiness.

A major incident occurred on 18 September 2007 when 8 chemical tanks caught alight at Island View storage site 3; one site worker was killed on the scene.

Prevention of crime through environmental design is a proactive approach and there was moderate success in capacitating staff to engage with the community on this issue. The community crime map was partially completed.

Swimming safety while using the beaches and public pools was reported as achieving 100% of its target although no specifics of the project(s) were available.

Primary health care services

Generally the results were good: 100% CD4 testing of all HIV positive clients in targeted areas; 91% IMCI-trained nursing staff at static clinics. However, the Bluff clinic upgrade did not go ahead.

The projects in the communicable disease health service were fairly successful and projects in the environmental health service were largely on target e.g. 20 informal settlements provided with basic sanitation which was the target.

The Environmental Health Unit gave strategic and tactical support during the Island View fire and worked tirelessly during the Christmas 2007 shutdown to attend to the fish kill incident at Wilson's Wharf. The Unit's sterling work in reducing sulphur dioxide pollution in the SDB has been written up as booklet and disseminated nationally.

Projects to provide a social development health services had varied success but overall it may be said that considerable work has been undertaken to assist vulnerable groups to access health-related services and to have basic food security.

Vulnerable groups

Attention has been given to training facilitators, community workers and working with CBOs and NGOs so that vulnerable groups can be assisted to eliminate or at least minimise the threats facing them.

An indigence policy has been written and awaits Council approval and a poverty alleviation policy is to be written as a companion policy. Indigent households benefit from water and electricity provision. Burial support was given to 175 families and 563 unclaimed bodies buried (these figures do not reflect those in the SDBIP but were supplied directly by the Head of the department concerned).

Community support farms were developed to support the food production of 5026 families (in excess of the target). Four co-operatives (the target was 6) were initiated to enable vulnerable citizens to take charge of their income stream.

Of the vulnerable groups targeted, 70% received assistance in accessing services. Policies to inform municipal activities to assist the youth, senior citizens and people with disabilities were completed in 2007/2008 and a gender policy is under discussion but not complete. Sub-projects to implement youth programmes, the provision of Grants-in-aid and capacity building of NGOs were moderately successful. Work with street children has been successful and all targets achieved and the target for assisting people with disabilities to access rehabilitation was exceeded.

Extended Public Works Programme (EPWP)

eThekwini has had significant achievements in this Programme that spans all sectors and clusters and particularly in infrastructure, paralegal resource centres and community farms. The entire programme was introduced by national government to encourage job creation and skills development. There are no government grants and it is required that all spheres of government re-orientate their budgets to achieve increased employment opportunities and training especially for unemployed and unskilled labour..

The City's EPWP policy provides for sector task groups and working groups to carry out the Programme objectives. The infrastructure sector has instituted a Contractor Development

Programme (CDP) which targets emerging contractors and skill them according to their developmental needs. This sector was also responsible for the creation of more than 20 000 job opportunities.

The social sector has established 4 paralegal community resource centres and 17 labour intensive community support farms, and, in addition to those projects has a wide range of advisory services and projects to empower the unemployed with soft, community service skills.

The other sectors did not succeed very well in reaching their targets but with eThekwin's EPWP Policy emphasising the EPWP link with the IDP from 2008/2009, it is inevitable that EPWP sector aims will become imperatives.

Zibambele

This programme received awards at both provincial and national level from the South African Institution of Civil Engineering. The programme which employs 4500 persons from vulnerable groups, was highly commended for the most outstanding civil engineering achievement in the community-based projects category.

The municipal departments that participated in the programme were Roads and Stormwater management. The contracts are aimed at stabilising destitute families and target the poorest of the poor. The contractors maintain the verges, surfacing and stormwater of 1950 km of blacktop and gravel roads in 50 of our 100 wards. The work is labour intensive and contractors work 2 days a week to allow them to undertake other activities. Contracts are awarded for a year and can be renewed.

Woman-headed households are focused on and training includes technical skills as well as social development and life skills components. Support services to Zibambele households include assisting them to obtain ID documents, open bank accounts, organise themselves into credit unions, and invest savings in other productive activities.

A number of contractors are now pursuing contracts with government departments and municipal contracts via eThekwin's contractors' database, and are applying for DTI input and marketing assistance from SEDA. Twelve contractors are registered with SARS and informal groupings of contractors have registered as co-operatives.

Safety of municipal information assets

Municipal information and data systems need to be protected therefore maintenance of off site back up facilities and business continuity plans are critical. The target for 2007/2008 was to employ a Disaster Recovery Planning (DRP) and Business Continuity Planning (BCP) manager and conduct DRP testing which was completed.

Plan Five – Empowered citizens

This Plan underpins the City's commitment to job creation, knowledge management and the learning city in its projects to focus on citizens' and municipal staff's skills gaps, training needs and the City's opportunities to become a world class knowledge resource centre.

Skills

Skills audits were conducted in the INK and Cato Manor ABMs, reported on and interventions made in respect of home-based care, agribusiness and the development of co-operatives. In the Cato Manor, SDB and rural ABMs, skills interventions based on previous audits were implemented for the unemployed. A strategy was developed to address the skills needs of the unemployed and appropriate interventions identified. Skills audits in the manufacturing and tourism sectors were largely completed, and the audits in the construction and maritime sectors achieved 100% target.

The possibility of establishing a central skills repository was investigated and procurement commenced. It is being designed at Smart Exchange but will be maintained by the IT students at DUT.

Various learners were given learnerships in selected municipal offices and 200 were selected for positions in the police. ABE was successful in 2007/2008 with research completed and reported for all wards and the possibility of new centres opened as result of a needs investigation. There are 13 centres of which 7 are operating. Placement was found for 101 students who had participated in the co-operatives education programme.

Staff training

A competencies matrix was used to profile all posts identified by Heads and assessments of all staff that were requested by Heads were conducted. The number of managers trained exceeded the target. Progress in recognizing prior learning has been halted as guidelines must be supplied by LGSETA.

A Workplace Skills Plan was compiled for the entire staff complement and 62% of the training implemented.

Centre of learning

The City achieved accreditation to receive an African Capacity Building Foundation Grant and staff and equipment to operate in CIFAL projects were identified for this funding. The CIFAL co-ordinator's office is at Smart Exchange and a steering committee chaired by the Mayor oversees CIFAL activities. Only one of four targeted CIFAL programmes was completed in 2007/2008.

The project to identify areas of excellence in the Municipality was commenced but was not completed. The related best practices events did not occur but vital work to facilitate the provision of mathematics and science in schools made some progress.

Smart city

As part of the goal of developing the City as a smart city, the next generation fibre network was completed and this lays the foundation for Phase 2 of the project which is to allow the Municipality to sell spare capacity to third parties. The investigation of options for the use of low-cost multi-media devices was completed but it has been deemed premature to pursue this. The vehicle to drive bridging of the digital divide was established and its rollout has received considerable interest and attention.

Knowledge management

A tool to assist with aligning municipal planning was identified although found not to be fit for purpose. Understanding of the document management system has been shared with most Unit heads as a precursor to its use as an archive and business tool across the municipality.

The importance of knowledge acquisition, sharing and preservation has been discussed in 30% of the target group and a strategy for eThekweni to become a world class knowledge resource centre was commenced but not completed.

As part of the Digital Doorway project, eight multimedia computer kiosks sponsored by the Department of Science and Technology have been established in rural areas. Library systems department is assisting with the development of local municipal information and local indigenous knowledge. The project will establish a website and an online collaborative database with local indigenous knowledge and will also use local communities to gather the information and post it to the website. Digital skills transfer to the community is an inherent part of the project.

Container libraries have been built in four rural areas where currently no library services exist.

The Senior Systems librarian read a paper on the Indigenous Knowledge Management project in Nairobi, Kenya and presented it in Vienna, Austria. A presentation on the Durban model was also made to the Library of Congress, Washington DC, USA and to SA Cities Network in Cape Town, and published in *Information Studies* in April 2007.

Human Resources Unit

The HR Shared Services Department investigated best practice in payroll and administration and found that a centralised system was the most effective and efficient model to adopt and relocated all payroll sections to a central office on 1 July 2008. Another major advance has been the purchase of a fully integrated web-enabled HR and payroll system called Dynamic Resourcelink which will accommodate HR and management needs in this important area of municipal administration.

Activities continued in the Internal Perception Study project that was initiated a few years ago and attention is now being directed at developing and implementing an organisational culture strategy (See Plan 7). Roadshows and other media communicated the study findings - projects and other interventions are planned for 2008/2009.

Plan Six – Celebrating our cultural diversity

This Plan is still hampered in achieving its worthy objectives by inadequate specific operational funding especially with respect to arts, culture and heritage.

Sport

Although no annual targets have been supplied for all activities, it has been reported that the programme to promote sport in communities was largely successful in its major events and especially in the achievement of 100% water safety. A new swimming pool is planned for Clermont and a sports centre for the northern area.

Arts, culture and heritage

The project to develop a strategy to promote/provide economic opportunities for artists in different disciplines has had success, some excellent, in all four sub-projects. These sub-projects cover oral traditions, township tourism, dance challenges and local music and poetry talent. Economic activities in heritage were facilitated by the arrangement of two programmes for vulnerable groups.

Art classes for learners between the ages of 8 and 18 are held on Saturday morning at the Art Gallery. Participants are encouraged to use a variety of art processes and mediums and the finished work is exhibited in the lift foyer.

A creative writing project promoted by 30 libraries encouraged children to write stories in Afrikaans, English and isiZulu on the theme given; it attracted 171 learners from Grade 5. Individual storytelling markets were held at various schools culminating in a final event at the Botanic Gardens where 8 schools and 435 learners participated. A storytelling competition Thekwini-wide was arranged and 6 schools participated in the final.

Durban Art Gallery

The exhibition: Gerard Sekoto: from the Paris Studio attracted considerable attention; Sekoto is the inspiration for many SA artists and is regarded as a forerunner in placing art in the international arena. A number of exhibitions reflected new realities: "Breathing Spaces" comprised environmental portraits of Durban's industrial south; "No longer at this address: navigating post-apartheid South African identities saw the first inclusion of graffiti artists' work on a museum interior wall in South Africa; and "Little Traveller", an exhibition of artworks from the Hillcrest AIDS Centre. "Positive 2007", a collaborative exhibition which was generated by the Durban Art Gallery and displayed in the Albany Museum as part of the Grahamstown Festival. There were also photographic, architectural and craft exhibitions, and the annual Matric Art exhibition.

Museums

An exhibition on the First World War was held in the Old Court House and the KwaMuhle museum held exhibitions on Bhambatha, and also on Slavery. The new Museum library and lecture room in KwaMuhle Museum were completed.

The Durban Natural Science Museum continues to be a busy centre of learning and celebrated 120 years in existence on 23 July 2007. The Museum is the most utilized Natural Science Museum in South Africa with the highest number of visitors annually. The KwaNunu: Place of Animals exhibition was launched as a run-up to the International Congress on Entomology and was very success with the public and learners. It aimed at promoting broad public awareness to build and encourage understanding, appreciation, dialogue and debate about all aspects of the Natural sciences and their contribution to humanity. As part of the programme to take the museum to communities, a science centre was established at KwaMashu library and thereby increased access of learners to the museum. The Bird Department carried out fieldwork in Zululand that confirmed the existence of a potential new species of indigobird. Indigobirds are small seed-eating birds. Further research is being done to confirm that this indigobird, which is surprisingly common in Zululand, is not a representative of any other existing members of this family anywhere else in Africa. If confirmed, it would be the second new species of bird discovered by the Natural Science Museum, the first being in 1960. Long-term waterbird counting in Durban Bay has also been instrumental in informing current harbour developments. The Climate Change Seminar Series has a number of noteworthy speakers including Leonie Joubert, the author of Scorched: South Africa's Changing Climate.

Plan Seven – Good Governance

The programmes and projects in this Plan aim at excellence in the City's relations with its citizens and in national, international and inter-government arenas.

NEPAD

Mayor Mlaba and the City Manager, Dr Michael Sutcliffe, signed an undertaking with UN Habitat in Nairobi, Kenya, for the City to take the lead in the co-ordination and facilitation of NEPAD Cities activities. Phase Two of the NEPAD Cities Programme went ahead with activities to raise awareness of the NEPAD objectives and to enhance the capacity of local authorities to address NEPAD objectives and manage service delivery in a manner that will reduce poverty and increase socio-economic cohesion in Africa. A NEPAD Tourism Initiative was launched to coincide with the Annual Tourism Indaba in Durban. As Tourism is one of the priority areas identified by NEPAD, the objectives of the meeting were to identify and highlight interventions that are required to optimise the role of tourism as an engine and a catalyst for economic development growth in Africa. Participating countries were: Tanzania, Kenya, Nigeria, Uganda, Rwanda, Botswana, Swaziland and Mozambique.

Inter-governmental Relations

The Municipality had working meetings with four municipalities and in the case of Mbombela (Nelspruit) a group of officials from the City went there and there was a return visit to Durban by Mbombela officials. Common items on the agenda were service delivery blockages, effectiveness of ward committees, good governance, budgeting, sports and recreation and tourism.

Leveraging funding from other spheres of government where projects are of mutual benefit is an excellent means to increase service delivery and a project to schedule funding opportunities met with 70% success. A strategy for dealing with unfunded mandates was less successful (the estimate for 2007/2008 was R651,8bn).

Sister City programme

There are 13 sister cities twinned with Durban and in 2007/2008, there were 49 active projects undergo with the sister cities. A large proportion of these projects were sporting and support for schools in eThekweni. Three were also business support projects (Cairo, Guangzhou, Leeds and Le Port). Cultural projects are being supported by Bremen and Leeds. The food security project supported by Leeds has gone from strength to strength. Leeds Metropolitan University students have given volunteer assistance in the Sports and Recreation Department. There were 11 projects conducted with Nantes which included Human Rights Co-operation, collaboration on the Shackles of Memory Project (200th Anniversary of the Abolition of Slavery), university internships and a school partnership. Co-operation with Maputo is regular and practical and in March 2008, more than 2008 business and government representatives attended a Trade and Investment Conference to discuss and explore business opportunities in both cities.

This programme was generally successful although not all projects with specific sister cities were completed.

Schedule of City-wide events

There are several events that occur annually, these are big occasions and are supported by corporate sponsors in the following instances: City Stars Awards (Standard Bank); Mayoral Awards for Excellence (FNB), Matric Awards (Nedbank); Mayoral golf day (ABSA). The City also rewards its long service employees and Senior Citizens with lunch, gifts and entertainment. There were 97 events organised by the City in 2007/2008.

With the biggest event for the City imminent, it is pleasing to report that work done on the Volunteer Programme for the 2010 FIFA World Cup was on target.

Customer care

A single Customer Care policy was adopted and a programme for managing customer transaction was 80% achieved. A training programme has been implemented with 50% of staff. Six more One Stop Shops and a call centre have been upgraded and branded.

Community participation

Considerable work in wards was undertaken in 2007/2008. Ward plans were produced for guiding citizens in all 100 wards and ward committees have mostly been supported. Almost 50 000 stakeholders participated directly in Council activities in the year under review.

Communications

External and internal communications plans were completed and a communications strategy for ward committees was partially completed. The Municipality continues to communicate with

the public through the monthly Metrobeat magazine and the fortnightly eZasegagasini Metro newspaper. Alternate reading formats (Braille, audio tales and CDs) are now available to people living with disabilities.

Clean and accountable administration

The Corporate Policy Unit continues to produce reports in accordance with legal requirements, primarily these include the IDP and the Annual Report.

The anti-fraud policy was adopted and a response plan presented to some senior management. The target to train staff in implementing the code of ethics achieved 55%. The municipal Court was completed and functional from early in 2008. The single set of municipal bylaws was still not achieved.

City administration

As a preliminary to the major City Hall refurbishment at a cost of R47m, office rationalisation was completed in full. Administration policies were written and reviewed and systems were set up for administrative efficiency. There was partial success in the establishment of support structures for Councillors and 100% success achieved in setting up a secretariat for Council and its committees.

Improving Productivity

This project achieved well over its target of 18 projects as 41 were successfully completed. These took the form of business process re-engineering, workshops to unblock stoppage in processes, methods studies and interventions in more than 20 municipal departments.

Effective organisation

A Performance Management System was developed and implemented as targeted and the audit and reports completed as required. The project to identify all enterprise-wide risks achieved 95% of its target.

The IT infrastructure backbone was maintained but not all corporate IT solutions to improve efficiencies were completed.

Performance appraisal for all staff other than Section 57 appointments did not go ahead.

GIS for decision-making

The target to achieve further implementation of the enterprise-wide GIS was achieved but the development of a management information system had poor success. A common property database using GIS has been implemented.

Organisational culture

The target for having 50% of a draft Organisational Culture strategy in place was met. This strategy envisages a range of interventions and activities and will target leadership, on-going communication using a variety of media, and work on values and culture. The draft Wellness and Talent Management strategies only had moderate achievement and the Performance Management strategy not at all.

Occupational health

There were 34 HIV/AIDS awareness programmes held in 2007/2008 and achieved over target. The department was also above target for its handling of wellness medical management. The peer education programme was successful as was the VCT programme. Occupational health medical surveillance and IOD management achieved all its targets.

Plan Eight – Financial Viability and Sustainability

The goal of this Plan is to maximise the utilisation of the Municipality's financial resources to ensure long-term financial viability and sustainability. More detailed information on the work of Treasury in 2007/2008 may be found in Annexure D - Report of the Chief Financial Officer.

Strategic and sustainable budgeting

Here a range of programmes and projects ensure that long term financial planning, budgeting, rates income, credit control and debt management and maintenance of cluster assets are undertaken in the required way. Because of the rigour of financial regulations, of necessity, these projects were completed or almost completed.

The new financial model was not complete due to the tender process but will be in time for the next budgeting process. It has become imperative that the eThekweni Municipality develop a new Corporate Financial Planning Model that will provide a single unified solution to manage its critical financial and operational planning, budgeting, forecasting, reporting and other analytical requirements required in terms of legislation.

The new model currently being developed is based on a COGNOS platform and, inter alia, will have the following minimum criteria:

- Strategic Planning
- Budgeting
- Forecasting
- Cash Flows
- Statutory Consolidations
- Reporting and Analysis
- Predictive Analysis
- Financial Modelling
- Interface with the ERP systems utilised by eThekweni

Grow and diversify revenues

The projects here are mainly of the ongoing type. The subprojects relating to the valuation roll base were not 100% achieved due to the demands the valuation and rates system has experienced with the change-over to the new form of valuation and rating. The Revenue Management System has been delayed by further testing. The project to implement a

surcharge for home electricity to replace the loss of income as a result of the termination of business levies was successful and the increase in revenue to the City was R300m.

Value for money expenditure

With the exception of the installation of the city fibre-based PABX system, most projects relating to reducing costs to the organisation were not achieved for a variety of reasons: resource-related or a change in focus. The fleet management projects were mainly successful with a reduction in downtime in workshops, improved vehicle security and more effective operations.

Council, its Committees and the involvement of Traditional leaders

eThekweni 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

There are 17 traditional communities that fall within eThekweni Municipal area and Senior Traditional Leaders (Amakhosi) have been operating from Pinetown Civic Centre with administrative assistance from the Regional Centres unit.

The Amakhosi Support Office serves as a link between Municipal Service Departments and Traditional Councils during service delivery processes. A planning workshop for 2007/2008 produced an action plan to support Senior Traditional Leaders. This plan had four key actions:

- Facilitate partnership through strengthening the Senior Traditional Leaders stakeholders' forum with various eThekweni, provincial and national service departments
- Facilitate the formalisation of the relationship between eThekweni Council and the House of Traditional leaders
- Facilitate and co-ordinate the implementation of a synergistic partnership between Amakhosi and eThekweni in consultation with the Department of Local Government and Traditional Affairs
- Provide ongoing administrative support to the House of Traditional Leaders.

All Amakhosi whose traditional communities fall under the eThekweni Municipal Area receive an allowance to support them in communicating with other stakeholders including Councillors, officials and Traditional Council members.

The Local House of Traditional Leaders meets monthly and, on occasion, they hear presentations from other government spheres regarding development processes in traditional communities. 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 and tours. Amakhosi meet regularly with the Mayor and Speaker to discuss strategies and programmes where traditional communities can learn and identify opportunities.

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE ETHEKWINI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of the eThekweni Municipality (municipality) which comprise the consolidated and separate statements of financial position as at 30 June 2008, consolidated and separate statements of financial performance, consolidated and separate statements of changes in net assets and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 67 to 122.

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 and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. 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 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 2008 and its financial performance and cash flows for the year then ended, in accordance with the applicable 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 matters:

Event after the balance sheet date

11. With reference to note 39 to the financial statements, the municipality will acquire ownership of Durban Transport buses and other ancillary equipment of the Durban Transport contractor with effect from 1 September 2008 at a total cost of approximately R405 million. In addition, the municipality is in the process of negotiation to stabilise the business, ensure viability and service delivery, increase monitoring activities, develop an exit strategy for the contractor, and ensure adequate maintenance.

Amendments to the applicable basis of accounting

12. 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 522 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*, which granted the municipality early adoption of the following standards:
 - South African Statement of Generally Accepted Accounting Practice, IAS 19 (AC 16): *Employee benefits*
 - South African Statement of Generally Accepted Accounting Practice, IAS 40 (AC 135): *Investment Property*.
 - Standards of Generally Accepted Municipal Accounting Practice, GAMAP 6: *Consolidated Financial Statements and Accounting for Controlled Entities*.

Material losses owing to criminal misconduct

13. Attention is drawn to the following cases as disclosed in note 41 to the financial statements:
 - Fraudulent transactions at Durban Marine Theme Park (Pty) Ltd and ICC, Durban (Pty) Ltd amounting to approximately R1,8 million and R1,6 million respectively, were discovered during the year under review.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

14. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	✓	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	✓	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines (section 126 of the MFMA).	✓	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.	✓	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	✓	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	✓	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	✓	

Matter of governance	Yes	No
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008. 	✓	

Unaudited supplementary schedules

- The supplementary information set out on pages 123 to 138 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.
- The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages 131 to 137 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

REPORT ON PERFORMANCE INFORMATION

- I have reviewed the performance information as set out on pages 262 to 275.

Responsibility of the accounting officer for the performance information

- 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

- I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
- In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
- I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

- A formal documented framework for the planning, monitoring, review and reporting on performance management has not been adopted by the municipality, as required by regulation 7 of the Municipal Planning and Performance Management Regulations, 2001.
- The performance of service providers is not tracked or measured, as required by sections 41 and 46 of the MSA and section 121(b) of the MFMA.

24. Annual performance targets are not included in the integrated development plan, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.
25. The accounting officers of Durban Marine Theme Park (Pty) Ltd and the ICC, Durban (Pty) Ltd did not ensure that the internal auditors audited the performance measurement of the entities during the year under review, as required in terms of section 165(2) of the MFMA. Consequently, the audit committee did not advise the accounting officers and the management staff of the entities on matters relating to performance management, as required in terms of section 166(2)(a)(v) of the MFMA.

Objectives reported in annual report, but not predetermined as per integrated development plan

26. The general key performance indicators were reported on at year-end but were not included in the integrated development plan, as required by section 43 of the MSA and regulation 10 of the Municipal Planning and Performance Management Regulations, 2001.

Lack of sufficient appropriate audit evidence

27. The actual achievement of targets could not be substantiated by adequate evidence with regard to 14 of the key performance indicators in the performance report.

Evidence materially inconsistent with reported performance information

28. The evidence provided to support the performance information reported in the annual report for the electricity backlog was materially inconsistent with the reported performance information.

APPRECIATION

29. The assistance rendered by the staff of the eThekweni Municipality during the audit is sincerely appreciated.

Auditor General

Pietermaritzburg

22 December 2008



A U D I T O R - G E N E R A L

RESPONSES TO THE AUDIT REPORT: YEAR ENDED 30 JUNE 2008

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.

11. Events after balance sheet date

Acquisition of Durban Transport buses

Buses and ancillary equipment were acquired from Durban Transport with effect from 1 September 2008.

The process of stabilising the business, ensuring viability and service delivery, increased monitoring activities, development of an exit strategy for the contractor and assurance of adequate maintenance is all going according to plan.

12. Amendments to the applicable basis of accounting

The following accounting standards were adopted with effect from 1 June 2004 :

- South African Statement of Generally Accepted Accounting Practice, IAS 19 (AC 16): Employee benefits
- South African Statement of Generally Accepted Accounting Practice, IAS 40 (AC 135): Investment Property.
- Standards of Generally Accepted Municipal Accounting Practice, GAMAP 6: Consolidated Financial Statements and Accounting for Controlled Entities.

The adoption of the exemptions in terms of General Notice 522 of 2007, issued in Government Gazette No. 30013 of 29 June 2007, with respect to the above three accounting standards, were therefore not required.

It is considered best practice to early adopt accounting standards when possible.

13. Material losses owing to criminal misconduct

The ICC Durban (Pty) Ltd has subsequently made a claim on its commercial insurance for the amount of the fraud less a R50,000.00 excess payment. This claim was successful and the company has been repaid this amount.

The alleged perpetrator of the fraud resigned and then passed away before any legal action could be taken.

Durban Marine Theme Park (Pty) Ltd received R810 000 from insurers subsequent to yearend and the remaining amount is being pursued criminally.

Internal controls have been strengthened to prevent a re-occurrence of the fraudulent transactions.

22. Non Compliance with regulatory requirements

Although a formal documented framework was only in draft during the year, the organisational performance management framework was adopted by council on the 27th June 2008. This was due to the performance management unit being only established in April 2007, where-after the research and development of the draft performance management framework and the public participation process took place.

23. Non Compliance with regulatory requirements

Research into performance management of service providers is currently taking place with the aim to implement a system for the next financial year.

24. Non Compliance with regulatory requirements

Annual targets will be sent for council approval for the 0809 year.

25. Non Compliance with regulatory requirements

Procedures have been implemented to ensure that internal auditors audit the performance measurement of the entities with immediate effect.

Consequently ,the audit committee will advise the accounting officers and the management staff of the entities on matters relating to performance management.

26. Objectives reported in annual report, but not predetermined as per integrated development plan

It is not possible to include all the general KPI's in its current format into the IDP as there are no mechanisms to measure them. National Government is currently reviewing changes to the general KPI's and the eThekweni Municipality has already provided comment on these.

27. Lack of sufficient appropriate audit evidence

Measures will be implemented to ensure that consistent and accurate substantiating evidence is available in the new financial year.

28. Evidence materially inconsistent with reported performance information

Measures will be implemented to ensure that consistent and accurate substantiating evidence is available in the new financial year.

REPORT OF THE DCM: TREASURY FOR THE YEAR ENDED 30 JUNE 2008

The year under review has been very successful for council. This has enabled us to consistently meet our service delivery targets and build value to the ratepayers of the City.

Our strong balance sheet, together with our sustained financial performance, provides a solid foundation for sustainable growth. The new financial year presents a number of eagerly anticipated challenges and opportunities for which we are well prepared.

The City is particularly proud of consistently receiving unqualified reports or clean bills of health on its Financial Statements. The Statement of Financial Performance shows a healthy surplus despite significant provisions being made for depreciation in line with the new requirements of generally accepted municipal accounting practice. The balance sheet remains strong and liquidity levels are adequate to meet the budgeted commitments of the City. In short, there is no impending financial distress facing the City in the short term.

We will strive to uphold the proud tradition of financial discipline and good stewardship for which the City has earned an enviable reputation.

ACCOUNTING FRAMEWORK

The 2008 Annual Financial Statements were prepared on a basis consistent with the prior year.

The basis of preparation is 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 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:

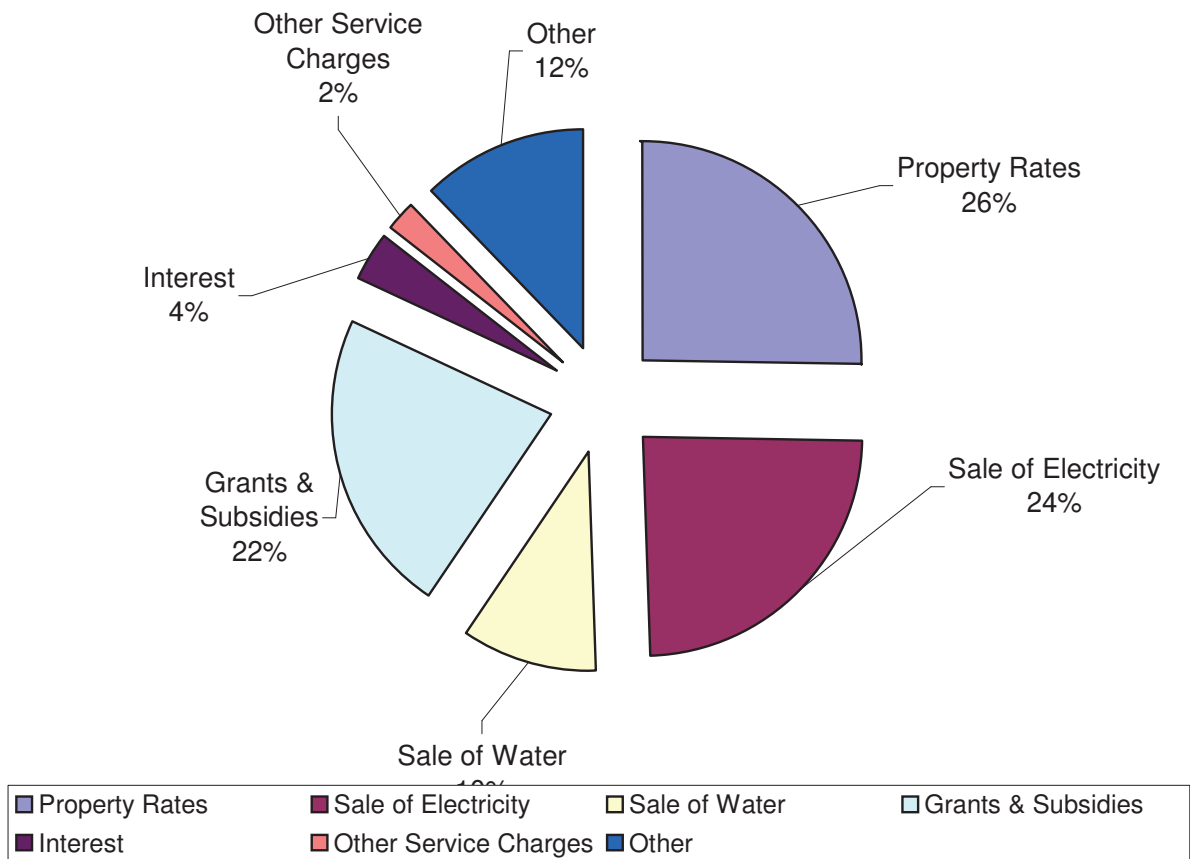
IAS 19 (AC116) Employee Benefits
IAS 40 (AC 135) Investment Property

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.

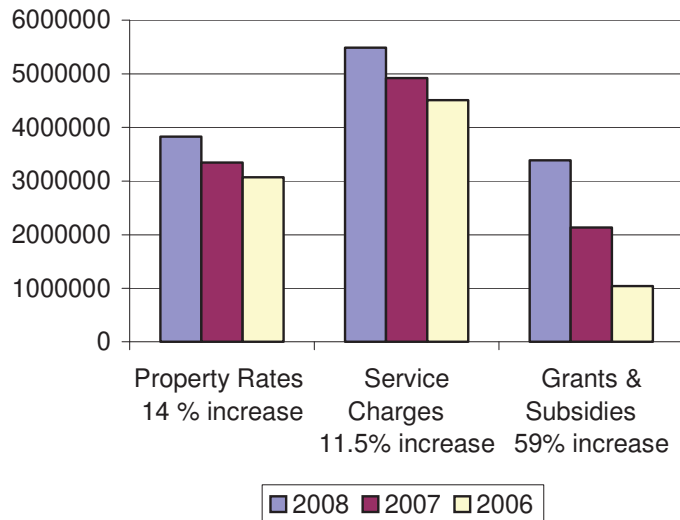
The following graph illustrates a holistic overview of the sources revenue received by the Municipality: -

Sources of Income



- **Include Other**

Main Income Sources for the past three years



The substantial increase in Grants & Subsidies was, largely expected given that effective 1 July 2006, RSC levies were abolished and have temporarily been replaced with a commensurate increase in the equitable share grant (to compensate municipalities for the loss of this income).

In addition, substantial grants have been allocated to eThekweni by National Treasury to fund the vast infrastructural projects geared towards the 2010 World Cup. The continuously increasing levels of grant funding in recent years has driven a relative reduction in the level of trading services, falling from 70% of total income in the prior year to 62% in the current year.

A similar trend has been experienced across the other metros.

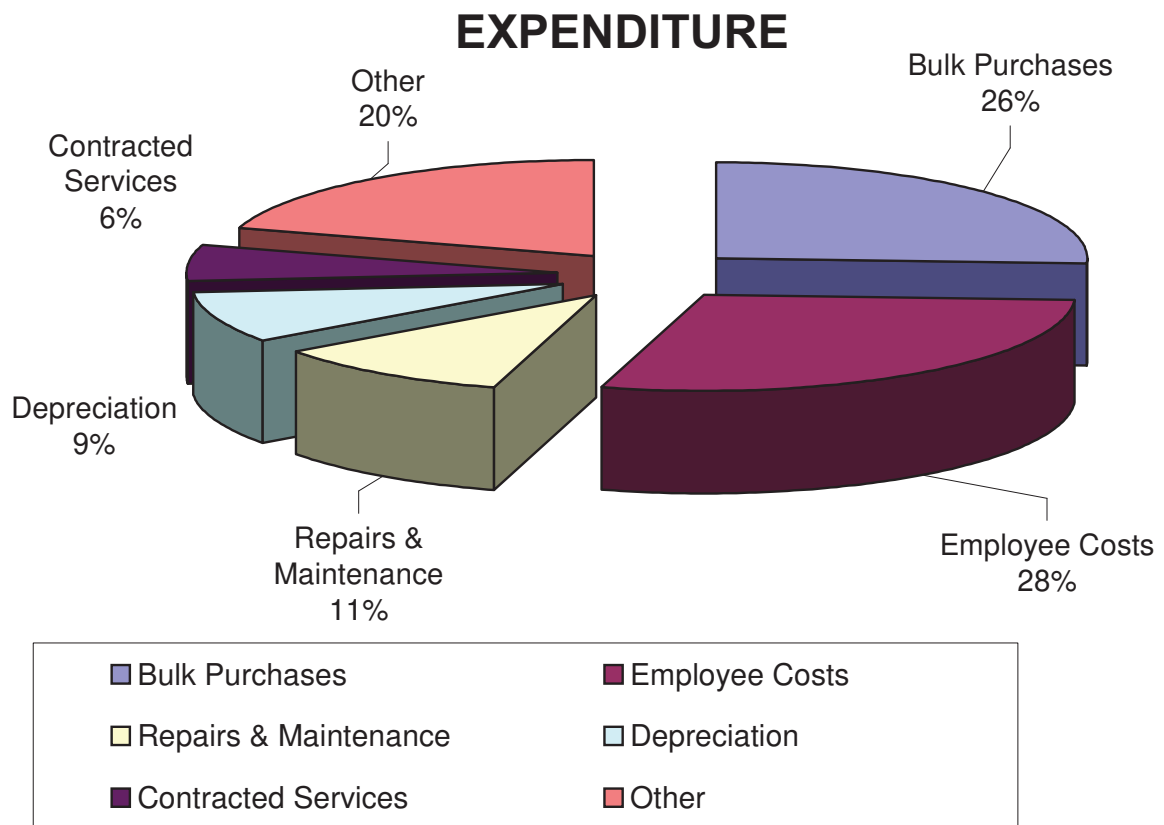
Government grants and subsidies industry wide have reflected a sharp rise. This comes on the back of the aforementioned discontinuation of RSC levies, which has resulted in the government providing metros and district municipalities with an RSC levy replacement grant and increased equitable share allocation (which is used to subsidise the provision of basic services to indigent community members).

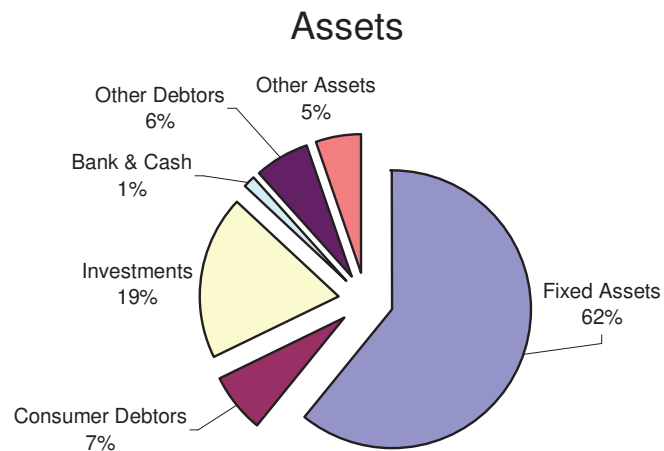
Furthermore, increases in capex grants have also been driven by 2010 World Cup related funding. In this regard, total grants and subsidies rose significantly, by 95% to R4.2bn and accounted for 29% of total income. The largest absolute increase in funding was reflected by the 2010 provincial grant (increasing over four fold to R1.1bn), which accounted for 27% of total grants & subsidies from 12% previously.

The equitable share grant continued to comprise the largest component of grant funding, albeit at a lower 31%.

Public donations amplified to R796m (from just R12m in the prior year). In this regard, eThekweni concluded an agreement with provincial government in the current year relating to the transfer of former provincial hostels. The fair value of these hostels were recognised as revenue for the year in accordance with GRAP Accounting Standards.

Post the World Cup, and with the expected introduction of an alternate business tax in the medium term (to replace RSC levies), grants should reduce fairly noticeably.





RATE ASSESSMENT

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

Residential : 8,53c in the RAND on the Value of land and buildings.
 Other Properties : 31,68c in the RAND on the Value of land and buildings.

The following rebates are allowed on all Properties:

Dwelling Houses : 70,59 %
 Flats : 66,91 %
 Other Properties : 45%

Rates raised inclusive of interims amounted to R 3 660 407 723

Rates and trading service revenue was driven by continued infrastructural Development in and around eThekweni.

Overall, assessment rates income increased by 14% to R3.6bn in F08 to comprise 29% of total income, the largest component of income for eThekweni Municipality.

This is well above the average displayed by all the metros (21%).

The ten largest ratepayers contributed 3.5% to total rates income in the current year, indicative of a well diversified rates base.

As per the Property Rates Act, effective 1 July 2008, property is now assessed based on the market value of land and site improvements. The results of the evaluation reflect a roughly 3.5x increase in total property valuations in eThekweni (to around R350bn).

RATES LIFELINE REBATES

- i) For dwellings with a total valuation up to and including R36 000: 100%
- ii) For dwellings with a total valuation of between R36 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	NON SEWERED	SEWERED
R	R	R
30 001 - 40 000	327.94	394.06
40 001 - 50 000	410.43	489.09
50 001 - 60 000	491.92	588.82
60 001 - 70 000	1064.31	1275.21
70 001 - 80 000	1310.77	1569.55
80 001 - 90 000	1556.22	1864.02
90 001 - 100 000	1885.17	2256.81

WATER SERVICES

	2006/07 Actual	2007/08 Actual	Variance Actual / Actual	2007/08 Budget	2007/08 Variance Actual / Budget
	R 000's	R 000's	%	R 000's	%
Operating Income	2 079 218	2 339 712	12,5	2 232 105	4,8
Operating Expenditure	2 231 938	2 381 376	6,7	2 406 834	-1,1
Deficit/(Surplus)	152 720	41 664	-72,7	174 729	-76,2
To be met by transfer from Rate and General Services	(145 051)	(41 664)	-71,3	(174 729)	-76,2
Deficit/(Surplus)	7 669	-	-100,0	-	-100,0

The Water Service experienced an actual total deficit of R41,7m which was lower than the budgeted deficit of R174,7m. The deficit is funded via a contribution from Rate and General Services and resulted in a final breakeven situation for the Water Service.

The reasons for the betterment of R133,1m when the actual Contribution from Rate & General Services is compared to the budget are mainly attributable to the following:

- A reduction of R24,1m in respect of Internal Charges, R54,1m in respect of Employee Related costs, R10,8m in respect of Depreciation, R31,4m in respect of Bad Debts Provision and R17,8m received in respect of Interest-Arrear Accounts which is offset by a reduction of R9,7m in respect of Contribution-Grant Funded Assets.
- There was an increase of R50,1m in Repairs and Maintenance costs and R50,2m in Bulk Purchases-Water costs during the year compared to the budget. These increased costs were funded by savings on other votes.
- During the past year water sales income of R1 578,5m was achieved which was R3,0m (0,2%) less than the adjusted estimate water sales income of R1 581,5m. In addition the water sales income for the 2007/2008 year is R

204,0m (14,8%) more than in the 2006/2007 year whilst the total water sales volume of 204 220 551 kilolitres for the year is 6 357 169 kilolitres (3,0%) less than in the 2006/2007 year. This is attributable mainly to the water tariff increase of 15,0% whilst the continuing problems being experienced with illegal connections and illegal reconnections are the main reasons for the lower than anticipated water sales volumes. During the year 8 884 new connections were installed.

- The water loss in the 2007/2008 year has increased to 36,4% which is 5,8% higher than in the 2006/2007 year. In the 2007/2008 financial year, the two key performance indicators for non-revenue water reflected an increase and decrease respectively. The volume of water purchased increased by 5,8% and the volume of water sold decreased by 3.0%.

The level of Non-Revenue Water (NRW) has stubbornly remained at around the 30% mark for a number of years and has recently deteriorated to abnormally, unprecedented high levels (36,4% for the 2007/08 financial year and 40,2% for July 2008). This has been in spite of the NRW Branch embarking on a large-scale, high-impact and focused NRW Reduction Programme to address this situation and to identify and treat the source of the problems causing this situation.

The Non-Revenue Water Branch spent a total of R24m in the 2007/08 financial year conducting various activities to reduce water losses. The cost of this work was claimed in full from the Municipal Infrastructure Grant (MIG) and therefore paid for by National Government. More detailed information and understanding of the causes of the high levels of NRW is coming available on a weekly basis and the following summarises the interventions and investigations carried out to date:

- i) We have engaged with a number of international experts in the field of NRW reduction and are convinced that we are carrying out the correct interventions in terms of reducing real/physical losses
- ii) We are getting a far better understanding of the challenges facing the improvement of billed metered volumes although progress in terms of increasing sales figures is slow.

Many of the interventions required to make an impact on NRW volumes rely on EWS effecting the changes – a more concerted, unified corporate focus on reducing NRW volumes across all Branches is vital to improving our situation

The following is a list of real loss reduction interventions carried out to date, or currently underway :

1. Active leakage control - a total length of 20 174 km of water mains have been checked over the past three years and 32605 leaks have been identified and repaired to date.
2. AC mains replacement - a total length of 66 kms of 100mm and 150mm diameter AC pipes have been relaid and recommissioned to date, out of a total of 2 800 kms.
3. Durban CBD advanced pressure management - pressure reducing valves are to be installed to modulate pressure to Durban CBD. The PRV station is complete, pending the electrical connection.
4. Implementation of new design pressure zones - new design zones will be implemented across the Metro. 20m-60m supply zones will be implemented in the informal/rural areas and 30m-80m zones will be implemented in the urban areas.
5. Advanced pressure control - advanced pressure control has been rolled out to 50 of the existing PRV zones. This will provide “normal” pressure only during peak periods and savings are

estimated at R5m p.a.

6. PRV maintenance - active preventative maintenance is being conducted on all pressure reducing valves >50mm in the Unicity. PRV's will be inspected regularly and since the contract was awarded in April 2008 a total of 542 PRV's have been inspected.
7. PRV failure early warning system - advanced warning devices have been installed on 30 critical PRV's to alert staff when pressure reducing valves have failed.

All billing improvement and apparent loss reduction interventions carried out to date or currently underway, are listed below :

1. Top 1 000 consumers - the top 200 consumer meters are less than five years old. To date 170 consumer meters which were older than ten years have been changed out and a further 200 consumer meters have been identified to be changed out.
2. Unbilled consumers - billing data and installation of meters to previously unmetered consumers has been rectified. The Water Services department is concluding the installation of 13 000 domestic water meters in the Inanda, Umbumbulu, Folweni, Fredville and Amatikwe areas.
3. Checking non-domestic properties - site visits are being conducted to properties to verify that all identified non-domestic consumers do in fact have water meters and 267 bulk meters have been installed to date.
4. Unmetered standpipes - 100 meters have been installed in Umlazi and the pressure downstream of the meters will be reduced utilising a PRV. All leaks on the connection pipe from the water mains to the standpipes are also being repaired and these meters will enable us to check that this consumption is not excessive.
5. Site visits to properties where supplies have been disconnected - site visits are being conducted to properties where water supplies have been disconnected for non-payment or tampering. Visits are also being made to properties where there have been reports of illegal connections. More than 6 979 visits have already been conducted and 1 139 illegal connections have been removed.
6. Umgeni Water custody transfer and check meters - the 65 Umgeni Water sales meters where the bulk purchases are recorded are being examined. Special attention has been given to the ten largest volume custody transfer meters and a report prepared assessing the accuracy of these meters and recommending further action.

7. Forced repairs - forced plumbing repairs are being conducted in houses in former R293 areas with arrears in excess of sixty days and where consumption is greater than 1.5 kl/day. Over 3 700 properties have been attended to to date.

A Water Policy has been approved 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.

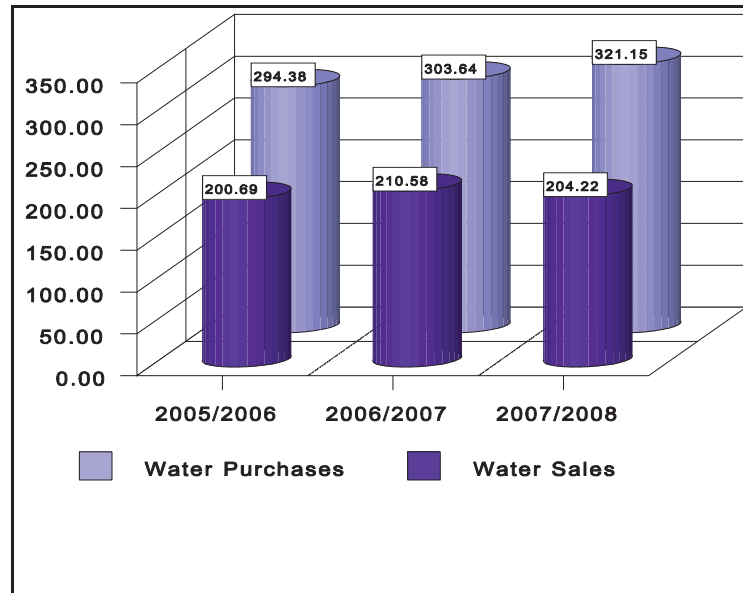
The situation regarding payment of current water accounts has improved with a collection rate of 95,5% but the payment of arrears is still a problem and it will be necessary for continued committed application of the Council's policy relative to debt control. In this regard, Council has adopted a debt 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. To date approximately 45 000 consumers have signed up for the programme.

In addition the Council has embarked on a communication programme via radio and Community Focus Group meetings to address the various issues affecting the sustainable delivery of water.

During the 2007/2008 year the Water Department continued with its programme to rollout the provision of six kilolitres per month of free water to unserved poor communities in addition to existing consumers.

It should be noted that the 120 day debtors has increased from R662m in the 2006/2007 financial year to R718m in the 2007/2008 year. This is indicative of the poverty that exists, as well as the culture of non-payment for water consumed. The Provision for Bad Debts has to be adjusted accordingly which increases the burden on paying customers. The Provision for Bad Debts has however decreased from R585,8m in the 2006/2007 financial year to R562,3m in the 2007/2008 year. In prior financial years the Provision for Bad Debts was calculated at 10% of water debtors but in the 2007/2008 year the collection rate of approximately 95% was taken into account in calculating this provision and this resulted in a reduction in the amount required in respect of Provision for Bad Debts.

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



ELECTRICITY

	2006/07 ACTUAL R 000	2007/08 ACTUAL R 000	2007/08 VARIANCE %	2007/08 ESTIMATE R 000	VARIANCE ACTUAL / ESTIMATE %
TRADING					
Electricity Sales	3,355,240	3,638,846	8.5	3,624,080	0.4
Electricity Purchases	1,827,602	1,961,355	7.3	1,962,337	0.1
Gross Margin	1,527,638	1,677,491	9.8	1,661,743	0.9
Gross Margin (%)	45.5	46.1	1.3	45.9	0.5
SUMMARY OF INCOME AND EXPENDITURE					
Total Income	3,541,704	3,984,957	12.5	3,920,205	1.7
Total Expenditure	3,541,704	3,984,957	12.5	3,920,205	-1.7
(Deficit)/Surplus	0	0	0.0	0	0.0
* The surplus R147 million was transferred to the capital replacement Reserve					

Capital					
Expenditure on E.F.A.Projects	44,153	51,399	16.4	74,000	-30.5
Expenditure on other Electrical Projects	288,309	368,074	27.7	400,716	-8.1
Total Capital expenditure	332,462	419,473	26.2	474,716	-11.6

ELECTRICITY- TRADING RESULTS

The Electricity Service Unit achieved good trading results for the 2007/2008 financial year which was characterised by a steady growth and a favourable bottom-line result. Overall, electricity sales increased by 8.5 % over the previous year to R 3, 638 billion (budget : R 3, 624 billion). Electricity tariffs were increased by an average 7,5 % in July 2007. The Gross Margin of 46,1 % was an improvement on the previous year. Eskom's Load Shedding programme has not had a significant effect on our results for the 2007/2008 year.

A surplus of R 147 million was achieved after allowing for allocations of R 170 million to capital expenditure and contributions of R 386 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

A significant change in the provision of free basic electricity was the increase in the threshold of 130 KwH to 150 KwH, thereby making the benefit accessible to more consumers. This change coupled with consumers not having to apply for this benefit resulted in the number of consumers enjoying this benefit increasing from 8000 to 55 000 per month. The cost of this benefit for 2007/2008 was R9.5 million.

Technical and Non-Technical Losses

The combined estimated losses due to both technical (transmission and distribution) and non-technical (theft) remained between 5,0 % and 5.5% for the year. Meter sweeps and inspections to minimise theft are ongoing.

ELECTRICITY-CAPITAL

Capital expenditure for the year totalled R 419 million and was 11.6 % below budget. The underspending 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 51 million on EFA projects was 30.5% 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 totalled R 368 million and was not significantly below the budget of R 400 million. The lower expenditure was attributable to the delays mentioned above and some cut-backs during the year.

HOUSING SERVICE

	2006/07 ACTUAL	2007/08 ACTUAL	2007/08 VARIANCE	2007/08 ESTIMATE	VARIANCE ACTUAL/ ESTIMATE
	<u>R'000</u>	<u>R'000</u>	%	<u>R'000</u>	%
Operating Income	805 357	623 240	-22,6	245 347	60,6
Operating Expenditure	887 862	776 488	-12,5	359 393	53,7
Deficit	82 505	153 248	-35.1	114 046	114,3

Housing Service comprises of three main units viz Formal Housing, New Developments and Hostels.

The operating results indicate a deficit which is financed as follows :- R77,2m for Formal Housing is funded from Housing Operating Fund and R76m for New Developments and Hostels is funded by Rates and General Services.

Capital expenditure of R762,5million was incurred as against the original estimate of R693,5million. Approximately R761,6million was expended on Hostel upgrades, slum clearance and on new housing developments and the balance mainly on plant and equipment.

MARKET SERVICE

	2006/07 ACTUAL	2007/08 ACTUAL	2007/08 VARIANCE	2007/08 ESTIMATE	VARIANCE ACTUAL/ ESTIMATE
	<u>R'000</u>	<u>R'000</u>	%	<u>R'000</u>	%
Operating Income	38 077	45 518	19.54	43 500	4.64
Operating Expenditure	30 659	34 468	12.42	40 987	(15.91)
Surplus	7 418	11 050	48.96	2 513	339.71

The major variances between the adjusted estimates and the actual results for the 2007/08 financial year are mainly attributable to:

- (i) Reduced expenditure on Employee Related Costs (R2.6m) as a result of the delayed filling of vacancies.
- (ii) Reduced expenditure on Depreciation (R0.3m), Repairs and Maintenance (R1.2m), Interest on Loans (R0.2m), General Expenses – other (R1.2m) and Internal Charges (R0.9m), as a result of resources being more effectively utilised.
- (iii) Increased income from Market Dues (R 1.6m), is attributable to higher turnover being realised.

A surplus of R 7.7m was realised in the 2007/08 financial year after a contribution to Rate and General Services of R 3.4m, based on 4 % of total capital outlay. The surplus was transferred to Rate and General Services. The surplus realised is the highest attained thus far in the history of the market.

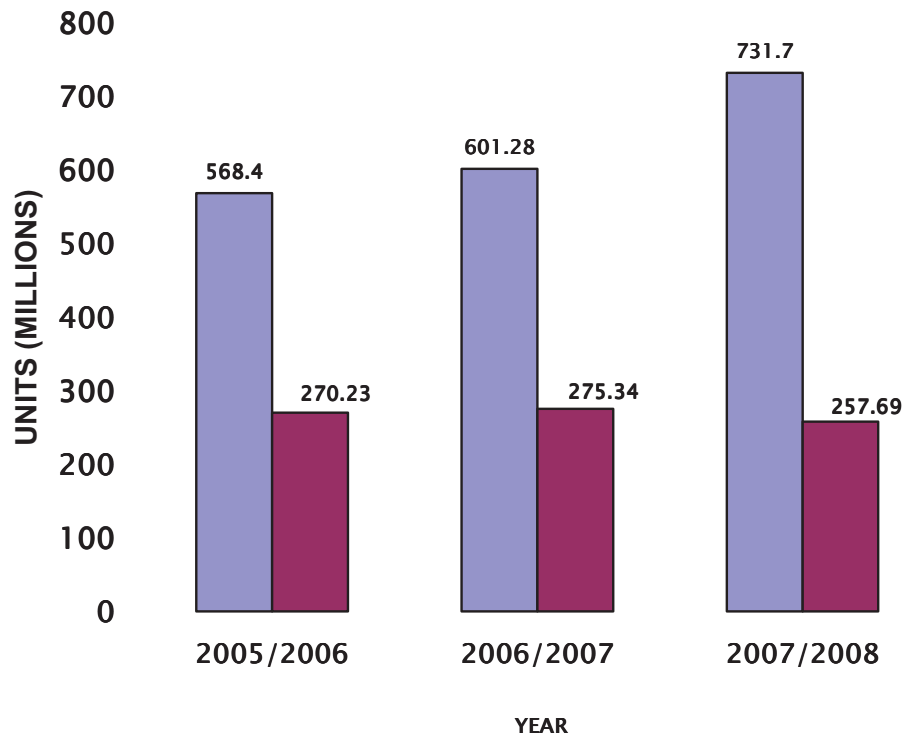
In comparison to national performance, the results of Durban is as follows:

- a) market share increased by 0,17 %
- b) turnover growth was greater than national average by 1,67 %.
- c) mass growth was greater than national average by 1,54 %.

Capital Expenditure for the financial year totalled R 6,7m, as against a budget of R 7.1m. The savings is attributable to the Market Extension – Warehousing & Trading facilities capital project costs being lower than projected.

In addition to the units original repairs and maintenance budget of R 2,9 m, additional expenditure of R 3,7m was incurred in an attempt to address the units backlog maintenance.

The following diagram illustrates the total sales of fresh produce and total tonnage of produce handled at the Durban Fresh Produce Market during the last three financial years:



AIRPORT SERVICE

	2006/07 ACTUAL	2007/08 ACTUAL	2007/08 VAR IAN CE	2007/08 ESTIMATE R'000	VARIENCE / ACTUAL ESTIMATE %
	<u>R'000</u>	<u>R'000</u>			
			%		
Operating Income	3 968	3 910	(1,48)	3 978	(1,7)
Operating Expenditure	3 130	3 616	13,44	3 768	(4,0)
(Deficit) / Surplus	838	294	(185,03)	210	40,0

The actual results for the 2007/08 financial year reflects a surplus of R 294 000 compared to the original budgeted surplus of R 210 000. This surplus has been transferred to Rate and General Services.

INVESTMENTS

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:

<u>EXTERNAL INVESTMENTS</u>	<u>2007-06-30</u>		<u>2008-06-30</u>	
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
	R'000	R'000	R'000	R'000
General Investments	16 623	16 623	19 300	19 300
Eskom Stock	3 793	4 960	3 793	3 700
RSA Stock	4 757	8 265	4 757	9 489
Fixed and Negotiable Deposits – Long Term	-	-	300 000	300 000
Fixed and Negotiable Deposits – Short Term	3 400 000	3 400 000	4 100 000	4 100 000
Sub - Total	3 425 173	3 429 848	4 427 850	4 432 489
Short-Term Deposits	240 380	240 380	362 417	362 417
TOTAL	3 665 553	3 670 228	4 790 267	4 794 906

Notes:

- a) The market value of fixed, general and short term investments are shown as par, on the basis that this will be the value realised upon maturity.

PENSION FUNDS

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. An interim valuation was done on 2007-12-31, establishing that the Fund was in an actuarial funding position of 106% at that date.

Members of the Fund contribute 7,5 % of pensionable emoluments. The Municipality contributes in the ratio of 2,624: 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. Since 2006-11 the Municipality has not been called upon to make any payments in respect of this guarantee.

In November of each year, the Fund pays to each pensioner a bonus equivalent to November's pension, funded 50 % by the Fund and 50 % by the Municipality. For the 2007/08 financial year, the Municipality's contribution in respect of this payment was R 12 062 161. (2006/07: R11 044 009).

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. A third option is to be given towards the end of 2008.

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.

GENERAL INSURANCE FUND

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. 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:

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

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 R45 469 766 and investment income totalled R 61 639 357. An amount of R 86 810 653 was transferred to Accumulated Funds with the total Accumulated Funds now stands at R 649 081 321.

CREDIT RATING

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 relative strength and well diversified nature of the local economy was positively considered. Furthermore, the council's active pursuit of initiatives aimed at stimulating economic development was viewed favourably.
- The municipality has an experienced and stable management team, which have demonstrated an ability to proactively manage the challenges facing the metropolitan area. In addition, cognizance was taken of the prudent judgement displayed by the political leadership.
- eThekweni displays a sound financial profile, characterised by strong cash generation and high liquidity levels.

- Although the municipality exhibits a relatively high debt burden and borrowings continue to increase, gross and net gearing has reduced somewhat in recent years, and is not expected to increase significantly going forward.
- While eThekweni has exhibited an improving debt collection profile in recent years, the deteriorating economic climate and relatively high tariff increases being passed onto consumers may exacerbate collection efficiency in the medium term.
- The substantial level of spending by council on World Cup related and socio-economic projects, and the associated longer term benefits thereof was favourably viewed. It is noted that the municipality currently receives a substantial amount of funding from government to assist in this regard.

ETHEKWINI MUNICIPALITY AND ITS MUNICIPAL ENTITIES
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 74, 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 29 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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

INDEX

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

INDEX	PAGE
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	74

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

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
SALA	South African Local Authority Pension Fund

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2008

Figures in Rand thousand	Note(s)	Group		Municipality	
		2008	2007	2008	2007
NET ASSETS AND LIABILITIES					
NET ASSETS					
Housing development fund	2	556,816	634,610	556,816	634,610
Capital replacement reserve		637,886	246,777	637,886	246,777
Capitalisation reserve		23,200	26,002	23,200	26,002
Government grant reserve		2,661,691	741,417	2,661,691	741,417
Donations and public contributions reserve		1,756,629	1,021,605	1,756,629	1,021,605
Self-insurance reserve		586,091	503,479	586,091	503,479
COVID reserve		36,307	34,811	36,307	34,811
Accumulated Surplus		7,950,515	7,292,222	7,694,759	6,875,545
		14,209,135	10,500,923	13,953,379	10,084,246
LIABILITIES					
Non-Current Liabilities					
Long-term liabilities	3	5,130,291	4,541,188	5,044,619	4,345,059
Finance lease obligation	4	-	2,832	-	2,832
Non-current provisions	5	141,448	133,829	141,448	133,829
Retirement benefit obligations	6	1,302,812	1,341,953	1,302,812	1,341,953
		6,574,551	6,019,802	6,488,879	5,823,673
Current Liabilities					
Finance lease obligation	4	-	15,692	-	15,692
Deposits	7	590,370	524,964	573,762	509,544
Current provisions	5	23,973	24,603	19,645	19,622
Creditors	8	4,157,047	3,476,441	4,096,907	3,391,334
Unspent conditional grants and receipts	9	539,912	131,307	539,912	131,307
Bank overdraft	10	743,412	1,789,411	739,755	1,786,114
Current portion of long-term liabilities	3	282,510	268,900	278,164	237,521
		6,337,224	6,231,318	6,248,145	6,091,134
Total Liabilities		12,911,775	12,251,120	12,737,024	11,914,807
Total Net Assets and Liabilities		27,120,910	22,752,043	26,690,403	21,999,053
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	16,593,652	12,879,707	15,324,999	11,612,551
Intangible assets	12	313,474	291,587	313,168	290,480
Investment properties	13	220,545	230,143	140,317	151,431
Investments in municipal entities	14	-	-	344,997	10,002
Investments	15	323,008	25,170	323,008	25,170
Investment in joint venture	16	-	-	166,250	162,456
Long-term Receivables	18	321,469	294,762	1,070,764	1,068,776
Deferred Revenue		4,755	3,371	-	-
		17,776,903	13,724,740	17,683,503	13,320,866
Current Assets					
Inventories	19	153,423	141,965	147,870	138,029
Investments	15	4,104,753	3,400,000	4,104,753	3,400,000
Consumer debtors	20	1,829,338	1,776,102	1,825,726	1,772,630
Debtors	21	1,812,056	1,456,200	1,653,621	1,204,300
VAT	23	116,729	46,611	139,302	72,183
Current portion of Long-term Receivables	18	24,533	29,478	24,533	29,478
Call investment deposits	22	468,127	321,721	362,502	240,380
Bank balances and cash	10	835,048	1,855,226	748,593	1,821,187
		9,344,007	9,027,303	9,006,900	8,678,187
Total Assets		27,120,910	22,752,043	26,690,403	21,999,053

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Note(s)	Group		Municipality	
		2008	2007	2008	2007
Revenue					
Property rates	24	3,649,509	3,134,051	3,660,408	3,141,393
Property rates - penalties imposed and collection		168,391	203,761	168,391	203,761
Service charges	25	5,475,004	4,907,754	5,490,368	4,920,503
Regional Services Council Levies		-	15,642	-	15,663
Rental of facilities and equipment		202,383	169,361	147,720	126,236
Fines		110,405	117,037	110,405	117,037
Licences and permits		23,785	11,095	23,785	11,095
Grants and subsidies	26	3,391,335	2,135,298	3,391,335	2,135,298
Public contributions and donations		798,610	15,207	795,833	11,815
Reversal of Loss on Impairment of Loans		-	-	146,960	-
Other income	27	775,978	1,069,245	553,818	782,102
Interest earned - external investments		460,377	304,770	444,770	306,345
Interest earned - outstanding debtors		121,552	92,322	121,552	92,322
Gains on disposal of property, plant and equipment		69,365	28,805	69,360	28,781
Total Revenue		15,246,694	12,204,348	15,124,705	11,892,351
Expenditure					
Employee related costs	28	3,309,864	3,134,859	3,235,690	3,073,530
Remuneration of councillors	29	59,033	57,354	59,033	57,354
Bad debts		376,629	346,581	375,655	346,430
Collection costs		-	587	-	333
Depreciation - Property, Plant and Equipment		970,541	898,442	909,520	842,573
Amortisation of intangible assets		68,402	44,256	67,361	43,373
Repairs and maintenance		1,227,854	886,734	1,218,338	879,222
Finance costs	30	629,698	553,199	606,604	528,985
Bulk purchases	31	2,915,858	2,684,611	2,915,858	2,684,611
Contracted Services		667,231	543,409	665,897	535,768
Grants and subsidies paid	32	115,828	123,449	115,828	123,449
General expenses		1,188,482	1,798,279	1,075,069	1,647,725
Loss on Impairment of Loans		-	-	70,374	109,877
Loss on disposal of property, plant and equipment		3,338	7,963	3,338	342
Depreciation - Investment Properties		5,184	5,405	801	802
Total Expenditure		11,537,942	11,085,128	11,319,366	10,874,374
Operating surplus		3,708,752	1,119,220	3,805,339	1,017,977
Share of Income from Joint Venture		-	-	63,794	111,825
Surplus for the year		3,708,752	1,119,220	3,869,133	1,129,802

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

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												
Group												
Opening balance as previously reported		693,901	93,275	29,439	468,019	1,069,189	456,819	31,802	2,148,543	6,541,086	9,383,530	
Prior year adjustments										-	(1,827)	(1,827)
Balance at 01 July 2006 as restated		693,901	93,275	29,439	468,019	1,069,189	456,819	31,802	2,148,543	6,539,259	9,381,703	
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 as previously reported									-	1,119,220	1,119,220	
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	-	
Balance at 01 July 2007		634,610	246,777	26,002	741,417	1,021,605	503,479	34,811	2,574,091	7,292,222	10,500,923	
Transfer to CRR			1,300,073						1,300,073	(1,300,073)	-	
Contribution to Insurance Reserve							120,525	11,823	132,348	(132,348)	-	
Transfer to Housing Development Fund		(77,794)							-	77,794	-	
Surplus for the year									-	3,708,752	3,708,752	
Prior year adjustment									-	(540)	(540)	
PPE purchases			(908,964)						(908,964)	908,964	-	
Capital grants used to purchase PPE					1,997,809				1,997,809	(1,997,809)	-	
Donated/contributed PPE						816,588			816,588	(816,588)	-	
Insurance claims processed							(37,913)	(10,327)	(48,240)	48,240	-	
Offsetting of depreciation				(2,802)	(77,535)	(81,564)			(161,901)	161,901	-	
Balance at 30 June 2008		556,816	637,886	23,200	2,661,691	1,756,629	586,091	36,307	5,701,804	7,950,515	14,209,135	

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

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											
Municipality											
Balance at 01 July 2006		693,901	93,275	29,439	468,019	1,069,189	456,819	31,802	2,148,543	6,112,000	8,954,444
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 as previously reported									-	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	-
Balance at 01 July 2007		634,610	246,777	26,002	741,417	1,021,605	503,479	34,811	2,574,091	6,875,545	10,084,246
Transfer to CRR			1,300,073						1,300,073	(1,300,073)	-
Contribution to Insurance Reserve							120,525	11,823	132,348	(132,348)	-
Transfer to Housing Development Fund		(77,794)							-	77,794	-
Surplus for the year										3,869,133	3,869,133
PPE purchases			(908,964)						(908,964)	908,964	-
Capital grants used to purchase PPE					1,997,809				1,997,809	(1,997,809)	-
Donated/contributed PPE						816,588			816,588	(816,588)	-
Insurance claims processed							(37,913)	(10,327)	(48,240)	48,240	-
Offsetting of depreciation				(2,802)	(77,535)	(81,564)			(161,901)	161,901	-
Balance at 30 June 2008		556,816	637,886	23,200	2,661,691	1,756,629	586,091	36,307	5,701,804	7,694,759	13,953,379

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

CASH FLOW STATEMENT

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from ratepayers, government and other	14,281,766	11,105,458	13,936,814	11,049,187
Cash paid to suppliers and employees	(8,917,276)	(8,004,860)	(8,688,599)	(7,897,161)
Cash generated from operations	33 5,364,490	3,100,598	5,248,215	3,152,026
Interest received	581,929	396,693	566,322	398,667
Finance Costs	(629,698)	(552,800)	(606,604)	(528,985)
Net cash from operating activities	5,316,721	2,944,491	5,207,933	3,021,708
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	11 (4,691,539)	(2,569,577)	(4,629,022)	(2,374,235)
Proceeds on disposal of property, plant and equipment, and Investment Properties	85,671	253,220	85,665	253,065
Increase in investment properties	(6,010)	(22,403)	(111)	(18,020)
Purchase of intangibles	(92,454)	(291,142)	(92,214)	(290,732)
(Increase) / decrease in non-current receivables	(21,761)	523	(58,580)	(176,655)
Increase in Loans to Municipal Entities	-	-	138,122	(109,877)
Increase in non-current investments	(298,798)	(1,022,770)	(298,798)	(1,022,770)
Increase in Investments in Municipal Entities	-	-	(334,995)	(10,000)
Decrease in Joint Venture Loan Account	-	-	60,000	-
Increase in current Investments	(703,793)	-	(703,793)	-
Net cash from investing activities	(5,728,684)	(3,652,149)	(5,833,726)	(3,749,224)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans repaid	(347,287)	(506,526)	(209,796)	(494,293)
New loans raised	950,000	858,740	950,000	858,740
Decrease in short-term loans	-	12,860	-	12,860
Finance lease payments	(18,524)	(15,349)	(18,524)	(15,349)
Net cash from financing activities	584,189	349,725	721,680	361,958
NET INCREASE IN CASH AND CASH EQUIVALENTS	172,226	(357,933)	95,887	(365,558)
Cash and cash equivalents at the beginning of the year	387,536	745,469	275,453	641,011
Cash and cash equivalents at the end of the year	10 559,762	387,536	371,340	275,453

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

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 522 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 522 of 2007:

IAS 19 (AC116) Employee Benefits

IAS 40 (AC 135) Investment Property

GAMAP 6 Consolidated Financial Statements and Accounting for Controlled Entities

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.

The Municipality has elected to early adopt section 122(2) of the MFMA relating to the Consolidation which was exempted in terms of General Notice 522 of 2007.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

ACCOUNTING POLICIES

1.2 Presentation of currency

These annual financial statements are presented in South African Rand.

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).

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 2008

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 donations and public contributions 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 2008

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.

The cost of an item of property, plant and equipment acquired from donations or public contributions are measured at its fair value.

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 522 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 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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

ACCOUNTING POLICIES

1.7 Property, plant and equipment (continued)

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

The Municipality has taken advantage of the exemption permitted by the Minister of Finance, in terms of General Notice 522 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to IAS 38 (AC 129) – the entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed.

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

Municipal Annual Financial Statements

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 carried at anticipated realisable value. An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Creditors

Trade creditors are stated at cost.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

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.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Other financial liabilities are carried at amortised cost.

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 at cost.

Exemptions

The Municipality has taken advantage of the exemptions permitted by the Minister of Finance, in terms of General Notice 522 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.

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.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

ACCOUNTING POLICIES

1.11 Investments in municipal entities (continued)

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.

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.

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.

1.13 Increase in Inventories

The Municipality has taken advantage of the exemption permitted by the Minister of Finance, in terms of General Notice 522 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to GAMAP 12 and SAICA Circular 09/06 – the entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17.

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 8 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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

ACCOUNTING POLICIES

1.16 Retirement Benefits (continued)

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, Multi Linked 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 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

The Municipality has taken advantage of the exemption permitted by the Minister of Finance, in terms of General Notice 522 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to GAMAP 9 paragraph 12 and SAICA Circular 09/06 – initial measurement of fair value discounting all future receipts using an imputed rate of interest.

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

ACCOUNTING POLICIES

1.17 Revenue (continued)

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.

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.

In the prior year revenue from Regional Levies, both those based on turnover as well as those based on remuneration, was 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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

ACCOUNTING POLICIES

1.17 Revenue (continued)

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 are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.19 Leases

The Municipality has taken advantage of the exemption permitted by the Minister of Finance, in terms of General Notice 522 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to IAS 17 (AC 105) and SAICA Circular 12/06 – recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 - 34 and 50 -51).

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.

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.

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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

ACCOUNTING POLICIES

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.

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 awards 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 522 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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
2. HOUSING DEVELOPMENT FUND				
Housing Development Fund				
Accumulated Surplus	289,837	367,631	289,837	367,631
Loans extinguished by Government on 1 April 1998	266,979	266,979	266,979	266,979
Total	556,816	634,610	556,816	634,610
The Housing Development Fund is represented by the following assets and liabilities:				
Property, plant and equipment	11 41,605	46,254	41,605	46,254
Housing selling scheme loans	183,133	185,862	183,133	185,862
Housing rental Debtors	22,391	27,332	22,391	27,332
Housing other Debtors	2,711	2,165	2,711	2,165
Housing inventory	672	508	672	508
Investments	306,659	378,659	306,659	378,659
Investment properties	16,726	17,283	16,726	17,283
Bank and cash	33	4	33	4
Sub-total	573,930	658,067	573,930	658,067
Long-term liabilities	(590)	(632)	(590)	(632)
Bank overdraft	-	(7,555)	-	(7,555)
Creditors	(17,047)	(15,270)	(17,047)	(15,270)
Unspent conditional grants	523	-	523	-
Total Housing Development Fund Assets and Liabilities	556,816	634,610	556,816	634,610
3. LONG-TERM LIABILITIES				
Annuity Loans	5,295,060	4,698,097	5,285,135	4,544,182
Non Annuity Loans	23,000	23,000	23,000	23,000
Debentures and Local Registered Stock Loans	94,741	88,991	14,648	15,398
Sub-total	5,412,801	4,810,088	5,322,783	4,582,580
Current portion of long term liabilities				
Annuity Loans	268,062	268,150	263,716	236,771
Debentures and Local Registered Stock Loans	14,448	750	14,448	750
Sub-total	282,510	268,900	278,164	237,521
Non-current liabilities				
Long term Portion	5,130,291	4,541,188	5,044,619	4,345,059

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

R19.2m (2007:R16.6m) has been invested specifically in a ring-fenced account for the repayment of long-term liabilities. See note 34 for more detail.

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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

3. Long-term liabilities (continued)

DBSA Phase 5 of R300m is separately secured by a cession of an acceptable revenue stream of R15 million p.a. as security .

AFD Calyon of 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 R4.3m to the year 2012.

Included in Annuity Loans:

Ushaka: The Citibank loan was settled in full in September 2007. In the prior year this loan was secured by assets with a book value R 564.7m .See notes 11 and 13 for more detail

Ushaka: Standard Bank loan is secured by assets with a book value of R0.7m (2007:R0.8m). See notes 11 and 13 for more detail.

Ushaka: The DBSA loan was settled in full in September 2007. In the prior year this loan was secured by assets with a book value R 564.7m .See notes 11 and 13 for more detail.

Ushaka: DBSA Phantom Ship loan is secured by assets with a book value of R 5.6m (2007:R 6.1m). See notes 11 and 13 for more detail.

Ushaka: DBSA Village Walk loan is unsecured.

Long term loan commitments: The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in November 2007 to borrow R2.9 billion at a fixed interest rate of 8.3% unsecured over 20 years. The Municipality has made a drawdown of R950m from this facility in the financial year ending 30 June 2008. A further drawdown of R950m was made on the 1st of July 2008. It is anticipated that a final drawdown of R1 billion will be made on the 1st of July 2009. The funds will be utilised solely for the financing of Capital Expenditure.

All other loans are unsecured.

4. FINANCE LEASE OBLIGATION

Minimum lease payments due

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

Present value of minimum lease payments	-	18,524	-	18,524
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Non-current liabilities	-	2,832	-	2,832
Current liabilities	-	15,692	-	15,692
	-	18,524	-	18,524

The finance lease was settled in full during the year.

Interest rates were linked to prime at the contract date. All leases had 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 Rnil (2007: R5,396,840).

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

5. PROVISIONS

Reconciliation of provisions - Group - 2008

	Opening Balance	Additions	Utilised during the year	Total
Current				
Long service awards	4,987	1,239	(344)	5,882
Performance bonus, leave pay and overtime	17,366	3,213	(5,733)	14,846
Clearance of Alien Vegetation	2,250	995	-	3,245
Non-current				
Environmental rehabilitation: Landfill sites	55,481	7,132	(2,920)	59,693
Clearance of Alien Vegetation	4,942	140	-	5,082
Long service awards	73,406	3,267	-	76,673
	158,432	15,986	(8,997)	165,421

Reconciliation of provisions - Group - 2007

	Opening Balance	Additions	Utilised during the year	Total
Current				
Clearance of Alien Vegetation	-	2,250	-	2,250
Performance bonus, leave pay and overtime	11,907	6,332	(873)	17,366
Long service awards	-	4,987	-	4,987
Non-current				
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
	61,907	98,882	(2,357)	158,432

Reconciliation of provisions - Municipality - 2008

	Opening Balance	Additions	Utilised during the year	Total
Current				
Clearance of Alien Vegetation	2,250	995	-	3,245
Performance bonus	12,385	2,874	(4,741)	10,518
Long service awards	4,987	1,239	(344)	5,882
Non-current				
Environmental rehabilitation: Landfill sites	55,481	7,132	(2,920)	59,693
Clearance of Alien Vegetation	4,942	140	-	5,082
Long service awards	73,406	3,267	-	76,673
	153,451	15,647	(8,005)	161,093

Reconciliation of provisions - Municipality - 2007

	Opening Balance	Additions	Utilised during the year	Total
Current				
Clearance of Alien Vegetation	-	2,250	-	2,250
Performance bonus	6,889	5,496	-	12,385
Long service awards	-	4,987	-	4,987
Non-current				
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
	56,889	98,046	(1,484)	153,451

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

5. Provisions (continued)

Non-current liabilities	141,448	133,829	141,448	133,829
Current liabilities	23,973	24,603	19,645	19,622
	165,421	158,432	161,093	153,451

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 R59.7 million (2007:R55.5 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 2008 (2007: 30 June 2007). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 15.5% 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 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.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

6. RETIREMENT BENEFIT OBLIGATIONS

6.1. Defined benefit plan

Statement of Financial Position obligation for:

Post-employment medical benefits	1,394,452	1,311,873	1,394,452	1,311,873
Pension benefits	(91,640)	30,080	(91,640)	30,080
Balance at end of year	1,302,812	1,341,953	1,302,812	1,341,953

Statement of Financial Performance obligation for:

Post-employment medical benefits	82,579	408,637	82,579	408,637
Pension Benefits:	-	-	-	-
Defined Benefit Funds	126,467	113,127	126,467	113,127
Defined Contribution Funds	298,354	107,538	296,396	105,777
Total, included in employee benefits expense	507,400	629,302	505,442	627,541

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	1,311,873	903,236	1,311,873	903,236
Current service cost	55,414	28,740	55,414	28,740
Interest cost	100,355	82,154	100,355	82,154
Actuarial (gains) losses	(29,795)	336,047	(29,795)	336,047
Benefit payments	(43,395)	(38,304)	(43,395)	(38,304)
Balance at end of year	1,394,452	1,311,873	1,394,452	1,311,873

Net expense recognised in the Statement of financial performance

Current service cost	55,414	28,740	55,414	28,740
Interest cost	100,355	82,154	100,355	82,154
Actuarial (gains) losses	(29,795)	336,047	(29,795)	336,047
Benefit payments	(43,395)	(38,304)	(43,395)	(38,304)
Total, included in employee benefits expense	82,579	408,637	82,579	408,637

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

6. Retirement benefit obligations (continued)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used	9.50 %	7.75 %	9.50 %	7.75 %
General increases to medical aid contributions	8.50 %	6.75 %	8.50 %	6.75 %
Salary Inflation	8.00 %	6.25 %	8.00 %	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 %	7.85 %	7.85 %
Age 25	5.67 %	5.67 %	5.67 %	5.67 %
Age 30	4.20 %	4.20 %	4.20 %	4.20 %
Age 35	3.31 %	3.31 %	3.31 %	3.31 %
Age 40	2.23 %	2.23 %	2.23 %	2.23 %
Age 45	1.21 %	1.21 %	1.21 %	1.21 %
Age 50	0.55 %	0.55 %	0.55 %	0.55 %
Age 55+	0.00 %	0.00 %	0.00 %	0.00 %

6.1.2. Pension benefits

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

Present value of funded obligations	6,781,924	5,802,647	6,781,924	5,802,647
Present value of the defined benefit obligation-partially or wholly funded	(7,915,807)	(8,326,690)	(7,915,807)	(8,326,690)
Natal Joint Municipal Pension Fund surcharge	-	30,080	-	30,080
Asset not recognised due to future surplus policy not yet established	1,042,243	2,524,043	1,042,243	2,524,043
Liability (Surplus) in the Statement of Financial Position	(91,640)	30,080	(91,640)	30,080

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
6. Retirement benefit obligations (continued)				
Movement in the defined benefit obligation is as follows:				
Balance at beginning of the year	30,080	-	30,080	-
Current service cost	126,647	113,127	126,467	113,127
Contributions by plan participants	33,708	37,235	33,708	37,235
Actuarial losses	860,282	309,119	860,282	309,119
Interest cost	452,421	469,502	452,421	469,502
Benefit payments	(493,601)	(385,336)	(493,601)	(385,336)
Obligation not recognised due to future surplus policy not yet established	(1,100,997)	(513,567)	(1,100,997)	(513,567)
Balance at end of year	(91,460)	30,080	(91,640)	30,080
Movement in the fair value of plan assets is as follows:				
Actuarial gains (losses)	(722,704)	2,550,107	(722,704)	2,550,107
Employer contributions	90,107	88,074	90,107	88,074
Employee contributions	33,708	37,235	33,708	37,235
Benefit payments	(493,601)	(385,336)	(493,601)	(385,336)
Expected return on assets	681,607	565,610	681,607	565,610
Asset not recognised due to future surplus policy not yet established	410,883	(2,855,690)	410,883	(2,855,690)
Balance at end of year	-	-	-	-
The amounts recognised in the Statement of Financial Performance were as follows:				
Current service cost - Defined Benefit Funds	126,467	113,127	126,467	113,127
Current service cost - Defined Contribution Funds	296,396	107,538	296,396	105,777
Total included in employee benefits expense	422,863	220,665	422,863	218,904

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

6. Retirement benefit obligations (continued)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	7.75 %	9.00 %	7.75 %	9.00 %
Expected return on plan assets	8.25 %	10.59 %	8.25 %	10.59 %
Future salary increases	4.75 %	5.75 %	4.75 %	5.75 %
Future pension increases	2.85 %	3.81 %	2.85 %	3.81 %

Examples of mortality rates used were as follows:

Active members (All):

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

All Councillors and employees belong to 8 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 December 2007. This valuation indicated that the Fund was in a sound financial position.

The estimated liability of the Fund is R5.819 billion, which is adequately financed by assets of R6.399 billion. An amount of R90.1 million (2007: R88.1 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, Multi Linked 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 2007 reflected a fund deficit of R229.8 million in respect of members. The total contribution rate payable, including the total surcharge of 14% will eliminate the deficit by the year 2010.

The latest statutory valuation of the NJMP Provident Fund (defined contribution) as at 31 March 2007 revealed that the Fund was in a sound financial position.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
7. DEPOSITS				
I.C.C. : Clients Deposits	15,300	14,125	-	-
Electricity	414,441	366,921	414,441	366,921
Water	117,644	104,155	117,644	104,155
Interest	41,677	38,468	41,677	38,468
Ushaka:Rental Deposits	1,308	1,295	-	-
Total Deposits	590,370	524,964	573,762	509,544

Included in eThekwini Municipality's deposits is an accrual of interest at an effective interest rate of 3% per annum (2007: 3%) which is paid to consumers when deposits are refunded.

8. CREDITORS

Trade payables	1,825,990	1,250,570	1,814,446	1,250,472
Payments received in advance	1,359,394	931,055	1,359,394	931,055
Retentions	45,567	38,103	45,567	38,103
Bank Deposits not yet receipted	109,508	325,086	109,508	325,086
Staff leave	183,626	159,936	183,626	159,936
Other payables	632,962	771,691	584,366	686,682
Total Creditors	4,157,047	3,476,441	4,096,907	3,391,334

9. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government:

Department of Transport and Public Transport Infrastructure	25,661	33,139	25,661	33,139
Department of Economic Activity and various Industries	3,832	2,978	3,832	2,978
Provincial Grants & Subsidies	59,718	11,305	59,718	11,305
Equitable Share	5,554	4,671	5,554	4,671
Municipal Infrastructure Grant	445	1,813	445	1,813

Other Conditional Receipts

2010 DBSA	178,469	11,000	178,469	11,000
European Union	87,269	43,782	87,269	43,782
Donations and Public Contributions	135,187	7,087	135,187	7,087
D Moss Interest and Land Sales	9,041	8,927	9,041	8,927
Other Grants and Subsidies	31,497	4,730	31,497	4,730
Vuna Awards	3,239	1,875	3,239	1,875
Total Conditional Grants and Receipts	539,912	131,307	539,912	131,307

These amounts are invested in a ring-fenced investment until utilised. See note 26 for more detail. No grants or subsidies were withheld during the year.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

10. CASH AND CASH EQUIVALENTS

Refer to note 47 for details on Bank accounts and balances.

Cash and cash equivalents consist of:

Cash on hand	9,489	18,637	8,922	17,473
Bank balances	825,559	1,836,589	739,671	1,803,714
Bank balances and cash	835,048	1,855,226	748,593	1,821,187
Bank overdraft	(743,412)	(1,789,411)	(739,755)	(1,786,114)
	91,636	65,815	8,838	35,073
Call Investment Deposits	468,127	321,721	362,502	240,380
Cash and cash equivalents	559,763	387,536	371,340	275,453

11. PROPERTY, PLANT AND EQUIPMENT

Group	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	3,931,707	(556,536)	3,375,171	2,898,586	(470,995)	2,427,591
Infrastructure	15,040,865	(5,180,163)	9,860,702	13,543,095	(4,634,042)	8,909,053
Community	2,472,098	(280,652)	2,191,446	768,071	(253,461)	514,610
Other	2,748,185	(1,630,410)	1,117,775	2,316,348	(1,345,695)	970,653
Leased Assets	24,964	(24,894)	70	24,964	(19,971)	4,993
Heritage	6,883	-	6,883	6,553	-	6,553
Housing Development Fund	128,390	(86,785)	41,605	137,794	(91,540)	46,254
Total	24,353,092	(7,759,440)	16,593,652	19,695,411	(6,815,704)	12,879,707

Municipality	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and Buildings	2,636,701	(442,287)	2,194,414	1,647,769	(396,039)	1,251,730
Infrastructure	15,040,865	(5,180,163)	9,860,702	13,543,095	(4,634,042)	8,909,053
Community	2,472,098	(280,652)	2,191,446	768,071	(253,461)	514,610
Other	2,562,253	(1,532,374)	1,029,879	2,148,687	(1,269,329)	879,358
Leased Assets	24,964	(24,894)	70	24,964	(19,971)	4,993
Heritage	6,883	-	6,883	6,553	-	6,553
Housing Development Fund	128,390	(86,785)	41,605	137,794	(91,540)	46,254
Total	22,872,154	(7,547,155)	15,324,999	18,276,933	(6,664,382)	11,612,551

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2008

	Opening Balance	Additions	Disposals	Transfers	Work-in- Progress	Depreciation	Total
Land and Buildings	2,427,591	986,327	(50)	15,176	32,481	(86,354)	3,375,171
Infrastructure	8,909,053	762,652	(584)	(499,957)	1,243,869	(554,331)	9,860,702
Community	514,610	58,981	-	470,126	1,174,920	(27,191)	2,191,446
Other	970,653	427,517	(3,067)	14,767	2,926	(295,021)	1,117,775
Leased Assets	4,993	-	-	-	-	(4,923)	70
Heritage	6,553	53	-	-	277	-	6,883
Housing Development Fund	46,254	610	(3,352)	255	559	(2,721)	41,605
	12,879,707	2,236,140	(7,053)	367	2,455,032	(970,541)	16,593,652

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	1,134,316	283,163	(8,157)	(175,769)	1,323	(264,223)	970,653
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
	11,427,429	883,357	(25,246)	(193,609)	1,686,218	(898,442)	12,879,707

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Municipality - 2008

	Opening Balance	Additions	Disposals	Transfers	Work-in- progress	Depreciation	Total
Land and Buildings	1,251,730	932,627	(51)	14,991	41,399	(46,282)	2,194,414
Infrastructure	8,909,053	762,652	(584)	(499,957)	1,243,869	(554,331)	9,860,702
Community	514,610	58,981	-	470,126	1,174,920	(27,191)	2,191,446
Other	879,358	409,788	(3,067)	14,946	2,926	(274,072)	1,029,879
Leased Assets	4,993	-	-	-	-	(4,923)	70
Heritage	6,553	53	-	-	277	-	6,883
Housing Development Fund	46,254	610	(3,352)	255	559	(2,721)	41,605
	11,612,551	2,164,711	(7,054)	361	2,463,950	(909,520)	15,324,999

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
	10,291,993	865,195	(17,543)	(193,561)	1,509,040	(842,573)	11,612,551

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

11. Property, plant and equipment (continued)

Pledged as security

In the prior year property, plant and equipment with a book value of R520 539 939 had been pledged as security to financial institutions as disclosed in note 3. These loans were settled in September 2007.

In the prior year leased assets were 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. 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 1 July 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)

12. INTANGIBLE ASSETS

Group	2008			2007		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Servitudes	42,736	-	42,736	43,728	-	43,728
Computer software	438,973	(168,235)	270,738	345,463	(97,604)	247,859
Total	481,709	(168,235)	313,474	389,191	(97,604)	291,587

Municipality	2008			2007		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Servitudes	42,736	-	42,736	43,728	-	43,728
Computer software	434,086	(163,654)	270,432	343,473	(96,721)	246,752
Total	476,822	(163,654)	313,168	387,201	(96,721)	290,480

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

12. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2008

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Total
Servitudes	43,728	808	(1,800)	-	-	42,736
Computer software	247,859	91,646	(3)	(362)	(68,402)	270,738
	291,587	92,454	(1,803)	(362)	(68,402)	313,474

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
	44,701	115,421	175,721	(44,256)	291,587

Reconciliation of intangible assets - Municipality - 2008

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Total
Servitudes	43,728	808	(1,800)	-	-	42,736
Computer software	246,752	91,406	(3)	(362)	(67,361)	270,432
	290,480	92,214	(1,803)	(362)	(67,361)	313,168

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
	43,121	115,011	175,721	(43,373)	290,480

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 1 July 2008.

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

13. INVESTMENT PROPERTIES

Group	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Revenue Generating	131,161	(28,754)	102,407	125,261	(23,569)	101,692
Non-revenue Generating	118,138	-	118,138	128,451	-	128,451
Total	249,299	(28,754)	220,545	253,712	(23,569)	230,143

Municipality	2008			2007		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Revenue Generating	32,705	(10,526)	22,179	32,705	(9,725)	22,980
Non-revenue Generating	118,138	-	118,138	128,451	-	128,451
Total	150,843	(10,526)	140,317	161,156	(9,725)	151,431

Reconciliation of investment properties - Group - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Revenue Generating	101,692	5,899	-	(5,184)	102,407
Non-revenue Generating	128,451	111	(10,424)	-	118,138
	230,143	6,010	(10,424)	(5,184)	220,545

Reconciliation of investment properties - Group - 2007

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Total
Revenue Generating	84,874	4,383	-	17,840	(5,405)	101,692
Non-revenue Generating	141,793	180	(13,522)	-	-	128,451
	226,667	4,563	(13,522)	17,840	(5,405)	230,143

Reconciliation of investment properties - Municipality - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Revenue Generating	22,980	-	-	(801)	22,179
Non-revenue Generating	128,451	111	(10,424)	-	118,138
	151,431	111	(10,424)	(801)	140,317

Reconciliation of investment properties - Municipality - 2007

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Total
Revenue Generating	5,942	-	-	17,840	(802)	22,980
Non-revenue Generating	141,793	180	(13,522)	-	-	128,451
	147,735	180	(13,522)	17,840	(802)	151,431

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

13. Investment properties (continued)

Municipality

The fair value of the Municipal properties is R1.8 billion (2007: R533 million). Investment properties have been valued in accordance with the new municipal valuation roll which became effective on 1 July 2007. In the prior-year Investment properties were valued in terms of past trends in the escalation of property values for the period 1998 to 2006. A more accurate valuation has now been determined with the implementation of the Municipal Property Rates Act (No. 6 of 2004).

Group

In addition to the note above included in investment properties are assets pledged by Durban Marine Theme Park (Proprietary) Limited. In the prior year Investment properties with a book value of R57 million were pledged against loans from Citibank Limited and the Development Bank of South Africa Limited (refer note 3). These loans were settled in September 2007.

Fair value: Investment properties owned by Durban Marine Theme Park (Proprietary) Limited have a directors value of R100 million (2007: R105 million) based on a valuation method of net rental return, capitalised at a fair market rate of 13% (2007: 12.5%).

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

14. INVESTMENTS IN MUNICIPAL ENTITIES

Name of company	% holding 2008	% holding 2007	Carrying amount 2008	Carrying amount 2007
ICC Durban (Proprietary) Limited	100 %	100 %	1	1
Durban Marine Theme Park (Proprietary) Limited	99.8 %	99 %	344,996	10,001
			344,997	10,002

In addition to the shares issued by Durban Marine Theme Park (Pty) Ltd as per note 17, a further 206 shares were issued in terms of the agreement regarding the Municipality's contribution for the Effingham Road Development Joint Venture surplus.

In addition to the above, in September 2007 the Municipality invested a further R157m for which 1 617 shares were issued. These funds were used by Durban Marine Theme Park (Pty) Ltd to settle the outstanding capital loans with Citibank and the Development Bank of Southern Africa.

As at 30th June 2008

			ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	-	-	1	3,945
Percentage owned by Council (%)	-	-	100	99
Indebtedness of Municipal Entities (R'000)- Non Interest Bearing	-	-	226,590	481,789
Loss on Impairment of Loans	-	-	(226,590)	(481,789)
Electricity Income Received (R'000)	-	-	3,694	7,585
Water Income Received (R'000)	-	-	973	3,108
Rates Income Received (R'000)	-	-	10,899	-
Interest Received (R'000)	-	-	-	11,100

As at 30th June 2007

			ICC Durban (Proprietary) Limited	Durban Marine Theme Park (Proprietary) Limited
Issued Share Capital (R'000)	-	-	1	511
Percentage owned by Council (%)	-	-	100	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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
15. INVESTMENTS				
Listed Securities - Held to Maturity				
RSA Government Stock-Held to maturity (October 2008)	4,753	4,754	4,753	4,754
Eskom Stock-Held to maturity (November 2009)	3,793	3,793	3,793	3,793
	8,546	8,547	8,546	8,547
Financial Instruments - Held to Maturity				
General Investments	19,215	16,623	19,215	16,623
Fixed and Negotiable Deposits	4,400,000	3,400,000	4,400,000	3,400,000
	4,419,215	3,416,623	4,419,215	3,416,623
Total Cash Investments	4,427,761	3,425,170	4,427,761	3,425,170
Non-current assets				
Listed Securities	3,793	8,547	3,793	8,547
Financial Instruments	319,215	16,623	319,215	16,623
	323,008	25,170	323,008	25,170
Current assets				
Listed Securities	4,753	-	4,753	-
Held to Maturity	4,100,000	3,400,000	4,100,000	3,400,000
	4,104,753	3,400,000	4,104,753	3,400,000
	4,427,761	3,425,170	4,427,761	3,425,170
Market valuation of listed investments				
RSA Government Stock	9,489	8,265	9,489	8,265
Eskom Stock	3,700	4,960	3,700	4,960
	13,189	13,225	13,189	13,225

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

16. INVESTMENT IN JOINT VENTURE

Name of company	Unlisted	% holding 2008	% holding 2007	Carrying amount 2008	Carrying amount 2007
Effingham Development		66.74 %	66.74 %	166,250	162,456

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 the municipality's interest in the joint venture

Assets

Township Property	27,516	21,728
Current assets - Debtors	148,220	246,901
Current assets - Cash on hand	53,295	(2,516)

TOTAL ASSETS

229,031 **266,113**

Equity and Liabilities

Members Loan Accounts	166,250	162,456
Current liabilities - creditors	62,781	103,657

TOTAL EQUITY AND LIABILITIES

229,031 **266,113**

Reconciliation of Investment in Joint Venture

Balance at beginning of year	162,456	50,631
Share of Income for the year	63,794	111,825
Payment received	(60,000)	-

BALANCE AT END OF YEAR

166,250 **162,456**

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
17. LOANS TO MUNICIPAL ENTITIES				
Durban Marine Theme Park (Proprietary) Limited	-	-	481,789	623,938
ICC Durban (Proprietary) Limited	-	-	226,590	222,564
Subtotal	-	-	708,379	846,502
Impairment of loans to municipal entities	-	-	(708,379)	(846,502)
	-	-	-	-

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

During the year the loan of R156.9m to Durban Marine Theme Park (Pty) Ltd. was converted into 1600 ordinary shares in the municipal entity. This loan was previously impaired in full. The reversal of the loan impairment as at 30 June 2007 amounting to R147m has been recognised as revenue in the current year.

18. RECEIVABLES

Long-term receivables

Loan: DIDT	138,058	126,474	138,058	126,474
Housing Selling scheme loans	183,133	185,862	183,133	185,862
Loan: I.C.C. Durban (Pty) Limited	-	-	749,295	774,014
Sewerage connection loans	11	14	11	14
Land sales	17,055	5,374	17,055	5,374
Education Loans	4,712	3,148	4,712	3,148
Sporting bodies	2,838	3,025	2,838	3,025
Car Loans	83	164	83	164
Housing Bonds	112	179	112	179
	346,002	324,240	1,095,297	1,098,254

Less: Current portion transferred to current receivables

Housing Selling scheme loans	5,972	27,828	5,972	27,828
Sewerage connection loans	11	7	11	7
Land sales	17,055	-	17,055	-
Terms and conditions				
Education Loans	849	1,001	849	1,001
Sporting bodies	531	550	531	550
Car Loans	83	50	83	50
Housing Bonds	32	42	32	42
	24,533	29,478	24,533	29,478

Non-current assets

Long-term receivables	321,469	294,762	1,070,764	1,068,776
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Current assets

Long-term receivables	24,533	29,478	24,533	29,478
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eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

Car loans

Senior staff are entitled to car loans which attract interest at 15% (2007:8% - 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 15% (2007:13%) per annum and are repayable over a maximum period of 10 years.

Sporting Bodies Loans

These loans attract interest of 15%(2007:13%) 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 building transferred to the ICC. The loan has been impaired to the carrying value of the building.

19. INVENTORIES

Unsold Properties held for resale	15,015	19,796	15,015	19,796
Food and Beverage	2,476	1,923	-	-
Consumable stores	123,585	109,021	122,855	108,244
Maintenance materials	243	508	243	508
Water	9,757	9,481	9,757	9,481
Merchandise	2,347	1,236	-	-
	153,423	141,965	147,870	138,029

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
20. CONSUMER DEBTORS				
Gross Balances				
Rates	1,779,294	1,953,723	1,779,294	1,953,723
Electricity	517,844	441,073	517,844	441,073
Water	977,137	897,888	978,257	899,382
Refuse	8,842	8,353	8,842	8,353
Regional services levies	41,160	70,221	41,160	70,221
Housing rental	79,178	68,933	79,178	68,933
Waste water	9,583	8,738	9,583	8,738
I.C.C. Debtors	4,732	4,966	-	-
Total	3,417,770	3,453,895	3,414,158	3,450,423
Less Provision for bad debts				
Rates	(788,172)	(840,141)	(788,172)	(840,141)
Electricity	(140,000)	(140,000)	(140,000)	(140,000)
Water	(562,313)	(585,830)	(562,313)	(585,830)
Regional services levies	(41,160)	(70,221)	(41,160)	(70,221)
Housing rental	(56,787)	(41,601)	(56,787)	(41,601)
Total	(1,588,432)	(1,677,793)	(1,588,432)	(1,677,793)
Net Balance				
Rates	991,122	1,113,582	991,122	1,113,582
Electricity	377,844	301,073	377,844	301,073
Water	414,824	312,058	415,944	313,552
Refuse	8,842	8,353	8,842	8,353
Housing rental	22,391	27,332	22,391	27,332
Waste water	9,583	8,738	9,583	8,738
I.C.C. Debtors	4,732	4,966	-	-
Total	1,829,338	1,776,102	1,825,726	1,772,630
Rates				
Current (0 -30 days)	143,696	146,245	143,696	146,245
31 - 60 days	44,573	46,573	44,573	46,573
61 - 90 days	29,840	37,263	29,840	37,263
91 - 120 days	26,675	781,336	26,675	781,336
121 - 365 days	793,220	230,577	793,220	230,577
> 365 days	741,290	711,729	741,290	711,729
Total	1,779,294	1,953,723	1,779,294	1,953,723
Electricity, Water, Solid Waste and Waste Water				
Current (0 -30 days)	478,372	435,233	478,372	436,727
31 - 60 days	150,916	132,860	150,916	132,860
61 - 90 days	37,292	41,388	37,292	41,388
91 - 120 days	25,926	33,832	25,926	33,832
121 - 365 days	822,020	711,853	822,020	711,853
> 365 days	-	886	-	886
Total	1,514,526	1,356,052	1,514,526	1,357,546

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
Regional services levies				
Current (0 -30 days)	-	53	-	53
31 - 60 days	-	93	-	93
61 - 90 days	-	19	-	19
91 - 120 days	41,160	70,056	41,160	70,056
Total	41,160	70,221	41,160	70,221
Housing rental				
Current (0 -30 days)	2,814	2,549	2,814	2,549
31 - 60 days	2,149	1,955	2,149	1,955
61 - 90 days	17,428	810	17,428	810
91 - 120 days	56,787	22,018	56,787	22,018
121 - 365 days	-	41,601	-	41,601
Total	79,178	68,933	79,178	68,933
I.C.C. Debtors				
Current (0 -30 days)	3,179	3,589	-	-
31 - 60 days	529	469	-	-
61 - 90 days	799	709	-	-
91 - 120 days	225	199	-	-
Total	4,732	4,966	-	-
21. DEBTORS				
Other Debtors	895,760	717,462	752,006	475,494
Provision for bad debts	(49,038)	(26,264)	(53,770)	(31,179)
Insurance debtor	72,140	6,592	72,140	6,592
Accruals	872,027	743,505	872,027	743,505
Prepayments made in advance	19,505	14,905	11,218	9,888
Recoverable fruitless and wasteful expenditure	1,662	-	-	-
	1,812,056	1,456,200	1,653,621	1,204,300
22. CALL INVESTMENT DEPOSITS				
30 Day deposits	468,127	321,721	362,502	240,380
23. VAT				
VAT reconciliation				
VAT receivable	140,842	74,101	139,302	92,789
VAT payable	(24,113)	(27,490)	-	(20,606)
Net Vat	116,729	46,611	139,302	72,183

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

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

24. PROPERTY RATES

Rates received

Residential	1,459,521	1,272,283	1,459,521	1,272,283
Commercial	2,007,919	1,706,645	2,018,818	1,713,987
State	182,069	155,123	182,069	155,123
Total Assessment Rates	3,649,509	3,134,051	3,660,408	3,141,393

Valuations

Residential	59,695,714	58,517,064	59,695,714	58,517,064
Commercial	37,795,301	33,703,313	37,795,301	33,703,313
State	5,179,125	4,836,474	5,179,125	4,836,474
Municipal	1,860,234	3,789,323	1,860,234	3,789,323
Total Property Valuations	104,530,374	100,846,174	104,530,374	100,846,174

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 R0,085 (2007: R0,078) 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 70.59% (2007:70,73%) for dwellings and 66.91% (2007:67,08%) for flats and complexes are granted for residential properties valued at over R100 000.

A rate randage of R0,3168 (2007:R0,28824) is applied to commercial and industrial land valuations and a randage of R0,0264 (2007 R0,02402) is applied to commercial and industrial building valuations. A rebate of 45 % is granted to commercial and industrial. A rebate of 50 % is granted to vacant land properties. Rates are levied on a monthly basis for the majority of property owners.

Rates payable annually were due on 31 October 2007 (2007. 31 October 2006). In the prior year the interest rate was 24% per annum and a 15 % collection charge was levied on arrear rates .With the repeal of the Local Authorities Ordinance number 25 of 1974 there is longer an authority for these charges to be raised.Instead interest at prime plus 5% is levied on arrears.

25. SERVICE CHARGES

Sale of electricity	3,622,574	3,262,269	3,631,136	3,272,164
Sale of water	1,524,489	1,371,466	1,531,291	1,374,320
Solid waste	138,244	124,049	138,244	124,049
Sewerage and sanitation charges	65,177	66,012	65,177	66,012
Other service charges	124,520	83,958	124,520	83,958
Total service charges	5,475,004	4,907,754	5,490,368	4,920,503

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
26. GRANTS AND SUBSIDIES				
Equitable share	1,314,837	1,146,889	1,314,837	1,146,889
Municipal infrastructure grant	358,449	319,595	358,449	319,595
Restructuring grant	100,000	75,000	100,000	75,000
European Union	44,783	81,855	44,783	81,855
Provincial health subsidies	34,311	32,851	34,311	32,851
Department of Transport and Public Transport Infrastructure	99,129	11,083	99,129	11,083
Department of Economic Activities and various Industries	1,820	1,458	1,820	1,458
Vuna Awards	1,036	125	1,036	125
2010 KZN Provincial grant	1,135,590	264,957	1,135,590	264,957
2010 DBSA	-	29,998	-	29,998
Provincial government	66,260	70,946	66,260	70,946
Other grants	232,474	100,197	232,474	100,197
Public Contributions	2,646	344	2,646	344
Total government grants and subsidies	3,391,335	2,135,298	3,391,335	2,135,298
Equitable share				
Balance unspent at beginning of year	4,671	18,285	4,671	18,285
Current-year receipts	1,315,720	1,133,275	1,315,720	1,133,275
Conditions met - transferred to revenue	(1,314,837)	(1,146,889)	(1,314,837)	(1,146,889)
Conditions still to be met - transferred to liabilities	5,554	4,671	5,554	4,671
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	1,813	6,948	1,813	6,948
Current-year receipts	357,081	309,032	357,081	309,032
Current-year accruals	-	5,428	-	5,428
Conditions met - transferred to revenue	(358,449)	(319,595)	(358,449)	(319,595)
Conditions still to be met - transferred to liabilities	445	1,813	445	1,813
This grant was used to construct roads and sewerage infrastructure.				
Department of Economic Activities and various Industries				
Balance unspent at beginning of year	2,978	4,436	2,978	4,436
Current-year receipts	2,674	-	2,674	-
Conditions met - transferred to revenue	(1,820)	(1,458)	(1,820)	(1,458)
Conditions still to be met - transferred to liabilities	3,832	2,978	3,832	2,978

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.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
Department of Transport and Public Transport Infrastructure				
Balance unspent at beginning of year	33,139	13,300	33,139	13,300
Current-year receipts	91,651	30,922	91,651	30,922
Conditions met - transferred to revenue	(99,129)	(11,083)	(99,129)	(11,083)
Conditions still to be met - transferred to liabilities	25,661	33,139	25,661	33,139

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

European Union

Balance unspent at beginning of year	43,782	52,398	43,782	52,398
Current-year receipts	88,270	73,239	88,270	73,239
Conditions met - transferred to revenue	(44,783)	(81,855)	(44,783)	(81,855)
Conditions still to be met - transferred to liabilities	87,269	43,782	87,269	43,782

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	4,730	474	4,730	474
Current-year receipts	259,241	104,453	259,241	104,453
Conditions met - transferred to revenue	(232,474)	(100,197)	(232,474)	(100,197)
Conditions still to be met - transferred to liabilities	31,497	4,730	31,497	4,730

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

Public Contributions

Balance unspent at beginning of year	7,087	-	7,087	-
Current-year receipts	130,745	7,431	130,745	7,431
Conditions met - transferred to revenue	(2,646)	(344)	(2,646)	(344)
Conditions still to be met - transferred to liabilities	135,186	7,087	135,186	7,087

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

2010 KZN Provincial grant

Current-year receipts	1,135,590	264,957	1,135,590	264,957
Conditions met - transferred to revenue	(1,135,590)	(264,957)	(1,135,590)	(264,957)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
Provincial government				
Balance unspent at beginning of year	11,305	3,510	11,305	3,510
Current-year receipts	114,673	78,741	114,673	78,741
Conditions met - transferred to revenue	(66,260)	(70,946)	(66,260)	(70,946)
Conditions still to be met - transferred to liabilities	59,718	11,305	59,718	11,305

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

2010 DBSA

Balance unspent at beginning of year	11,000	-	11,000	-
Current-year receipts	167,469	40,998	167,469	40,998
Conditions met - transferred to revenue	-	(29,998)	-	(29,998)
Conditions still to be met - transferred to liabilities	178,469	11,000	178,469	11,000

The grant was used to fund various roads infrastructure.

Provincial health subsidies

Current-year receipts	34,311	32,851	34,311	32,851
Conditions met - transferred to revenue	(34,311)	(32,851)	(34,311)	(32,851)
Conditions still to be met - transferred to liabilities	-	-	-	-

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

Current-year receipts	100,000	75,000	100,000	75,000
Conditions met - transferred to revenue	(100,000)	(75,000)	(100,000)	(75,000)
Conditions still to be met - transferred to liabilities	-	-	-	-

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	1,875	2,000	1,875	2,000
Current-year receipts	2,400	-	2,400	-
Conditions met - transferred to revenue	(1,036)	(125)	(1,036)	(125)
Conditions still to be met - transferred to liabilities	3,239	1,875	3,239	1,875

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.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
27. OTHER INCOME				
Housing :Development Income	328,664	588,738	328,664	588,738
Sundry Income	447,314	480,507	225,154	193,364
	775,978	1,069,245	553,818	782,102
28. EMPLOYEE RELATED COSTS				
Employee related costs-Salaries and Wages	2,227,650	2,009,317	2,164,524	1,961,677
Bonus	450	1,635	-	-
Medical aid and Pension Benefits	6 507,400	629,302	505,442	627,541
UIF	23,092	20,409	18,459	16,885
Leave pay provision contribution	62,256	40,144	61,569	39,769
Travel, motor car, accommodation, subsistence and other allowances	92,015	93,374	91,742	93,118
Overtime payments	223,347	168,654	221,563	166,215
Long-service awards	5,921	73,600	5,921	73,600
13th Cheques	1,263	1,730	-	-
Housing benefits and allowances	31,700	26,539	31,700	26,539
Holiday Bonus	142,230	128,135	142,230	128,135
Other	17,909	22,521	17,909	20,552
Less: Employee costs capitalised to PPE	(25,369)	(80,501)	(25,369)	(80,501)
	3,309,864	3,134,859	3,235,690	3,073,530

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	1,150	1,074	1,150	1,074
Car Allowance	102	102	102	102
Contributions to UIF, Medical Aid and Pension Funds	1	1	1	1
Total	1,253	1,177	1,253	1,177

Remuneration of the Chief Finance Officer

Annual Remuneration	808	759	808	759
Car Allowance	259	243	259	243
Contributions to UIF, Medical Aid and Pension Funds	171	161	171	161
Total	1,238	1,163	1,238	1,163

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
Governance				
Annual Remuneration	808	759	808	759
Car Allowance	259	243	259	243
Performance Bonuses	171	843	-	-
Contributions to UIF, Medical Aid and Pension Funds	164	154	164	154
Total	1,402	1,999	1,231	1,156
Corporate and Human Resources				
Annual Remuneration	875	812	875	812
Car Allowance	165	165	165	165
Contributions to UIF, Medical Aid and Pension Funds	26	25	26	25
Total	1,066	1,002	1,066	1,002
Health, Safety and Social Services				
Annual Remuneration	384	857	384	857
Car Allowance	60	144	60	144
Contributions to UIF, Medical Aid and Pension Funds	1	1	1	1
Total	445	1,002	445	1,002
The above post was vacant for part of the year				
Procurements and Infrastructure				
Annual Remuneration	982	917	982	917
Car Allowance	60	60	60	60
Contributions to UIF, Medical Aid and Pension Funds	25	26	25	26
Total	1,067	1,003	1,067	1,003
Remuneration paid by Municipal Entities:				
I.C.C.: Remuneration of the Chief Executive Officer				
Salaries, allowances and benefits	1,190	1,234	-	-
Durban Marine Theme Park:				
Chairman fees	24	24	-	-
Directors Fees	11	15	-	-
Directors Expenses	18	36	-	-
Total	53	75	-	-

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

29. REMUNERATION OF COUNCILLORS

Mayor	807	766	807	766
Deputy Mayor	745	627	745	627
Mayoral Committee Members	2,545	3,462	2,545	3,462
Speaker	503	430	503	430
Councillors	49,862	47,384	49,862	47,384
Councillors' pension contribution	4,571	4,685	4,571	4,685
Total Councillors' Remuneration	59,033	57,354	59,033	57,354

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.

30. FINANCE COSTS

Non-current borrowings	536,942	525,168	513,887	500,954
Consumer Deposits	6,914	6,386	6,914	6,386
Finance leases	-	2,565	-	2,565
Other interest paid	85,842	19,080	85,803	19,080
Total Finance costs	629,698	553,199	606,604	528,985

31. BULK PURCHASES

Electricity	1,961,355	1,827,602	1,961,355	1,827,602
Water	954,503	857,009	954,503	857,009
Total Bulk Purchases	2,915,858	2,684,611	2,915,858	2,684,611

32. GRANTS AND SUBSIDIES PAID

Grant paid :Durban Arts Association	2,497	2,378	2,497	2,378
Grant paid: Enhanced Extended Discount Benefit	13,230	56,432	13,230	56,432
Grant paid: Sporting Organisations	29,713	28,827	29,713	28,827
Grant paid: Playhouse Company	2,484	2,366	2,484	2,366
Grant paid: Natal Philharmonic Orchestra	5,600	5,000	5,600	5,000
Grant paid: Tourism Indaba	7,656	6,085	7,656	6,085
Grant paid: Trade Point Durban	1,300	-	1,300	-
Grant paid: Food Aid Program	5,226	4,038	5,226	4,038
Grant paid: Other	48,122	18,323	48,122	18,323
Total Grants and Subsidies Paid	115,828	123,449	115,828	123,449

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
33. CASH GENERATED FROM OPERATIONS				
Surplus for the year	3,708,752	1,119,220	3,869,133	1,129,802
Adjustments for:				
Depreciation - Property, Plant and equipment	970,540	898,442	909,520	842,573
Gains on disposal of property, plant and equipment	(69,365)	(28,805)	(69,360)	(28,781)
Contributions to provisions-non current	7,619	83,829	7,619	83,829
Contribution to provisions - current	(630)	12,696	23	12,733
Contribution to bad debt provision	376,629	346,430	375,655	346,430
Investment income	(581,929)	(396,693)	(566,322)	(398,667)
Finance Costs	629,698	552,800	606,604	528,985
Loss on impairment	-	-	70,374	109,877
Loss on disposal of property, plant and equipment	3,338	7,963	3,338	342
Reversal of Loss on Impairment	-	-	(146,960)	-
Share of income from joint venture	-	-	(63,794)	(111,825)
Depreciation - Investment properties	5,184	5,405	801	802
Amortisation of Intangibles	68,402	44,256	67,361	43,373
Changes in working capital:				
Increase in Inventories	(11,458)	(18,719)	(9,841)	(18,525)
Increase in Debtors	(429,865)	(389,465)	(428,751)	(387,259)
Increase in other debtors	(355,856)	(312,804)	(449,321)	(102,017)
(Increase) / Decrease in VAT debtors	(70,118)	47,658	(67,119)	23,498
Increase in Deferred Income	(1,384)	(1,079)	-	-
Increase in deposits	64,866	48,256	64,218	43,604
Increase in Creditors	680,603	612,535	705,573	564,579
Increase in Unspent conditional grants and receipts	408,605	29,956	408,605	29,956
(Decrease) / Increase in Retirement Benefit Obligations	(39,141)	438,717	(39,141)	438,717
	5,364,490	3,100,598	5,248,215	3,152,026
34. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION				
Long-term liabilities	5,412,801	4,810,088	5,322,783	4,582,580
Used to finance property, plant and equipment – at cost	(5,412,801)	(4,810,088)	(5,322,783)	(4,582,580)
	-	-	-	-
Cash set aside for the repayment of long-term liabilities	19,215	16,623	19,215	16,623

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
35. COMMITMENTS				
35.1 Commitments in respect of capital expenditure				
Approved and contracted for				
• Infrastructure	1,330,556	400,669	1,330,556	400,669
• Community	3,512	5,950	3,512	5,950
• Land and buildings	566	114	566	114
• Other assets	12,007	4,667	12,007	4,267
Approved but not yet contracted for				
• Infrastructure	466,924	300	466,924	300
• Community	14,600	6,776	14,600	6,776
• Other	3,269	-	3,269	-
Durban Marine Theme Park (Pty)Ltd	-	400	-	-
Total	1,831,434	418,876	1,831,434	418,076

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

Operating leases – as lessee (expenditure)

Minimum lease payments due				
- within one year	36,627	29,688	36,469	29,519
- in second to fifth year inclusive	228,693	212,183	228,693	212,118
- later than five years	87,084	140,128	87,084	140,128
	352,404	381,999	352,246	381,765

The comparatives have been restated to provide more accurate information.

35.2 Operating leases – as lessor (income)

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

- within one year	14,198	14,941	-	-
- in second to fifth year inclusive	36,686	46,831	-	-
	50,884	61,772	-	-

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%.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

36. CONTINGENCIES

Contractual Disputes	730	11,956	730	11,956
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Various departments within the municipality have price disputes with certain contractors.

Self Insurance Reserve	14,878	44,905	14,878	44,905
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Various claims submitted to the Insurance department of the municipality are under dispute. The estimated liability of such claims is disclosed.

Bank Guarantee	3,600	3,600	3,600	3,600
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This guarantee is issued in favour of The Member(s), Jeena's Warehouse Close Corporation dated 11 November 1998.

Finance Guarantees	-	141,800	-	141,800
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The municipality had issued promissory notes as surety for Loans granted by Financial Institutions to the Durban Marine Theme Park (Pty) Ltd. These promissory notes were cancelled during the year.

37. 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
Councillors / Official with significant influence	Durban Infrastructural Development Trust Trustees: G.M. Borman - Councillor R.D. Macpherson - Councillor V.G. Reddy - Councillor J. Balwanth - Council Official M. Tembe - Independent 3rd party P. Ngcobo - Independent 3rd party K. Raganandan - Independent 3rd party
Councillors / Officials with significant influence	Metro Club Trust Fund Trustees: Z.R.T. Gumede - Councillor V.G. Reddy - Councillor B.N. Magwaza - Council Official S.O. Cele - Council Official

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
37. Related parties (continued)				
Related party balances				
Loan accounts - Owing by related parties				
I.C.C. Durban (Proprietary) Limited			226,590	222,564
Durban Marine Theme Park (Proprietary) Limited			481,789	476,978
Durban Marine Theme Park (Proprietary) Limited - Interest bearing			-	146,960
Loans fully impaired			(708,379)	(846,502)
Durban Infrastructural Development Trust			138,058	126,474
			138,058	126,474
Amounts included in Trade receivable regarding related parties				
I.C.C. Durban (Proprietary) Limited			-	506
Durban Marine Theme Park (Proprietary) Limited			861	988
			861	1,494
Amounts included in Trade Payable regarding related parties				
Durban Marine Theme Park (Proprietary) Limited			243	23
Metro Club Trust Fund			1,503	594
			1,746	617
Related party transactions				
Sales to related parties				
I.C.C. Durban (Proprietary) Limited:				
Electricity			3,694	3,082
Water			973	386
Rates			10,899	7,324
Durban Marine Theme Park (Proprietary) Limited				
Electricity			7,586	6,776
Water			3,108	2,467
Business Levies			-	21
Interest			11,100	14,460
Riverhorse Valley Joint Venture				
Electricity and Water			42	37
Rates			-	18
Income from Joint Venture			63,794	111,825
			101,196	146,396
Purchases from related parties				
I.C.C. Durban (Proprietary) Limited				
General Expenses			5,262	4,906
Durban Marine Theme Park (Proprietary) Limited				
General Expenses			1,642	1,909
			6,904	6,815

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

38. CORRECTION OF PRIOR YEAR ERRORS

The following adjustments were made to amounts previously reported in the annual financial statements of the Group: -

Property, Plant and Equipment

Balance previously reported	-	12,881,951	-	11,612,551
I.C.C. Durban (Pty) Ltd.: Adjustment relating to depreciation of operational equipment previously not depreciated	-	(2,244)	-	-
	-	12,879,707	-	11,612,551

Accumulated Surplus

Balance previously reported	-	7,294,466	-	6,875,545
I.C.C. Durban (Pty) Ltd.: Depreciation adjustment relating to operational equipment	-	(2,244)	-	-
	-	7,292,222	-	6,875,545

39. 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. The submission of legislative proposals and constitutional amendments to give effect to a RED Establishment Bill did not happen as envisaged during the current year Parliamentary sessions. This would delay the RED establishment process and with elections in 2009, further delays may be expected. However, in the interim, an accession agreement is expected to be entered into between Electricity Distribution Industry (EDI) Holdings and the municipality to continue with the preparatory work towards RED establishment.

Durban Transport (Remant Alton)

The eThekwini Municipality will acquire ownership of the Durban Transport buses and other ancillary equipment from the Durban Transport Contractor (Remant Alton) with effect from 1st September 2008. Tenders will be called for the purchase of a further 162 busses to maintain the fleet at the required level of service. The busses and other ancillary equipment will be leased to Remant Alton to cover all costs involved i.e. depreciation, interest, administrative overheads, maintenance, insurance, licence fees etc. in conformity with the law. The payment terms agreed are as follows.

First payment of R100 million to be made on date of signing of the purchase and sale agreement.

Second payment of R 285 793 693 to be made on physical transfer of assets.

Final R20 million to be held as Retention and be paid over at the end of the contract in September 2010

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
40. TRAFFIC FINES				
Traffic fines issued but not yet recovered at year end.	904,829	711,969	904,289	711,969

The recoverability of outstanding traffic fines is uncertain.

An application was made to the Directorate of Public Prosecutions and in summary the following has been approved:

(a) all outstanding fines prior to and including 31 December 2004 to be withdrawn;

(b) all fines from 1 January 2005 to be reduced by 50%;

(c) that the incentive referred to in item (a) and (b) to be applicable provided that all outstanding fines are settled in full;

(d) this incentive will run for a period of three months, whereafter Metro Police Department will implement stringent measures to enforce collection of fines in respect of individuals who have failed to take advantage thereof.

This directive is effective from 4 June 2008.

41. 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).

42. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

A summary of material cases during 2007/08 are listed below

Manipulation of Tender Process	1,784	-	1,784	-
Theft of Municipal Vehicle	950	-	950	-
Manipulation of Property Valuations resulting in reduction of Rates Income	306	-	306	-
Durban Marine Theme Park (Pty) Ltd. - Misappropriation of funds relating to ticketing and cash office systems	1,807	-	-	-
I.C.C. Durban (Pty) Ltd. - Misappropriation of funds relating to Accounts Payable	1,662	-	-	-

Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	5,793	2,280	5,793	2,280
Irregular expenditure current year	6,509	3,513	3,040	3,513
Condoned or written off by Council	(3,000)	-	(3,000)	-
Rates Income Recovered	(306)	-	(306)	-
Irregular expenditure awaiting condonement	8,996	5,793	5,527	5,793

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007
43. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
Contributions to organized local government				
Council subscriptions	6,000	6,000	6,000	6,000
Amount paid - current year	(6,000)	(6,000)	(6,000)	(6,000)
Balance unpaid (included in creditors)	-	-	-	-
Audit fees				
Current year audit fee	1,178	819	855	819
Previous years audit fee	8,314	7,517	8,314	7,517
Amount paid - current year	(1,178)	(819)	(855)	(819)
Amount paid - previous years	(8,314)	(7,517)	(8,314)	(7,517)
Balance unpaid (included in creditors)	-	-	-	-
VAT				
VAT received(paid) for the year	309,718	61,574	309,718	61,574
PAYE and UIF				
Opening balance	226	163	-	-
Current year payroll deductions	406,803	363,943	403,093	357,682
Amount paid - current year	(406,525)	(363,717)	(403,093)	(357,682)
Amount paid - previous years	(226)	(163)	-	-
Balance unpaid (included in creditors)	278	226	-	-
Pension and Medical Aid Deductions				
Opening balance	259	235	-	-
Current year payroll deductions and Council Contributions	712,407	644,949	707,463	638,568
Amount paid - current year	(711,972)	(644,690)	(707,463)	(638,568)
Amount paid - previous years	(259)	(235)	-	-
Balance unpaid (included in creditors)	435	259	-	-

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand thousand	Group		Municipality	
	2008	2007	2008	2007

Councillors arrears

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

30 June 2008	<u>Amount Outstanding Rands</u>		<u>Amount Outstanding Rands</u>
Councillor Madlala P.N.	854		854
Councillor Mabuza F.T.	76		76
Councillor Mbambo V.J.	4,764		4,764
Councillor Ntanzi P.N.	8,006	-	8,006
Councillor Pillay P.	1,074	-	1,074
Councillor Mngwengwe B.V.	5,053	-	5,053
Councillor Gumede	98	-	98
	19,925		19,925

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

44. COMPARATIVE FIGURES

The following categories of comparative figures have been reclassified:

Statement of Financial Performance: Rental of facilities and equipment, Other income, Employee related costs, General expenses, Repairs and maintenance.

Inventories: Merchandise, Food and Beverage.

Commitments: Operating leases, income and expenditure.

45. TAXATION

No provision has been made for the taxation of municipal entities as they have an assessed loss of R382 484 831 (2007: R327 526 390), which is available for set-off against future taxable income. No deferred tax asset has been raised.

46. 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.

eThekweni Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

47. BANK BALANCES

Account number - Bank - Account Description	Cash Book Balance 30 June 2008	Bank Statement balance 30 June 2008	Cash Book Balance 30 June 2007	Bank Statement balance 30 June 2007
62085728106 - FNB - Main Expenditure	38,319	(230,652)	36,913	(169,133)
62085728263 - FNB - Main Expenditure EFT	-	(560,285)	6	(347,220)
62085720722 - FNB - Direct Deposits Account	9,513	233,030	3,286	152,243
62085725855 - FNB - Electronic Deposits Account	32,822	216,417	9,861	2,131,237
62085729948 - FNB - Cashiers Deposit Account	(7,806)	175,927	1,359	92,218
62085730119 - FNB - Government Deposit Account	8,420	73,761	6,190	43,369
62085723990 - FNB - Water and Sanitation Services Deposit Account	-	-	218	1,315
62085721952 - FNB - Electricity Income Account	284	10,609	126	14,264
62085721481 - FNB - Electricity Prepaid Vendor Deposits	4,932	30,700	2,283	32,218
62085729071 - FNB - SARS E-Filing Account	-	144,317	837	837
62085725996 - FNB - Dishonoured Cheques Account	(418)	(2,204)	(493)	(2,031)
050073117 - Standard Bank - Main Expenditure Bank	102	102	-	-
62085721275 - FNB - Mayors Relief Account	-	(42)	-	-
62116972599 - FNB - Housing Operating Account	-	-	-	-
62085727827 - FNB - Durban Fresh Produce EFT Account	-	-	-	-
62085721332 - FNB - Direct Debit Collections Account	-	46,638	-	41,412
62085721762 - FNB - Transwitch Account	(8)	80,172	72	73,986
62085722546 - FNB - Agents Deposit Account	8,662	48,592	1,144	23,245
62085722877 - FNB - Metro Police Deposit Account	-	4,283	14	2,646
62085729790 - FNB - Metro Police Transwitch Deposit Account	(41)	1,291	-	639
62085723495 - FNB - Parks, Recreation and Culture Deposit Acc.	129	1,536	12	2,223
62085723776 - FNB - City Engineers Account	413	24,326	85	39,395
62085724992 - FNB - Business Levies Income Deposit Account	-	255	-	143
62085725152 - FNB - Business Levies Direct Deposit Account	-	537	-	529
62085725384 - FNB - Business Levies Unpaid Cheques Account	-	-	-	207
62085729534 - FNB - Virginia Airport Account	-	339	-	277
62116972755 - FNB - Department of Housing Account	-	5,501	-	10,783
62085728908 - FNB - Sundry PAYE Account	408	407	449	449
62085729245 - FNB - Cash Payments Account	156	(428)	185	(246)
62088851764 - FNB - Refunds Expenditure Account	4,547	1,627	2,960	770
62085724542 - FNB - Water and Sanitation Services Expenditure Acc.	543	(3,102)	1,309	(4,082)
62085724732 - FNB - Water and Sanitation Services EFT Account	-	(554,676)	76	(198,645)
62085722348 - FNB - Electricity Expenditure Account	(14,882)	(14,883)	(1,882)	(1,882)
62085722463 - FNB - Electricity EFT Account	(476,406)	(476,406)	(258,481)	(258,481)
62085738750 - FNB - Salaries Account	(10)	(135,167)	(10)	(118,800)

eThekwini Municipality and its Municipal Entities

Annual Financial Statements for the year ended 30 June 2008

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

62085727661 - FNB - Durban Fresh Produce Market Account	9,360	9,298	9,444	9,381
62151500496 - FNB - CIFAL Durban Account	1,185	1,275	-	-
62085727143 - FNB - Short term 2 Account	-	-	(1,525,248)	(1,494,686)
62085727116 - FNB - General Bank Account	(240,182)	(474,922)	1,030,657	(743,500)
62085729378 - FNB - Bank Charges Account	-	(446)	-	(450)
62085726449 - FNB - Consolidated Investment Fund Bank Account	511,364	851,364	527,119	527,119
62085726879 - FNB - Consolidated Investment Fund EFT Account	-	-	93,467	93,467
62121186705 - FNB - 2010 Soccer Grant Account	108,510	536,861	75,492	75,492
Internal Inter-company Banks	-	-	150	-
Totals: ETHEKWINI MUNICIPALITY				
Bank balances	739,671	-	1,803,714	-
Bank overdraft	(739,755)	-	(1,786,114)	-
Durban Marine Theme Park (Proprietary) Limited:				
0500337036 - Citibank - Primary Bank Account	25,052	24,513	12,454	12,454
0500337052 - Citibank - Retail Bank Account	-	-	70	70
050033026 - Standard Bank - Overdraft Bank Account	-	-	2	2
0500337125 - Citibank - Schools Bank Account	9	9	8	8
0500337044 - Citibank - Debt Service Bank Account	-	-	3,788	3,788
I.C.C. Durban (Proprietary) Limited:				
50226959 - Standard Bank	(3,657)	-	(781)	-
332845 - Standard Bank	2,703	-	16,357	-
50881201632 - FNB	4,776	-	196	-
50018949 - Standard Bank	53	-	-	-
Effingham Development Joint Venture:				
Bank Balances	53,295	-	(2,516)	-
Totals: MUNICIPAL ENTITIES				
Bank balances	85,888	-	32,875	-
Bank overdraft	(3,657)	-	(3,297)	-
Totals: GROUP				
Bank balances	825,559	-	1,836,589	-
Bank overdraft	(743,412)	-	(1,789,411)	-

APPENDIX A(1) : ETHEKWINI MUNICIPALITY - SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2008

Description	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/07	Received during the year	Redeemed / (Interest Capitalised) during this period	Balance at 30/06/08	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
ETHEKWINI MUNICIPALITY:									
LONG TERM LOANS									
Debenture Stock	D142	3.75	10/11/2007	750	0	750	0	0	0
Stock Loan	N7	13	31/07/2006	0	0	0	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	0	0	0	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
Total Stock Loans				15,398	0	750	14,648	0	0
FRB PN	1/58	Variable	30/06/2016	267,751	0	19,554	248,197		
INCA INDWA	1/66	9.52	30/06/2020	466,278	0	19,242	447,036	421,551	0
Nedbank Ltd	1/67	8.47	31/03/2021	877,510	0	34,449	843,061	720,077	0
DBSA Ph 1	P1	13.5	30/09/2017	573,971	0	26,805	547,166	0	0
DBSA Ph 2	P2	11.97	31/03/2016	315,861	0	30,022	285,839	0	0
DBSA Ph 3	P3	12.9	30/09/2017	384,082	0	17,204	366,878	0	0
DBSA Ph 4	P4	10.4	30/06/2019	508,736	0	22,729	486,007	0	0
DBSA Ph 5	P5	8.9	30/06/2020	290,717	0	11,754	278,963	56,250	0
DBSA Ph 6	P5	8.75	30/06/2022	800,000	0	27,227	772,773	566,811	0
DBSA Ph 7	P7	8.3	02/01/2013	0	950,000	0	950,000	706,076	0
DWAF	DW	8.9	31/03/2013	536	0	61	475	0	0
AFD Calyon	1/68	9.52	31/12/2018	58,740	0	0	58,740	0	0
Total Annuity Loans				4,544,182	950,000	209,047	5,285,135	2,470,765	0
ABSA	1/64	Variable	31/10/2010	23,000	0	0	23,000	0	0
Total Non Annuity Loans				23,000	0	0	23,000	0	0
TOTAL EXTERNAL LOANS (ETHEKWINI MUNICIPALITY)				4,582,580	950,000	209,797	5,322,783	2,470,765	0

APPENDIX A(2) : GROUP - SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2008

Description	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/07	Received during the year	Redeemed / (Interest Capitalised) during this period	Balance at 30/06/08	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
DURBAN MARINE THEME PARK:									
LONG TERM LOANS									
Debenture Stock		13		73,593	0	(6,500)	80,093	0	0
Total Stock Loans				73,593	0	(6,500)	80,093	0	0
Standard Bank		9.52		2,162	0	(964)	1,198	675	0
CITI Bank		13.84		109,464	0	(109,464)	0		0
DBSA		13.84		32,353	0	(32,353)	0		0
DBSA - Phantom ship		10.9		3,436	0	(1,626)	1,810	5,658	0
DBSA - Village Walk		8.5		5,871	0	329	6,200		0
Total Annuity Loans				153,286	0	(144,078)	9,208	6,333	0
Premium Finance Solutions		Variable		628	0	89	717	0	0
Total Non Annuity Loans				628	0	89	717	0	0
TOTAL EXTERNAL LOANS (DURBAN MARINE THEME PARK)				227,507	0	(150,489)	90,018	6,333	0
TOTAL EXTERNAL LOANS: ETHEKWINI MUNICIPALITY				4,582,580	950,000	209,797	5,322,783	1,759,941	0
(refer Appendix A (1))									
GROUP TOTAL:				4,810,087	950,000	59,308	5,412,801	1,766,274	0

APPENDIX B : ETHEKWINI MUNICIPALITY -ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost / Revaluation									Accumulated Depreciations				Carrying Value
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Disposals	Transfers	Adjustments Capital Under Construction	Adjustments Costs	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R		R	R	R	R	R	R	R
Land and Buildings														
Land	447,297	523	45,586	0	-1,729	0		0	491,677	0	0	0	0	491,677
Buildings	1,232,550	102,512	887,041	41,958	-9,132	14,991		0	2,269,920	485,147	48,792	-7,486	526,453	1,743,467
	1,679,847	103,035	932,627	41,958	-10,861	14,991		0	2,761,597	485,147	48,792	-7,486	526,453	2,235,144
Infrastructure														
Roads	3,555,792	69,914	265,337	305,611	0	0		0	4,196,654	1,562,572	194,820	0	1,757,392	2,439,262
Traffic Equipment & Ranks	352,064	0	56,718	0	0	0		0	408,782	91,393	17,388	0	108,781	300,001
Stormwater Drainage	541,468	0	76,283	0	0	0		0	617,751	226,248	24,149	0	250,397	367,354
Servitudes	15,975	0	0	0	0	0		0	15,975	7,906	539	0	8,445	7,530
Sewerage Pumps	90,351	74,582	221	24,716	0	0		0	189,870	37,062	5,495	0	42,557	147,313
Sewerage Mains & Reticulation	827,636	358,650	99,568	147,875	0	0		0	1,433,729	267,040	38,306	0	305,346	1,128,383
Purification Works	400,911	51,578	0	26,250	0	0		0	478,739	195,331	17,219	0	212,550	266,189
Refuse Sites & Transfer Station	244,829	53,534	0	-7,278	0	0		0	291,085	108,565	19,642	0	128,207	162,878
Water Mains & Reticulation	1,299,211	342,629	28,478	520,958	0	0		0	2,191,276	464,729	61,872	0	526,601	1,664,675
Water Reservoirs	213,112	6,809	429	4,785	0	0		0	225,135	83,387	10,085	0	93,472	131,663
General Infrastructure	1,233,970	250,898	72,934	48,472	0	-486,757		0	1,119,517	246,570	33,250	0	279,820	839,697
Mains	1,184,089	161,721	76,065	44,631	-1,719	321,101	-128,028	128,028	1,785,888	420,162	192,764	-1,594	611,332	1,174,556
Major Substations	1,249,704	197,651	68,228	92,261	-1,998	-362,226	-156,472	156,472	1,243,620	525,015	-134,221	-1,627	389,167	854,453
Public Lighting	167,733	5,450	4,672	5,173	-17	1,018	-4,315	4,315	184,029	57,521	15,460	0	72,981	111,048
Connections & Switches	592,834	0	13,719	30,415	-5,060	26,907		0	658,815	340,541	57,563	-4,989	393,115	265,700
	11,969,679	1,573,416	762,652	1,243,869	-8,794	-499,957	-288,815	288,815	15,040,865	4,634,042	554,331	-8,210	5,180,163	9,860,702
Community Assets														
Recreation	69,500	473,709	37,620	1,177,263	0	400,013		0	2,158,105	184,909	18,648	0	203,557	1,954,548
Clinics & Depots	40,753	23,739	16,861	-3,514	0	0		0	77,839	10,828	1,338	0	12,166	65,673
Cemeteries & Crematoria	62,260	4,931	53	847	0	0		0	68,091	13,532	2,116	0	15,648	52,443
Community Halls	219	2,550	2,550	-2,102	0	70,113		0	74,402	18,339	2,358	0	20,697	53,705
Fire Stations	16,462	8,752	1,597	0	0	0		0	26,811	4,487	606	0	5,093	21,718
Libraries	51,676	105	0	2,426	0	0		0	54,207	20,890	1,712	0	22,602	31,605
Museums	925	0	0	0	0	0		0	925	409	31	0	440	485
Police Stations	11,418	0	300	0	0	0		0	11,718	67	382	0	449	11,269
	253,213	514,858	58,981	1,174,920	0	470,126	0	0	2,472,098	253,461	27,191	0	280,652	2,191,446
Heritage Assets														
Exhibits	6,500	53	53	277	0	0		0	6,883	0	0	0	0	6,883
	6,500	53	53	277	0	0	0	0	6,883	0	0	0	0	6,883
Other Assets														
Airconditioning	5,991	0	1,234	0	-13	0		0	7,212	4,775	340	-13	5,102	2,110
Security Systems	71,385	0	11,585	0	0	0		0	82,970	25,334	11,627	0	36,961	46,009
Computer Equipment	392,977	116	125,872	3,305	-1,838	1,142		0	521,574	246,035	49,893	-1,310	294,618	226,956
Car Parks & Fencing	7,827	611	10,146	-466	0	480		0	18,598	4,895	2,654	0	7,549	11,049
Plant & Equipment	565,036	0	69,867	0	-1,953	-12,374		0	620,576	393,704	46,936	-1,768	438,872	181,704
Furniture & Fittings	41,218	0	6,894	0	-130	4,009		0	51,991	27,817	6,044	-57	33,804	18,187
Markets	25,169	821	11,002	87	0	480		0	37,559	4,340	934	0	5,274	32,285
Vehicles	985,742	0	167,928	0	-10,212	20,503		0	1,163,961	556,024	153,150	-7,903	701,271	462,690
Fire Engines	53,068	1,407	5,870	0	0	961		0	61,306	8,837	2,705	0	11,542	49,764
Leased Assets														
	24,964	0	0	0	0	0		0	24,964	19,971	4,923	0	24,894	70
	2,173,377	2,955	410,398	2,926	-14,146	15,201	0	0	2,590,711	1,291,732	279,206	-11,051	1,559,887	1,030,824
Total	16,082,616	2,194,317	2,164,711	2,463,950	-33,801	361	-288,815	288,815	22,872,154	6,664,382	909,520	-26,747	7,547,155	15,324,999

APPENDIX B : GROUP-ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost / Revaluation								Accumulated Depreciations					Carrying Value
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Disposals	Transfers	Adjustments Capital Under Construction	Adjustments Costs	Closing Balance	Opening Balance	Additions	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	
Land and Buildings														
Land	447,297	523	45,586	0	-1,729	0	0	0	491,677	0	0	0	0	491,677
Buildings	2,464,918	102,697	931,232	41,962	-9,131	17,465	0	0	3,549,143	541,839	106,046	-7,486	640,399	2,908,744
	2,912,215	103,220	976,818	41,962	-10,860	17,465			4,040,820	541,839	106,046	-7,486	640,399	3,400,421
Infrastructure														
Roads	3,555,792	69,914	265,337	305,611	0	0	0	0	4,196,654	1,562,572	194,820	0	1,757,392	2,439,262
Traffic Equipment & Ranks	352,064	0	56,718	0	0	0	0	0	408,782	91,393	17,388	0	108,781	300,001
Stormwater Drainage	541,468	0	76,283	0	0	0	0	0	617,751	226,248	24,149	0	250,397	367,354
Servitudes	15,975	0	0	0	0	0	0	0	15,975	7,906	539	0	8,445	7,530
Sewerage Pumps	90,351	74,582	221	24,716	0	0	0	0	189,870	37,062	5,495	0	42,557	147,313
Sewerage Mains & Reticulation	827,636	358,650	99,568	147,875	0	0	0	0	1,433,729	267,040	38,306	0	305,346	1,128,383
Purification Works	400,911	51,578	0	26,250	0	0	0	0	478,739	195,331	17,219	0	212,550	266,189
Refuse Sites & Transfer Station	244,829	53,534	0	-7,278	0	0	0	0	291,085	108,565	19,642	0	128,207	162,878
Water Mains & Reticulation	1,299,211	342,629	28,478	520,958	0	0	0	0	2,191,276	464,729	61,872	0	526,601	1,664,675
Water Reservoirs	213,112	6,809	429	4,785	0	0	0	0	225,135	83,387	10,085	0	93,472	131,663
General Infrastructure	1,233,970	250,898	72,934	48,472	0	-486,757	0	0	1,119,517	246,570	33,250	0	279,820	839,697
Mains	1,184,089	161,721	76,065	44,631	-1,719	321,101	-128,028	128,028	1,785,888	420,162	192,764	-1,594	611,332	1,174,556
Major Substations	1,249,704	197,651	68,228	92,261	-1,998	-362,226	-156,472	156,472	2,243,620	525,015	-134,221	-1,627	389,167	854,453
Public Lighting	167,733	5,450	4,672	5,173	-17	1,018	-4,315	4,315	184,029	57,521	15,460	0	72,981	111,048
Connections & Switches	592,834	0	13,719	30,415	-5,060	26,907	0	0	658,815	340,541	57,563	-4,989	393,115	265,700
	11,969,679	1,573,416	762,652	1,243,869	-8,794	-499,957	-288,815	288,815	15,040,865	4,634,042	554,331	-8,210	5,180,163	9,860,702
Community Assets														
Recreation	69,500	473,709	37,620	1,177,263	0	400,013	0	0	2,158,105	184,909	18,648	0	203,557	1,954,548
Clinics & Depots	40,753	23,739	16,861	-3,514	0	0	0	0	77,839	10,828	1,338	0	12,166	65,673
Cemeteries & Crematoria	62,260	4,931	53	847	0	0	0	0	68,091	13,532	2,116	0	15,648	52,443
Community Halls	219	3,622	2,550	-2,102	0	70,113	0	0	74,402	18,339	2,358	0	20,697	53,705
Fire Stations	16,462	8,752	1,597	0	0	0	0	0	26,811	4,487	606	0	5,093	21,718
Libraries	51,676	105	0	2,428	0	0	0	0	54,207	20,890	1,712	0	22,602	31,605
Museums	925	0	0	0	0	0	0	0	925	409	31	0	440	485
Police Stations	11,418	0	300	0	0	0	0	0	11,718	67	382	0	449	11,269
	253,213	514,858	58,981	1,174,920	0	470,126			2,472,098	253,461	27,191	0	280,652	2,191,446
Heritage Assets														
Exhibits	6,500	53	53	277	0	0	0	0	6,883	0	0	0	0	6,883
	6,500	53	53	277	0	0			6,883	0	0	0	0	6,883
Other Assets														
Airconditioning	5,991	0	1,234	0	-13	0	0	0	7,212	4,775	340	-13	5,102	2,110
Security Systems	71,385	0	11,585	0	0	0	0	0	82,970	25,334	11,627	0	36,961	46,009
Computer Equipment	411,500	118	137,565	-5,617	-1,854	1,172	0	0	542,884	268,835	32,235	-1,327	299,743	243,141
Car Parks & Fencing	7,827	611	10,146	-466	0	480	0	0	18,598	4,895	2,541	0	7,436	11,162
Plant & Equipment	660,659	0	80,757	0	-1,962	-14,873	0	0	724,581	424,462	56,285	-1,777	478,970	245,611
Furniture & Fittings	111,379	0	11,399	0	-162	4,009	0	0	126,625	67,697	18,031	-89	85,639	40,986
Markets	25,169	821	11,002	87	0	480	0	0	37,559	4,340	934	0	5,274	32,285
Vehicles	987,360	0	168,078	0	-10,213	20,503	0	0	1,165,728	557,216	153,353	-7,903	702,666	463,062
Fire Engines	53,066	1,407	5,870	0	0	962	0	0	61,305	8,837	2,704	0	11,541	49,764
Leased Assets														
	24,964	0	0	0	0	0	0	0	24,964	19,971	4,923	0	24,894	70
	2,359,300	2,957	437,636	-5,996	-14,204	12,733			2,792,426	1,386,362	282,973	-11,109	1,658,226	1,134,200
Total	17,500,907	2,194,504	2,236,140	2,455,032	-33,858	367			24,353,092	6,815,704	970,541	-26,805	7,759,440	16,593,652

APPENDIX C : ETHEKWINI MUNICIPALITY - SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost								Accumulated Depreciation				Carrying Value
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Disposals	Transfers	Adjustments	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Miscellaneous	63	0	0	0	0	0	0	63	63	0	0	63	0
Legal Services	1,413	5,948	859	683	-3	0	0	8,900	925	162	-3	1,084	7,816
Real Estates	246,069	0	391	0	0	0	0	246,460	36,392	2,029	0	38,421	208,039
Health	153,626	23,739	22,019	-3,527	0	0	0	195,857	71,056	7,657	0	78,713	117,144
Skills Development	1,353	0	72	0	0	0	0	1,425	1,051	125	0	1,176	249
Metropolitan Police	155,610	0	2,509	0	-134	0	0	157,985	84,128	10,834	-134	94,828	63,157
Retail Market	42,149	0	350	0	0	0	0	42,499	16,474	2,385	0	18,859	23,640
Housing	202,558	265,860	783,772	37,395	-2,261	0	0	1,287,324	51,534	12,050	-1,764	61,820	1,225,504
Municipal Information & Policy	4,167	0	525	0	-4	0	0	4,688	1,935	483	-4	2,414	2,274
Ombudsperson & Head : Investigation	603	0	85	0	0	0	0	688	326	93	0	419	269
Office Of International & Governance	198	0	218	0	0	0	0	416	75	48	0	123	293
Community Participation	2,737	0	351	0	0	0	0	3,088	989	554	0	1,543	1,545
Office Of Geographic Information	1,216	0	104	0	0	0	0	1,320	1,174	22	0	1,196	124
City Manager's Office	124	0	0	0	0	0	0	124	77	22	0	99	25
Strategic Projects	259	469,515	6,880	1,122,217	-5	0	0	1,598,866	43	58	-1	100	1,598,766
Office Of The D C M : Sust. Development	0	0	13	0	0	0	0	13	0	0	0	0	13
Office Of The D C M : Health, Safety	80	0	59	0	0	0	0	139	42	16	0	58	81
Office Of The D C M : Governance	12	0	0	0	0	0	0	12	5	2	0	7	5
Office Of The D C M : Treasury	1,226	0	98	0	-2	0	0	1,322	509	140	0	649	673
Development Planning & Management	100,054	0	3,658	414	-39	0	0	104,087	50,342	1,714	-35	52,021	52,066
Economic Development & Facilitation	209,504	30,259	36,764	23,509	-27	0	0	300,009	36,322	11,284	-24	47,582	252,427
City Enterprises	7,386	0	327	0	-27	0	0	7,686	6,496	287	-11	6,772	914
Business Support	54,842	477	3,510	-81	-13	0	0	58,735	16,907	2,856	-11	19,752	38,983
Procurement	11,992	0	2,043	0	0	0	0	14,035	5,745	2,029	0	7,774	6,261
Engineering	4,225,239	57,776	333,003	302,144	-216	0	0	4,917,946	1,785,443	222,611	-186	2,007,868	2,910,078
Emergency Services	161,976	10,159	12,470	0	0	0	0	184,605	65,761	12,815	0	78,576	106,029
Parks, Recreation, Cemeteries & Governance	1,077,136	6,362	27,511	62,119	-343	0	0	1,172,785	440,368	49,846	-331	489,883	682,902
Communications	88,482	0	8,349	1,252	0	0	0	98,083	60,768	3,551	0	64,319	33,764
Regional Centres	833	0	129	0	0	0	0	962	500	113	0	613	349
Human Resources	18,343	4,276	1,949	-1,172	0	0	0	23,396	1,715	1,441	0	3,156	20,240
Management Services & Org Development	79,569	0	3,646	3,023	-27	0	0	86,211	53,959	3,099	-28	57,030	29,181
Finance	473	0	89	0	-23	0	0	539	425	21	-23	423	116
City Fleet	103,974	0	3,823	1	-221	0	0	107,577	64,122	8,913	-179	72,856	34,721
Office Of Audit & Performance Management	474,140	0	82,513	1,500	-5,156	-1,870	0	551,127	228,766	67,039	-3,798	292,007	259,120
Information Technology	1,385	0	209	0	-8	0	0	1,586	907	198	-7	1,098	488
Ethekwini Transport Authority	222,356	0	120,849	326	-110	-342	0	343,079	130,864	30,485	-53	161,296	181,783
Occupational Health & Safety	378,478	0	57,370	36,254	0	0	0	472,102	106,695	20,651	0	127,346	344,756
ABMS	2,561	0	154	0	0	0	0	2,715	1,877	254	0	2,131	584
Water	143,773	40,930	73,493	-23,976	-106	0	0	234,114	10,325	10,113	-53	20,385	213,729
Sanitation	2,078,101	357,610	86,236	536,491	-4,173	1,956	0	3,056,222	826,418	127,484	-3,901	950,001	2,106,221
Solid Waste	1,584,608	484,897	145,838	199,613	-138	0	0	2,414,818	621,188	72,717	-137	693,768	1,721,050
Airport	514,042	20,209	19,356	26,047	-300	0	0	579,354	284,297	49,393	-159	333,531	245,823
Housing	1,507	0	0	0	0	0	0	1,507	356	39	0	395	1,112
Market Service	137,793	0	611	559	-10,828	256	0	128,391	91,540	2,720	-7,476	86,784	41,607
Gas	81,515	8,642	6,697	0	0	0	0	96,854	31,025	2,906	0	33,931	62,923
Electricity Service	0	33,325	73,786	-33,325	0	0	0	73,786	0	0	0	0	73,786
Total	3,509,093	374,333	242,021	172,483	-9,635	361	0	4,288,656	1,474,453	168,261	-8,429	1,634,285	2,654,371
	16,082,616	2,194,317	2,164,711	2,463,950	-33,801	361	0	22,872,154	6,664,382	909,520	-26,747	7,547,155	15,324,999

APPENDIX C : GROUP - SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost							Accumulated Depreciation				Carrying Value
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Miscellaneous	63	0	0	0	0	0	63	63	0	0	63	0
Legal Services	1,413	5,948	859	683	-3	0	8,900	925	162	-3	1,084	7,816
Real Estates	246,069	0	391	0	0	0	246,460	36,392	2,029	0	38,421	208,039
Health	153,626	23,739	22,019	-3,527	0	0	195,857	71,056	7,657	0	78,713	117,144
Skills Development	1,353	0	72	0	0	0	1,425	1,051	125	0	1,176	249
Metropolitan Police	155,610	0	2,509	0	-134	0	157,985	84,128	10,834	-134	94,828	63,157
Retail Market	42,149	0	350	0	0	0	42,499	16,474	2,385	0	18,859	23,640
Housing	202,558	265,860	783,772	37,395	-2,261	0	1,287,324	51,534	12,050	-1,764	61,820	1,225,504
Municipal Information & Policy	4,167	0	525	0	-4	0	4,688	1,935	483	-4	2,414	2,274
Ombudsperson & Head : Investigation	603	0	85	0	0	0	688	326	93	0	419	269
Office Of International & Governance	198	0	218	0	0	0	416	75	48	0	123	293
Community Participation	2,737	0	351	0	0	0	3,088	989	554	0	1,543	1,545
Office Of Geographic Information	1,216	0	104	0	0	0	1,320	1,174	22	0	1,196	124
City Manager's Office	124	0	0	0	0	0	124	77	22	0	99	25
Strategic Projects	259	469,515	6,880	1,122,217	-5	0	1,598,866	43	58	-1	100	1,598,766
Office Of The D C M : Sust. Development	0	0	13	0	0	0	13	0	0	0	0	13
Office Of The D C M : Health, Safety	80	0	59	0	0	0	139	42	16	0	58	81
Office Of The D C M : Governance	12	0	0	0	0	0	12	5	2	0	7	5
Office Of The D C M : Treasury	1,226	0	98	0	-2	0	1,322	509	140	0	649	673
Development Planning & Management	100,054	0	3,658	414	-39	0	104,087	50,342	1,714	-35	52,021	52,066
Economic Development & Facilitation	209,504	30,259	36,764	23,509	-27	0	300,009	36,322	11,284	-24	47,582	252,427
City Enterprises	7,386	0	327	0	-27	0	7,686	6,496	287	-11	6,772	914
Business Support	54,842	477	3,510	-81	-13	0	58,735	16,907	2,856	-11	19,752	38,983
Procurement	11,992	0	2,043	0	0	0	14,035	5,745	2,029	0	7,774	6,261
Engineering	4,225,239	57,778	341,943	293,222	-242	6	4,917,946	1,785,443	222,629	-204	2,007,868	2,910,078
Emergency Services	161,976	10,159	12,470	0	0	0	184,605	65,761	12,815	0	78,576	106,029
Parks, Recreation, Cemeteries & Governance	1,077,136	6,362	27,511	62,119	-343	0	1,172,785	440,368	49,846	-331	489,883	682,902
Communications	88,482	0	8,349	1,252	0	0	98,083	60,768	3,551	0	64,319	33,764
Regional Centres	833	0	129	0	0	0	962	500	113	0	613	349
Human Resources	18,343	4,276	1,949	-1,172	0	0	23,396	1,715	1,441	0	3,156	20,240
Management Services & Org Development	79,569	0	3,646	3,023	-27	0	86,211	53,959	3,099	-28	57,030	29,181
Finance	473	0	89	0	-23	0	539	425	21	-23	423	116
City Fleet	103,974	0	3,823	1	-221	0	107,577	64,122	8,913	-179	72,856	34,721
Office Of Audit & Performance Management	474,140	0	82,513	1,500	-5,156	-1,870	551,127	228,766	67,039	-3,798	292,007	259,120
Information Technology	1,385	0	209	0	-8	0	1,586	907	198	-7	1,098	488
Ethekwini Transport Authority	222,356	0	120,849	326	-110	-342	343,079	130,864	30,485	-53	161,296	181,783
Occupational Health & Safety	378,478	0	57,370	36,254	0	0	472,102	106,695	20,651	0	127,346	344,756
ABMS	2,561	0	154	0	0	0	2,715	1,877	254	0	2,131	584
Water	143,773	40,930	73,493	-23,976	-106	0	234,114	10,325	10,113	-53	20,385	213,729
Sanitation	2,078,101	357,610	86,236	536,491	-4,173	1,956	3,056,222	826,418	127,484	-3,901	950,001	2,106,221
Solid Waste	1,584,608	484,897	145,838	199,613	-138	0	2,414,818	621,188	72,717	-137	693,768	1,721,050
Airport	514,042	20,209	19,356	26,047	-300	0	579,354	284,297	49,393	-159	333,531	245,823
Housing	1,507	0	0	0	0	0	1,507	356	39	0	395	1,112
Market Service	137,793	0	611	559	-10,828	256	128,391	91,540	2,720	-7,476	86,784	41,607
Electricity Service	81,515	8,642	6,697	0	0	0	96,854	31,025	2,906	0	33,931	62,923
Gas	3,509,093	374,333	242,021	172,483	-9,635	361	4,288,656	1,474,453	168,261	-8,429	1,634,285	2,654,371
Durban Marine Theme Park	0	33,325	73,786	-33,325	0	0	73,786	0	0	0	0	73,786
International Convention Centre	622,518	185	12,643	4	-31	0	635,319	102,292	33,055	-31	135,316	500,003
Total	795,773	0	49,846	0	0	0	845,619	49,030	27,948	-9	76,969	768,650
Total	17,500,907	2,194,504	2,236,140	2,455,032	-33,858	367	24,353,092	6,815,704	970,541	-26,805	7,759,940	16,593,652

ETHEKWINI MUNICIPALITY

APPENDIX D : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R'000	2007 Actual Expenditure R'000	2007 Surplus/ (Deficit) R'000		2008 Actual Income R'000	2008 Actual Expenditure R'000	2008 Surplus/ (Deficit) R'000
30,762	161,453	(130,691)	Executive & Council	28,285	177,311	(149,026)
4,932,733	2,115,563	2,817,170	Finance & Admin	6,049,849	1,734,350	4,315,499
558,157	342,000	216,157	Planning & Development	1,312,016	410,263	901,753
58,169	241,310	(183,141)	Health	43,008	257,558	(214,550)
223,385	350,893	(127,508)	Community & Social Services	97,029	441,440	(344,411)
818,919	901,399	(82,480)	Housing	1,477,664	809,532	668,132
146,709	557,721	(411,012)	Public Safety	146,896	638,740	(491,844)
19,608	617,384	(597,776)	Sport & Recreation	45,894	591,200	(545,306)
315	7,381	(7,066)	Environmental Protection	530	10,806	(10,276)
655,456	1,079,825	(424,369)	Waste Management	727,228	1,239,712	(512,484)
204,807	898,368	(693,561)	Road Transport	345,722	1,071,363	(725,641)
2,024,276	1,975,572	48,704	Water	2,255,975	2,086,095	169,880
3,572,760	2,957,014	615,746	Electricity	4,000,797	3,232,877	767,920
60,848	83,043	(22,195)	Other	62,608	86,914	(24,306)
13,306,904	12,288,926	1,017,978	Sub Total	16,593,500	12,788,161	3,805,340
111,825	0	111,825	Share of Income from Joint Venture	63,794	0	0
(1,414,552)	(1,414,552)	0	Less Inter-Dep charges	(1,468,795)	(1,468,795)	0
12,004,176	10,874,374	1,129,802	Total	15,188,499	11,319,366	3,869,133

APPENDIX D : GROUP : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R'000	2007 Actual Expenditure R'000	2007 Surplus/ (Deficit) R'000		2008 Actual Income R'000	2008 Actual Expenditure R'000	2008 Surplus/ (Deficit) R'000
30,762	161,453	(130,691)	Executive & Council	28,285	177,311	(149,026)
4,932,733	2,115,563	2,817,170	Finance & Admin	5,909,169	1,670,256	4,238,913
558,157	342,000	216,157	Planning & Development	1,312,016	410,263	901,753
58,169	241,310	(183,141)	Health	43,008	257,558	(214,550)
223,384	350,893	(127,509)	Community & Social Services	97,029	441,440	(344,411)
818,919	901,399	(82,480)	Housing	1,477,664	809,532	668,132
146,709	557,721	(411,012)	Public Safety	146,896	638,740	(491,844)
19,608	617,384	(597,776)	Sport & Recreation	45,894	591,200	(545,306)
315	7,381	(7,066)	Environmental Protection	530	10,806	(10,276)
655,455	1,079,825	(424,370)	Waste Management	727,228	1,239,712	(512,484)
204,807	898,368	(693,561)	Road Transport	345,722	1,071,363	(725,641)
2,024,276	1,975,572	48,704	Water	2,255,975	2,086,095	169,880
3,572,760	2,957,014	615,746	Electricity	4,000,797	3,232,877	767,920
60,849	83,043	(22,194)	Other	62,608	86,914	(24,306)
64,507	90,895	(26,388)	International Convention Centre	86,206	107,033	(20,827)
114,395	208,349	(93,954)	Durban Marine Theme Park	117,290	180,259	(62,969)
155,312	43,487	111,825	Effingham/Link road Joint Venture	90,907	27,113	63,794
13,641,117	12,631,657	1,009,460	Sub Total	16,747,224	13,038,472	3,708,752
(1,414,552)	(1,414,552)	0	Less Inter-Dep charges	(1,468,795)	(1,468,795)	0
12,226,565	11,217,105	1,009,460	Total	15,278,429	11,569,677	3,708,752

ETHEKWINI MUNICIPALITY

APPENDIX E(1) : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual	2008 Budget	2008 Variance	2008 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R'000	R'000	R'000	%	
REVENUE					
Property rates	3,660,408	3,592,673	67,735	2	
Property rates - penalties imposed and collection charges	168,391	55,048	113,343	206	For reasons refer to annexure E(1A): 1
Service Charges	5,490,368	5,647,059	(156,691)	(3)	
Regional Services Levies	0	0	0	0	
Rental of facilities and equipment	147,720	132,710	15,010	11	For reasons refer to annexure E(1A): 2
Interest earned - external investments	444,770	181,362	263,408	145	For reasons refer to annexure E(1A): 3
Interest earned - outstanding debtors	121,552	77,279	44,273	57	For reasons refer to annexure E(1A): 4
Fines	110,405	145,904	(35,499)	(24)	For reasons refer to annexure E(1A): 5
Licences and permits	23,785	24,490	(705)	(3)	
Government grants and subsidies	3,391,335	3,426,757	(35,422)	(1)	
Other income	553,818	165,336	388,482	235	For reasons refer to annexure E(1A): 6
Fair value adjustments	0	0	0	0	
Public contributions and donations	795,833	5,000	790,833	0	
Gains on disposal of property, plant and equipment	69,360	26,000	43,360	0	
Reversal Of Loss : Loan Impairment	146,960	0	146,960	0	
TOTAL REVENUE	15,124,705	13,479,618	1,498,127		
EXPENDITURE					
Executive & Council	177,311	186,533	(9,222)	(5)	
Finance & admin	1,734,350	1,656,058	78,292	5	
Planning & Development	410,263	481,832	(71,569)	(15)	For reasons refer to annexure E(1A): 7
Health	257,558	263,215	(5,657)	(2)	
Community & Social Services	441,440	530,094	(88,654)	(17)	For reasons refer to annexure E(1A): 8
Housing	809,532	363,737	445,795	123	For reasons refer to annexure E(1A): 9
Public Safety	638,740	640,308	(1,568)	(0)	
Sport & Recreation	591,200	622,885	(31,685)	(5)	
Environmental Protection	10,806	13,327	(2,521)	(19)	For reasons refer to annexure E(1A): 10
Waste Management	1,239,712	1,291,199	(51,487)	(4)	
Road Transport	1,071,363	1,150,866	(79,503)	(7)	
Water	2,086,095	2,297,747	(211,652)	(9)	
Electricity	3,232,877	3,266,691	(33,814)	(1)	
Other	86,914	95,643	(8,729)	(9)	
Inter-departmental charges	(1,468,795)	(1,532,584)	63,789	(4)	
TOTAL EXPENDITURE	11,319,366	11,327,551	(8,185)		
Share of Income from Joint Venture	63,794	0			
SURPLUS FOR THE YEAR	3,869,133	2,152,067	1,717,066		

APPENDIX E(1) : GROUP : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual	2008 Budget	2008 Variance	2008 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R'000	R'000	R'000	%	
REVENUE					
Property rates	3,649,509	3,592,673	56,836	2	
Property rates - penalties imposed and collection charges	168,391	55,048	113,343	206	For reasons refer to annexure E(1A): 1
Service Charges	5,475,004	5,647,059	(172,055)	(3)	
Regional Services Levies	0	0	0	0	
Rental of facilities and equipment	220,419	132,710	87,709	66	For reasons refer to annexure E(1A): 2
Interest earned - external investments	478,081	181,362	296,719	164	For reasons refer to annexure E(1A): 3
Interest earned - outstanding debtors	121,552	77,279	44,273	57	For reasons refer to annexure E(1A): 4
Fines	110,405	145,904	(35,499)	(24)	For reasons refer to annexure E(1A): 5
Licences and permits	23,785	24,490	(705)	(3)	
Government grants and subsidies	3,391,334	3,426,757	(35,423)	(1)	
Other income	757,312	345,453	411,859	119	For reasons refer to annexure E(1A): 6
Fair value adjustments	0	0	0	0	
Public contributions and donations	798,610	5,000	793,610	15,872	For reasons refer to annexure E(1A): 7
Gains on disposal of property, plant and equipment	69,365	26,000	43,365	167	
Reversal of Loss : Loan Impairment	0	0	0	0	For reasons refer to annexure E(1A): 8
TOTAL REVENUE	15,263,769	13,659,735	1,604,032		
EXPENDITURE					
Executive & Council	177,311	186,533	(9,222)	(5)	
Finance & admin	1,670,256	1,656,058	14,198	1	
Planning & Development	410,263	481,832	(71,569)	(15)	For reasons refer to annexure E(1A): 9
Health	257,558	263,215	(5,657)	(2)	
Community & Social Services	441,440	530,094	(88,654)	(17)	For reasons refer to annexure E(1A): 10
Housing	809,532	363,737	445,795	123	For reasons refer to annexure E(1A): 11
Public Safety	638,740	640,308	(1,568)	(0)	
Sport & Recreation	591,200	622,885	(31,685)	(5)	
Environmental Protection	10,806	13,327	(2,521)	(19)	For reasons refer to annexure E(1A): 12
Waste Management	1,239,712	1,291,199	(51,487)	(4)	
Road Transport	1,071,363	1,150,866	(79,503)	(7)	
Water	2,086,095	2,297,747	(211,652)	(9)	
Electricity	3,232,877	3,266,691	(33,814)	(1)	
Other	86,914	95,643	(8,729)	(9)	
International Convention Centre	110,267	79,211	31,056	39	
Durban Marine Theme Park	162,365	167,717	(5,353)	(3)	
Effingham/Link Road	27,113	12,857	14,256	111	
Inter-departmental charges	(1,468,795)	(1,532,584)	63,789	(4)	
TOTAL EXPENDITURE	11,555,017	11,587,336	(32,319)		
Share of Income from Joint Venture	0	0	0		
SURPLUS FOR THE YEAR	3,708,752	2,072,399	1,636,354		

APPENDIX E(1A) : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

1. Property Rates - Penalties Imposed and Collection Charges - Increase

The increase is mainly due to the introduction of new municipal bylaws whereby the penalties and collection charges are no longer raised but interest on arrear rates and administration would be raised respectively. A conservative provision was made, subs

2. Rental of facilities and Equipment - Increase

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

3. Interest earned - external investments - Increase

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

4. Interest earned - outstanding debtors - Increase

The increase is due to an increase in account in arrears of R185m.

5. Fines - Decrease

The incentive plan introduced in conjunction with the directorate of public prosecutions which allows for 50% reduction provided all outstanding fines are paid was approved in June. Therefore the anticipated increase in income will only be realised next y

6. Other Income - Increase

The increase is mainly due to housing development income (328.7m) and other unforeseen income.

7. Planning and Development

Budget is underspent mainly as a result of :

- a. Savings in employee related costs (R34.7 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 (R13.7 m)
- c. Stringent control of costs has resulted in the decrease in the general expenses – other (R19.8 m)

8. Community & Social Services

Budget is underspent mainly as a result of :

- a. Decrease in repairs and maintenance costs (R24 m)
- b. Decreases in the employee related costs due to non filling of vacancies (R17.2 m)
- c. Decrease in general expenses due to stringent control of costs (R29.5 m)

9. Housing

The increase is due to an increase in new development expenditure (328.7 m)

10. Environmental Protection

The savings in employee related costs (R2.5 m) is due to the non filling of vacant posts.

APPENDIX E (2) : ETHEKWINI MUNICIPALITY - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

Output Unit	2008 Assets R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	Adjustment R	Revised Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Legal Services	859	683	1,542	1,829		1,829	-287	-16	The underspending is mainly due to delays in appointing contractor following the submissions of quotes .
Real Estates	4,099	0	4,099	3,208	0	3,208	891	28	The variance is due to provision of additional expenditure in respect of services on Council land and other incidental expenses for alienation purposes.
Health	22,097	-3,527	18,570	17,122	0	17,122	1,448	8	The over expenditure was in respect of building of Ablution blocks in informal settlements. Problems were encountered in acquiring PTO's for many sites scheduled for delivery in 2007/08 .
Skills Development	72	0	72	79	0	79	-7	-9	The under-Expenditure is due to the delays in receipting which resulted in orders requested towards the end of 07/08 falling into the 08/09 ledger.
Metropolitan Police	2,547	0	2,547	1,480	0	1,480	1,067	72	To be regularized via adjustment budget
Retail Market	351	0	351	431	0	431	-80	-19	The underspending was due to the project was not completed due to contractor problems and carried forward to 08/09.
Housing	26,901	37,954	64,855	226,629	-163,916	62,713	2,142	3	
Office of Geographic Information	104	0	104	35	0	35	69	197	The over expenditure is due to the computers that were purchased for new staff.
Ombudsperson & Head : Investigation	85	0	85	93	0	93	-8	-9	The underspending is mainly due to late ordering of equipment ,which led to goods not being received in this financial year .
Office Of International & Governance	218	0	218	247	0	247	-29	-12	The underspending is mainly due to the late ordering of equipment,which led to goods not being received in this financial year.
Community Participation	351	0	351	389	0	389	-38	-10	The savings are due mainly to orders for equipment done, but not delivered on time .
Municipal Information & Policy	526	0	526	1,817	0	1,817	-1,291	-71	The savings are due to the delay in the approval of street names, which is crucial in the addressing process . This also resulted in the delay in the installation of address numbers of which the bulk of the monies was allocated for.
City Manager's Office	0	0	0	0	0	0	0	0	
Strategic Projects	6,910	1,122,217	1,129,127	1,391,747	0	1,391,747	-262,620	-19	The savings are mainly due to planning and design work to be completed first before construction of training venues stadiums.
Office Of The D C M : Health, Safety	68	0	68	0		0	68	100	The over expenditure was due to unforeseen expenditure incurred because of new appointments .Will be regularized
Office Of The D C M : Treasury	98	0	98	0	99	99	-1	-1	
Development Planning & Management	3,658	414	4,072	4,884	0	4,884	-812	-17	Savings due to the delay in negotiations for the purchase of D.'Moss land ,which has not been completed.
Economic Development & Facilitation	36,777	23,510	60,287	86,713	0	86,713	-26,426	-30	In the current year most of the projects were delayed due to poor performance by contractors , consultants, procurement delays as well as community issues.
City Enterprises	361	0	361	23	0	23	338	1,470	The over expenditure is due to the acquisition of a new server DIPA offices including 10 computers and software on an emergency basis.To be regularised via an adjustments budget
Business Support	3,510	-81	3,429	4,292	0	4,292	-863	-20	Delays in appointing contractor for Phoenix Industrial Park project, this project will be funded by Economic Development in 2008/2009 financial year.
Procurement	2,056	0	2,056	100	2,000	2,100	-44	-2	
Engineering	332,997	302,144	635,141	334,460	141,297	475,757	159,384	34	The over expenditure was due to contractor progress on major projects greater than anticipated.To be regularised via an adjustments budget

APPENDIX E (2) : ETHEKWINI MUNICIPALITY - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

Output Unit	2008 Assets R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	Adjustment R	Revised Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Emergency Services	12,481	0	12,481	18,965	0	18,965	-6,484	-34	The savings are mainly due to late delivery of specialized vehicles.
Parks, Recreation, Cemeteries & Culture	27,935	62,119	90,054	89,938	0	89,938	116	0	
Governance	8,349	1,252	9,601	11,435	0	11,435	-1,834	-16	The savings were mainly due to the renovation of Mezzanine Floor. The project was stopped during the latter part of 07/08 will be completed in 08/09 financial year.
Communications	128	0	128	141	0	141	-13	-9	The savings were due to orders for equipment done, but not delivered on time .
Regional Centers	1,950	-1,172	778	955	0	955	-177	-19	Under expenditure is due to the committed orders that will be accounted in the new financial year.
Human Resources	3,653	3,024	6,677	5,276	0	5,276	1,401	27	The under-expenditure was due to the delay in getting Consultants for the Payroll Project.
Management Services & Org Development	90	0	90	70	5	75	15	20	To be regularized via adjustment budget
Finance	82,673		82,673	84,583	0	84,583	-1,910	-2	
City Fleet	82,513	1,500	84,013	81,230	0	81,230	2,783	3	
Office Of Audit & Performance	209	0	209	208	0	208	1	0	
Information Technology	128,585	326	128,911	99,341	0	99,341	29,570	30	Over expenditure due to the purchase of hardware for ROMS project .To be regularized via adjustment budget .
Ethekwini Transport Authority	57,370	36,254	93,624	118,112	0	118,112	-24,488	-21	Savings due to delay in progress on World Cup 2010 projects. This is now on track
Occupational Health & Safety	154	0	154	96	79	175	-21	-12	Under-Expenditure is due to the delays in receipting which resulted in orders requested towards the end of 07/08 falling into the 08/09 ledger.
Area Based Management	73,510	-23,976	49,534	97,536	0	97,536	-48,002	-49	The delays were due to the following : (a) Late award of tenders due to insufficient capacity in certain units : (b) Delays in land acquisitions : (c) Delays in project implementation due to contractor defaults and EIA problems being experienced with certain
Water	86,237	536,491	622,728	681,128	0	681,128	-58,400	-9	Savings as a result of EIA delays on the Western Aquaduct project materials and staff shortages that affected many projects as well as contractor performances on some building related projects.
Sanitation	145,839	199,613	345,452	312,192	20,436	332,628	12,824	4	
Solid Waste	19,358	26,047	45,405	68,603	-22	68,581	-23,176	-34	Contractor progress on major projects greater than anticipated
Airport	0	0	0	0	0	0	0	0	
Market Service	6,698	0	6,698	7,100	0	7,100	-402	-6	Underspent as not all aspects of the project was completed due to time constraints.
Gas	73,786	-33,325	40,461	0	22	22	40,439	183,814	Gas Project was allowed to spend over this R22m budget.
Electricity Service	256,500	162,973	419,473	474,716	0	474,716	-55,243	-12	The difficulty in acquiring servitudes and conducting environmental impact assessment studies caused delays in the construction of substations timeously . Under the Electricity for all projects the number of houses budgeted for construction was not achieve
Total	1,512,663	2,454,440	3,967,103	4,227,203	0	4,227,203	-260,100	-6	

APPENDIX E (2) : GROUP - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

Output Unit	2008 Assets R'000	2008 Under Construction R'000	2008 Total Additions R'000	2008 Budget R'000	Adjustment R'000	Revised Budget R'000	2008 Variance R'000	2008 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Legal Services	859	683	1,542	1,829	0	1,829	-287	-16	Delays in appointing contractors due to SCM Regulators .
Real Estates	4,099	0	4,099	3,208	0	3,208	891	28	The variance is due to provision of additional expenditure in respect of services on Council land and other incidental expenses for alienation purposes.
Health	22,165	-3,527	18,638	17,122	0	17,122	1,516	9	The over expenditure was in respect of building acceleration of the Ablution blocks rollout programs in informal settlements.
Skills Development	72	0	72	79	0	79	-7	-9	Problems were encountered in acquiring PTO's for many sites scheduled for delivery in 2007/08 . Residual savings due to prices lower than estimated.
Metropolitan Police	2,547	0	2,547	1,480	0	1,480	1,067	72	To be regularized via adjustment budget.
Retail Market	351	0	351	431	0	431	-80	-19	The project was not completed due to contractor delays, completion scheduled for 08/09.
Housing	26,901	37,954	64,855	226,629	-163,916	62,713	2,142	3	
Community Participation	351	0	351	389	0	389	-38	-10	Residual savings due to prices lower than estimated.
Municipal Information & Policy	526	0	526	1,817	0	1,817	-1,291	-71	Under expenditure due to delay in street naming process .
City Manager's Office	407	0	407	375	0	375	32	9	To be regularized via adjustment budget.
Strategic Projects	6,910	1,122,217	1,129,127	1,391,747	0	1,391,747	-262,620	-19	Under expenditure due to additional grant funds received late in the year , these funds will be rolled over to 08/09.
Development Planning & Management	3,658	414	4,072	4,884	0	4,884	-812	-17	Delays in land acquisitions for D'Moss.
Economic Development & Facilitation	36,777	23,510	60,287	86,713	0	86,713	-26,426	-30	Projects were delayed due to poor performance by contractors .
City Enterprises	361	0	361	23	0	23	338	1,470	To be regularized via adjustment budget.
Business Support	3,510	-81	3,429	4,292	0	4,292	-863	-20	Delays in appointing contractor for Phoenix Industrial Park project.
Procurement	2,056	0	2,056	100	2,000	2,100	-44	-2	
Engineering	332,997	302,144	635,141	334,460	141,297	475,757	159,384	34	
Emergency Services	12,481	0	12,481	18,965	0	18,965	-6,484	-34	Late delivery of special vehicles purchased from abroad.
Parks, Recreation, Cemeteries & Culture	27,935	62,119	90,054	89,938	0	89,938	116	0	
Governance	8,349	1,252	9,601	11,435	0	11,435	-1,834	-16	Contractor delays caused the renovation of the Mezzanine Floor to be completed in 08/09.
Communications	128	0	128	141	0	141	-13	-9	Residual savings due to prices lower than estimated.
Regional Centers	1,950	-1,172	778	955	0	955	-177	-19	Residual savings due to prices lower than estimated.

APPENDIX E (2) : GROUP - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

Output Unit	2008 Assets R'000	2008 Under Construction R'000	2008 Total Additions R'000	2008 Budget R'000	Adjustment R'000	Revised Budget R'000	2008 Variance R'000	2008 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Human Resources	3,653	3,024	6,677	5,276	0	5,276	1,401	27	To be regularized via adjustment budget.
Management Services & Org Development	90	0	90	70	5	75	15	20	To be regularized via adjustment budget.
Finance	82,771	0	82,771	84,583	99	84,682	-1,911	-2	
City Fleet	82,513	1,500	84,013	81,230	0	81,230	2,783	3	
Office Of Audit & Performance Management	209	0	209	208	0	208	1	0	
Information Technology	128,585	326	128,911	99,341	0	99,341	29,570	30	To be regularized via adjustment budget .
Ethekewini Transport Authority	57,370	36,254	93,624	118,112	0	118,112	-24,488	-21	Delays in 2010 world cup transport related projects that were funded from grants rolled over to 08/09.
Occupational Health & Safety	154	0	154	96	79	175	-21	-12	Residual savings due to prices lower than estimated.
Area Based Management	73,510	-23,976	49,534	97,536	0	97,536	-48,002	-49	Under expenditure due to delays arising from the following : (a) Late award of tenders due to insufficient capacity in certain units : (b) Delays in land acquisitions : (c) Delays in project implementation due to contractor defaults and EIA problems being
Water	86,237	536,491	622,728	681,128	0	681,128	-58,400	-9	Under expenditure as a result of EIA delays on the Western Aquaduct project.
Sanitation	145,839	199,613	345,452	312,192	20,436	332,628	12,824	4	
Solid Waste	19,358	26,047	45,405	68,603	-22	68,581	-23,176	-34	To be regularized via Adjustment budget.
Airport	0	0	0	0	0	0	0	0	
Market Service	6,698	0	6,698	7,100	0	7,100	-402	-6	Residual savings due to prices lower than estimated.
Gas	73,786	-33,325	40,461	0	22	22	40,439	183,814	Over expenditure due to landfill gas projects being accelerated after lengthy EIA resolutions , expenditure to be regularized via adjustment budget.
Electricity Service	256,500	162,973	419,473	474,716	0	474,716	-55,243	-12	The difficulty in acquiring servitudes and conducting environmental impact assessment studies caused delays in the construction of substations timeously . Under the Electricity for All Project the number of houses budgeted for electrification was not achi
Durban Marine Theme Park	2,845	0	2,845	3,048	0	3,048	-203	-7	Assets funded by eThekewini Municipality are not included . Assets funded by the additional equity are not included as these relate to specific projects as approved by the board from time to time. Assets funded by DBSA Loan are not included as these amount
International Convention Centre	49,898	0	49,898	0	0	0	49,898	100	Expenditure fast tracked to complete project. To be regularised
Total	1,565,406	2,454,440	4,019,846	4,230,251	0	4,230,251	-210,404	-5	

**ETHEKWINI MUNICIPALITY
APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 30 JUNE 2008**

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	QUARTELY RECEIPTS				QUARTELY 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				Yes/No
Financial Management Grant	National Treasury	500	0	0	0	500	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Municipal Infrastructure Grant	National Treasury	0		267,811	89,271	176,614	4,139	176,614	1,082	0	0	0	445	N/A	Yes	N/A	
Equitable Share/Subsidy	National Treasury	147,562	442,684	147,561	0	0	347,736	347,736		0	0	0	0	0	N/A	Yes	N/A
Equitable Share - INK	National Treasury	6,420	4,815	8,026	0	3,082.00	2,700	4,579	0	0	0	0	0	0	N/A	Yes	N/A
Equitable Share - BSL	National Treasury	237,911	0	237,911	0	195,141		195,141		0	0	0	0	0	N/A	Yes	N/A
Yuna Awards	National Treasury	2,400	0	0	0	121	65	70	780	0	1,875	0	1,364	N/A	Yes	N/A	
Restructuring Grant	National Treasury	50,000	0		50,000	50,000	0	0	50,000	0	0	0	0	0	N/A	Yes	N/A
DWAF	Dwaf	1,435	0	0	0	0	1,435	0	0	0	0	0	200	N/A	Yes	N/A	
NDOT	National Treasury	0.00	0	0	44,500	0.00	0	0	51,000	2,667	0	0	0	0	N/A	Yes	N/A
DEAT	Provincial Government	2,674	0	0	0	1,820	0	0	0	0.00	0	3,832	0	N/A	Yes	N/A	
NDPG	National Treasury	23,827	0	0	20,070	23,827	0	0	0	20,070	0	0	0	0	N/A	Yes	N/A
PTIF	KZN Dept of Transport	91,649	0	0	0	99,129	0	0	0	25,661	0	0	0	0	N/A	Yes	N/A
Provincial Grants & Subsidy (CFF)	Provincial Government	114,672	0	0	0	66,259				0	0	59,718	0	N/A	Yes	N/A	
KZNPA Subsidy	Provincial Government	150	0	0	0	150	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Grant - Accreditation	Provincial Government	8,000	0	0	0	8,000	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Govt Subs - Primary Health	KZN of Health - State	0.00	0	0	34,311	0.00	0	0	34,311	0	0	0	0	0	N/A	Yes	N/A
National Research Fund	National Treasury	0.00	46	61	0	58	0	0	0	0	0	0	51	N/A	Yes	N/A	
Disaster Fund	National Treasury	69,011	0	0	67	69,011	0	0	67	0	0	0	0	0	N/A	Yes	N/A
DEAT	Provincial Government	2,674	0	0	0	1,820	0	0	0	0	0	0	0	0	N/A	Yes	N/A
Public Sponsorship	Provincial Government	31,284.00	0	99,461	0	2,646	0	0	0	0	2,526	0	0	0	N/A	Yes	N/A
CIMIP	National Treasury	0	0	0	3,071	0	0	0	3,071	0	0	0	692	N/A	Yes	N/A	
Books	Provincial Government	0	1,257	0	0	1,257	0	0	1,257	0	0	0	0	0	N/A	Yes	N/A
Capital Grants - Dwaf	DWAF	0	0	0	1,049	0.00	0	0	1,221	0	0	0	1,221	N/A	Yes	N/A	
2010 KZN Provincial Grant	Provincial Government		24,611	50,000		0	24,611	50,000	0	0	0	0	0	0	N/A	Yes	N/A
		790,169	473,413	810,831	242,339	699,435	380,686	774,140	142,789	48,398	4,401	63,550	3,973				

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. The court trial is starting on 10 December 2008, and will hopefully be concluded before the end of the financial year 2008/09.

Due to the introduction of Municipal Property Rates Act on 2 July 2005, 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.

There has been progress in recovering from Government departments but there is still a long way to resolve all queries and finalise accounts. Regular meetings are held with them and those meetings are also attended by Provincial Treasury.

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.

SUMMARY OF ARREARS ON GOVERNMENT ACCOUNTS AS AT 30 JUNE 2008

DEPARTMENTS	ELECTR/WATER ARREARS	RATES ARREARS	TOTAL ARREARS
DEPT OF PUBLIC WORKS	6,197,089.47	169,565,147.79	175,762,237.26
DEPT OF SOCIAL WELFARE	852,971.55		852,971.55
HOSTELS	121,384,868.23	62,779,070.47	184,163,938.70
DEPT OF HOUSING	57,356.94	753,412.01	810,768.95
DEPT OF WORKS	1,110,587.85		1,110,587.85
DEPT OF HEALTH	1,588,999.96		1,588,999.96
INTERSITE PROPERTY	54,594.80		54,594.80
METRO RAIL	944,053.94		944,053.94
DEPT OF TRANSPORT	555,675.41		555,675.41
S A REVENUE SERVICES	10,931.88		10,931.88
TRANSNET	58,961.18		58,961.18
KZN NATURE CONSERVATION	219,987.61		219,987.61
UMGENI WATER	432,264.38		432,264.38
DEPT OF EDUCATION	1,569,309.37		1,569,309.37
GOVERNMENT SCHOOLS	5,132,118.96	34,433,767.10	39,565,886.06
SENTECH (SABC)	83,462.10		83,462.10
OFFICE OF THE PREMIER	203,782.14		203,782.14
INGONYAMA TRUST	-	209,764,716	209,764,716.00
GRAND TOTAL	140,457,015.77	477,296,113.37	617,753,129.14

Annexure H

Information technology and systems

Introduction

During the last financial year the municipality suffered a major blow in the loss of its Deputy Head for this department. The loss came at a time when a number of key issues still needed to be addressed. These included:

- Initiation and conclusion of major projects
- Creating a functional set of units post amalgamation
- Filling of critical vacancies to ensure continuity and avoid major risks to the organisation
- Enforcing policies and procedures to bad practice
- Bringing the asset register up to date and introducing adequate record keeping
- Reworking budgets to align with an amalgamated IT department

Major projects

07/08 saw the closure of phase 1 of two major projects in the department. The first relates to the establishment of a next generation fibre network, which was completed in June 2008 and laid the foundation of phase 2 of the project which allows the municipality to sell spare capacity to third parties.

The second project is completion of phase 1 the Voice over Internet Protocol (VOIP) project which brought all the major municipal sites onto a common telephone numbering system and allows for calls between these offices to be free. Phase 2 of the project is an extension of this exercise. This will continue until all the municipal sites are converted to VOIP sites.

Two major projects were initiated during the 07/08 financial year. The HR/Payroll replacement project begun in January 2008 with the awarding of a contract to a service provider for the installation of a new HR and Payroll system. The project is fully established and the first major milestone will be reached in February 2009, i.e. the completion of one of the modules. The new system set to be complete in 2010 will provide for a fully integrated HR system for the entire municipality.

The second major project initiated was the asset management project. Although the project as a whole begun in late 2006, the ICT component of this project was initiated in 07/08. The major aspects of the project involved procuring asset management software for the council, populating the data using the new software and providing for integration of this software with other relevant applications currently in use by the council. The procurement of the software is complete and training of key departments is well underway.

The revenue management system (RMS) reached a critical milestone in the latter stages of 07/08, i.e. the testing phase. There are different types of testing, e.g. testing that all the functionality works, testing the robustness of the system as well as testing the speed of the system when there are many users on the system at one time. This is a time consuming process, to ensure the system is fully functional by the time it goes live. The go live date is scheduled for 08/09 financial year.

Aligned to RMS, phase 1 of the property management system was completed in February 2008. This GIS based system provides all available information on property in the municipality and is the foundation of the rates billing process.

Functional units

After the placement process was completed for the department, staff merging from different locations, performing a multitude of functions had to systematically be integrated into one of the four

units of the department. This entailed redefining jobs, practices and procedures. The process is 90% complete.

Filling of critical vacancies

The auditor general's report for 06/07 highlighted that the high level of critical vacancies led to security of the systems being compromised. Most of the positions that needed to be filled to mitigate security problems have been addressed.

Enforcing policies and procedures to bad practice

A number of inconsistencies regarding policies and procedures, needed to be addressed. These included putting in place controls on asset and contract management, project management, fault management, security access and settings, and disaster recovery.

Bringing the asset register up to date and introducing adequate record keeping

Inheriting assets from all over the council led to an irreconcilable asset register. New systems have been put in place to more effectively manage new assets and a long and tedious process of reconciliation of existing assets was undertaken.

Reworking budgets to align with an amalgamated IT department

Amalgamation of a number of different budgets into a single ICT budget for the municipality was undertaken during the year under review. This has led to a more streamlined process of budgeting.

Conclusion

07/08 was a tough year given the loss of the department head and the lack of senior management to oversee projects, put in place systems and procedures, gear up staffing, and keep systems well maintained. All told, managing the transition, whilst not complete, was handled with the least amount of disruption to the service units in the Council.

eThekwini MunicipalityLONG-TERM CONTRACTS

FOR THE YEAR ENDED 30 JUNE 2008

No.	Name	Main / Sub Function	Purpose Extent and Other Particulars	Date Established	Duration Years	Total Value Rand
1	Joat Sales and Services cc	Other/Other (3000)	Provision of consulting services	2008/01/23	3	33,459,708
2	Munitech (Pty) Ltd	Other/Other (3000)	Provision of consulting services	2008/01/23	3	25,703,187
3	ATC (Pty) Limited	Electricity /Electricity Distribution (1301)	Supply of 132KV XLPE Cables	2008/04/16	3	20,490,919
4	Joat Sales and Services cc	Other/Other (3000)	Provision of pressure optimisation	2008/01/31	3	10,932,972
5	MTN Service Provider (Pty) Limited	Other/Other (3000)	Provision of Cellular Telephone Airtime	2008/04/16	3	6,711,865
6	Bright Idea Projects 651 cc	Other/Other (3000)	Cleaning of Municipal Premises	2007/12/12	3	2,733,049
7	VMR Engineering cc t/a Quadrant	Other/Other (3000)	Supply of consumer distribution Units	2008/04/16	3	2,288,124
8	Clarke Products cc t/a Eric's Canoe	Other/Other (3000)	Supply of consumer distribution units	2008/04/16	3	1,144,062
9	Minolco (Pty) Limited	Other/Other (3000)	Hire of a new digital high speed printer	2007/08/22	3	1,008,888
	TOTAL					104,472,774

Service delivery backlogs

A backlog model has been developed which will allow co-ordinated reporting of backlog figures. As part of this process, agreement is being sought from provincial and national government departments as to which key performance indicators are the most relevant when reporting service delivery backlogs.

The Municipality 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 and Local Government – water, sanitation, electricity/basic energy, refuse removal and housing but also a range of other services such as access roads, sidewalks and footpaths, storm water drainage, public transport infrastructure and services, greening, street numbers and names, and accessibility of all household to the full range of social services.

PLAN 3		QUALITY LIVING ENVIRONMENTS				
National Key Results	Strategic Focus Area	Key Performance Indicator	Baseline 0506	Annual Target 0708	5 year target 2010/11	Position at 30 June 08
Unaudited section						
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	31603
		Sanitation backlog (Households)	See audited results		116 080	165758
		Housing Backlog (units)	See audited results		136 000	179756
		Solid Waste Service (households served)	See audited results		1 340 002	
		Electricity (backlog)	236 000	8800	180 000	209722
		Backlog-Unsurfaced to asphalt conversion	2125km	26km	2075km	2090km
		Primary Health Care backlog	44%	0,40%	42%	44%(?)
		Libraries backlog	36%	0,80%	32%	36% (?)
		Education backlog	20%	0,80%	16%	20% (?)
		Parks & Leisure backlog	24%	0,60%	21%	22,8% (?)
INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY	Meet infrastructure and service needs and address backlogs	Fire backlog (population coverage)	45%	0,40%	43%	45% (?)
		Indigency Relief - No of Properties -Zero Rates	60714	3900	80 000	70104
		Total number of houses with access to free basic water services	952 610	8000	984 838	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	5554 pa (?)

uShaka MARINE WORLD

ANNUAL REPORT FOR THE PERIOD 30 JUNE 2008

- A. Executive summary including Performance Report
- B. Human Resource and Other Organisational Management
- C. Annual Financial Statement and Audit Committee Report

uShaka Marine World Annual Report

A EXECUTIVE SUMMARY

1 INTRODUCTION AND OVERVIEW

Since opening its doors to the public in April of 2004, uShaka Marine World has never ceased to capture the imagination and awe of its over 3.7 million visitors processed through uShaka Wet 'n Wild and uShaka Sea World. This approximately R750 million flagship project was developed with the aim of regenerating the Point Precinct but has surpassed this aim as it not only has become a major tourist destination for both the national and international visitor, but it has created vast job opportunities and has opened up a new learning channel for schools through the uShaka Cares initiative and through the operations of the Natal Portland Cement (NPC) Education Centre.

uShaka Marine World has, and will continue to, deliver an unmatched holiday, and adventure, experience to all its visitors whilst shaping the entertainment and adventure offering on Durban's Golden Mile.

uShaka Marine World is operated by a management company, uShaka Management (Pty) Ltd (USM) which has a 10 year management contract. USM is a highly skilled and empowered theme park management company with international expertise and experience.

uShaka Marine World's vision is:

- To deliver an exceptional marine experience while providing entertainment for our guests...to attract and retain the highest quality employees, recognize their contributions and provide them with developmental opportunities. Our exemplary performance will enhance our reputation and profitability and create our sustainable competitive advantage.

Covering 16 hectares, uShaka Marine World is the largest marine theme park in Africa consists of three parts:

- **Wet 'n Wild**
Replacing the old Water World located north in the current Suncoast parking lot, this outstanding park consisting of water based slides and rides is a must for any aquatic enthusiast. Featuring heated water, exciting slides, the highest slide in Africa, a 450 metre Duzi Adventure River as

well as souvenir stores and restaurants, this is a must for any family wanting a day out in the sun.

- **Sea World**
The jewel in the crown of uShaka Marine World, Sea World boasts not only the 5th largest aquarium in the world, but in addition a 1200 seater dolphin stadium, a 450 seater seal stadium, over 300 species of sea life and the ‘Phantom Ship’ consisting of restaurants and bars. The “Wreck” aquarium is a 450 metre underground aquarium featuring 5 themed shipwrecks and approximately, 8000 creatures.
- **Village Walk**
This uniquely themed shopping centre is approximately 10 000m² and has 79 outlets ranging from fashion to food and beverage.

Employing approximately 700 staff (including the South Association for Marine and Biological Research) , uShaka Marine World being a re-capitalisation business model is required to continually reinvest in new rides/attractions to maintain footfall. As with all international theme parks, these realize diminishing footfalls unless such reinvestment is made on an annualized basis.

2 SOUTH AFRICAN ASSOCIATION FOR MARINE BIOLOGICAL RESEARCH

During the period under review, SAAMBR relished its role as an independent contractor to the Durban Marine Theme Park (PTY) Ltd, and continued to strive for excellence in the field of marine conservation. The focus has been on building capacity and providing research expertise, visitor enjoyment and fun learning experiences of the highest standard.

Final attendance figures for the 2007-2008 financial period show a total of 552 334 visitors to Sea World, against a budget of 494 044. Importantly, this figure is very close to the figure of 555 204 achieved during the 2006-2007 financial period, a drop of just 1%. It is hoped that we are seeing the expected declining trend nearing the bottom of the curve and leveling out.

The improvements to the dolphin show stadium have significantly enhanced both the aesthetics and functioning thereof. The creative team put together a fresh dolphin show to coincide with the new water features and audiovisual equipment and this, together with the big LED screen, has taken the show to a new level. A dolphin interaction programme has also been initiated, allowing guests an opportunity to “meet” a dolphin on the shallow platform.

During the next period, we expect to conclude similar improvements to the seal stadium and introduce a seal interaction programme as well.

The Sea World team began the enormous task of translocating Nandi, the Manta ray to the Georgia Aquarium in Atlanta in the USA. The preparatory phase occurred during the review period, with the actual translocation taking place shortly thereafter. Nandi had rapidly outgrown the Open Ocean tank, and it was felt that Atlanta would provide her with the best home possible. From a logistical perspective, this was a very challenging exercise, and turned out to be the first international translocation of a Manta. She became the very first Manta into the world's biggest aquarium, and the first into the USA. We are very proud of the accomplishment.

The period ended quite well for the Education Department, with a total of 85 524 learners having visited the Education centre. This is a 6% drop on the previous financial period, but one should remember that attendance was significantly affected by the teachers' strike at the end of the previous period, and the catch-up programme during the second half of 2007. In addition a number of courses were run for special groups ranging from divers and marine resource managers to subsistence fishery monitors and committee members. Two courses were run for students from the University of KwaZulu-Natal on fisheries and ecotourism management principles.

The funds received from NPC-Cimpor supported the Outreach programme that saw 5 476 disadvantaged learners visit Sea World, and receive a preparatory lesson to improve the learning potential of their visits. In all, the Outreach team visited 103 schools facilitating lessons for 11 986 learners as well as organising monthly teachers' workshops in their communities.

Finally, SAAMBR's Oceanographic Research Institute continued its commitment to marine research and conservation through the implementation of more than 45 research projects and specialist scientific services. The majority of these projects were strongly focused on issues relating to KwaZulu-Natal, including the greater eThekweni region. Studies relating to estuarine and port health, exploitation of marine resources, post-storm damage to the coast and monitoring of long-term environmental trends were all designed to strengthen local authorities in their management of biodiversity and sustainable use of coastal and marine resources. In addition, ORI successfully continued its post graduate training programme, further contributing to local capacity and skills development.

3 CONCLUSION

The establishment of uShaka Marine World was a visionary action that has not only fulfilled the City's primary objective of urban regeneration of the Point Precinct but has resulted in elevating Durban to a world class tourist destination.

With the planned Point Precinct Development of hotels, tourist beach and entertainment areas, retail, parking, restaurants and permanent resident zones; uShaka Marine World foresee a very positive future as the pride and joy of the Durban-KZN tourism and entertainment node.

Recent crime statistics reveal that this sector is regarded as the safest area in Durban, combined with the entire beachfront precinct plan eradicating derelict buildings and structures and expanded promenades will ensure public perception ahead of the 2010 Soccer World Cup is enhanced and clearly having the desired positive revenue and footfall.

uShaka Marine World has always set out to entertain, and delight, the public – both young and old, and international and local visitors. With off-peak park promotions, night-time Dolphins shows, themed entertainment evenings, local cultural entertainment, bands, competitions, exhibitions, month-end markets, night-time entertainment and shows and the five year recapitalisation strategy – it is the place to visit in KZN.

MUNICIPAL ENTITY SCORECARDS 07/08

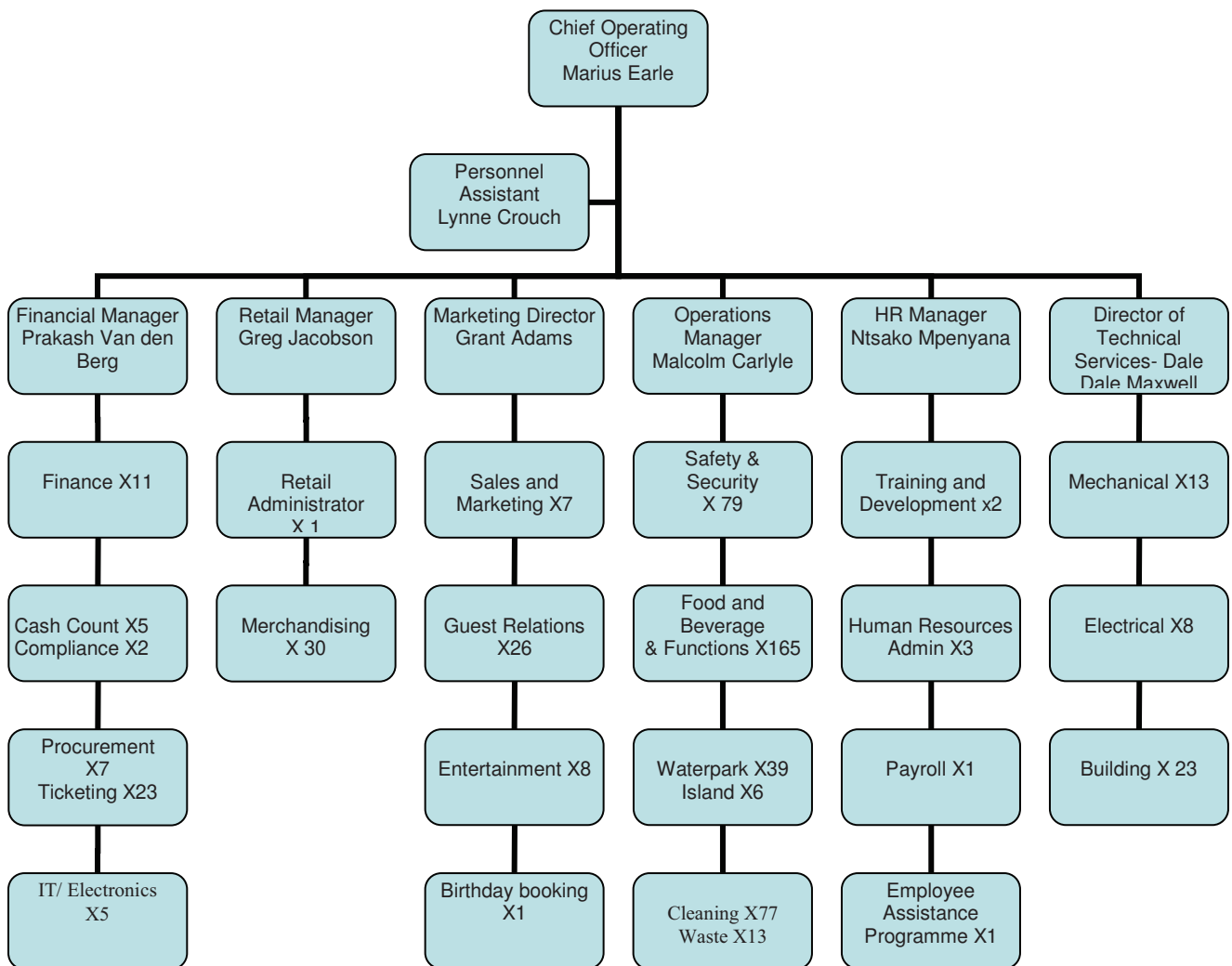
National Key Performance Area	Strategic Focus Area (Objective)	Key Performance Indicator	Baseline 0607	Annual Targets	Target Dates	3 year target- 2009/10	Means of Verification	Responsible Manager	Measures taken to improve performance	Status as at end of quarter
BASIC SERVICE DELIVERY /CAPITAL INFRASTRUCTURE	TECHNICAL SERVICES To improve safety by doing alterations to the beachside gas store	Alterations to the gas store		To improve safety by doing alterations to the gas store	30-Jun-08	Once off target - capital projects will change annually	Physical structure	Dale Maxwell		Task completed
	To do alterations to the Upper Deck restaurant to improve restaurant layout and appearance	Upgraded restaurant		To include a raised front deck, front deck cover and sound room	30-Jun-08	Once off target - capital projects will change annually	Physical structure	Dale Maxwell		Task completed
	To improve the existing and/or build a new "World-Class" Dolphin Stadium stage	Upgrade existing dolphin stadium stage		Upgrade existing dolphin stadium stage to include a big screen	15-Dec-07	Once off target - capital projects will change annually	Physical structure	Mark Penning	Stage constructed with roof to allow for shows during inclement weather. Additional lighting, large LED screen and other audiovisual equipment, rockwork and water spouts added.	Task completed
LOCAL ECONOMIC DEVELOPMENT	PROCUREMENT To procure goods and services from historically disadvantaged businesses as per our preferential procurement targets	Actual procurement statistics		To procure 60% of all goods & services from historically disadvantaged businesses	30-Jun-08	To procure 60% of all goods & services from historically disadvantaged businesses	Monthly stats	Prakash van den Berg		Achieved 76% for the year.
	VILLAGE WALK To maximize occupancy percentage of all lettable space	Actual occupancy of lettable space against available		To achieve 90% of occupancy of lettable space in the Village Walk	30-Jun-08	To achieve 90% of occupancy of lettable space in the Village Walk	Annual report	Greg Jacobson	Continual effort to secure new tenants and/or to grow existing successful tenants.	Achieved 93.23% occupancy
GOVERNANCE AND PUBLIC PARTICIPATION	Entertainment To provide a "World-Class" entertainment to guests which is in line with the theme of the park	guests satisfaction and enjoyment to be measured by Guests Surveys		To conduct entertainment parades during weekends (minimum of 2 parade per weekend) To survey 0.5% of our guest per annum	30-Jun-08	To conduct entertainment parades during weekends (minimum of 2 parade per weekend) To survey 0.5% of our guest per annum	Survey reports and entertainment schedules	Grant Adams		Achieved 0.6% = (4 120 / 738 954) made up of 3 045 GRO guest surveys, 1 000 Navigator Research surveys and 75 Vision XS surveys.
	Unqualified audit report	Unqualified Audit Report		Unqualified Audit Report	30-Oct-08	Unqualified Audit Report	Audit report	Prakash van den Berg		Task Achieved
	Compliance with MFMA	All MFMA requirements complied with		Compliance with MFMA	30-Oct-08	Compliance with MFMA	Audit report	Prakash van den Berg		Task Achieved

National Key Performance Area	Strategic Focus Area (Objective)	Key Performance Indicator	Baseline 0607	Annual Targets	Target Dates	3 year target-2009/10	Means of Verification	Responsible Manager	Measures taken to improve performance	Status as at end of quarter
TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	Human Resources To ensure that the workforce reflects the demographics of the region at all employment levels	Compilation of effective Employment Equity plans and reports		See Annexure A	30-Jun-08	See Annexure A	Audit report	Ntsako Mpenyana		See Annexure A - where variations to targets are explained
	To retain critical technical skills, required for long-term sustainability of the park and minimise skills exodus	Retention of key technical personnel Development and implementation of an effective skill retention strategy		To achieve 50% retention at senior and middle management levels	30-Jun-08	To achieve 50% retention at senior and middle management levels	Audit report	Ntsako Mpenyana		See Annexure A - 79% retention achieved
FINANCIAL VIABILITY AND MANAGEMENT	MARKETING Promotions To compile and implement a comprehensive marketing and promotions strategy that will ensure the achievement of annual budgeted footfalls	Achievement of budgeted footfalls Achievement of budgeted revenues		Implement 2 major price promotions per annum during off-peak seasons. Implement a minimum of 1 brand awareness campaigns per annum	30-Jun-08	Implement 2 major price promotions per annum during off-peak seasons. Implement a minimum of 1 brand awareness campaigns per annum	Annual report	Grant Adams		Done - Achieved 101% on footfall budget and 97% on revenues. 4 major promotions, 1 brand promotion / TV ad.
	Events To introduce and implement "World-Class" events that will attract guests, especially after normal park operating hours	Night Dolphin events		Implementation of a minimum of 2 special night Dolphin shows. Implementation of a minimum of 3 other events within SW, WW and VW areas of the park	30-Jun-08	Implementation of a minimum of 4 special night Dolphin shows. Implementation of a minimum of 4 other events within SW, WW and VW areas of the park	Annual report	Grant Adams		Done - Night dolphin shows done - Halloween, Dolphins by Starlight, Hip-hop event, Music of the 80's. Events - Secretaries Day, Mr and Miss uShaka, Concerts in W'nW, Dolphin Dash.
	Sales To compile and implement an effective corporate sales strategy that will ensure improvement of revenues generated by the value-add products within the park	Business growth in following areas: Bulk tickets sales; kids birthdays; corporate group bookings		To achieve 6 % growth from previous year in all areas targeted	30-Jun-08	To achieve 6 % growth from previous year in all areas targeted	Financial report	Grant Adams		Done Achieved 60% growth in birthday parties and bulk ticket sales.
	Revenues To achieve budgeted revenues in the following areas that are key drivers of the business: Food & Beverage, Merchandising, and Rental Income	Actual revenues against budgeted revenues		To achieve 100% of budgeted revenues in all areas as per the annual budget targets	30-Jun-08	To achieve 100% of budgeted revenues in all areas as per the annual budget targets	Financial report	Malcolm Carlyle / Greg Jacobson	Village Walk revenue achieved through higher occupancy and some new lets at higher rentals than budget.	Village Walk rentals achieved:106% Food and Beverage achieved 96% Merchandising achieved 90%
	Cost of Sales To maintain and/or reduce cost of sales at budgeted levels in the following areas: Food, Beverage, and Merchandising	Actual costs against budgeted cost of sales		To achieve 42% Food cost. To achieve 40% beverage cost. To achieve 55% merchandise cost of sales	30-Jun-08	To achieve 40% Food cost. To achieve 40% beverage cost. To achieve 53% merchandise cost of sales	Financial report	Malcolm Carlyle		Achieved 43% food cost. Achieved 41% beverage cost. Achieved 55% merchandising cost
	Debtors Management To ensure that all debtors are collected timeously	Actual debtors days against targeted debtors days		To ensure that all function debtors are collected within 30 days	30-Jun-08	To ensure that all function debtors are collected within 30 days	Financial report	Prakash van den Berg		Unfortunately to a debtors vacancy 83% of the function debtors was within 30 days.

uShaka Marine World Annual Report

B HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

1. ORGANOGRAM



2. JOB CREATION

uShaka creates jobs through the expansion of the Park's activities and the employment of additional labour during the school holiday peak-season periods. New businesses opening within the Park create additional permanent and seasonal employment.

uShaka has a planned and systematic approach to recruiting both permanent and temporary staff. Vacant posts are advertised internally to allow staff to move up in their career paths.

All seasonal and permanent employees are trained in their functions (such as sales, customer service, food and beverage service, and water safety). Some of our staff, both permanent and temporary, have also used their skills to leave the job market and open their own businesses.

uShaka also supports the informal economy by providing controlled and monitored opportunities for informal workers to operate within the Park; for example, sand sculptors, car wash persons, tilers and performance artists.

3. SKILLS DEVELOPMENT

uShaka Management is a registered levy payer of the Services Sector Education & Training Authority (SSETA).

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 2008/2009 year includes:

- Management Development Programme
 - UCT Post Graduate Diploma
 - 7 Habits of Highly Effective People
 - ICDL (International Computers Drivers Licence)
 - Supervisory Skills

- Financial
 - Supply Chain Management Course
 - Micros
 - Finance for non-Financial Managers
- Staff Development
 - ICDL (International Computer Drivers Licence)
 - SA Host Customer Care Course
 - Stress Management
 - Time Management
- Industrial Relations
 - Disciplinary Procedures: Misconduct
 - Disciplinary Procedures: Chaiing
 - Basic Labour Relations
 - Managing Day to day issues
- Service
 - Customer Care
 - Park Knowledge
 - Dealing with Difficult Customers
 - Retail Marketing & Merchandising
 - Stock Control
 - Micros Fidelio
 - Refrigeration & Air-Conditioning
 - Basic Hygiene and Personal Hygiene
- Health & Safety
 - Fire Fighting
 - First Aid
 - Health & Safety for Managers
 - Health and Safety for Reps
 - Height cleaning Safety
 - Lifeguards Practical Course
 - Commercial Diving

Adult Basic Education & Training

Using a specific ABET programme, candidates are assessed to determine their levels of literacy and numeracy and then start ABET training at the appropriate level using a combination of e-learning and coaching from the ABET facilitator. 48 learners has been assessed by Media Works.

Gateway Training 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 receives 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.

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.

Post Graduate Diploma subsidized by the Service Seta, 9 employees will studying through University of Cape Town Business School

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.

In-Service Training

uShaka has signed 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.

Presently we have hosted 26 learners for the in-services training on (6 months and 1 year), Theta and Service Seta are paying their monthly stipends.

Skills Retention Strategy

uShaka recognizes that retention of skills and experience is crucial to organisational growth, in terms of competence and knowledge sharing.

At present uShaka is concentrating on developing two levels of employees:

- (1) entry level, particularly low-level staff in the Cleaning, Maintenance and Landscaping departments; and
- (2) Potential executive managers who are currently at junior and middle management level.

These strategies are critical to retention of skills within the organization, as trends have shown that it is staff from these levels who are most likely to seek new opportunities in employment outside uShaka if they feel that they are not growing within the company. These employees are the basis of our future growth and stability and must be able to feel that they have a future at uShaka. Without these staff levels of service will suffer as their experience and knowledge is withdrawn from the company.

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.

Career Progression

uShaka has a number of programmes which aim to allow people at all levels of the organization to move up their career paths; these include the Gateway Programme, Crew2Captain Quickly.

uShaka places strong emphasis on the on headcount management to unlock operational efficiencies and reduce administration overheads.

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. Department has been indentified as disability friendly for employees with disability i.e. count room, Human Resources department, Accounts, reception and switchboard and Helpdesk.

5. BENEFITS

Medical Aid

Staff may choose to join either Discovery Health or Momentum medical aids. uShaka contributes 50% of the contribution up to a maximum of R850.00.

Provident Fund

Staff may choose to join the provident fund. uShaka will contribute 10% of the amount, and staff contributes 6% towards the provident fund.

Staff Complementary Tickets

Each staff member receives three complementary tickets every month, valid for three month, which may be given to friends and family.

uShaka's philosophy is that the well-being of our staff is as important as their performance at work. In implementing this philosophy, uShaka has implemented an Employee Assistance Programme which aims to give employees access to resources.

These resources include:

- Access to basic medical care from trained staff at the Employee Wellness Centre, which provides non-prescription medication and services such as blood pressure monitoring, blood sugar monitoring and family planning;
- Access to Voluntary Counselling and Testing services for HIV & Aids;
- Access to psychological counseling on site (by appointment); and
- Peer counseling.

In 2009 the Employee Assistance Programme will be expanded to include the followings and will be presented by ICAS:

- Debt counseling;
- Substance abuse counseling;
- Gambling counseling;
- Disability assistance.

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 who are affected by HIV and Aids.

uShaka also actively promotes safe sex practices to prevent the spread of HIV/Aids though the provision of condoms and awareness raising for staff.

7. SKILLS SHORTAGES/RETENTION

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 Management has introduced the following programme as part of the retention strategy:

8. SERVICE HERO AN RECOGNISED CREW – SHARC

To recognize the contribution and service of the employees this program provides incentives for continued workplace performance for employees who evidence significant contributions to the organization.

9. SERVICE EXCELLENCE AND LEADERSHIP – SEAL

To recognize the contributions of the staff from the supervisory to middle management level this program encourages service excellence and leadership to crew in the management.

10. BRIGHT IDEAS

Bright Ideas is an uShaka Marine World program designed to encourage all employees of the park to contribute innovative suggestions that can enhance productivity, profitability and working conditions.

**Annexure A
USM Proposed Workforce Profile
Progressive Targets verses Actual for 07/08**

Proposed Designated Group ("DG") Staff Profile										Proposed Non DG Staff Profile							
Staff Category	Total	% Staff	Proposed Designated Group %			Total Designated Group Work Force				NonDesignated Group %				Non Designated Group			
			07/08	Actual	Var	Notes	07/08	Actual	Var	Notes	07/08	Actual	Var	Notes	07/08	Actual	Var
TM	7	1.3%	43%	43%	0%	3	3	0		57%	57%	0%		4	4	0	
SM	10	1.8%	55%	60%	5%	6	6	1		45%	40%	-5%		5	4	-1	
MM	16	3.0%	45%	50%	5%	7	8	1		55%	50%	-5%		9	8	-1	
T/P	40	7.4%	60%	98%	38%	24	39	15		40%	3%	-38%		16	1	-15	
SS	262	48.3%	65%	99%	34%	170	259	89		35%	1%	-34%		92	3	-89	
WF	207	38.2%	65%	100%	35%	135	207	72		35%	0%	-35%		72	0	-72	
Total:	542	100.0%				345	522	177	0					197	20	-177	0

Proposed Female Staff										Proposed Male Staff							
Staff Category	Total	% Staff	Proposed Female %			Proposed Female Staff				Proposed Male %				Proposed Male Staff			
			07/08	Actual	Var	Notes	07/08	Actual	Var	Notes	07/08	Actual	Var	Notes	07/08	Actual	Var
TM	7	1.3%	15%	14%	-1%	1	1	0		85%	86%	101%		6	6	0	
SM	10	1.8%	25%	30%	5%	3	3	1		75%	70%	95%		8	7	-1	
MM	16	3.0%	20%	13%	-8%	3	2	-1		80%	88%	108%		13	14	1	
T/P	40	7.4%	50%	55%	5%	20	22	2		50%	45%	95%		20	18	-2	
SS	262	48.3%	40%	42%	2%	105	111	6		60%	58%	98%		157	151	-6	A
WF	207	38.2%	45%	48%	3%	93	99	6		55%	52%	97%		114	108	-6	A
Total:	542	100.0%				225	238	13	0					317	304	-13	0

Proposed Handicapped Staff							
Staff Category	Total	% Staff	Proposed Handicapped			Notes	
			07/08	Actual	Var		
TM	7	1.3%	0	0	0		
SM	10	1.8%	0	0	0		
MM	16	3.0%	0	0	0		
T/P	40	7.4%	0	0	0		
SS	262	48.3%	1	0	-1	B	
WF	207	38.2%	4	0	-4	B	
Total:	542	100.0%	5	0	-5	0	

Staff retention statistics				
Staff Category	Total	resignations		
		HC	Actual	retention
TM	7	0	7	100%
SM	10	1	9	90%
MM	16	6	10	63%
Total:	33	7	26	79%

NOTES

- A** Due to the provincial demographics we are attracting more woman than men in these positions
- B** There has been no staff turnover for the positions that were identified for handicapped candidates

DURBAN MARINE THEME PARK (PTY) LTD

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

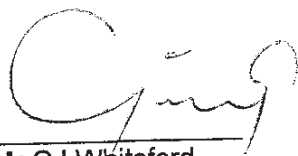
DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 9 to 30, 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.



Mr GJ Whiteford
Accounting Officer

26 November 2008

DATE

INDEX

	Page
Report of the independent auditors	4
Report of Directors'	9
Statement of Financial Position	12
Statement of Financial Performance	13
Statement of Changes in Net Assets	14
Cash Flow Statement	15
Accounting Policies	16
Notes to the Annual Financial Statements	19
Appendix A: Analysis of Property, Plant and Equipment	31
Appendix B: Actual versus Budget (Revenue and Expenditure)	35
Appendix C: Actual versus Budget (Acquisition of Property, Plant and Equipment)	39

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND ETHEKWINI COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF DURBAN MARINE THEME PARK (PTY) LTD FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of Durban Marine Theme Park (Pty) Ltd which comprise the statement of financial position as at 30 June 2008, 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 9 to 30.

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 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 and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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 not effective for this financial year, I have determined that my audit of any disclosures made by 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 Durban Marine Theme Park (Pty) Ltd as at 30 June 2008 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.

Emphasis of matter

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

Going concern

11. Paragraph 1 of the director's report on page 9 of the financial statements indicates that Durban Marine Theme Park (Pty) Ltd incurred a net loss of R62 969 151 for the year ended 30 June 2008 and, as at that date, the entity's ability to continue as a going concern was dependent upon the subordination agreement with eThekweni Municipality.

Material losses owing to criminal misconduct

12. As disclosed in note 32 to the financial statements fraudulent transactions relating to ticketing revenue amounting to approximately R1,8 million were discovered during the year under review.

Restatement of corresponding figures

12. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2007 relating to retail revenue and receivables have been restated by R540 048 as a result of errors discovered during the year ended 30 June 2008.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

14. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
Audit committee		
• The municipal entity had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		✓
Internal audit		
• The municipal entity had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		✓
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines (section 126 of the MFMA).	✓	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.	✓	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	

Unaudited supplementary schedules

15. The municipal entity provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages 31 to 41 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

REPORT ON PERFORMANCE INFORMATION

16. I have audited the performance information as set out in Section A of the annual report.

Responsibility of the accounting officer for the performance information

17. 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

18. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* 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 reported below.

Audit findings

Non-compliance with regulatory requirements

Internal auditing of performance measurements

21. The accounting officer did not ensure that the internal auditors of Durban Marine Theme Park (Pty) Ltd audit the performance measurement during the year under review as required in terms of section 165(2) of the MFMA. Consequently, the audit committee did not advise the accounting officer and the management staff of Durban Marine Theme Park (Pty) Ltd on matters relating to performance management as required in terms of section 166(2)(a)(v) of the MFMA.

APPRECIATION

22. The assistance rendered by the staff of Durban Marine Theme Park (Pty) Ltd during the audit is sincerely appreciated.

Auditor-General

Pietermaritzburg
26 November 2008



A U D I T O R - G E N E R A L

REPORT OF DIRECTORS' FOR THE YEAR ENDED 30 JUNE 2008

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, with the exception of the matter set out in note 32 of these financial statements.

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, especially in light of the subordination agreement with Ethekewini Municipality as set out in note 3 of these financial statements.

2. Nature of business

The company is defined as a Municipal Entity as it is controlled by the eThekewini 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. Until 30 June 2007 the company reimbursed 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 reimbursed refer to note 18. Effective 1 July 2007 the funding arrangements between the company and SAAMBR has changed. SAAMBR is now responsible for its own costs.

4. Financial results of the company

The financial statements from pages 9 to 30 set out fully the financial position and results of operations and cash flows of the company for the period ended 30 June 2008. Pages 31 - 41 do not form part of the audited financials however are included as additional information.

No dividends have been declared during the period.

5. Share capital

The authorized share capital of the company was increased from 1,000 to 10,000 during this year. The issued share capital increased by 3,434 shares via allotment of shares to Ethekeweni Municipality as follows:

- 103 issued 03 August 2007 at a premium of R97,086 per share, totalling R9,999,897
- 1,600 issued 13 March 2008 at a premium of R98,083 per share, totalling R156,932,625
- 1,731 issued 01 April 2008 at a premium of R97,087 per share, totalling R168,058,563

3,434 shares totalling R334,991,085

6. Directors and secretary

- The directors of the company are:

G J Whiteford [Accounting Officer]	(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

C Mlaba (Mayor)

M Sutcliffe (Municipal Manager)

7. **interest of directors and officers in share capital and contracts**

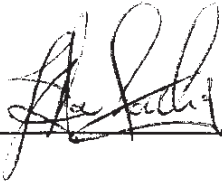
No material contracts in which the directors have an interest were entered into in this period.

8. **Controlling shareholder**

The controlling shareholder is eThekweni Municipality which owns 3,945 of the 3,946 issued shares (99,98%).

The financial statements set out on pages 9 - 30 were approved by the board of directors on and are signed on their behalf by:

Director



Director



Date: 26 November 2008

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008	2007 R
NET ASSETS AND LIABILITIES			
Net assets		11,969,366	(259,515,954)
Share Capital	2	3,946	512
Share Premium	2	344,990,982	9,999,897
Accumulated Deficit		(333,025,562)	(269,516,363)
Non-current liabilities		567,460,569	820,065,846
Shareholders loan	3	481,788,247	476,977,150
Debentures	4	80,092,922	73,592,922
Long Term Liabilities	5	5,579,400	269,495,774
Current liabilities		16,727,155	47,639,071
Current Portion of Long Term Liabilities	5	4,346,379	31,378,726
Tenant Rental Deposits	6	1,307,975	1,294,588
Trade and other payables	7	9,167,403	9,258,272
Provisions	8	1,508,338	1,169,089
Interest payable		-	4,538,396
VAT	14	397,061	-
Total Net Assets and Liabilities		596,157,091	608,188,963
ASSETS			
Non-current assets		557,638,512	580,894,229
Property, plant and equipment	10	500,002,974	520,410,792
Intangible Assets	11	182,763	129,147
Investments – Property	12	52,712,031	56,983,659
Deferred income	13	4,740,744	3,370,631
Current assets		38,518,579	27,294,734
VAT	14	-	1,763,067
Receivables and prepayments	15	8,740,935	5,021,333
Inventory	16	4,188,777	3,046,926
Cash and Cash Equivalents	9	25,588,866	17,463,408
Total Assets		596,157,091	608,188,963

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
REVENUE			
Ticketing Revenue		47,395,169	47,844,699
Food and Beverage Revenue		29,620,882	29,417,385
Merchandising Revenue		4,953,236	5,352,016
Functions Revenue		7,192,629	6,471,905
Village Walk Rental Revenue		19,848,620	18,026,292
Sponsorship Revenue		2,777,356	3,392,146
Other Income	17	2,879,787	2,337,151
Gains on disposal of property, plant and equipment		5,263	6,210
Parking Revenue		1,698,023	1,546,973
Interest received		918,971	399,244
Total Revenue		<u>117,289,937</u>	<u>114,794,021</u>
Cost of sales		<u>19,214,299</u>	<u>18,962,259</u>
Gross Operating Profit		<u>98,075,637</u>	<u>95,831,762</u>
EXPENDITURE			
Employee costs re-imbursed	18	37,668,644	30,721,701
Bad debts		974,126	150,624
Depreciation		37,592,404	41,917,567
Repairs and maintenance		5,085,706	4,155,443
Contracted services		1,333,746	1,171,648
SAAMBR		-	24,485,289
Marketing		8,955,417	7,360,175
Loss on disposal of property, plant and equipment	22	-	7,627,293
Other operating expenses	19	34,946,547	34,077,669
Pre-opening costs	20	332,721	(544,461)
Finance Costs	21	34,155,477	38,673,876
Total Expenditure		<u>161,044,788</u>	<u>189,796,824</u>
DEFICIT FOR THE YEAR	22	<u>(62,969,151)</u>	<u>(93,965,062)</u>

Refer to Appendix B for the comparison with the approved budget

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

NOTES	<u>2</u>	<u>2</u>		
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R
2007				
<i>Ordinary Shares</i>				
Balance at 1 July 2006	409			409
Ordinary Shares Issued during the year	103			103
Share Premium		9,999,897		9,999,897
Restated balance	512	9,999,897		10,000,409
<i>Accumulated Loss</i>				
Balance at 1 July 2006			(175,551,301)	(175,551,301)
Surplus/(deficit) for the year			(93,965,062)	(93,965,062)
Capital grants used to purchase PPE				
Donated/contributed PPE				
Asset disposals				
Offsetting of depreciation				
Balance at 30 June 2007	512	9,999,897	(269,516,363)	(259,515,954)
2008				
<i>Ordinary Shares</i>				
Balance at 1 July 2007	512	9,999,897		10,000,409
Ordinary Shares Issued during the year	3,434			3,434
Share Premium		334,991,085		334,991,085
Restated balance	3,946	344,990,982		344,994,928
<i>Accumulated Loss</i>				
Balance at 1 July 2007			(269,516,363)	(269,516,363)
Prior year error correction (note 33)			(540,048)	(540,048)
Restated balance			(270,056,411)	(270,056,411)
Surplus/(deficit) for the year			(62,969,151)	(62,969,151)
Asset disposals				
Offsetting of depreciation				
Balance at 30 June 2008	3,946	344,990,982	(333,025,562)	11,969,366

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		122,439,499	145,352,434
Cash paid to suppliers and employees		118,046,600	<u>(153,961,473)</u>
Cash generated from/(utilized in) operations	24	4,392,899	(8,609,039)
Net finance (costs) / income		(32,193,876)	(18,601,066)
NET CASH FROM OPERATING ACTIVITIES		<u>(27,800,977)</u>	<u>(27,210,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,949,111)	(16,685,312)
Proceeds on disposal of property, plant and equipment		5,263	72,000
NET CASH FROM INVESTING ACTIVITIES		<u>(12,943,848)</u>	<u>(16,613,312)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)			
New loans paid		(291,592,637)	(24,927,937)
Proceeds from Issue of shares		334,994,519	10,000,000
Proceeds from borrowing		5,455,013	85,308,659
Increase in tenant deposits		13,388	28,070
NET CASH FROM FINANCING ACTIVITIES		<u>48,870,283</u>	<u>70,408,792</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>8,125,458</u>	<u>26,585,375</u>
Cash and cash equivalents at the beginning of the year		<u>17,463,408</u>	<u>(9,121,967)</u>
Cash and cash equivalents at the end of the year	9	<u>25,588,866</u>	<u>17,463,408</u>

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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 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:

Standard of GRAP	Replaced Statement of GAAP
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 changes in the presentation of the financial statements:

a) 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 changes in equity
Net assets	Equity
Surplus / deficit	Profit / loss
Accumulated surplus / deficit	Retained earnings
Contributions from owners	Share capital
Distribution to owners	Dividends

b) The cash flow statement can only be prepared in accordance with the direct method.

c) Specific information has been presented separately on the statement of financial position such as:

- Receivables from non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable;
- Trade and other payables from non-exchange transactions;

d) Amount and nature of any restrictions on cash balances is required.

1.2 Presentation Currency

These annual financial statements are presented in South African Rand and rounded to the nearest rand.

1.3 Going Concern Assumption

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 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.

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

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.

1.5 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.

1.6 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.

1.7 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.

Financial assets

The company's financial assets are cash and bank balances trade and other receivables.

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 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.

**DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

1.8 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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

1.15 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.

1.16 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.

1.17 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.

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
2. SHARE CAPITAL		
Authorised		
Ordinary Shares		
10,000 ordinary shares of R1 each	10,000	1,000
Issued		
Ordinary Shares		
Shares of R1 each	<u>3,946</u>	<u>512</u>
 SHARE PREMIUM	 <u>344,990,982</u>	 <u>9,999,897</u>
1,937 Shares issued at premium of R97,086		
1,600 Shares issued at premium of R98,083		
 3. SHAREHOLDERS LOAN		
<i>eThekweni Municipality</i>	481,788,247	476,977,150
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.		
 4. DEBENTURES		
Debentures issued		
- capital	50,000,000	50,000,000
- interest	<u>30,092,922</u>	<u>23,592,922</u>
	<u>80,092,922</u>	<u>73,592,922</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.

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

5. LONG TERM LIABILITIES

EXTERNAL LOANS - 2008	Balance at 30/06/07	Interest during the year	(Payments) / Advances during the year	Balance at 30/06/08	Less Current Portion	Disclosure of Long Term Portion
	R	R	R	R	R	R
LONG-TERM LOANS						
Premium Finance Solutions	628,398	1,927,992	(1,837,837)	718,554	718,554	0
Standard Bank	2,161,940	225,277	(1,189,564)	1,197,653	1,197,653	0
CITI Bank	109,463,636	3,496,100	(112,959,736)	-	-	0
DBSA Loan	32,352,941	1,717,443	(34,070,384)	-	-	0
DBSA Phantom Ship	3,436,590	-	(1,626,530)	1,810,060	1,810,060	0
DBSA Village Walk	5,871,029	628,971	(300,488)	6,199,512	620,112	5,579,400
eThekwini Municipality Loan	146,959,966	11,100,959	(158,060,925)	-	-	0
Total long-term loans	300,874,500	19,096,742	(310,045,463)	9,925,779	4,346,379	5,579,400
TOTAL EXTERNAL LOANS						

EXTERNAL LOANS - 2007	Balance at 30/06/06	Interest during the year	(Payments) / Advances during the year	Balance at 30/06/07	Less Current Portion	Disclosure of Long Term Portion
	R	R	R	R	R	R
LONG-TERM LOANS						
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)	1,191,698
CITI Bank	125,976,667	12,691,165	(29,204,196)	109,463,636	(21,892,728)	87,570,908
DBSA Loan	38,235,294	-	(5,882,353)	32,352,941	(5,882,353)	26,470,588
DBSA Phantom Ship	4,900,117	-	(1,463,527)	3,436,590	(1,626,461)	1,810,129
DBSA Village Walk	-	5,871,029	-	5,871,029	(378,544)	5,492,485
eThekwini Municipality Loan	64,935,589	9,524,377	72,500,000	146,959,966	-	146,959,966
Total long-term loans	237,583,471	28,505,487	34,785,542	300,874,500	31,378,726	269,495,774
TOTAL EXTERNAL LOANS						

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 R674,668
(2007: R841,509) as detailed in note 10, 11 and 12 respectively.

The Citibank loan bears interest at 13.84% and was repayable in 17 semi annual instalments.
The loan was secured by the assets with a book value in 2007 of R564,662,002. This loan was settled in full in September 2007.

The DBSA loan bears interest at 13.84% and was repayable in 17 semi annual instalments.
The loan is secured by the assets with a book value in 2007 of R564,662,002. This loan was settled in full in September 2007.

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 R5,658,264 (2007 : R6,149,749) as detailed in note 10, 11 and 12 respectively.

The DBSA Village Walk is an unsecured loan which bears interest at 8.5% and is repayable in 18 quarterly instalments.

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 2008

	2008	2007
	R	R
6. TENANT RENTAL DEPOSITS		
Tenant Rental Deposits	1,307,975	1,294,588
7. TRADE AND OTHER PAYABLES		
Trade creditors	8,572,229	8,863,885
Other creditors	595,174	394,387
	<u>9,167,403</u>	<u>9,258,272</u>
8. PROVISIONS		
<u>Leave pay</u> (Leave pay is owed to employees)		
- Opening balance	1,169,089	1,030,966
- Income Statement movement	339,249	138,123
- Closing Balance	<u>1,508,338</u>	<u>1,169,089</u>
<u>Bonus</u>		
- Opening balance	-	1,000,000
- Income Statement movement	-	(1,000,000)
- Closing Balance	<u>-</u>	<u>-</u>
<u>Other provisions</u>		
- Opening balance	-	11,494
- Income Statement movement	(32,437)	(11,494)
- Closing Balance	<u>-</u>	<u>-</u>
Total Provisions	<u>1,508,338</u>	<u>1,169,089</u>
9. CASH AND CASH EQUIVALENTS		
<i>Durban Marine Theme Park (Pty) Ltd has the following bank accounts: -</i>		
<u>Current Account (Primary Bank Account)</u>		
<i>Citibank - Johannesburg Branch: Account Number 0500337036</i>		
Cash book balance at beginning of year	12,454,358	(2,116,231)
Cash book balance at end of year	<u>25,051,829</u>	<u>12,454,358</u>
Bank statement balance at beginning of year	12,454,358	(2,116,231)
Bank statement balance at end of year	<u>24,512,829</u>	<u>12,454,358</u>
<u>Retail Bank Account</u>		
<i>Citibank - Johannesburg Branch: Account Number 0500337052</i>		
Cash book balance at beginning of year	70,273	90,205
Cash book balance at end of year	<u>364</u>	<u>70,273</u>
Bank statement balance at beginning of year	70,273	90,205
Bank statement balance at end of year	<u>364</u>	<u>70,273</u>
<u>Schools Bank Account</u>		
<i>Citibank - Johannesburg Branch: Account Number 0500337125</i>		
Cash book balance at beginning of year	8,489	975
Cash book balance at end of year	<u>9,258</u>	<u>8,489</u>
Bank statement balance at beginning of year	8,489	975
Bank statement balance at end of year	<u>9,258</u>	<u>8,489</u>

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2008

	2008	2007
		R
9. CASH AND CASH EQUIVALENTS (Continued)		
<u>Debt Service Bank Account</u>		
<i>Citibank - Johannesburg Branch: Account Number 0500337044</i>		
Cash book balance at beginning of year	3,788,330	2,926
Cash book balance at end of year [Account Closed]	<u>0</u>	<u>3,788,330</u>
Bank statement balance at beginning of year	3,788,330	2,926
Bank statement balance at end of year [Account Closed]	<u>0</u>	<u>3,788,330</u>
<u>Overdraft Bank Account</u>		
<i>Std Bank – Durban Branch: Account Number 050033026</i>		
Cash book balance at beginning of year	2,038	(7,869,918)
Cash book balance at end of year	<u>82</u>	<u>2,038</u>
Bank statement balance at beginning of year	2,038	(7,869,918)
Bank statement balance at end of year	<u>82</u>	<u>2,038</u>
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Bank balances	25,061,533	16,323,488
Cash on hand	527,333	1,139,920
Total cash and cash equivalents at the end of the year	<u>25,588,866</u>	<u>17,463,408</u>

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10. PROPERTY, PLANT AND EQUIPMENT
30 June 2008

Reconciliation of Carrying Value	<u>Capital Work in Progress</u>	<u>Land and Buildings</u>	<u>Motor Vehicle</u>	<u>Furn, Fittings & Equip</u>	<u>Plant & Machinery</u>	<u>Phantom Ship</u>	<u>Total</u>
	R	R	R	R	R	R	R
Carrying values at 1 July 2007							
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)	(35,809,734)	(21,873,462)	(1,730,278)	(102,292,227)
Opening carrying amount	184,902	434,738,217	279,634	28,740,675	50,317,614	6,149,749	520,410,791
Additions / Transfers	4,410	5,302,538	149,675	7,191,084	-	-	12,647,707
Acquisitions	-	-	-	-	-	-	-
Net borrowing costs capitalised	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	(13,493,640)	(182,645)	(11,668,648)	(7,219,108)	(491,485)	(33,055,526)
Carrying value of disposals	-	-	-	-	-	-	-
Cost	-	-	-	(31,588)	-	-	(31,588)
Accumulated depreciation	-	-	-	31,588	-	-	31,588
Impairment losses	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
Carrying values at 30 June 2008	189,312	426,547,116	246,664	24,263,111	43,098,506	5,658,264	500,002,974
Cost	189,312	482,105,378	1,243,439	71,709,905	72,191,076	7,880,027	635,916,337
Accumulated depreciation	-	(55,558,263)	(996,775)	(47,446,794)	(29,092,570)	(2,221,763)	(135,316,163)

30 June 2007

Reconciliation of Carrying Value	<u>Capital Work in Progress</u>	<u>Land and Buildings</u>	<u>Motor Vehicle</u>	<u>Furn, Fittings & Equip</u>	<u>Plant & Machinery</u>	<u>Phantom Ship</u>	<u>Total</u>
	R	R	R	R	R	R	R
Carrying values at 1 July 2006							
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)
Carrying values at 30 June 2007	184,902	434,738,217	279,634	28,740,676	50,317,614	6,149,749	520,410,792
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)

As at 30 June 2007, the above assets were pledged against the loans from Citibank Limited and the Development Bank of Southern Africa Ltd (refer note 5). These loans were settled in full in September 2007.

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
		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 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
Total Change in Estimate for Useful Life of Property, Plant and Equipment	<u> </u>	<u>4,211,276</u>
11. INTANGIBLE ASSETS (COMPUTER SOFTWARE)		
Opening carrying amount	129,147	305,739
Additions/Transfers	189,615	136,430
Depreciation charge	(135,999)	(313,022)
Closing carrying amount	<u>182,763</u>	<u>129,147</u>
Cost	2,449,349	2,259,734
Accumulated depreciation	(2,266,586)	(2,130,587)
Closing carrying amount	<u>182,763</u>	<u>129,147</u>
12. INVESTMENTS – PROPERTY		
Opening carrying amount	56,983,659	60,685,553
Additions/Transfers	111,789	901,270
Depreciation charge	(4,383,417)	(4,603,164)
Closing carrying amount	<u>52,712,031</u>	<u>56,983,659</u>
Cost	70,939,592	70,827,803
Accumulated depreciation	(18,227,561)	(13,844,144)
Closing carrying amount	<u>52,712,031</u>	<u>56,983,659</u>
As at 30 June 2007, the above assets were pledged against the loans from Citibank Limited and the Development Bank of Southern Africa Ltd (refer note 5). These loans were settled in full in September 2007.		
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 R100,000,000 based on a valuation method of net rental return, capitalised at a fair market rate of return of 13%.		
13. DEFERRED INCOME		
Rental Adjustment	4,740,744	3,370,631
14. VAT		
VAT Payable	397,061	-
VAT Debtor	-	1,763,067
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.		
	<u>397,061</u>	<u>1,763,067</u>

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
15. RECEIVABLES & PREPAYMENTS		
Trade Debtors	6,934,616	5,860,174
Current (0 – 30 days)	2,363,963	1,231,489
31 - 60 Days	790,835	966,112
61 - 90 Days	155,186	824,047
91 - 120 Days	3,624,632	2,838,526
Provision for Doubtful Debts	(1,413,032)	(2,058,439)
- Opening balance	(2,058,439)	(1,313,610)
- Income Statement movement	645,407	(744,829)
Sundry Debtors	1,904,781	369,450
Current (0 – 30 days)	1,836,215	86,380
31 - 60 Days	-	17,165
61 - 90 Days	-	1,201
91 – 120 Days (Hand over debtors)	68,566	264,704
Prepayments :- will be released into the income statement over the following periods	855,961	827,259
Current (0 – 30 days)	135,110	139,772
31 - 60 Days	135,110	139,772
61 - 90 Days	135,110	139,772
91 - 120 Days	450,631	407,943
eThekwini Municipality		
Current	458,609	22,889
Total Other Debtors	8,740,935	5,021,333
16. INVENTORY		
Closing stock of product		
Food and Beverage	1,111,478	1,033,061
Merchandise	2,347,159	1,236,402
Consumables Stores – at cost (Includes Wristbands, Stationery, Packaging)	730,140	777,463
Total Inventory	4,188,777	3,046,926
17. OTHER INCOME		
Ticketing Related Revenues	117,666	62,113
Tattoo Sales	276,158	237,991
Party's	571,551	492,978
Guest Relations (Bambino + Shop Mobility)	313,281	228,509
Rarepix	1,272,186	1,098,908
Helicopter Rides	47,167	111,016
Seawater Permits	877	3,947
uShaka Radio Adverts	-	34,764
Umbrella Hire	156,886	36,930
Jet Ski	-	549
Ocean Safari	10,385	29,446
Loungers	113,630	-
	2,879,787	2,337,151

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
18. EMPLOYEE COSTS RE-IMBURSED		
<i>uShaka Management (Pty) Ltd</i>		
Number of persons employed at year end: Full time	542	499
Salaries, Wages, Travel allowances and Bonuses	31,239,778	24,672,119
Contributions to UIF, Provident fund, Medical aid and Workmen's Compensation	4,529,173	3,438,440
Leave Pay	357,212	172,112
Overtime payments	1,542,481	2,439,030
	<u>37,668,644</u>	<u>30,721,701</u>
<i>South African Association For Marine Biological Research</i>		
Number of persons employed at year end: Full time	157	142
Salaries, Wages, Travel allowances and Bonuses	-	13,438,800
Contributions to UIF, Provident fund, Medical aid and Workmen's Compensation	-	2,735,221
Leave Pay	-	19,886
Overtime payments	-	185,594
NOTE: Refer Directors report, item 3 thereof	<u>-</u>	<u>16,379,502</u>
19. OTHER OPERATING EXPENSES		
<i>Included in the Other Operating Expenses are :-</i>		
Water and Electricity	10,693,102	9,243,543
Management Fees	3,609,397	5,472,080
Staff Related Costs	2,693,755	2,274,887
Promotions and Entertainments	3,422,426	3,008,554
Bank Charges	1,200,256	1,092,340
Security	1,157,148	1,149,149
Insurance	1,583,570	1,240,705
Consumables	1,556,792	1,534,125
Other	1,721,383	1,479,137
Cleaning costs	1,200,253	934,132
Ticketing Costs	923,802	1,119,725
Legal Fees and Licences	846,809	801,678
Durban Point Waterfront Levy	689,400	689,400
Telephone and Fax	745,506	649,811
Service Contracts	885,699	1,046,196
Printing and Stationery	460,584	412,939
Functions equipment Hire	786,300	-
Doubtful Debts Provision	(645,408)	744,829
Equipment Replacement Costs	505,377	542,508
Free Parking	68,583	51,480
Travel and Accommodation	390,060	111,007
Operating Leases	129,119	172,226
Audit Fees	322,634	307,218
	<u>34,946,547</u>	<u>34,077,669</u>
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 debit in the current year relates to the write off of the irrecoverable VAT debtor. The credit in the prior year is a recoupment of previous costs written off.	332,721	(544,461)

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
21. FINANCE COSTS		
Citibank	13,508,085	16,478,607
DBSA	2,321,624	5,476,892
Standard Bank	225,277	363,054
Glenrand	89,881	61,618
Overdraft interest	602	43,046
DBSA debenture	6,500,000	6,500,000
Ethekweni Municipality	11,100,328	9,524,377
DBSA Village Walk	409,681	226,282
	34,155,477	38,673,876
22. DEFICIT FOR THE YEAR		
The following items have been charged in arriving at a deficit for the year:		
Auditors' remuneration		
<i>Income Statement charge</i>	322,634	307,218
<i>Profit / (Loss) on disposal of assets (Refer : Appendix B)</i>	5,263	(7,627,293)
23. OPERATING LEASES		
<i>Total of future minimum lease payments under non-cancellable leases</i>		
23.1 Lessee		
Not later than one year	158,475	168,703
Later than one year and not later than five years	-	165,199
The operating leases relate to photocopiers 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	14,197,944	14,940,913
Later than one year and not later than five years	36,686,325	46,830,979
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		
<i>Cash flow from operating activities</i>		
Operating loss	(62,969,151)	(93,965,062)
Adjustment for non-cash items		
Depreciation	37,592,404	41,917,567
Deferred income adjustment	(1,370,112)	(1,078,390)
Loss on foreign transactions	5,965	-
Add back finance costs	34,155,477	38,274,632
Provisions	339,249	(873,374)
(Profit) / Loss on disposal	(5,263)	7,621,083
Changes in working capital		
Inventories and operating equipment	(1,141,851)	52,375
(Increase) / Decrease in receivables	(2,368,354)	2,658,252
Increase / (Decrease) in trade and other payables	154,535	(3,216,122)
Cash generated from operations	4,392,899	(8,609,039)

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
25. TAX		
No provision has been made for tax as an assessed loss of R264,205,122 (2007: R209,201,549) 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 Nil worth of unexpended commitments (2007: R400,015) approved by the directors to be funded by Shareholders loan	-	-
27. DIRECTORS FEES		
Chairman fees paid - S Zulu	24,000	24,000
Directors fees paid - J H de Villiers Botha	9,750	15,000
Directors expenses paid - J H de Villiers Botha	17,872	36,246
	<u>51,622</u>	<u>75,246</u>
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		
<u>29.1 Audit fees</u>		
Opening balance	-	100,000
Increase in provision	-	-
Income Statement Charge	322,634	307,218
Amount paid – Audit June 2007	(322,634)	(307,218)
Amount paid - previous years	-	(100,000)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
<u>29.2 PAYE and UIF</u>		
Opening balance	225,932	163,146
Current year payroll deductions	3,710,289	2,791,262
Amount paid - current year	(3,431,787)	(2,565,330)
Amount paid - previous years	(225,932)	(163,146)
Balance unpaid (included in creditors)	<u>278,501</u>	<u>225,932</u>
The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid during July 2008.		
<u>29.3 Provident and Medical Aid Deductions</u>		
Opening balance	258,882	235,256
Current year payroll deductions	4,944,463	2,884,683
Amount paid - current year	(4,509,301)	(2,625,801)
Amount paid - previous years	(258,882)	(235,256)
Balance unpaid (included in creditors)	<u>435,162</u>	<u>258,882</u>
The balance represents provident and medical aid contributions deducted from employees in the June 2008 payroll as well as Company's contributions to provident and medical aid funds. These amounts were paid during July 2008.		

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
30. RELATED PARTIES		
The following related party transactions have occurred for the period under review		
30.1 Expenses Paid to :-		
30.1.1 eThekwini Municipality (Controlling Shareholder) (99.8% Shareholding) Refer Item 9 Directors report for Subordination details		
Electricity	7,585,279	6,776,056
Water	3,107,822	2,467,488
Regional Services Levy	-	21,332
30.1.2 Development Bank of Southern Africa (Minority Shareholder) (0.2% Shareholding)		
Interest on Loans	2,321,624	5,476,892
30.1.3 Ushaka Management (Pty) Ltd (Management Company)		
Management Fees	3,609,102	5,472,080
Employee Related Costs	37,668,644	30,721,701
30.1.4 Three Cities Management Ltd (Shareholder of Management Company) (40% Shareholding)		
Travel and Accommodation Costs	2,000	79,241
30.1.5 Isundu Leisure (Pty) Ltd (Shareholder of Management Company) (40% Shareholding)	-	-
30.1.6 Profun Management Inc (Shareholder of Management Company) (20% Shareholding)	-	-
30.1.7 South African Association For Marine Biological Research (Responsible for the operations of Sea World)		
Expenses	-	27,971,197
Less: Research Income	-	(3,485,908)
NOTE: Refer Directors Report, item 3 thereof	<u>-</u>	<u>24,485,289</u>
30.1.8 Internal Audit of eThekwini Municipality (Responsible for Internal Audit)		
30.2 Interest Capitalised On Loan from Shareholder :-		
eThekwini Municipality	11,100,328	14,459,966
Development Bank of Southern Africa (Refer : Note 4)	30,092,922	23,592,922
30.3 Included in Accounts Receivable is an amount due by :-		
eThekwini Municipality	458,609	22,889
South African Association For Marine Biological Research	238,908	271,491
30.4 Included in Accounts Payable are the following amounts due to :-		
eThekwini Municipality	1,120,811	987,924
uShaka Management (Pty) Ltd	780,363	43,821
South African Association For Marine Biological Research	70,789	3,084,067
30.5 Included in Long Term Liabilities are the following amounts due to :-		
eThekwini Municipality (Refer Note 5)	-	132,500,000
DBSA (Refer Note 5 for security details)		
- DBSA Loan	-	32,352,941
- DBSA Phantom Ship	1,810,060	3,436,590
- DBSA Village Walk	6,199,512	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 2008

2008 **2007**
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	6,934,616	3,471,900
Other Debtors (Including Prepayments)	1,806,319	1,667,662
Cash and Cash Equivalents	25,588,866	17,463,408

32. IRREGULAR EXPENDITURE

1,806,752 -

Misappropriation of funds by employees arising out of fraudulent transactions relating to the Ticketing and Cash Office systems. Criminal charges are being pursued against those employees and an insurance claim has been lodged in terms of the company's fidelity insurance cover. Refer to note 15 wherein this debtor is reflected as sundry debtors. Subsequent to year end an amount of R810 268 was received from insurers.

33. PRIOR YEAR ERROR

Retail revenues were overstated by R540 048 in the prior period due to the incorrect report used for processing the monthly revenues. Accordingly debtors was also overstated by R540 048

540 048

APPENDIX A

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current Year	Disposals	Closing Balance	
Land and Buildings										
Airconditioning	15,100	-	-	-	15,100	8	3,020	-	3,028	12,072
Land	27,614,030	-	-	-	27,614,030	-	-	-	-	27,614,030
Buildings	399,741,705	4,668,058	-	-	404,409,763	32,704,306	10,521,539	-	43,225,845	361,183,918
Buildings -Equipment	1,075,642	-	-	-	1,075,642	338,885	108,001	-	446,886	628,756
Pier Project	184,902	-	4,410	-	189,312	-	-	-	-	189,312
Doors and Gate	2,515,430	-	-	-	2,515,430	1,593,105	503,086	-	2,096,191	419,238
Piping	21,282,778	-	-	-	21,282,778	3,369,773	1,064,139	-	4,433,912	16,848,866
Piers	15,621,734	634,480	-	-	16,256,214	1,228,678	400,213	-	1,628,892	14,627,322
Slides	8,936,421	-	-	-	8,936,421	2,829,867	893,642	-	3,723,509	5,212,912
	476,987,742	5,302,538	4,410	-	482,294,690	42,064,623	13,493,640	-	55,558,263	426,736,428
Plant & Machinery										
Chiller Plant	6,009,852	-	-	-	6,009,852	1,229,263	600,985	-	1,830,248	4,179,604
Generators	496,519	-	-	-	496,519	124,130	49,652	-	173,782	322,737
Plant & Machinery	63,671,217	-	-	-	63,671,217	20,151,628	6,367,122	-	26,518,750	37,152,467
Turnstiles	216,346	-	-	-	216,346	63,274	21,634	-	84,908	131,438
Slides	460,050	-	-	-	460,050	32,730	46,005	-	78,735	381,315
Wet n Wild Heating	1,337,092	-	-	-	1,337,092	272,437	133,709	-	406,146	930,945
	72,191,076	-	-	-	72,191,076	21,873,462	7,219,108	-	29,092,570	43,098,506
Phantom Ship										
Buildings	5,301,925	-	-	-	5,301,925	416,606	132,548	-	549,154	4,752,772
Computer Hardware	14,511	-	-	-	14,511	14,511	-	-	14,511	-
Equipment	329,441	-	-	-	329,441	173,906	54,918	-	228,824	100,617
Furniture and Fittings	306,624	-	-	-	306,624	94,545	29,930	-	124,475	182,149
Furniture	463,537	-	-	-	463,537	257,191	29,717	-	286,909	176,629
Doors and Gate	9,759	-	-	-	9,759	5,855	1,952	-	7,807	1,952
Shop fitting	1,454,229	-	-	-	1,454,229	767,663	242,420	-	1,010,083	444,146
	7,880,027	-	-	-	7,880,027	1,730,278	491,485	-	2,221,763	5,658,264
Motor Vehicles										
Motor Vehicles	1,093,764	149,675	-	-	1,243,439	814,130	182,645	-	996,775	246,664
	1,093,764	149,675	-	-	1,243,439	814,130	182,645	-	996,775	246,664
Total carried forward	558,152,608	5,452,213	4,410	-	563,609,231	66,482,493	21,386,878	-	87,869,396	475,739,862

APPENDIX A

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current Year	Disposals		Closing Balance
Total brought forward	558,152,608	5,452,213	4,410	-	563,609,231	66,482,493	21,386,878	-	87,869,396	475,739,862
Furniture, Fitting & Equipment										
Air-conditioning	22,455,714	-	-	-	22,455,714	17,768,483	4,677,993	-	22,446,476	9,238
CCTV Cameras	1,075,268	27,500	-	-	1,102,768	658,874	215,748	-	874,622	228,146
Computer Hardware	4,776,184	1,475,843	-	(31,588)	6,220,439	4,008,066	708,279	(31,588)	4,684,757	1,535,682
Equipment	15,044,466	4,554,784	-	-	19,599,250	4,253,669	2,690,689	-	6,944,358	12,654,892
Furniture & Fitting	483,955	200,367	-	-	684,323	153,195	51,023	-	204,217	480,105
Furniture	3,781,016	754,362	-	-	4,535,378	548,810	450,908	-	999,718	3,535,660
Doors & Gates	167,604	2,692	-	-	170,296	20,133	33,874	-	54,007	116,289
Generators	0	4,312	-	-	4,312	0	104	-	104	4,208
Signage	2,020,398	61,729	-	-	2,082,127	1,236,591	401,093	-	1,637,684	444,442
Shop fitting	13,022,023	42,285	-	-	13,064,308	6,411,886	2,177,100	-	8,588,986	4,475,322
Telephone Equipment	972,121	53,770	-	-	1,025,891	598,250	193,816	-	792,066	233,825
Theming	251,109	5,445	-	-	256,554	35,546	25,600	-	61,145	195,409
Slides	153,350	-	-	-	153,350	12,903	15,335	-	28,238	125,112
Turnstile Equipment	275,437	-	-	-	275,437	71,125	27,549	-	98,673	176,764
Wet n Wild Heating	7,995	-	-	-	7,995	0	58	-	58	7,937
Xpanda Cage	71,764	-	-	-	71,764	32,898	11,963	-	44,861	26,903
	64,550,409	7,191,084	-	(31,588)	71,709,905	35,809,734	11,668,648	(31,588)	47,446,794	24,263,111
Total (Property, plant & Equipment)	622,703,017	12,643,297	4,410	(31,588)	635,319,136	102,292,227	33,055,526	(31,588)	135,316,163	500,002,974
Total (Intangible Assets)										
Computer Software	2,259,735	189,615	-	-	2,449,349	2,130,587	135,999	-	2,266,586	182,763
Investments Property										
Airconditioning	452,150	-	-	-	452,150	338,028	90,430	-	428,458	23,692
Building	55,045,940	4,819	-	-	55,050,759	4,322,317	1,376,254	-	5,698,571	49,352,188
Lifts	1,417,056	-	-	-	1,417,056	372,450	117,616	-	490,065	926,991
Shopfitting	-	106,970	-	-	106,970	-	16,586	-	16,586	90,384
Thatching	13,912,657	-	-	-	13,912,657	8,811,349	2,782,531	-	11,593,881	2,318,778
Total (Investments Property)	70,827,803	111,789	-	-	70,939,592	13,844,144	4,383,144	-	18,227,561	52,712,031

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	
Land and Buildings										
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
	478,391,494	6,753,290	-	(8,157,043)	476,987,742	28,130,254	14,478,172	(543,803)	42,064,623	434,923,119
Plant & Machinery										
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
	71,776,738	460,050	(45,712)	-	72,191,076	14,700,361	7,173,103	-	21,873,463	50,317,613
Phantom Ship										
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
	7,880,026	-	-	-	7,880,026	1,105,251	625,026	-	1,730,277	6,149,749
Motor Vehicles										
Motor Vehicles	1,093,764	-			1,093,764	595,375	218,753		814,128	279,636
	1,093,764	-	-	-	1,093,764	595,375	218,753	-	814,128	279,636
Total carried forward	559,142,022	7,213,340	(45,712)	(8,157,043)	558,152,608	44,531,241	22,495,053	(543,803)	66,482,491	491,670,116

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	
Total brought forward	559,142,022	7,213,340	(45,712)	(8,157,043)	558,152,608	44,531,241	22,495,053	(543,803)	66,482,491	491,670,116
Furniture, Fitting & Equipment										
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
	56,229,616	8,479,981	-	(159,189)	64,550,408	21,415,484	14,473,595	(79,345)	35,809,734	28,740,675
Total (Property, plant & Equipment)	615,371,638	15,693,322	(45,712)	(8,316,232)	622,703,016	65,946,725	36,968,649	(623,148)	102,292,225	520,410,792
Total (Intangible Assets)										
Computer Software	2,123,304	136,431	-	-	2,259,735	1,817,565	313,022	-	2,130,587	129,147
Investments Property										
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
	69,926,533	901,270	-	-	70,827,803	9,240,980	4,603,164	-	13,844,144	56,983,659
Total (Investments Property)	69,926,533	901,270	-	-	70,827,803	9,240,980	4,603,164	-	13,844,144	56,983,659

APPENDIX B
DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>Significant Variances</u>
REVENUE	Actual (R)	Budget (R)	Variance (R)	Variance (%)	greater than 10% versus Budget
Ticketing Revenue	47,395,169	47,982,899	(587,730)	(1)%	
Food and Beverage Revenue	29,620,882	30,989,004	(1,368,122)	(4)%	
Merchandising Revenue	4,953,236	5,498,995	(545,759)	(10)%	
Functions Revenue	7,192,629	6,199,810	992,819	16%	
Village Walk Rental Revenue	19,848,620	17,387,998	2,460,622	14%	
Sponsorship Revenue	2,777,356	3,998,748	(1,221,392)	(31)%	Note 1
Other Income	2,879,787	2,610,970	268,817	10%	
Gains on disposal of property, plant and equipment	5,263	-	5,263	-	
Parking Revenue	1,698,023	1,446,610	251,413	17%	
Interest Received	918,971	-	918,971	-	
Total Revenue	117,289,937	116,115,033	1,174,904	1%	
Cost of sales	19,214,299	19,872,523	(658,224)	(3)%	
Gross Operating Profit	98,075,637	96,242,510	1,833,127	-	
EXPENDITURE					
Employee related costs	37,668,644	38,262,707	(474,153)	(1)%	
Bad debts	974,126	300,000	674,126	225%	Note 2
Depreciation	37,592,404	36,038,171	1,554,233	4%	
Repairs and maintenance	5,085,706	5,039,526	75,736	2%	
Contracted services	1,333,866	1,422,695	(68,689)	(5)%	
Marketing	8,955,417	5,540,681	3,745,799	68%	Note 3
Other operating expenses	34,946,547	32,646,668	2,299,879	7%	
Pre-opening costs	332,721	-	332,721	-	
Finance Costs	34,155,477	42,466,969	(8,311,492)	(20)%	Note 4
Total Expenditure	160,447,586	161,717,417	1,269,831	1%	
NET DEFICIT FOR THE YEAR	(62,371,948)	(65,474,907)	3,102,959	-	

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED

NOTES TO: - APPENDIX B - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) [Significant Variances greater than 10% versus Budget]

1. Sponsorship revenue achieved 69% of cash budget excluding sponsorship raised for events held, these revenues are raised under events income. However sponsorship of 91% was achieved against the cash and value budget.
2. Bad debt written off in this financial year consisted of three irrecoverable tenant debtors with the largest amount per tenant being R763 818
3. In order to achieve the budgeted revenues, increasing marketing spend was necessary. Radio and print media costs increased by greater than 22% from last year.
4. Due to early settlement of the loans, savings against budget was achieved.

APPENDIX B

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

REVENUE	2007 Actual (R)	2007 Budget (R)	2007 Variance (R)	2007 Variance (%)	Significant Variances greater than 10% versus Budget
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	-	
Total Revenue	114,794,021	98,793,689	16,000,332	16%	
Cost of sales	18,962,259	16,122,587	2,839,672	18%	<i>Note 6</i>
Gross Operating Profit	95,831,762	82,671,102	13,160,660	16%	
EXPENDITURE					
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%	
Total Expenditure	189,796,824	173,376,594	16,420,230	9%	
NET DEFICIT FOR THE YEAR	(93,965,062)	(90,705,492)	(3,259,570)	4%	

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** - Ticketing revenue is footfall related. Achievement was 78% of the budgeted footfall. The weather is the single most uncontrollable factor that impacts negatively on footfall. Sea-World showed a 35% decline against year on year footfalls, whilst combo tickets showed a corresponding 10% decline in footfalls. Heating of the Water Park contributed to the 21% year on year increase in Wet n Wild footfalls.
- 2. Food and Beverage Revenue** - Food and Beverage consists of food outlets within the paid environment of the park and the Phantom Ship. The paid environment food outlets 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 2008

	<u>2008</u> <u>Actual</u>	<u>2008</u> <u>Under</u> <u>Construction</u>	<u>2008</u> <u>Total</u> <u>Additions</u>	<u>2008</u> <u>Budget</u>	<u>2008</u> <u>Variance</u>	<u>2008</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	
Park Assets							
Cleaning equipment and other	176,733	-	176,733	181,300	4,567	3%	
F&B tables, chairs and freezers	356,611	-	356,611	349,406	(7,205)	(2%)	
Furniture and Procurement	70,005	-	70,005	79,200	9,195	12%	<i>Note 1</i>
Bambinos and signage	132,250	-	132,250	133,000	750	1%	
Island activities	7,995	-	7,995	18,000	10,005	56%	<i>Note 1</i>
IT Capex	1,633,486	-	1,633,486	1,686,074	52,588	3%	
NPC – Exhibits and Capex	46,190	-	46,190	44,500	(1,690)	(4%)	
Safety cameras, furniture and portable radios	153,870	-	153,870	174,220	20,350	12%	<i>Note 1</i>
Merchandising	22,000	-	22,000	22,000	-	-	
Sub total	2,599,140	-	2,599,140	2,687,700	88 560	3%	
SAAMBR							
Aquarium Artefacts including Collections	37,732	-	37,732	119,900	82,168	69%	<i>Note 1</i>
IT Hardware	54,607	-	54,607	62,200	7,593	12%	<i>Note 1</i>
IT Infrastructure	51,415	-	51,415	77,800	26,385	34%	<i>Note 1</i>
Mammal and Bird	86,468	-	86,468	84,100	(2,368)	-3%	
Sundry	15,785	-	15,785	16,000	215	1%	
Sub total	246,007	-	246,007	360,000	113,993	32%	
TOTAL	2,845,147	-	-	3,047,700	202,553	7%	

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. Due to re-budgeting only essential assets were purchased and funds used to fund budget deficit.

APPENDIX C

DURBAN MARINE THEME PARK (PROPRIETARY) LIMITED: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

	<u>2007 Actual</u>	<u>2007 Under Construction</u>	<u>2007 Total Additions</u>	<u>2007 Budget</u>	<u>2007 Variance</u>	<u>2007 Variance</u>	<u>Explanation of Significant Variances greater than 5% versus Budget</u>
SAAMBR	R	R	R	R	R	%	
Desk Top Computers x 9	15,820	-	15,820	15,900	80	1%	
Laptop x 2	32,787	-	32,787	32,800	13	0%	
Laser Printers x 2	2,112	-	2,112	2,200	88	4%	
Air conditioner	57,862	-	57,862	57,900	38	0%	
Digital Camera	12,305	-	12,305	12,350	45	0%	
Penguin shade and sound		-		25,000	25,000	100%	Note 1
Laboratory Equipment	23,765	-	23,765	27,800	4,035	15%	Note 2
Touch pool shade	-	-	-	15,000	15,000	100%	Note 1
Built in cupboards for hospital	-	-	-	20,000	20,000	100%	Note 1
Concrete in half of medical pool	-	-	-	30,000	30,000	100%	Note 1
Portable Chiller	15,830	-	15,830	15,900	70	0%	
Zyxel port switches	29,488	-	29,488	30,000	512	2%	
KVM switch and cables	12,284	-	12,284	12,500	216	2%	
Maxi drilling machine	12,800	-	12,800	12,800	0	0%	
Microphone set	13,715	-	13,715	14,000	285	2%	
Pipe car	22,895	-	22,895	23,000	105	0%	
Weighing system	35,400	-	35,400	35,400	0	0%	
Chain hoist with electric crawl	25,900	-	25,900	25,900	0	0%	
Kenwood VHF portable radios	13,645	-	13,645	14,000	355	3%	
Seal interaction platform	7,615	-	7,615	7,800	185	2%	
Screen and mount data projector	4,900	-	4,900	5,000	100	2%	
Turboflotor blue ocean runner and pvc pipes	8,309	-	8,309	8,400	91	1%	
Bollards	3,311	-	3,311	3,500	189	5%	
Security beams	33,190	-	33,190	34,600	1,410	4%	
Parameter digital meter	29,580	-	29,580	30,000	420	1%	
Recycling bins	2,163	-	2,163	2,500	337	13%	Note 2
Light boxes	23,023	-	23,023	25,000	1,977	8%	Note 2
Recycle bin	12,650	-	12,650	13,000	350	3%	
Cabinets and shelves	15,750	-	15,750	15,750	0	0%	
Aquarium sound system	47,366	-	47,366	50,000	2,634	5%	
Kivellert monitoring system	20,101	-	20,101	20,500	399	2%	
Hydrophone	19,990	-	19,990	20,000	10	0%	
TOTAL	554,555	-	554,555	658,500	103,945	16%	

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

	<u>2007</u> <u>Actual</u>	<u>2007</u> <u>Under</u> <u>Construction</u>	<u>2007</u> <u>Total</u> <u>Additions</u>	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Variance</u>	<u>2007</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	
Operations							
Oceanwalker equipment	14,088	-	14,088	15,000	912	6%	<i>Note 2</i>
Compressor for equipment	24,584	-	24,584	40,000	15,416	39%	<i>Note 2</i>
Functions operation equipment	150,168	-	150,168	100,000	-50,168	-50%	<i>Note 4</i>
Upper deck furniture upgrade	134,673	-	134,673	120,000	-14,673	-12%	<i>Note 4</i>
Signage	23,570	-	23,570	26,400	2,830	11%	<i>Note 2</i>
	347,083	-	347,083	301,400	-45,684	-15%	
Information Systems							
Disaster recovery	550	-	550	800,000	799,450	100%	<i>Note 5</i>
Wireless network Micros vending	69,045	-	69,045	500,000	430,955	86%	<i>Note 5</i>
Guest survey	60,000	-	60,000	60,000	-	0%	
Accpac and Micros interface	23,252	-	23,252	21,000	-2,252	-11%	<i>Note 3</i>
Server upgrades	86,303	-	86,303	100,000	13,697	14%	<i>Note 2</i>
Leased line upgrade	1,500	-	1,500	3,500	2,000	57%	<i>Note 2</i>
Switches	8,760	-	8,760	4,000	-4,760	-119%	<i>Note 3</i>
Computers	30,450	-	30,450	32,000	1,550	5%	<i>Note 2</i>
Printers	8,072	-	8,072	8,000	-72	-1%	
Gateway	46,219	-	46,219	50,000	3,781	8%	<i>Note 2</i>
Micros	40,045	-	40,045	50,000	9,955	20%	<i>Note 2</i>
	374,196	-	374,196	1,628,500	1,254,302	77%	
TOTAL	1,275,834	-	1,275,834	2,588,400	1,312,563	51%	

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 budget
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 assets will be purchased in the new financial year as per board approval

USHAKA MARINE WORLD

REPORT OF THE AUDIT AND RISK COMMITTEE OF ETHEKWINI MUNICIPALITY AND ITS ENTITIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

The Audit and Risk Committee (herein called "*the Committee*") reports that it has complied with its responsibilities arising from section 166(2)(b) of the MFMA. The Committee also reports that it has adopted appropriate formal terms of reference as contained in its charter, and carried out its functions in compliance with the terms of reference as approved by Council during the current financial year.

The Committee consists of three independent members listed hereunder; who all have the required qualifications, skills and knowledge; including legal, business management, accounting and financial management.

1. Committee Membership and Attendance of meetings

In terms of its charter, the Committee should have a minimum of four (4) meetings during a financial year. There were eight (8) meetings held during the current financial year, including three (3) special meetings held for the reviews and approval of unaudited and audited annual financial statements.

Names of Members	Number of Meetings attended
Total number of Meetings during the year	8
Advocate B.S. Khuzwayo (Chairperson)	8
Ms F. Ussuph	8
Mr S. Luthuli CA (SA)	7

2. Audit and Risk Committee Responsibilities on Audit Matters

The Audit and Risk Committee fiduciary duties cover the eThekweni Municipality; the municipal owned entities - the Chief Albert Luthuli International Convention Centre and the Durban Theme Park (Pty) Ltd trading as Ushaka Marine World.

USHAKA MARINE WORLD

The Committee advises the Board, the Accounting Officer and Council on matters relating to internal financial control and internal audits; risk management; accounting policies; adequacy, reliability and accuracy of financial reporting and information; performance management and evaluation; effective governance; compliance with the Municipal Finance Management Act (MFMA) and any other applicable legislation; and any other issues referred to it.

Various recommendations, as per Section 121 (3)(j) of the Municipal Finance Management Act No. 56 of 2003 have been made during the financial year, including those which have been recorded in the minutes to the Committee. The following functions were carried out by the Committee as prescribed by the Municipal Finance Management Act, in its meetings for the year ended 30th June 2008.

2.1 Evaluation of Financial Statements

The Committee has reviewed:

- and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- the Auditor-General's management report on the regularity audit and the audit of performance information; and management's response thereto;
- accounting policies and practices; and
- significant adjustments resulting from the audit.

2.2 Evaluation of the effectiveness of Internal Audit and internal control systems

Internal Audit Unit

The Municipality's Internal Audit Unit provides the Committee and management with assurance that the internal controls are appropriate and effective; in line with the MFMA and the King II Report on Corporate Governance requirements. This is achieved by means of continuous risk assessments, as well as the identification of corrective actions and suggested enhancements to the controls and processes. During the year under review some instances of non compliance with regulations, policies and procedures that resulted from a breakdown in the functioning of controls

USHAKA MARINE WORLD

were reported by the internal auditors; and management . To ensure the effectiveness of the internal audit activity, a quality assurance review was conducted as a result of which the unit has commenced with the development of an audit methodology.

Internal control Systems

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded; liabilities and working capital are efficiently managed; and there is compliance with applicable legislation. The system of internal control was not entirely effective for the year under review, as compliance with prescribed policies and procedures were lacking in certain instances. Some of the areas of weaknesses raised during the year are on non-compliance with supply chain management regulations, policies and procedures; non-performance of monthly account reconciliations; inadequate access controls to the ticketing system. Management is implementing appropriate systems of internal controls to address the identified weaknesses and possible irregularities.

Significant control weaknesses have been reported by the Auditor-General under emphasis of matter and in the management letter. The effect of these instances has been included in the annual financial statements and the report of the Accounting Officer.

Fraud and Irregular activities

The internal audit unit highlighted instances of exposure to the risk of fraud and/or irregular activities. Monthly account reconciliations were not performed regularly resulting in failure to detect occurrences of irregular activities timeously. Fraudulent activities in the ticketing office and the cash office that were subsequently detected resulted in fraud investigations involving an amount in excess of R1, 8 million. The eThekweni Municipality's Investigations Unit conducted the investigations into the fraud. Management has recovered an amount of R810 260.00 from insurance, and the balance is pending. Management have also instituted criminal proceedings.

2.3 Performance Management and Information

The Committee reviewed the eThekweni Municipality Quarterly Organizational Scorecards and the Quarterly Internal Audit Reports on Performance Management and Performance

USHAKA MARINE WORLD

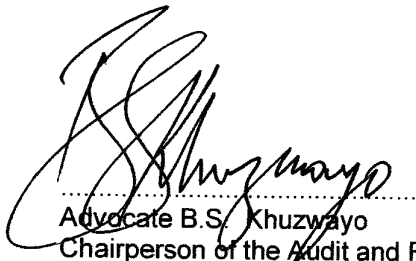
Information. It also reviewed the Municipality's Performance Management System. Based on the review of the Quarterly Performance Reports, the Committee has noted that the Ushaka Marine World's Key Performance Indicators (KPI's) have not been included in the organisational scorecard. This area of non-compliance which required urgent attention is being addressed for the new financial year.

2.4 Enterprise Risk Management

The Municipality is in the process of implementing an Enterprise Risk Management System, a requirement in terms of the MFMA; which is in line with Risk Management best practices. Matters of risk management and the risk profile of the Municipality are dealt with by the Committee in a separate report on Enterprise Risk Management. Strategic risk assessments, using a standardized risk assessment methodology, were held and key risks identified, measured and prioritized. The Board and the Accounting Officer will ensure that risk mitigation strategies are in place and implemented. The Municipality's risk management function has acquired risk management software to support the implementation of risk management systems; and maintain the risk registers and risk profile.

3. Going Concern statement

The Committee concurs with the Auditor-General's conclusions on the annual financial statements that in all material respects, and accepts that they comply with the relevant provisions of the MFMA and the South African Statements of Generally Recognised Accounting Practice. The Committee is therefore of the opinion that the audited annual financial statements be accepted and be read together with the report of the Auditor-General.



.....
Advocate B.S. Khuzwayo
Chairperson of the Audit and Risk Committee

Date: 19 January 2009



ICC DURBAN

INTERNATIONAL CONVENTION CENTRE
INKOSI ALBERT LUTHULI ICC COMPLEX
DURBAN SOUTH AFRICA

Annual Report 2008

Table of contents

About the ICC Durban.....	2
Executive summary.....	3
Our strategy and business plan	3
Performance Highlights.....	4
Operational review	8
Marketing and sales.....	8
Operations	10
Culinary.....	11
Facility services	11
Human resources.....	14
Finance & administration	14
Key issues and challenges.....	16
Sustainability report	18
Annual Financial Statements	25

About the ICC Durban

In the early 1990's the City took the decision to finance the ICC project, 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 EtheKwini Municipality.

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 R6.2billion. 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, The inaugural African Union (AU) meeting and the 2010 Fifa Preliminary Draw.

The expansion of the ICC Durban Arena has done much to diversify our offering but also adds to cultural life of the city bringing local and international acts to the citizens of Durban. Since the Arena opening Durban has become as integral part of the concert circuit.

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. The ICC Durban also won the right to host the prestigious World Travel Awards event for 2009.

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.

Executive summary

This report presents the ICC Durban Pty Ltd's performance results for the period July 2007 to June 2008. Following a comprehensive review of the company's performance by the management in January and July of 2008, it is concluded that the overall performance against business plan is on track. The past year has been a challenging one, with very significant changes in the business environment impacting the operations of the ICC. Chief amongst these developments were the increases in fuel and food prices, and to some extent interest rates. Internally the company had to contend with the migration towards a new Event Business Management system, which in itself placed great demands on resources and time and slowed turn around times in the Finance Department. However, the ICCD has in the midst of such a challenging trading period returned positive results; which gross turnover for the period up to June 2008 exceeding the budgeted year to date figure by 21%.

Key projects such as the refurbishment, re-equipping and the upgrades to the fire systems were also concluded during the period under review. Highlights of the period were, amongst others, the successful hosting of the FIFA 2010 Preliminary Draw, the attainment of Silver Membership of the Heritage Programme as part of the ICC's "greening" programme; the hosting of and the win in the World Travel Awards 2008, as well as the retention of our HACCP accreditation and five star grading. The outlook for the next financial year remains positive, although the impact of fuel and food prices will continue to put pressure on operational costs. The new fiscal will require a greater emphasis on international marketing and penetration of the continental meetings market to ensure we realize or exceed our targets for the financial year.

Our strategy and business plan

The ICCD's strategy is focused on *business expansion and growth* in order to meet our revenue requirements and generate the requisite *economic impact* for which the Centre was built. By increasing market share in some of the key market segments, increasing *operating revenue* and *lessening our operating loss* over the next 5 years, the ICC Durban hopes to significantly reduce the operating subsidy from the City. A stronger focus on *people training, development* and management will assist the company in achieving *customer service excellence* in an environment where our only real source of competitive advantage lies in people. Coupled with this, will be a strong need to focus on transformation of the business in terms of corporate *culture*, business *processes* and *staff demographics*.

Performance Highlights

Financial Performance Summary

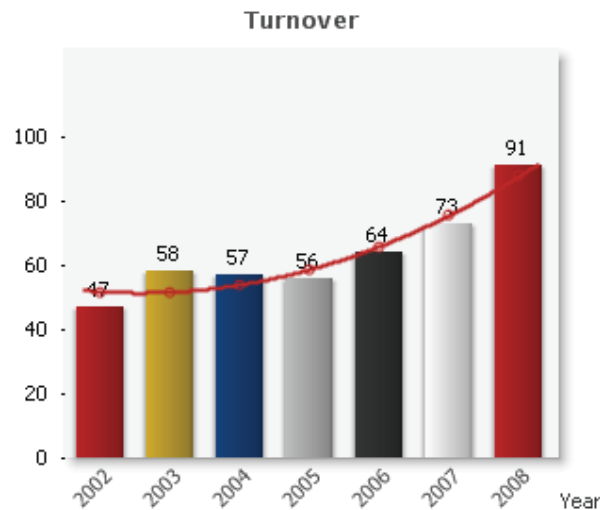
The 2007/08 financial year saw a marked increase in business activity and a gross turnover of R90,2million was achieved, representing 21% better than budget performance.

Financial Performance

	2006/2007			2007/2008		
	Actual R'000	Target R'000	Variance %	Actual R'000	Target R'000	Variance %
Actual turnover	72,599	54,195	34%	90,254	75,672	20%
Operating loss	-26,378	-23,449	11%	-20,826	-29,512	36%
Economic impact	565,500	440,000	29%	707,000	660,000	7%

Like most businesses, the ICCD was also impacted by the various changes in the environment of business such as fuel price increases, interest rate hikes and food price increases which have affected margins in many business sectors. The ICC has during this period managed to host a number of significant events, secure additional business and still conclude some of the key projects detailed in the business plan.

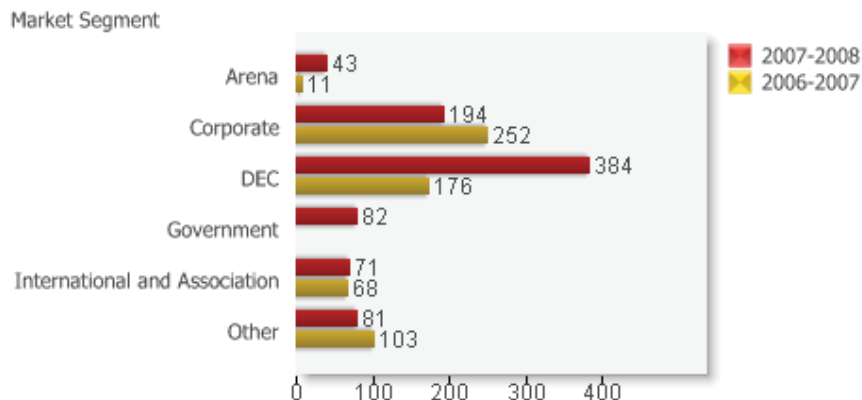
The ICC has gradually brought down the operating loss over the past ten years of its operations. This objective of lessening the operating loss will continue to be a key focus area for the ICC management over the next three years.



Events Hosted

Of the 855 events hosted during this period, seventy one were association and international conferences. Of the 71 events hosted over this period, there were 20 were international conferences and 51 association and government conferences. A total of 24,000 delegates attended the international and national conferences hosted by the ICC. There has been a 41%

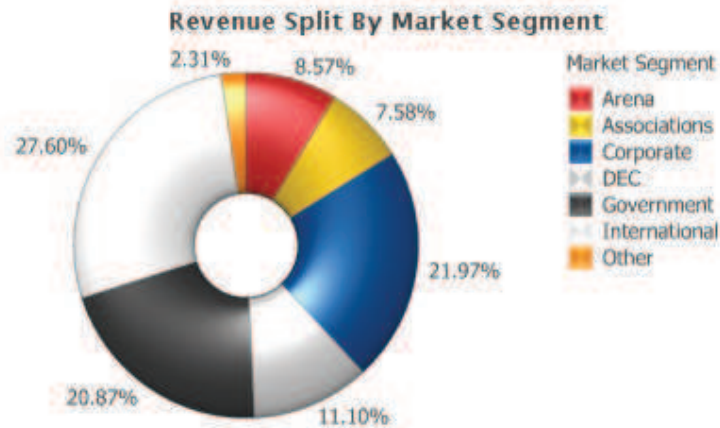
Events By Market Segment



increase in events hosted from the previous fiscal.

Note: Government figures were reflected under Corporate for the 2006/7 fiscal. The Arena was not operational as a business unit during the July 06 – Dec 06 fiscal.

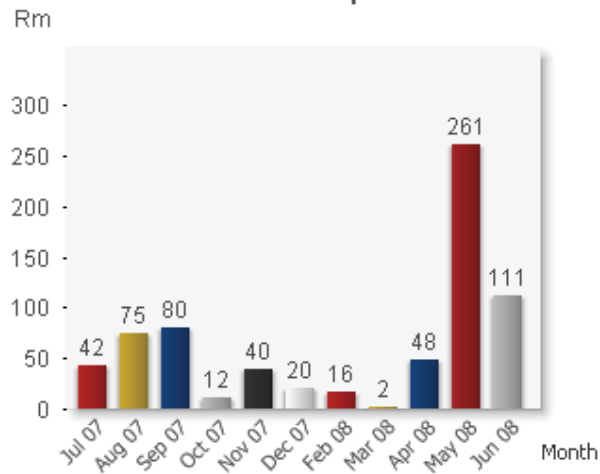
The focus of the business plan was to ensure better yield and mix and thus attract business from the core segments: conferences (international, national, government and SA association) exhibitions, corporate meetings and special events. International conferences, corporate and government business and DEC business continued to be the biggest contributors to our revenues; together accounting for 87% of the revenue. The Arena also made a significant contribution to our revenue base with a 9% contribution to our total revenues.



Economic Impact

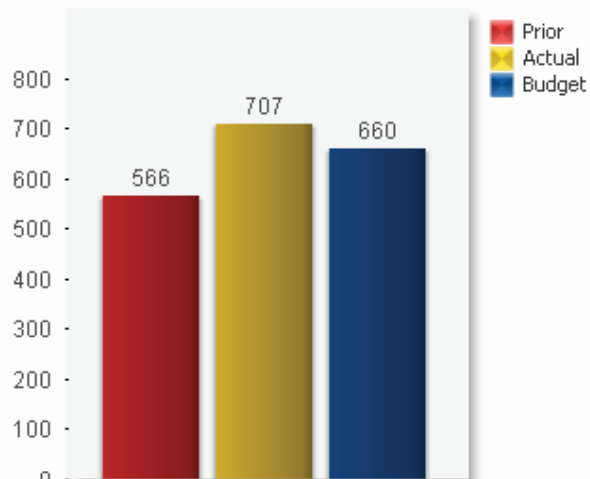
The total economic impact flowing from this conference activity for the 07/08 fiscal is R707 million. A total of 31 international conferences (20 international and 11 association) and 15 national (11 were government related) contributed to the economic impact. An estimated 24 000 international delegates attended events hosted during the period under review.

Economic Impact



ICC Durban's Economic Impact for the 2008 fiscal was up 25% on the previous fiscal and 7% up on budget. The month of May yielded an R261million contribution primarily due to Indaba and the estimated 13 500 delegates that attended this tourism exhibition of which 6000 were International delegates. (Figures supplied by SAT and TKZN)

Economic Impact



Our highlights

Some of the highlights of the period under review were the following:

FIFA 2010 Preliminary Draw

The ICC successfully hosted the first major 2010 Soccer World Cup event; the FIFA Preliminary Draw, which turned out to be an event on a scale and magnitude the Centre has never handled before in terms of requirements; both technical and functional. The FIFA 2010 preliminary draw attracted more than 5300 delegates and over 1000 members of the media. The event gave huge media coverage to Durban and the ICC as it was broadcast live in more than 200 countries and thus provided a huge marketing platform for the Centre. The economic benefit to the City of the event was about R40million.

2008 World Travel Awards

The ICC Durban hosted the above event during Indaba 2008, where the ICC Durban was voted Africa's Leading Conference Centre for the 7th time.

2009 World Travel Awards Event

At the prestigious 2008 event the World Travel Awards Committee, awarded the hosting of the 2009 event to ICC Event.

Top Congress Centres – AIPC 2008

ICC Durban was nominated as a finalist in the Top 18 Convention Centres of the World.

Grading

The ICC Durban retained its 5 Star Grading and the Arena was graded 5 Star during Indaba 2008.

Indaba 2008 – Green Initiatives

As part of the ICC Durban's Environmental Policy and Procedures Indaba 2008 was the first major event to be "greened"; using our newly acquired Heritage Programme standards and benchmarks.

Re-equipping of the Arena

With the hosting of the FIFA 2010 Preliminary Draw, it became necessary for the Centre to ensure that it had all equipment necessary to service an event of that magnitude. Working closely with the relevant departments within the Ethekewini Municipality, the ICC was able to fast track and concludes the re-equipping programme for the Arena on time for the hosting of the FIFA event.

10 Year Anniversary Event

In August 2007 the ICC celebrated its ten years of existence under the theme "a decade of excellence". The 10 Year Anniversary Celebrations included collaboration with, amongst others, the Consulate of India through which an Indian band was brought to play at the new Arena, Indian Chefs were brought out for workshops with the ICC Culinary Department, and a number of other celebratory promotions were held.

Refurbishments and Upgrades

After 10 years of operation, the ICC had to effect a major refurbishment and upgrade programme to ensure that we maintain our 5 stars status. Part of the refurbishment undertaken during this period included a complete upgrade of the fire system in the old ICC building. With this upgrade, the old ICC has been brought in line - from technological and safety point of view – with the new Arena building. This project was completed during December 2007.

Brand Strategy Revision

With the renaming of the ICC, Arena and DEC complex to Inkosi Albert Luthuli ICC Complex, the management embarked on Brand Strategy revision and aimed at incorporating the new name into the existing ICCD Brand. The project involved a wide survey targeting stakeholders, users and competitors of the ICC. The brand rollout and activation will be done during the first quarter of the 08/09 financial year. The brand strategy will form the basis for building internal and external brand equity.

Site Inspections

During August 2007 the ICC hosted a site visit for the 2013 World Energy Congress attended by World Energy Council member, Mrs. Emily Melton and South African National Energy Association Chairman, Brain Statham. As part of its quality programme, the Operations unit introduced some novel ideas in the execution of the visitation itself which earned the Centre many compliments from the overseas visitor.

The International Olympic Committee conducted their site inspection in May 2008, as Durban was one of the two short listed candidates to host the 2011 IOC conference.

Arena Attraction of World Class Acts

In its first year of operation, the new Arena managed to acquire a number of world class acts. Twenty five of these concerts were staged during the period under review, and they contributed significantly towards creating awareness of the Arena as a world class venue for a variety of acts.

Silver Class Accreditation of the Heritage Programme

As part of the response to the growth in concerns about environmental warming and sustainable convention practices; the ICC embarked on an exercise to determine a green policy and practices. During the period under review, the Centre was accredited as a Silver Class Member of the Heritage Programme. The accreditation is a critical international qualification in green event operations. The ICC management intends attaining Gold Status in the next two to three years.

HACCP Accreditation

During the period under review the ICC's culinary department was able to retain our HACCP accreditation; which is a 3 year certification that attests to our compliance to international food safety.

Event Business Management System Implementation

In order to ensure effectiveness and efficiency of operations, and to keep in line with other Congress Centres in so far as the management of the business is concerned, the ICC has invested in an Event Business Management System (EBMS). Although the migration to EBMS has proved to be a challenge, during the period under review, strides were made in conversion of most of the departments within the Centre to the new system. The Finance Department migration was finalized during June of 2008. The complete conversion to EBMS will ensure that the ICC is aligned to best practice systems in the convention centre business.

Safety at Sports and Recreational Events Bill (SASREB)

In order to ensure compliance with the new SASREB, the ICC developed and finalized the requisite events safety policies and procedures.

Arena 1st Birthday Celebration

The Arena celebrated its 1st anniversary on 21 March 2008. The celebrations included the launch of emerging artists and fashion designers as well as concept décor for events that will be hosted within the Arena.

Operational review

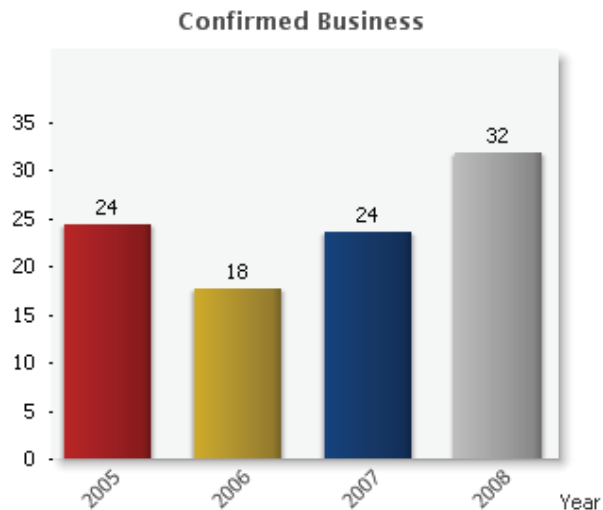
Marketing and sales

The Marketing & Sales efforts for the fiscal are focused on revenue growth, increase in new and repeat business, improvements in marketing approaches and vehicles, as well as on ongoing press, PR and media relations. Key targets for the twelve month period have been achieved; as highlighted in the table below:

OBJECTIVE	INTL INCLUDING SA ASSOC/ INTL GOVT/INDABA	NATIONAL CORP/OTHER	NATIONAL GOVERNMENT	ARENA/SPECIAL PROJECTS	DEC CORP/OTHER	TOTAL
Achieve Sales Revenue Targets	T R30M A R34.1M	R18.5m R20M	R17.5m R19M	R5.1m R7.8M	R12.8m R10.1	R87.8 R91.0
Confirm target number of core events during the year	T 10 A 31	5 21	5 17	12 25	5 22	37 116
New Business (customer) to account for 10% of total targeted revenue	T 10% A 39%	5% 60%	5% 37%	40% 50%	5% 18%	
Process and research target number of leads	T 360 A 454	24 39	36 42	60 62	12 10	492 607
Increase core conference/ arena business	T 2% A 51%	2% 65%	2% 21.5%	2% New bus. unit	2% 18%	
Achieve Target Sales Calls	T 180 A 193	180 150	180 124	60 40	60 51	660 558
Increase Repeat Business	T 2.5% A 61%	5% 40%	5% 63%	2.5%	2.5% 82%	

T: Target A: Achieved

While the meetings industry continues to be highly competitive, with most international association conferences being diverted to other destinations and venues, the ICC has so far secured international conferences worth R31.8m.



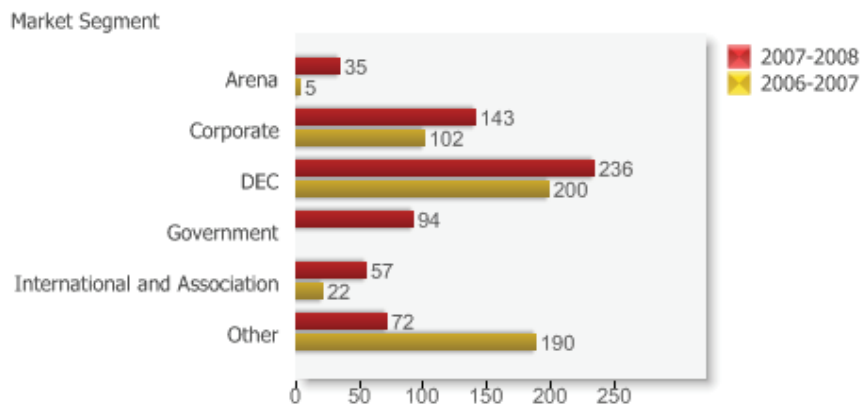
A total of 57 conferences (international and association) were confirmed during the period under review of which 13 were international conferences and 44 South African association conferences.

Bids Submitted and Won

During this period 29 bids were submitted of which 12 were successful. Of these events, six were confirmed and finalized between January and June 2008. The following international bids were added to our forward calendar.

1. Society for Worldwide Interbank Financial Telecommunication 2008
2. International Works Congress 2008
3. Federation Internationale Motocyclisme 2008
4. South African Dental Association Conference 2010
5. World Methodist Council 2011
6. Neonatal Nurses Congress 2010
7. World Federation of Deaf 2011
8. International Musicological Congress 2012
9. International Health Tourism 2010
10. World Tobacco in Health Congress 2008
11. International Cost Engineering Congress 2012
12. International Dancesport 2009

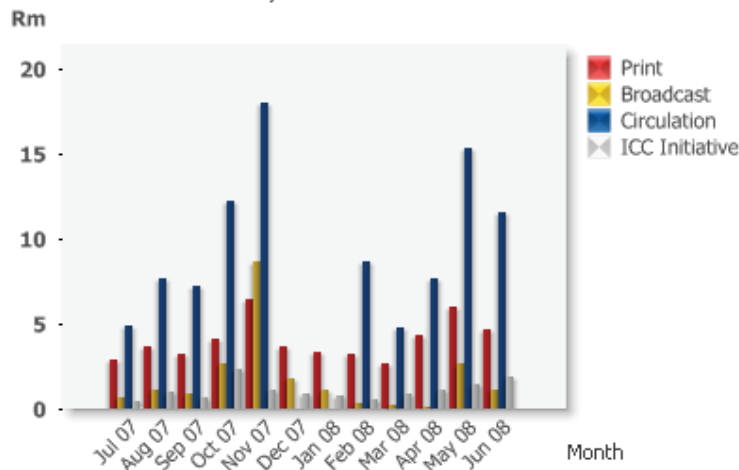
Events By Market Segment



Press, PR & Media Relations

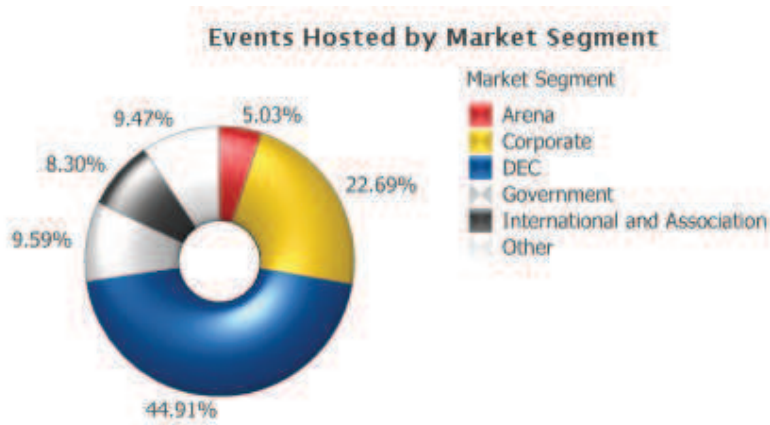
Media exposure value associated with the ICC, based on AVE ratings (Broadcast and Print) for the period under review stands at R69 639 899 million; of which R13 188,701 is directly attributable to the ICC's efforts.

Press, PR & Media Relations



Operations

The Operations Department is comprised of four units: Functions, Exhibitions Services, Technical Services and Event Coordination. As the key department responsible for servicing the business generated by the Marketing department, the ICC's Operations department's key focus areas for the financial year were: customer satisfaction and service excellence, global competitiveness, increasing repeat business and meeting operational requirements in respect of safety and other legislative compliance.



Operations Director, Mr. Troy Reynolds attended the Annual International Association of Convention Centres Conference, which took place at Suntec in Singapore.

Labour Cost Recovery Plan

Due to high casual labour costs, the department had to implement a labour cost recovery plan. This is driven by a Forecast/Annual Cost Sheet, whereby forecasted costs are compared after each event with actual costs incurred. The introduction of this tool has led to a far more disciplined approach being adopted by the Functions Team. This is evident in the amount of potential savings made through effective timekeeping.

To this end, consultations with Finance have begun in an effort to transform this time intensive manual system into a dynamic electronic system, saving us time, energy and effort which all equate to money at the end of the day. This initiative is to be realized using the PR function of EBMS and timekeeping function of Aloha Point of Sales (POS).

Going Green within Operations

We are looking at our decisions and actions we already take in a green light. Our focus has shifted to minimizing the use of resources through reducing the amount of waste produced from our many administrative activities. This has also led to process improvements that will positively influence productivity.

Benchmarking

The International Association of Congress Centres – AIPC announced in the 2nd week of June 2008 that there were 18 finalists in this year's AIPC Apex Award competition for "Worlds Best Congress Centre" out of a possible 160 of the world's leading convention and exhibition centre's around the world. The ICC Durban was one of the 18 finalists. The AIPC Apex Award is made annually on the basis of an independent "blind" evaluation process to ensure an objective analysis of evaluation criteria. These criteria address a series of factors including congress facilities, project management, catering and technical capabilities, and result in a collective score that represents the best.

There was a significant reduction in the number of customer service complaints received for the period under review; less than the 2% benchmark set for negative comments received.

The ICCD regained the title of "Africa's Leading Convention Centre" during the World Travel Awards event held in May 2008 at the ICC Durban.

Culinary

The Culinary department managed to retain the HACCP accreditation for another three years thus ensuring our conformance to international standards of food safety. Challenges were faced with some of the culinary offerings and in consequence a Product Development task team was set up to look specifically at ICC menu enhancements. Increases in food prices also put pressure on the food cost margins, causing the department to review menus and products used. Greater emphasis will be laid on competitively priced products to try and respond to the impact of food price increases without passing the entire increased costs to the customer.

As part of our 10th anniversary and skills exchange the culinary department also had a successful collaboration with Chefs from India, aimed at enhancing our Indian menus.

A new state-of-the-art oven has been installed, which enables us to produce all bread in-house. A policy change was adopted in terms of which the ICCD now has only one kitchen certified for preparation of Halaal meals.

The Culinary Department will be appointing an Indian Cuisine Chef in the new financial year.

During the period under review the culinary department served 544 300 meals, these were broken down as follows;

Breakfast	8 979
Buffet Lunch	241 983
Set Lunch	6 170
Cocktail	27 083
Buffet Dinner	133 179
Set Dinner	46 182
Staff Canteen	80 724

Facility services

Building maintenance and upkeep has been a key priority for the period and amongst the project completed were the upgrades of the entire fire detection system, closed circuit television and computerized building management systems. The IT environment was also significantly stabilized although there will be a need to invest in IT to ensure the Centre is operating on par with its competitors. Challenges were experienced with the new Arena as the process of snagging turned to be slower than anticipated and there are inherent design defects that affect optimal operation of the new facility. With the appointment of a contracts manager, the ICC was able to begin work on the renewal of expired service contracts. It is expected that this process will be finalized before the end of the fiscal. By the end of the fiscal all contracts had either been revised or sent out to tender.

Information Technology Advancement

The key focus is to accelerate IT technology as to be competitive but cost effective yet becoming one of the technologically advanced environments in this industry. Important steps achieved now are:

- Upgrade Desktop Hardware from DOS/ Pentium 2 and Windows 95 to Pentium 4 XP or better
- Determination of user hardware requirements in support of the general business acumen.
- Upgrade Servers for normal user data and for e mail purposes.
- Commissioning Wi-Fi services in and around the ICC as to operate a new stream of revenue in utilisation of this service by patrons and delegates. This charge to Wi-Fi users were recalled by executive decision.
- Commissioning of wireless point of sales units to enable freedom of Wi-Fi positioning as well as real time sales update. Due to communication instability the point of sales were changed to hardwire manner of communication.
- Commission a communication and data backbone with virtual local areas networks.

The focus of our IT unit is to pursue the IT objectives as per the ICC Durban Business plan and to ensure business continuity and ensure data integrity in line with the broad strategy of becoming one of the technologically advanced environments in the industry.

These upgrades further enabled integration with client/delegate IT technology as well as to technically cater for abridgement of version differentials. A number of extra telephone lines and instruments were deployed to cater for demand, especially with the Indaba. In certain areas fax to e-mail has been set up as well as an ICC intranet and website commissioned.

The security and integrity of the network and data accessibility was forensically audited by an external entity and recommendations were implemented and accessibility re-assessed. This will ensure effective fire walling of ICC data and repeated periodically. Disaster recovery and back up procedures for computer data were put in place.

The EBMS system was loaded and is current being used on line to process orders, purchases as well as management financial and accounting information. The 2008/9 funding budget were prepared and uploaded into EBMS.

Policies on IT and business continuity were developed and submitted for Board approval.

Service Providers

To ensure service level quality, relationship meetings are conducted with Service providers. During the period of review the process of upgrading of service contracts was kick started and this will follow through to the new financial year. The contracts for building services management, fire equipment maintenance as well as elevator and escalator maintenance were concluded; with the other service contracts in various phases of renewal.

In support of the strategy of developing people, the control room operators have been trained on the reconfigured Building Management System integrating the ICC, Arena and DEC. A second round training is now in process as the "look and feel" of the system is established. Valuable input from operators is being integrated into setup. This ability and knowledge of the BMS will empower the operators to migrate into a pro-active approach to support ICC values as well provide personal growth.

Health & Safety Representative training was done. SHEQ meetings incorporating Safety Officers and Safety Representatives are held monthly. First aid training enabled the re-appointment of First Aide's for the complex. Consideration was given to shift as well as geographical spread.

Our Building Services unit is represented in the HACCP Committee, with input to maintain the ICC accreditation. An improvement on call-response times being monitored to ensure and reduction in open logs per category.

Control room setup

The setup and configuration of the Control Room has been rejuvenated to more suitability as a command centre with the accessibility of systems more friendly to operators. Critical levels have been alarmed and set as to instil a pro-active culture as well as improve on efficiencies. The various control room systems were upgraded and consolidated to cater for integration of ICC and Arena and exclude dual and parallel systems.

Audit of performance

Current Service Levels Agreement and Condition's of Contract must be met, implemented and verified through audits. An external audit was performed on Compliance to the Occupational Health and Safety Act (Act 85 of 1993) and areas of improvement highlighted.

Asset register

A discovery process has been undertaken to update and verify the ICC asset register and the process was 80 % complete by the end of the financial year.

Maintenance of Equipment

Maintenance of the building fixed asset (Painting, etc.) was conducted during the shutdown period over Christmas. To enable the potential to host events during this period it has been decided to not have a shutdown but follow a work around strategy in the now financial period.

Operational imperatives

The ICE conservation and harvesting mode for the Arena chillers and plant were made operational. This function enables the plant to harvest ice (created at night during the time of low electrical demand) during high demand times; thus instituting a reduction of energy cost.

Risk Management

The top ten for the department were identified in a workshop with eThekweni Municipality and KPMG. Effective mitigation plans and initiatives need focus in the next period to ensure residual risks are managed.

Arena Development and Retrofit

The process of working through the snag list for the new Arena continued throughout the financial year. A number of latent, patent and construction defects were identified and eThekweni Municipality advised of those.

The defects are continuously raised at the ICCD and City Architects Interface meeting where the impacts are considered. Regular meetings with City Architects are also held as part of working on the snag list. Certain items were stripped out of the original Contract and will be addressed as stand alone projects. The house light dimming system (DALI) were commissioned and extended to cover both the ICC and Arena.

Hotel Development

Although there have been delays in the commencement of this project, it is expected that construction will commence in the New Year. Various negotiations have been underway between the City and the Developers. As at the end of the financial year discussions were still underway for the ICC and the Developers to sign an Agreement of Co-operation.

Exhibition Centre Retrofit

The scope of refurbishment required as per an independent report has been discussed with City Architects and ICC role players. Deliberation on previous upgrades, refurbishments, impact on service delivery, Health and Safety as well as intensive maintenance requirements suggest a dual approach be adopted going forward. The 'fit for purpose' actions that will be considered are:

- (i) Replace insulation (health hazard) immediate on hall roof apexes, replace timber and fix roof leaks hall one to four
- (ii) Apply for CAPEX in conjunction with City Architects for the balance of works
- (iii) Architect from Council has been appointed and is busy with initial sketch plans as well as scope of works

The retrofit of diesel back up generator power is included (for load shedding)

Energy Saving Initiatives

Ice mode

The arena air conditioning ice making mode was made operational. Training was given to Building Services to understand the operation and functionality.

Power factor correction

The installation of power factor correction has taken a step forward by completing the specification of works required to install this equipment. This corrects the loss factor experienced when reactive loads (electrical motors, heaters, lights) are connected to the distribution, and will have a significant effect on the electrical utility bill.

Power management

The ICC Durban has four diesel generators serving as UPS. Saving initiatives included:

- Power factor correction
- Utilising ice mode at arena air conditioning
- Utilising certain kitchen ovens in economy mode
- Switching off feature lights during day light hours
- Closing external doors to avoid un-conditioned air entering the internal conditioned portions

A month on month (corresponding) saving of 8% in energy was achieved as a result of the above measures.

Human resources

A new HR strategy was finalized and implementation thereof begun during the course of the period under review. Key areas of focus for the HR department for the financial year were; ensuring effective HR support to the business, developing towards being an employer of choice, increasing capacity, ensuring a cost efficient HR service and establishing HR policies and systems.

A key component of the HR plan has been the implementation of the new performance management system, which process was finalized by the end of the fiscal.

Effective HR support has been hampered by lack of resources in some instances and appropriately skilled resources in others. The ICC entered the “Best Company to Work for Survey” with a view to establishing which areas to address in the workplace. The outcome, while not what the Centre had hoped for, was still useful given that it was the first time the company participated in the survey and invaluable input was obtained on areas for improvement.

High staff turnover – which is characteristic of the industry – continued to present a challenge. With the increase in hospitality facility developments, it is anticipated that this challenge will increase. As a response plan, the department has begun building relationships with tertiary institutions to ensure a steady intake of interns where applicable or a ready source of candidates for development.

While the development and revision of policies and operating procedures proved to be a challenge across the company, the requisite HR policies were in place by the end of the financial year.

In the period under review greater focus was placed on finalization of the succession management plan, diversity management training, staff recognition programmes and increased communications, part of which is the active HR Intranet available to all employees.

Finance & administration

Supply Chain Management and BEE

Significant progress has been made with renewing all contracts for goods and services. Management has made a concerted effort to regularise all contracts, however delay still occur that are out of managements control. The city SCM department has been engaged in order to streamline the contract approval process so that the ICC can compete in the market.

In the area of BEE compliance, EBMS is being updated with the supplier BEE information. This will enable the department to produce on-line BEE reports without the needs to transfer the information into excel spreadsheets. Once this process is complete a more accurate indication of BEE compliance will emerge.

Fixed Assets

Following the discovery process for fixed assets on-site it has emerged that there are a significant number of assets which are on-site but which are not on the fixed asset register. The following process is being followed in order to value these discovered assets:-

1. The cost and asset controller is classifying all discovered assets
2. Once the classification process has taken place the assets in each category will be valued by contacting suppliers were possible.
3. If the valuation needs to be performed by a professional then a professional will be engaged as a last resort.

One of the challenges around the discovered assets is that it appears that these assets form part of the amount capitalized as buildings in the prior financial year as part of the transfer of the municipality capital development account for the ICC construction. There are significant issues around identifying these in ledger reports from the municipality.

Reporting

Significant progress has been made with regards to the ICC management accounts. An online reporting method has been developed using an MS access database interfacing with the EBMS database via ODBC links. This has significant advantages over the traditional EBMS spreadsheet template model and means that management accounts are available fully formatted whenever required.

Progress report on Event Business Management System (EBMS) implementation

The implementation of EBMS has made significant progress over June and July 2008. Representatives of USI, Thorsten Kolbinger and Thomas Hohm, visited the company and provided direction and support.

The methodology around EBMS reporting has been changed in order to ensure up-to-date reporting. Reports in the required format can now be prepared on-line thus obviating the need for finance staff to spend hours each month preparing the reports. This is allowing finance staff to concentrate on other areas of EBMS which need attention.

The following areas are being focused on currently:-

1. Implementing the EBMS bank reconciliation functionality
2. Aligning the deposit taking process in the company with EBMS best business practice
3. Implementing effective stock control by getting the perpetual inventory system working on EBMS
4. Interfacing of creditor payments directly with the bank
5. Preparation work for the take-on of fixed assets into EBMS

With regard to the interface between EBMS and the ALOHA, the current status is that Point of Sales are now able to extract information from EBMS; testing has been completed successfully. The Aloha interface which would allow the POS to write back to EBMS has been developed and is currently being implemented.

The following new functionality has been requested:-

1. Upgrade to version 17.2 – this will allow the company to take advantage of new functionality.
2. Fixed asset module - this will enable the company to control assets in accordance with company policy and will ensure compliance with legislation and company policy
3. Customer Relationship Management Module – this module will enable the sales and marketing division to manage their contacts in a more efficient and co-ordinated way.
4. Food and Beverage Module – this module is now completed and will provide the company with a more accurate means to monitor and control food and beverage costs

In-house training is being developed in order to create a sustainable EBMS environment at the company. A business intelligence tool (Qlikview) has been implemented which is able to leverage the information on EBMS and provide management with accurate useful information on a timely basis.

Support is continuing from USI's offices in Germany. This is proving to be adequate for the moment. USI's response times are more than satisfactory and the quality of support is of a very high level.

Key issues and challenges

Loss of Key Skills in Some Departments

Senior managers with more than ten years experience in the business as well as a number of other support staff resigned during the period under review. This resulted in challenges in terms of replacement time and cost, which in turn, highlighted the need for a clear policy on staff exits, succession planning and knowledge sharing.

Management Accounts

Due to the installation of the new EBMS system, for the first time in its history the ICC experienced serious delays in producing monthly management accounts. However the implementation of EBMS was finalized by the end of the fiscal.

Finance Challenges

The finance department faced a number of challenges over the period, largely due to the migration to the new EBMS system as follows:-

1. The bank accounts were not reconciled since September 2007.
2. No balance sheet accounts were reconciled since September 2007.
3. Individual debtor's balances had not been adequately monitored.
4. Individual creditor balances still included transactions from August 2007 which have not been cleared.
5. The perpetual inventory system is not operating at the moment.
6. The fixed asset register had not been maintained and was not in compliance with legislation.
7. Client deposits had not been correctly accounted for.
8. Money deposited into the bank account had not been allocated to the correct debtor account.

All these areas have been addressed; however it will take some time to address them fully. A fully reconciled set of accounts for the year ended 30 June 2008 is expected at the end of August.

Arena Handover Delays

The handover of the Arena was delayed due to operational issues and in particular the delay in completion of the snagging list. Due to some design and on-going operational defects, additional resources and time have had to be devoted to the Arena operations; thus increasing running costs. Customers have also complained about some of the inadequacies thus affecting the Centre's image. There is therefore an urgent need to address the Arena completion to acceptable performance levels by the eThekweni Municipality who are the primary client.

Input Price Increases

The period under review has been characterized by increases in the price of many products and inputs required for ICC operations, thus impacting significantly on the Centre. Fuel and food price increases are the most notable amongst these and management has struggled to keep food cost prices within the set percentage. It is thus inevitable that some of the increases will have to be passed on to the consumer, while still maintaining a healthy price: quality ratio.

Destination Safety and Security

With Durban's growing reputation for being unsafe in the eyes of meeting planners and delegates alike, it is increasingly becoming difficult to convince planners to choose Durban. This is reflected in the number of events that have been shifted from Durban to Cape Town or local association members who have opted for Cape Town as opposed to Durban for hosting their international events. The ICCD while still holding its own, it is losing some market share to Cape Town judging from relative market share comparison. During this period negotiations were concluded with Metro Police for the deployment of Authorized Officers around the Inkosi Albert Luthuli ICC complex at a cost of R40,000 per month.

Destination Marketing (Convention Bureau)

A great need exists for the marketing and promotion of Durban as a suitable meetings destination. To this end, ICCD management has developed a proposal for the establishment of a dedicated Convention Bureau, which was submitted to the Board of Directors and the City Manager. It is expected that a response and action on the matter will be received during the 2008/09 financial year.

Conclusion

Overall, management's view is that the ICCD has by and large achieved its business objectives for the 2007/08 financial year. With greater emphasis on the areas of concern highlighted, and appropriate corrective action where deviations from plan have been identified; the anticipated results will be delivered. Policies and the requisite systems and controls will have to be ensured and regular updates thereof made a norm in the business.

Key learning's for the period have been that we need to continue planning strategically for events in order to consistently produce results similar to those seen during the FIFA 2010 Preliminary Draw. Also, a "can do attitude" in our dealings with clients and customers is critical in ensuring success and customer satisfaction. This is an area that will continue to receive attention with strong emphasis being placed on customer service training and in-depth product knowledge development across the entire company.

The trading environment is expected to become increasingly competitive and challenging. Operating profitability is likely to be impacted by the increases in fuel; food and other input prices as well as the perennial risk of interest rate increases. Inflation is expected to peak at about 6% later in the year and no doubt some of the segments of the market targeted may be affected; namely corporate meetings and events.

With regard to the internal environment; management will have to continue to deal with the issue of negativity to change in some quarters and continuously improve on communication with all staff.

In an environment where management is dealing with change management and culture change, there is a great need to sustain the regenerated trust and consolidate the gains of the past year.

Sustainability report

Employees

Employment Equity Report

With a turnover of 12%, slightly above the norm, the ICC has maintained its Equity target as detailed below. The ICC Durban employs 79 permanent and 10 fixed term employees.

2007

Race	Gender (Male)	Gender (Female)	Total No.	Total %
African				62
Coloured				1
Indian				18
White				18
PwD (disability)				1

2008

Race	Gender (Male)	Gender (Female)	No.	Total %
African	27	23	50	63
Coloured	0	3	3	4
Indian	1	11	12	15
White	4	10	14	18
PwD (disability)				0

Employee Wellbeing

The company introduced an employee wellness programme via Careways Group, to assist employees in getting a work-life balance. This programme sought to take away the stress of personal issues getting in the way of productivity for our employees and has yielded positive outcomes. Against an industry norm of 7% utilization, the ICCD has seen 13% of utilization in 2007/8. This journey continues and the employees know they have access to the best services together with their families at no cost to them.

The Wellness Day which was held in June saw 135 employees, both permanent and flexi staff equally being tested for a range of medical conditions including hypertension; vision; cholesterol; diabetes and weight related illnesses. The feedback was brilliant.

Employee training and development

ICC Durban recognises the strategic importance of employee training and development and comprehensive reviews are held throughout the company to assist in the development of our employees to achieve their full potential. Development action plans are put in place and monitored to ensure individual development. Learner ship programmes continue within various departments. Training and development for the year under review amounted to 2.42% of total labour costs.

Remuneration Philosophy

Remuneration plays a critical role in attracting, motivating and retaining high-performing and talented individuals to achieve ICC's objectives. Rewards are set at responsible and competitive levels in relation to local and relevant markets. ICC's philosophy aims to establish a level of guaranteed remuneration that is competitive, and that rewards individuals for achieving exceptional performance. ICC's total reward philosophy is aligned with the strategic direction and specific value drivers of the business as well as with the interests of shareholders.

Communication

Transparency and openness are essential. Regular, structured employee meetings are encouraged within our operation between employees and management. Most employee communications are conducted through personal contact, supported by newsletters, committees, briefings and employee participation forums (Team Talk).

Another communication initiative is through formal induction programmes. These facilitated sessions share company initiatives and strategies with new employees.

Our quarterly newsletter, *Sanibonani*, an electronic newsletter is sent to all employees and stakeholders. The introduction of our *Intranet* is an added communication tool

Health & Safety

The health and safety of our employees is critically important. The management of occupational health and safety is an integral part of employee value creation. The implementation and rollout of OH&S compliance strategies is the direct responsibility of all department heads.

Our Occupational Safety and Health management systems include:

- the identification, elimination or control of work-related hazards or risks;
- instruction or training of line managers to take responsibility for health and safety, and engage employees through workplace forums and health and safety committees;
- setting targets for continuous improvement; and
- Complying with the relevant national laws and regulations.

We have established formal joint health and safety committees comprising management and worker representatives. In accordance with the Occupational Health and Safety Act, these cover all staff. The current OH&S management system is structured to ensure that legal compliance is achieved in all our operations.

Regular audits of the OH&S management systems and the set key performance indicators are conducted annually.

During the reporting period, no material fines, deviations or instances of non-compliance with Regulations were recorded. To ensure that OH&S issues are comprehensive, training and communication are considered part and parcel of the OH&S management system.

Safety

During the reporting period, nine (9) minor injuries were recorded and investigated. These were classified as sprains and minor lacerations. An intense on the job safety propaganda campaign will be launched to sensitize employees against this type of injury and incident.

As part of our safety management strategy, we ensure that all accidents and incidents are recorded, investigated and measures initiated to prevent reoccurrences. We continue to enforce stringent safety rules within all operations.

The health of our workforce is an important component of sustainability. There are stringent occupational health requirement expectations within our operations. These include the wearing of suitable personal protection equipment (PPE) and vigilance to dangerous situations in the workplace.

With large events, recommendations as per the proposed SAFETY at SPORTS and RECREATIONAL EVENTS STANDARDS are adhered to. The necessary interface with local Officials at the SAPS and Fire and Rescue are maintained. A Venue Operations Centre is headed by an External Event Safety Specialist and staffed with representatives of relevant Local Authorities.

Customers

The profile of delegates attending events at the ICC Durban has changed considerably over the years. The past year saw an estimated 282 thousand people frequent either a Concert, Conference, Exhibition or Special Event at the centre.

Although international events still continue to attract a higher delegate count, there has been a marked increase in both the government and corporate delegates.

Government events attracted delegates in excess of 19 thousand, and as many of the government events involve delegates across our country's borders, business tourists from within the African countries are now attending conferences hosted within our city.

As the meetings and exhibition industry has become an integral part of the global village so too have we recognized that the exhibitor profile has changed with many of the exhibitions no longer attracting only local and national companies. With the inception of the arena, the ICC Durban has penetrated into a concert market thus engaging with a segment that did not usually frequent the centre.

An approximate 43 thousand patrons have either attended or been involved with the many international and local concerts that the arena has staged.

Our operations have been streamlined to continue to attract delegates across all market segments but more importantly delegates from all international spheres that have chosen to do business at the ICC Durban.

Society/Community

ICC Durban is implementing BBBEE in line with Governments requirements. It is doing so because it is in the best interests of our country and of the company and its employees, customers, suppliers and the communities in which we operate. The only way we can ensure a sustainable future is by enabling as many South Africans as possible to have a real stake in the economy.

The company therefore places emphasis on meeting each of the objectives of BBBEE – direct empowerment through ownership; management at senior level; human resource development and employment equity; and indirect empowerment through preferential procurement, enterprise development and corporate social investment, in line with the company's objectives.

On another level, ICC Durban's corporate social responsibility supports skills development, through on-going introductory training, particularly for casual staff. This training enables them to move into permanent employment in the industry. Many ICC trainees have found employment in the conference and tourism industry locally, nationally and internationally, in addition the ICC has committed to the Southern African Association for the Conference Industry (SAACI) a three (3) year bursary to fund students from historically disadvantaged backgrounds who wish to pursue careers in the hospitality industry. The ICC Durban also supports a local empowerment initiative Youthwise Community Centre by procuring hand made crafts for use in international trade shows as well as international bids.

Experiential training also forms part of ICC Durban's corporate social responsibility programme and strong affirmative procurement policies ensure that local and previously disadvantaged companies are supported.

ENVIRONMENT

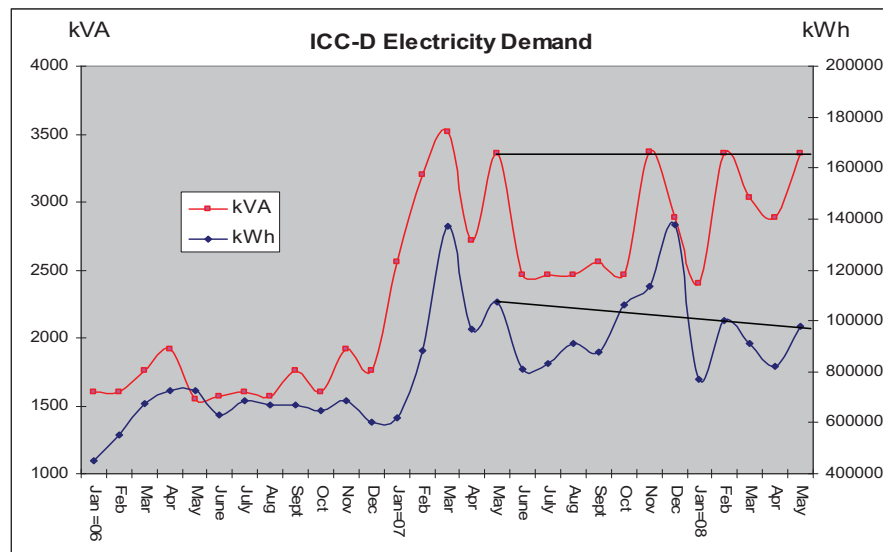
Energy

The ICC Durban is committed to sound environmental management and we attempt to minimise our impact on the natural environment and utilise natural resources responsibly. Each unit is responsible for its own environmental management, taking full cognizance of the requirements of the broader organisation and Heritage Environmental SA – an environmental Tourism based company that focuses on environmental and greening procedures.

Our departments have different strategies in place to mitigate their negative environmental impacts.

The ICC, ARENA and DEC complex is provided with permanent ring type electricity (11 000 Volt) cables. The internal distribution is made up of four sub stations and each equipped with a 1000 kVA generator, totalling to four (4). All essential circuits are connected to the generators except the air conditioning chiller units. Figure 1 denotes the electricity consumption in maximum demand (kVA) as well as energy consumption (kWh). Over the past year, the ICC has been able to positively influence electricity. An energy saving initiative is underway and an 8 % reduction in energy usage on an equivalent month to month basis was achieved.

A possibility to pre-heat ablution water with solar radiation will be investigated, as well as will the electricity savings campaign be sustained to be in line with Government Directives. An average of 39 kWh per delegate was measured over the last 9 months. This figure includes energy for air conditioning as well as food preparation.



The connected load for the ICC is in the region of 4000 kVA and the current demand has not exceeded this figure.

Air Quality

Air extracts from the ICC kitchens food preparation area are scrubbed to remove fat, food as well as smoke particles in the food preparation stage. Diesel generator exhausts direct into the atmosphere.

In the air conditioning air handlers all return air is filtered to remove up to 99 % of dust and precinct carbon particles.

All food preparation is with electricity as no liquid petroleum gas (LPG) is permitted to storage on the site.

A comprehensive internal air quality survey is planned to ensure a healthy internal environment including an ablution hygiene test as well as for Legionnaires disease on air conditioning condenser water and portability testing on the domestic water.

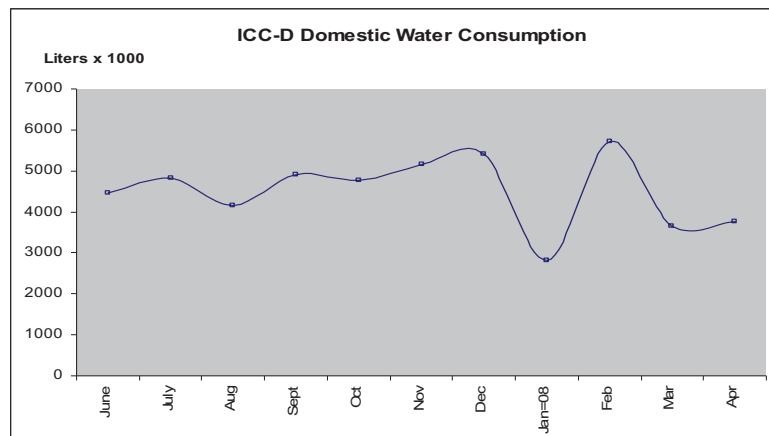
Water

ICC Durban's operations obtain most of their water from municipal and local government water supply systems. For all of our operations, water is sourced from municipal systems and is disposed of in municipal sewerage systems. The quality of effluent is dictated and controlled by municipal by-laws and standards. As no water is released into the natural system, no water sources, related ecosystems or habitats are affected by discharges of water or runoff from our operations.

Three large diameter domestic water feeds serve the ICC, ARENA and DEC. This serves the fire system, sprinklers and is for potable consumption as well as air conditioning evaporative cooling.

Table 2 denote the water consumption and is the focus for an intensive reduction initiative. Closing of taps as well as washing activities must be regulated. No major leaks or low pressure have being experienced.

The water consumption is on average 190 litres per delegate measured over the last 5 months. With better statistical information, say for 12 month periods, benchmarking would be possible with other similar contenders in the industry.



Waste Management

All waste produced is disposed of responsibly through re-use, recycling, incineration or to landfills.

Waste handling and removal is outsourced to certified waste contractors, who dispose of the waste at licensed disposal sites. Hazardous waste is disposed of at permitted hazardous waste sites, and certificates of safe disposal are issued to ICC Durban.

All oil and fat contaminated wet waste are discharged through a fat trap unit, of which the residue is treated regularly and disposed of as to be converted into bio-fuel. All used vegetable oil is disposed of and certified similarly.

Solid waste is sorted into glass, paper, metal and other at the point of disposal and is removed off site by a service provider. Storm water is channelled into the coastal storm water drainage system. Additional skips is provided for exhibition waste (Event specific, woods, papers etc.) and is disposed of as such.

A new service contract will be awarded in the first quarter of the new financial period. The Policies developed for waste management will be pursued as it forms part of the service level, including responsible disposal etc.

Solid waste volumes handled for the period under review is as follow:

Metal	2600 kg
Paper	4000 kg
Glass	4200 kg
Plastic	1000 kg
Other	260 000 kg

Performance of suppliers

ICC Durban requires suppliers to adhere to all relevant environmental legislation. However, for most of our operations, there are no standard programmes in place across departments to measure supplier performance in this regard. Should specific matters arise, these are taken up with suppliers on a case-by-case basis. We encourage suppliers and contractors to provide environmentally sound goods and services.

CORPORATE GOVERNANCE

Code of Ethics

The staff of ICC Durban are bound by a Code of Ethics, which they agree and commit to on appointment.

Philosophy

We realise that success can only be achieved by understanding the needs of our clients.

This is achieved by:

- Continuous improvement of our products
- Addressing our customer needs accurately and timeously
- A professional team of employees, dedicated to customer service
- Investment in modern technology and in our employees

Board of Directors

The ICC Durban Board is tasked with providing strategic direction and oversight on governance; risk management and statutory reporting. Whilst all directors have equal responsibility for managing the company's affairs, it is the role of the chief executive and the executive management team to run the business within the parameters laid down by the board and to produce clear, accurate and timely reports to enable the board to make informed decisions. The global nature of ICC Durban allows the company to utilize both local and international expertise to ensure continued market leadership.

Board Charter

A Board approved Charter is in place which governs the activities and roles of the Board of Directors. The Charter is reviewed annually by the Board and any amendments deemed fit effected.

Risk Management

The ICCD has developed a risk management framework and policy. A risk register was also determined which will be reviewed annually. In addition, a fraud prevention plan and policy exists which enables management and all staff to report and react to fraud related matters.

Going Concern

The Financial Director has engaged with the members of the board and the shareholder around the issue of going concern. What has been proposed is that the loan account owing to the shareholder be repaid by issuing an equity instrument to the shareholder. This will mean that the ICC would then be solvent. All the legal and taxation implications of this proposal are currently being investigated.



ICC DURBAN (PTY) LTD
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Directors' Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 34 to 57, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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, with the exception of the matter set out in note 23 of these financial statements.

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.



Chief Executive Officer

Durban

28 November 2008

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

General Information

DIRECTORS	D Madlala B Ndamase T Ngcobo J van Rooyen A Sewnarain N Ngubane L Pampallis
REGISTERED OFFICE	45 Ordnance Road Durban 4001
POSTAL ADDRESS	PO Box 155 Durban 4001
BANKERS	Standard Bank
AUDITORS	Auditor General
COMPANY REGISTRATION NUMBER	1992/005887/01

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Index

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

INDEX	PAGE
Report of the Auditor General	30 - 33
Directors' Report	34 - 35
Statement of Financial Position	36
Statement of Financial Performance	37
Detailed Income Statement	38 - 39
Statement of Changes in Net Assets	40
Cash Flow Statement	41
Accounting Policies	42 - 46
Notes to the Annual Financial Statements	47 - 57
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Supplementary information	58
APPENDIX E(1): Actual versus Budget (Revenue and Expenditure)	59
Performance Information	61

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

INDEX

ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
GAAP	Generally Accepted Accounting Practices
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
SALA	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

**REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL
LEGISLATURE AND THE ETHEKWINI COUNCIL ON THE FINANCIAL STATEMENTS AND
PERFORMANCE INFORMATION OF THE ICC, DURBAN (PTY) LTD FOR THE YEAR ENDED
30 JUNE 2008**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the ICC Durban (Pty) Ltd which comprise the statement of financial position as at 30 June 2008, 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 34 to 57

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 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 and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on 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 not effective for this financial year, I have determined that my audit of any disclosures made by the ICC 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.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the ICC Durban (Pty) Ltd as at 30 June 2008 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 and the Companies Act, 1973.

Emphasis of matter

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

Going concern

11. Attention is drawn to paragraphs 2 and 3 of the directors' report and notes 3.2 and 22 to the financial statements, which indicate that the deficit for the year under review amounted R20,8 million, resulting in an accumulative deficit of R178,9 million. The entity's ability to continue as a going concern is dependant on annual loans as well as the eThekweni Municipality, the major shareholder, subordinating its claim of approximately R1,037 million against the entity in favour of other creditors.

Material losses owing to criminal misconduct

12. Attention is drawn to note 23 to the financial statements disclosing fraudulent transactions amounting to R1,662, 264, which were discovered during the year under review.

Restatement of corresponding figures

13. As disclosed in note 20 to the financial statements, the corresponding figures for 30 June 2007 relating to property, plant and equipment and the accumulated deficit have been restated by R2 243 146, as a result of errors discovered during the year ended 30 June 2008.

OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Matters of governance

14. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matters of governance	Yes	No
Audit Committee		
• The municipal entity had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		✓
Internal audit		
• The municipal entity had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		✓

Other matters of governance		
<ul style="list-style-type: none"> The annual financial statements were submitted for audit as per the legislated deadlines (section 126 of the MFMA). 	✓	
<ul style="list-style-type: none"> The annual report was submitted to the auditor for consideration prior to the date of the auditor's report. 	✓	
<ul style="list-style-type: none"> The financial statements submitted for audit were not subject to any material amendments resulting from the audit. 		✓
<ul style="list-style-type: none"> No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management. 	✓	
<ul style="list-style-type: none"> The prior year's external audit recommendations have been substantially implemented. 	✓	

Unaudited supplementary information

15. The municipal entity provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 Presentation of Financial Statements. The supplementary budget information set out on page 59 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

REPORT ON PERFORMANCE INFORMATION

16. I have reviewed the performance information as set out on pages 4 to 15.

Responsibility of the accounting officer for the performance information

17. 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

18. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (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 reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

Internal auditing of performance measurements

21. The accounting officer did not ensure that the internal auditors of the ICC Durban (Pty) Ltd audited the performance measurement of the entity during the year under review, as required in terms of section 165(2) of the MFMA. Consequently, the audit committee did not advise the accounting officer and the management staff of the ICC, Durban (Pty) Ltd on matters relating to performance management, as required in terms of section 166(2)(a)(v) of the MFMA.

APPRECIATION

22. The assistance rendered by the staff of the ICC Durban (Pty) Ltd during the audit is sincerely appreciated.

Auditor-General

Pietermaritzburg

28 November 2008



ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Directors' Report

1. INCORPORATION

The company was incorporated on 09 October 1992 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main 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.

During the year there were no major changes in the activities of the business.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The loss for the period was R 20,826,432 (2007: loss R 26,387,974),

3. GOING CONCERN

We draw attention to the fact that at 30 June 2008, the company had accumulated loss of R (178,965,790) and that the company's total liabilities exceed its assets by R (178,965,789).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The sole shareholder, eThekweni Municipality, has subordinated, in favour of other creditors of the company, its loan to the company, of R1,037m (2007:996.5m).

4. DIRECTORS' INTEREST IN CONTRACTS

The directors of the company did not have any interest in contracts entered by the company.

5. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
D Madlala	South African
B Ndamase	South African
T Ngcobo	South African
J van Rooyen	South African
A Sewnarain	South African
N Ngubane	South African
L Pampallis	South African

6. SECRETARY

N Nathoo resigned as secretary of the company on 31 May 2008 and Jeremy Hurter was appointed in his stead on 31 July 2008.

Business address

45 Ordnance Road
Durban

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Directors' Report

Postal address 4001
21 Kildare Road
Glenwood
4001

7. PARENT

The company's parent is the eThekweni Municipality

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Statement of Financial Position as at 30 June 2008

Figures in Rand	Note(s)	2008	2007
NET ASSETS AND LIABILITIES			
NET ASSETS			
Contribution from owner	2	1	1
Accumulated Surplus (Deficit)		(178,965,790)	(158,139,358)
		(178,965,789)	(158,139,357)
LIABILITIES			
Non-Current Liabilities			
Loans from shareholders	3	1,037,420,678	996,577,870
Current Liabilities			
Trade and other payables	4	29,785,408	30,167,651
Non-Current Liabilities		1,037,420,678	996,577,870
Current Liabilities		29,785,408	30,167,651
Liabilities of disposal groups		-	-
Total Liabilities		1,067,206,086	1,026,745,521
Equities		(178,965,789)	(158,139,357)
Liabilities		1,067,206,086	1,026,745,521
Total Net Assets and Liabilities		888,240,297	868,606,164
ASSETS			
Non-Current Assets			
Property, plant and equipment	6	768,650,878	746,752,097
Intangible assets	7	124,002	978,073
		768,774,880	747,730,170
Current Assets			
Inventories	8	1,364,634	889,563
Loans to shareholders	3	-	17,632,030
Operating lease asset		13,548	109,802
Trade and other receivables	9	8,549,738	5,110,414
Cash and cash equivalents	5	109,537,497	97,134,185
		119,465,417	120,875,994
Non-Current Assets		768,774,880	747,730,170
Current Assets		119,465,417	120,875,994
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		888,240,297	868,606,164

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Statement of Financial Performance

Figures in Rand	Note(s)	2008	2007
Revenue	10	90,254,260	72,599,803
Cost of sales	12	(18,653,358)	(17,080,838)
Revenue		90,254,260	72,599,803
Cost of sales		(18,653,358)	(17,080,838)
Gross surplus		71,600,902	55,518,965
Other income	11	2,987,446	911,105
Operating expenses		(106,993,729)	(90,895,336)
		71,600,902	55,518,965
		(104,006,283)	(89,984,231)
Operating deficit	13	(32,405,381)	(34,465,266)
Investment revenue		11,617,701	8,077,292
Finance Cost	15	(38,752)	-
Surplus (deficit) for the period from continuing operations		(20,826,432)	(26,387,974)
Surplus (deficit) from discontinued operations		-	-
Deficit for the year		(20,826,432)	(26,387,974)

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Detailed Income statement

Figures in Rand	Note(s)	2008	2007
Revenue			
Rental facilities and equipment		39,715,584	24,263,592
Sale of goods		31,585,760	33,579,624
Rendering of services		18,952,916	14,756,587
	10	90,254,260	72,599,803
		90,254,260	72,599,803
		(18,653,358)	(17,080,838)
Gross surplus		71,600,902	55,518,965
Other income			
Rental income		670,389	911,105
Other income		2,317,057	-
Interest received - investment		11,617,701	8,077,292
		14,605,147	8,988,397
Operating expenses			
Advertising		(2,832,401)	(943,707)
Assessment rates & municipal charges		(8,054,458)	(7,324,363)
Auditors remuneration		(376,488)	(304,087)
Bank charges		(178,157)	(125,767)
Cleaning		(4,761,803)	(3,308,184)
Commission paid		439,073	(558,294)
Consulting and professional fees		(4,235,710)	(3,750,651)
Depreciation, amortisation and impairments		(28,853,285)	(19,435,484)
Employee costs	14	(36,505,021)	(28,534,846)
Entertainment		(38,561)	(51,768)
Flowers		(61,386)	(13,994)
Fuel and oil		(82,170)	(27,657)
Garden		(203,035)	(174,905)
IT expenses		(599,597)	(434,747)
Insurance		(284,053)	(958,693)
Lease rentals on operating lease		(34,763)	(1,625)
Legal expenses		(68,652)	(254,439)
Magazines, books and periodicals		(39,832)	(126,929)
Marketing		(1,514,859)	(3,084,391)
Motor vehicle expenses		(42,513)	(33,048)
Other expenses		(87,412)	(6,840,386)
Pest control		(428,224)	(353,176)
Placement fees		(786,863)	(810,011)
Postage and courier		(22,285)	(49,010)
Printing and stationery		(426,779)	(298,096)
Refuse		(14,155)	(9,752)
Repairs and maintenance		(4,367,094)	(3,257,283)
Research and development costs		(3,266)	(17,042)
Security (Guarding of municipal property)		(2,930,725)	(2,191,389)
Staff welfare		(985,312)	(1,274,854)
Subscriptions and membership fees		(212,960)	(24,665)
Telecommunication costs (Telephone, faxes and cell phones)		(418,553)	(413,038)
Tourism development		(962,102)	(773,280)
Training		(843,857)	(421,679)
Transport and freight		(741,810)	(889,654)
Travel - local		(139,469)	(53,439)
Uniforms		(288,830)	(231,594)
Utilities		(5,006,362)	(3,539,409)

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Detailed Income statement

Figures in Rand	Note(s)	2008	2007
		(106,993,729)	(90,895,336)
		71,600,902	55,518,965
		14,605,147	8,988,397
		(106,993,729)	(90,895,336)
Operating deficit	13	(20,787,680)	(26,387,974)
Interest Paid	15	(38,752)	-
Surplus (deficit) before taxation		(20,826,432)	(26,387,974)
Taxation		-	-
Deficit for the year		(20,826,432)	(26,387,974)

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

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Statement of Changes in Net Assets

	Note(s)	Share capital	Accumulated Surplus (Deficit)	Net Assets
Figures in Rand				
Opening balance as previously reported		1	(129,922,332)	(129,922,331)
Adjustments				
Prior year adjustments	20		(1,829,052)	(1,829,052)
Balance at 01 July 2006 as restated		1	(131,751,384)	(131,751,383)
Changes in net assets				
Deficit for the year			(26,387,974)	(26,387,974)
Total changes		-	(26,387,974)	(26,387,974)
Balance at 01 July 2007		1	(158,139,358)	(158,139,357)
Changes in net assets				
Deficit for the year			(20,826,432)	(20,826,432)
Total changes		-	(20,826,432)	(20,826,432)
Balance at 30 June 2008		1	(178,965,790)	(178,965,789)

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Cash Flow Statement

Figures in Rand	Note(s)	2008	2007
CASH GENERATED FROM/(UTILISED) IN OPERATIONS			
Cash used in operations	17	(7,752,480)	(14,129,698)
Finance Income		11,617,701	8,077,292
Finance Cost		(38,752)	-
Net cash from operating activities		3,826,469	(6,052,406)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(49,846,483)	(179,648,216)
Proceeds from sale of property, plant and equipment	6	-	9,227
Purchase of other intangible assets	7	(51,512)	(274,718)
Net cash from investing activities		(49,897,995)	(179,913,707)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of shareholders loan		58,474,838	197,475,479
Net cash from financing activities		58,474,838	197,475,479
Net increase/(decrease) in cash and cash equivalents		12,403,312	11,509,366
Cash at the beginning of the year		97,134,185	85,624,819
Total cash at end of the year	5	109,537,497	97,134,185

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

1. Basis of Presentation

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:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP2: Cash flow statements	AC 118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

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:

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Changes in net assets	Statement of changes in equity
Net assets	Equity
Profit/loss for the period	Surplus/deficit for the period
Contributions from owners	Accumulated surplus/deficit
Distributions to owners	Retained earnings
Reporting date	Share capital
	Dividends
	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.

The annual financial statements are based upon appropriate policies consistently applied and supported by reasonable and prudent judgments and estimates.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

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

1.3 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP or GAAP

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

1.4 Property, plant and equipment

Cost model

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense

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

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

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
Buildings	30 years
Plant and machinery	4 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years
Operational equipment	2 years

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.

1.5 Intangible assets

Cost Model

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.6 Financial assets, investments and liabilities

Initial recognition

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

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

Where the carrying amount of an investment 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.

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

The 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.

Trade and other receivables

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

1.6 Financial assets, investments and liabilities (continued)

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within annual financial statements. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against company in the income statement.

Trade and other receivables are classified as loans and receivables.

Debtors are recognized initially 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.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Creditors

Creditors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade creditors are stated at their nominal value.

Cash and cash equivalents

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.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

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

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

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

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

1.6 Financial assets, investments and liabilities (continued)

Loans and receivables

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Investments are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

1.7 Investments

Where the carrying amount of an investment 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.

1.7.1 Investments in Securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

1.7.2 Investments in Derivative Financial Instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise."

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is assigned using the weighted average cost formula.

1.9 Provisions

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.10 Retirement Benefits

1.10.1 Defined contribution plans

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

1.10 Retirement Benefits (continued)

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.11 Revenue

- 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.

1.12 Tax

Deferred income tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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.

1.13 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.

1.14 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.

1.15 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.

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand	2008	2007
2. CONTRIBUTION FROM OWNER		
Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Issued		
Ordinary	1	1
3. LOANS TO/FROM SHAREHOLDERS		
eThekwini Municipality	-	17,632,030
eThekwini Municipality - Unsecured	(1,037,420,678)	(996,577,870)
	(1,037,420,678)	(978,945,840)
Current assets	-	17,632,030
Non-current liabilities	(1,037,420,678)	(996,577,870)
	(1,037,420,678)	(978,945,840)
3.1. ETHEKWINI MUNICIPALITY		
Notional loans movement for the year		
Funding received	-	17,632,030
3.2. ETHEKWINI MUNICIPALITY - UNSECURED		
Unsecured loans movement for the year		
In respect of operating expenditure	(226,589,660)	(222,564,127)
In respect of Fixed Asset Recognition	(810,831,018)	(774,013,743)
Balance at end of year	(1,037,420,678)	(996,577,870)
<p>The loan is interest free and is not repayable within 12 months. 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.</p> <p>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.</p>		
4. TRADE AND OTHER PAYABLES		
Trade payables	4.1 11,545,069	8,880,030
Accrued leave pay	1,827,715	2,654,827
Accrued staff 13th cheques	853,153	1,157,389
Other accrued expenses	259,814	3,224,573
Other payables	-	125,429
Consumer deposits	15,299,657	14,125,403
Total Creditors	29,785,408	30,167,651
VAT is payable on the accrual basis.		
4.1. Trade payables		
Gross trade payables	11,545,069	8,880,030

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand	2008	2007
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5. CASH AND CASH EQUIVALENTS

Refer to the supplementary information schedule 1 for details on Bank accounts and balances.

Cash and cash equivalents consist of:

Cash on hand	39,878	20,781
Bank balances	23,249,406	15,891,350
Call investment deposits	86,248,213	81,222,054
	<hr/>	<hr/>
	109,537,497	97,134,185

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand 2008 2007

6. PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	812,901,297	(58,691,582)	754,209,715	774,013,743	(32,891,124)	741,122,619
Plant and machinery	16,089,815	(8,505,852)	7,583,963	10,585,467	(7,164,117)	3,421,350
Furniture and fixtures	10,714,961	(4,436,620)	6,278,341	5,610,659	(4,069,516)	1,541,143
Motor vehicles	524,233	(419,957)	104,276	524,233	(378,290)	145,943
IT equipment	2,766,221	(2,417,738)	348,483	2,571,756	(2,283,880)	287,876
Operational equipment	2,623,004	(2,496,904)	126,100	2,476,312	(2,243,146)	233,166
Total	845,619,531	(76,968,653)	768,650,878	795,782,170	(49,030,073)	746,752,097

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Depreciation	Total
Buildings	741,122,619	38,887,554	(25,800,458)	754,209,715
Plant and machinery	3,421,350	5,513,470	(1,350,857)	7,583,963
Furniture and fixtures	1,541,143	5,104,302	(367,104)	6,278,341
Motor vehicles	145,943	-	(41,667)	104,276
IT equipment	287,876	194,465	(133,858)	348,483
Operational equipment	233,166	146,692	(253,758)	126,100
	746,752,097	49,846,483	(27,947,702)	768,650,878

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Disposals	Depreciation	Total
Buildings	580,389,950	177,178,231	-	(16,445,562)	741,122,619
Plant and machinery	2,991,696	1,679,419	-	(1,249,765)	3,421,350
Furniture and fixtures	1,529,938	516,648	-	(505,443)	1,541,143
Motor vehicles	85,351	119,665	-	(59,073)	145,943
IT equipment	363,355	124,881	(9,227)	(191,133)	287,876
Operational equipment	617,889	29,372	-	(414,095)	233,166
	585,978,179	179,648,216	(9,227)	(18,865,071)	746,752,097

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand

2008

2007

7. INTANGIBLE ASSETS

	2008			2007		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	2,009,200	(1,885,198)	124,002	1,970,886	(992,813)	978,073

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand

7. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - 2008

	Opening Balance	Additions	Amortisation	Total
Computer software	978,073	51,512	(905,583)	124,002

Reconciliation of intangible assets - 2007

	Opening Balance	Additions	Amortisation	Total
Computer software	1,273,768	274,718	(570,413)	978,073

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand		2008	2007
8. INVENTORIES			
Food, Beverage and consumables		1,364,634	889,563
9. TRADE AND OTHER RECEIVABLES			
Trade debtors	9.1	5,076,247	4,920,493
Other deposits		266,183	26,808
VAT		1,540,043	144,313
Prepaid expenses		5,000	18,800
Recoverable fruitless and wasteful expenditure		1,662,265	-
		8,549,738	5,110,414
9.1. Trade debtors			
Gross trade receivables		5,076,247	4,920,493

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand	2008	2007
10. REVENUE		
Sale of goods	31,585,760	33,579,624
Rendering of services	18,952,916	14,756,587
Rental facilities and equipment	39,715,584	24,263,592
	90,254,260	72,599,803
11. OTHER INCOME		
Rental income	670,389	911,105
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	1,662,265	-
Prior year expenditure provision reversal	654,792	-
	2,987,446	911,105
<p>The operating leases relate to rental contracts derived from the INKosi Albert Luthuli ICC Complex and Durban Exhibition Centre.</p> <p>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%. Not later than one year R310,751 (2007: R 194,488). Later than one year and not later than five years R 1,046,153 (2007: R 606,815)</p>		
12. COST OF SALES		
Rendering of services		
Cost of services	18,653,358	17,080,838
13. OPERATING LOSS		
<p>The following items have been charged in arriving at the operating loss for the year:</p>		
Operating lease charges		
Equipment		
• Contractual amounts	34,763	1,625
Depreciation on property, plant and equipment	28,853,285	19,435,484
Employee costs	14 36,505,021	28,534,846
Research and development	3,266	17,042
Consulting and professional fees	4,304,362	4,005,090
Insurance	284,053	958,693
Legal expenses	68,652	254,439
Repairs and maintenance	4,367,094	3,257,283
Security (Guarding of municipal property)	2,930,725	2,191,389
14. EMPLOYEE COSTS		
Basic	31,885,794	23,401,921
Bonus	449,839	1,634,811
Medical aid - company contributions	395,519	445,562
UIF	103,726	63,628
Leave pay provision charge	330,170	203,158
Pension costs	1,562,058	687,269
Travel, motor car, accommodation, subsistence and other allowances	272,779	239,145
Overtime payments	242,098	129,229
13th Cheques	1,263,038	1,730,123
	36,505,021	28,534,846

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand	2008	2007
Average number of employees employed during the year		
- permanent	77	74
Included in the employee related costs are the following:		
Remuneration of the Chief Executive Officer		
Annual Remuneration	1,177,610	1,053,633
Car Allowance	76,956	61,500
Performance Bonuses	-	289,124
Contributions to UIF, Medical and Pension Funds	116,652	107,724
Total	1,371,218	1,511,981
Remuneration of executive managers		
Annual Remuneration	2,524,287	3,047,070
Car Allowance	195,823	177,645
Performance Bonuses	171,253	842,618
Contributions to UIF, Medical and Pension Funds	278,867	337,838
Total	3,170,230	4,405,171
15. FINANCE COST		
Other interest paid	38,752	-
16. TAXATION		
No provision has been made for 2008 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 118,279,709 (2007: R 118,324,841). No deferred tax asset has been raised since there is no expectation of utilization of the assessed loss		
17. CASH USED IN OPERATIONS		
Deficit before taxation	(20,826,432)	(26,387,974)
Adjustments for:		
Depreciation and amortisation	28,853,285	19,435,484
Interest received	(11,617,701)	(8,077,292)
Interest Paid	38,752	-
Movements in operating lease assets and accruals	96,254	(109,802)
Changes in working capital:		
Inventories	(475,071)	(247,455)
Trade and other receivables	(3,439,324)	(3,450,851)
Trade and other payables	(382,243)	4,708,192
	(7,752,480)	(14,129,698)
18. RELATED PARTIES		
Relationships		
Parent	eThekweni Municipality	
Related party balances		
Loan accounts - Owing by related parties		
eThekweni Municipality	-	17,632,030
Loan accounts - Owing to related parties		
eThekweni Municipality	1,037,420,678	996,577,870

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand	2008	2007
18. RELATED PARTIES (continued)		
Related party transactions		
Sales to related parties		
eThekwini Municipality - Conferencing and Events	5,262,000	4,906,000
Purchases from related parties		
eThekwini Municipality - Municipal rates and taxes	8,054,458	7,324,363
eThekwini Municipality - Electricity	3,709,506	3,082,358
eThekwini Municipality - Water	972,624	457,051
	12,736,588	10,863,772
19. DIRECTORS' EMOLUMENTS		
Non-executive		
2008	Emoluments	Total
For services as directors	27,750	27,750
2007	Emoluments	Total
For services as directors	37,800	37,800
20. PRIOR YEAR ERRORS		
Operational equipment was not been depreciated in prior financial years. During the current financial year a policy was adopted which requires this equipment to be written off over 2 years.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
Property, plant and equipment	-	2,243,146
Statement of financial performance		
Decrease in depreciation	-	2,243,146
21. RISK MANAGEMENT		
Liquidity risk		
The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
22. GOING CONCERN		
We draw attention to the fact that at 30 June 2008, the company had accumulated losses of R (178,965,790) and that the company's total liabilities exceed its assets by R (178,965,789).		

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Notes to the Annual Financial Statements

Figures in Rand

2008

2007

22. GOING CONCERN (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and that the subordination agreement referred to in note of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company.

23. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

During the year it was discovered that a fraud had occurred in the company. This had resulted in lost funds of R1,662,264. Criminal charges were brought to bear the alleged perpetrator of the fraud. Furthermore, a claim was made to the company's insurers in order to recover the lost funds. This claim was successful and has been paid out less an excess of R50,000 subsequent to the year end. The company has raised an accrual of this amount.

A remaining unknown creditors amount of R654,692 has been written off to other income.

ICC Durban (Pty) Ltd

Annual Financial Statements for the year ended 30 June 2008

Supplementary information

Figures in Rand	Note(s)	2008	2007
1. BANK BALANCES			
Account number - Bank - Account Description			
Standard Bank Current Account - 50226959		(3,657,438)	(780,931)
First National Bank Current Account - 50881201632		4,776,276	195,593
Standard Bank Current Account - 50018949		52,876	119,268
FNB 1 Day Call Account - 62161667608		19,374,791	-
Standard Bank 1 Day Call Account - 332845		2,702,901	16,357,420
		23,249,406	15,891,350

ICC Durban (Pty) Ltd

APPENDIX E(1) for the ended 30 June 2008
June 2008

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	Current year 2008 Act. Bal.	Current year 2008 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Rental facilities and equipment	39,715,584	13,068,549	26,647,035	67.1	Increase in volume of conferences
Trading and general (Filtered)	31,585,760	27,470,913	4,114,847	13.0	Increase in volume of conferences
Trading and general (Filtered)	18,952,916	18,742,532	210,384	1.1	
	90,254,260	59,281,994	30,972,266	34.3	
Other income					
Other income	2,987,446	891,441	2,096,005	70.2	Increase in volume of conferences
Interest received - investment	11,617,701	3,603,200	8,014,501	69.0	Interest earned on higher balances
	14,605,147	4,494,641	10,110,506	69.2	
Cost of sales	(18,653,358)	(14,659,189)	(3,994,169)	-	
Gross Profit	86,206,049	49,117,446	37,088,603	43.0	Increase in volume of conferences
Expenses					
Employee related costs	(36,505,021)	(32,811,478)	(3,693,543)	10.1	Casual labour required for increased activity
Depreciation	(28,853,285)	(3,433,769)	(25,419,516)	88.1	Change in accounting treatment of fixed assets
Repairs and maintenance	(4,367,094)	(2,664,659)	(1,702,435)	39.0	Equipment brought up to standard
Finance costs	(38,752)	-	(38,752)	100.0	Interest on late submission of PAYE return
General expenses	(37,268,329)	(40,300,800)	3,032,471	(8.1)	
	(107,032,481)	(79,210,706)	(27,821,775)	26.0	
Operating profit	(20,826,432)	(30,093,260)	9,266,828	(44.5)	
Other revenue and costs					
Net surplus/ (deficit) for the year	(20,826,432)	(30,093,260)	9,266,828	(44.5)	

Performance Information

Strategic Objective	Key Performance Measure / Indicator	Target	Actual	Comment
Economic impact to the region	- Maximise economic impact to the region	R660m	R707m	Exceeded
Funding Requirements	- Minimise funding requirement from Ethekwini	R26.0m	R17,6m	Achieved
Black Economic Empowerment	- Maximise procurement expenditure black economic empowerment	60%	73%	Exceeded
Employment Equity	- Black professional staff levels	50%	64%	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 – high staff turnover
Safety	- Minimise disabling injury rate	0%	0%	Achieved

ETHEKWINI MUNICIPALITY
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City Manager
eThekweni Municipality

28 October 2008

Subject: Performance Management and Performance Information Audit

1. INTRODUCTION

The Internal Audit Unit of the eThekweni Municipality and its entities has conducted a review of the Performance Management system that is currently in place, and the results of performance against the Municipality's set objectives and plans for the year-ending 30 June 2008.

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, must report to the Accounting Officer (City Manager) and the Audit Committee on matters relating to Performance Management.

2. AUDIT OBJECTIVE AND SCOPE

2.1 Audit Objectives

In line with the performance management regulations, the objectives of the reviews were to assess the adequacy and effectiveness of the performance management process and systems; and the reliability of the performance management information as reported by management.

These objective were to:

- Audit the functionality of the performance management system (PMS);
- Verify that the PMS complies with the Municipal System Act; and
- Establish whether eThekweni Municipality's performance measurements are reliable in measuring the performance of the municipality.

Our audit procedures were limited to a review of the high level Key Performance Indicators (KPI's) included in the Municipality's Organisational Scorecard for the financial year ending 30 June 2008.



2.2 Audit Scope

The scope of work carried out in the quarterly reviews during the year covered the following:

- The functionality of the performance management system in the Municipality and its entities;
- The audit of the IDP Plans 1 to 8 as per the municipality's Organisational Scorecard for the year to June 2008, which are inclusive of the National KPI's.
- The appropriateness of Targets and Baselines set and whether the Targets are Specific, Measurable, Attainable, Reliable and Time Specific (Smart).
- Test for alignment between the IDP, the SDBIP and the Organisational Scorecard (in some instances).

The scope of the review did not cover the following:

- The reliability of the performance information in the individual performance plans of the Heads of Departments and the Deputy City Managers for the financial year.
- The performance rewards policy and procedures; the awarding and payment of the performance linked bonuses to management.
- The reported achievement of targets per the Service Delivery Budget Implementation Plan (SDBIP) for the year ending June 2008, for the Plans 2 to 8.

3. RESULTS OF THE REVIEW

Our review of the performance management system and the balanced scorecard revealed the following:

3.1 Performance Management Policy and Framework

- A performance management framework for the Municipality has been developed and formally adopted by Council.
- Performance Agreements and performance plans for the section 57 employees are in place. Performance bonuses are paid based on the results of the performance assessments.
- Individual performance plans for other levels of management are also in place.

3.2 Organisational Scorecard (Annexure 1)

- A new Organisational Scorecard was implemented in the year under review to monitor performance against set objectives and there is alignment of this scorecard to the eight point plan per the IDP.
- Key Performance Indicators (KPI's) have been developed and are aimed at meeting the SMART principle.

3.3 Performance Management Application System

- The performance management application system developed during prior years to support and enable the performance management process has not yet been implemented. Instead the Performance Management Unit is presently considering other possible solutions.
- The new Human Resources Application solution currently under development will include a performance monitoring system for all levels of employment, other than management.

3.4 Performance Management information

- Performance information for the respective KPI's audited was available in the form of manual systems.
- In the event of information being available management reports substantiating the baselines and / or position achieved were inspected for confirmation i.e. compared to source.

3.5 Audit Observations that are being addressed by management and the Performance Management Unit

3.5.1 Non compliance to legislation governing performance management

- The Performance management framework was a draft and has not been implemented for the period under review. The framework was subsequently approved by Council.
- There were no documented procedures, nor defined roles and responsibilities in the performance management system.
- No evidence of community involvement in setting up KPI's.

3.5.2 Organisational Scorecard Plans 1 to 8

- Non-alignment of the Organizational Scorecard to the Service Delivery and Budget Implementation Plan (SDBIP).
- The reviews of the Organizational Scorecard revealed that not all KPI's meet the SMART principle (specific, measurable, attainable, reliable and timely).
- The two municipal entities, Durban Ushaka Marine and Chief Albert Luthuli International Convention Centre, are not included in the organizational scorecard. This is non-compliant with section 76 of the Municipal Systems Act. Further there was no evidence of mid-year performance assessments of the entities.

Refer Organisational Scorecard, Annexure 1

3.5.3 Inadequate monitoring and reporting of performance management information

- Some KPI's did not have any supporting documentation nor auditable information.
- There was inconsistency in the number of KPI's reported on from quarter to quarter. No evidence could be obtained of approval to amend the KPI's.
- Frequency of targets in respect of a number of KPI's was not clearly defined – i.e. whether annual or quarterly.
- Annual targets do not allow for monitoring of actual performance during course of year.
- There is a number of KPI's that are dependant on the results of the Quality of Life Survey, which survey has not been conducted by the Municipality to date.

3.5.4 Inadequate Performance Management procedures

- Lack of management information to support the administrative processes. Further, there are no formal timeframes to guide the submission of quarterly information.
- Delays in population of scorecard and submission of performance information could be attributed to understaffing of unit.

3.5.5 Performance Management application system – not implemented

- While an electronic application system was developed, the application is not in use, and therefore the input and recording of information is manual.

4. CONCLUSION

The challenges with the availability and reliability of performance information resulted in Internal Audit not being able to express an opinion on the achievement of a number of targets. However, Internal Audit has noted management effort to address these issues.

Notwithstanding the fact that there is a lack of auditable evidence, the inroads made by the eThekweni Municipality in the provision of basic services such as housing, electricity, water and sanitation, all aimed at addressing service delivery backlogs, should be commended.



Sinaye Nxumalo
Head: Internal Audit & Risk Services

PLAN 1 - SUSTAIN OUR NATURAL AND BUILT ENVIRONMENT

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target as at 30th June 0708	5 year target-2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
		50% conversion to electronic development application system	No baseline	Phase 1 of projects implemented	50% of projects identified and completed	Submission & assessment process documented for application and approval of building plans.	Systems to be tested, accepted & sign off and staff trained. Then Go live.	Process development achieved. Target not achieved.	Y	Target not achieved. Testing of the system and training still outstanding	Agreed
	Ensure climate protection and pollution minimisation	Completion of the air quality management plan and implementation of phase 1	Air Quality management plan developed for Southern Durban Basin - 100 % complete	Production of Air Quality Management Plan report	Development of the air quality management plan	Air Quality Plan		Air Quality management annual progress report completed	Y	Target achieved however this is an ongoing process	Agreed
Implementation of phase 1 of the air quality management plan					Project plan						

PLAN 2 - ECONOMIC DEVELOPMENT

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target as at 30th June 0708	5 year target- 2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
LOCAL ECONOMIC DEVELOPMENT (LED)	Support and Grow New and Existing Businesses	No of jobs created	31902	101000	606000	Global Insights Updates	Increase number of Innovation Enterprise incubators, creative industry businesses and services sector within the eThekweni region.	30566	Y	Target not achieved information not SMART. Different sets of information presented in Plan 2 are as a result of the new alignment (ASGiSA) with different end dates and not the Global Insight information which is provided at the end of the year.	A difference of six months exist between the data obtained from Global Insight and that of Statistics South Africa. The shift in focus from monitors targets to that of ASGiSA also effected a change in the duration of the period under review (from 20 years in case of Monitor, to 10 for ASGiSA's). Change of focus relating to economic growth and the reduction of unemployment. Please refer to the attached report for more information.
		No of jobs sustained	826945	1300000	1650000	Global Insights Updates	Improve number of bridging programmes for priority skills development in key sectors. Packaging of LED projects within key nodes and under-invested areas	789926	Y	Target not achieved information not SMART. Different sets of information presented in Plan 2 are as a result of the new alignment (ASGiSA) with different end dates and not the Global Insight information which is provided at the end of the year.	Refer to attached report for more information
		% increase in Gross Value Added	5.10%	8%	57% total increase from baseline	Global Insights Updates	Increase foreign and local business investment facilitated through DIPA. Fast-track business plans for Cluster establishments	5.60%	Y	Target not achieved information not SMART. Different sets of information presented in Plan 2 are as a result of the new alignment (ASGiSA) with different end dates and not the Global Insight information which is provided at the end of the year.	Refer to attached report for more information
	Provide secondary support to business enterprises	No of businesses supported	9287	7060	9900	Schedules	Increase infrastructure capacity for Informal Sector. Increase the number of numeracy and literacy bridging programmes in the City.	11030	N	The information was split between eThekweni (3655) and DIPA (7375). Audit was unable to verify these amounts. Business support information = 7649 - businesses supported during 07/08 and information supplied by	No further comment was received

PLAN 3 - QUALITY LIVING ENVIRONMENT

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target as at 30th June 0708	5 year target-2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment	
	Meet Community Services Backlogs	% reduction of backlog of access to community services										
		Primary Health Care (backlog)	44%	0.40%	42%	Reports		44%	N	No auditable information.	No change from baseline	
		Libraries (backlog)	36%	0.80%	32%	Reports		36%	N	No auditable information.	No change from baseline	
		Education (backlog)	20%	0.80%	16%	Reports		20%	N	No information from Dept of Education and Ithala who are involved in the building of new schools.	No change from baseline	
		Parks & Leisure (backlog)	24%	0.60%	21%	Reports		23%	N	Baseline=24%.Status as at 30/06/08 should be 22,8%.	No change from baseline	
		Fire(backlog -population coverage)	45%	0.40%	43%	Reports		45%	N	No auditable information.	No change from baseline	
		Police	Currently comping figures						Not available	N	No auditable information.	—
	Cemetaries	Currently comping figures						Not available	N	No auditable information.	—	
		Water Backlog (households)	32228	Reduce by 8000 = total of 24228	Nil	GIS HHLD count & service records		23412			<ul style="list-style-type: none"> • Audit accepts the baseline figure on the understanding that the current methodology has been applied to calculate the figure. • Audit is unable to express an opinion on the achievement of the targets and verify the position as at 30/06/08 as reflected on the Organisational Scorecard (Plan 3) due to poor filing and maintaining of source documentation. 	No management responses received.
		Sanitation backlog (Households)	152880	Reduce by 9200 = total of 143680	116080			138987			<ul style="list-style-type: none"> • Audit accepts the baseline figure on the understanding that the current methodology has been applied to calculate the figure. • Audit is unable to express an opinion on the achievement of the targets and verify the position as at 30/06/08 as reflected on the Organisational Scorecard (Plan 3) due to poor filing and maintaining of source documentation. 	No management responses received.
		Housing Backlog (units)	200000	16000	150000		Housing Project Managers data	181851			<ul style="list-style-type: none"> • Audit was unable to verify the position as at 30/06/08 and express an opinion on the achievement of the targets as there is no supporting information such as handover of key control etc. 	D4 certificated (handover of house or 'happy letter') are handed over to Provincial Housing as a requirement. Copies of these will in future be kept for audit purposes).

PLAN 3 - QUALITY LIVING ENVIRONMENT

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target as at 30th June 0708	5 year target-2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY	Meet infrastructure Service needs and address backlogs	Solid Waste Service (households)	1091132(corr ected figure = 1445082)	49774	1 340 000	Contracts schedules, contracts register, Site Inspection		1539997		<ul style="list-style-type: none"> No supporting documentation was provided by the Unit. Therefore, Audit was unable to verify the baseline as at 30/06/07, verify the position as at 30/06/08 and express an opinion on the achievement of the targets. <ul style="list-style-type: none"> The Unit should reflect this performance measure in the SDBIP to enable the Unit to monitor and evaluate performance of the respected KPI. 	No management responses received.
		Electricity (backlog)	226816	8800	180 000	New data connections		209722		<ul style="list-style-type: none"> No supporting documentation was provided by the Unit. Therefore, Audit was unable to verify the baseline as at 30/06/07, verify the position as at 30/06/08 and express an opinion on the achievement of the targets. <ul style="list-style-type: none"> The Unit should reflect this performance measure in the SDBIP to enable the Unit to monitor and evaluate performance of the respected KPI. 	This performance measure is derived from the Provincial KPI's which has no relevant support base from the municipal environment. There is no data to work from.
		Backlog-Unsurfaced to asphalt conversion	2085.3km	26km	2075km	Contracts data		2070.20		<ul style="list-style-type: none"> The figures given as per the organisational scorecard representing the baseline as at 30 June 2007 and the status as at 30 June 2008 cannot be verified as the supporting documentation was not available from the Unit. <ul style="list-style-type: none"> The annual target of 26kms as per the organisational scorecard differs from that of SDBIP of 22.8 lane kms. The SDBIP figures are in lane kms whilst the annual target is in actual kms. The baseline as at 06/07 less the 5 year target 2010/11 shows a reduction of 10.3km yet the annual target is 26km. 	Agreed
		Number of houses with access to free basic water services	952610	8000	984838	GIS HHLD count & service records		981670		<ul style="list-style-type: none"> Audit accepts the baseline figure on the understanding that the current methodology has been applied to calculate the figure. <ul style="list-style-type: none"> Audit is unable to express an opinion on the achievement of the targets and verify the position as at 30/06/08 as reflected on the Organisational Scorecard (Plan 3) due to poor filing and maintaining of source documentation. 	No management responses received.

PLAN 3 - QUALITY LIVING ENVIRONMENT

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target as at 30th June 0708	5 year target-2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
		No.of households earning less than R1100 with access to free basic electricity services	7650 per annum	23000	115 000	FBE customer base data		55542		<ul style="list-style-type: none"> • No supporting documentation was provided by the Unit. Therefore, Audit was unable to verify the baseline as at 30/06/07, verify the position as at 30/06/08 and express an opinion on the achievement of the targets. • The Unit should reflect this performance measure in the SDBIP to enable the Unit to monitor and evaluate performance of the respected KPI. 	This KPI is not appropriate as there is no database of people earning less than R1100 per month kept at City level.

PLAN 4 - SAFE HEALTHY AND SECURE ENVIRONMENT

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target as at 30th June 0708	5 year target-2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment	
INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY	Promote citizen safety	Increased levels of Citizens feeling safer	56% (QOL survey)	60%	100%	QOL Trends Survey	QOL Survey to be conducted by end of Q4 by GIPO.	57.9% as of 30th June 2007 according to Trend Survey. Target not achieved	N	QOL Survey completed as at 30/06/08.The 5 year target of 100% needs to be reviewed/adjusted.	Baseline(06/07) and KPI not in correlation with actual data collected per QOL Survey.The 5 year target of 100% is not realistic(B O'Leary)	
		Establish Ward Safety Forums	25%	75%	100%	SDBIP 07/08 line 7 and Safer Cities Records.	Sustainability of Wards Safety is being monitored.	Achieved - 100%	Y	Annual Target Achieved.	—	
		Enforcement of By laws in Four Areas a) Nuisance Buildings b) Illegal Dumping c) Illegal Posters d)Traffic Fines	100%	50%	100%	SDBIP 07/08 Line 9 and stats kept at Metro Police.	Recruiting of additional policemen is continuing.	50% (200 police employed)	N	Information obtained from Police Management does not match the targets set(%).	Department in the process of amending the KPI's for 2008/09 in line with Policing functions(E Harold)	
		Disaster & Major Incident Reporting - Formulation of Plans	5%	100%	100%	SDBIP 07/08 Line 27.	Implementation of re-structuring of Disaster Management is pending.	Hazard Based Plans in place, but outdated. Restructuring of Disaster Management in progress.Not achieved.	N	No Auditable information	Risk Assessment not yet completed (B Keeves-Disaster Management)	
	Promote the health of citizens	Increase Equity in distribution of Health Services Resources in EMA	84%	100%	100%	SDBIP 07/08 Lines 34 to 36 and records at Health Unit .	Performance is on track	33% -Not achieved.	Y	Achieved in respect of two of three categories.Category 3 is 39 % achieved.	Agree: resource constraints hampers effective and efficient service delivery.	
		Secure Service Level Agreements with KZN Province	No baseline	100%	100%	SDBIP 07/08 Line 37.	Work in Progress to establish SLA'a with KZN Health is in Progress	Achieved - 100%	N	Not achieved draft under discussion with Province and Legal Department	The Health Unit has negotiated and drafted the SLA.Awaiting outcome from Province. Dr Ayo	
		Provision of Integrated Environmental Health Services/Interventions	No baseline	76%	100%	SDBIP 07/08 Lines 42 to 46.	Shortfall on complaints management is being attended to.	61.3 - Not achieved	Y	Achieved in respect of all 5 subcategories	—	
		Facilitate and provide HIV/AIDS Prevention, Treatment & TB Support Services	100%	100%	100%	SDBIP 07/08 Lines 34 & 39.	Performance is on track	89.66% - Not achieved	Y	Information verified Target Achieved in respect of lines 34 & 39 of SDBIP. Line 39 of SDBIP is 69%.	The bulk of staff are from Province . An improvement in staffing resources will enhance service delivery.	
	INFRASTRUCTURE DEVELOPMENT AND SERVICE DELIVERY	Promote security of citizen	Provide Beneficiary Support to Vulnerable Groups	100%	100%	100%	CPUnit & SDBIP 07/08 Line 77.	Shortfall between target and actual is being worked on.	15% - Not achieved	N	Achieved category 1. No auditable information iro category 2.	—
			No of EPWP Interventions	100%	32 000 job opportunities	100%	SDBIP 07/08 Lines 61 & 62.	Partnership to mobilise resources is continuing.	71.1	N	No Auditable information	Clive Anderson to provide information.

PLAN 5 - EMPOWERED CITIZENS

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target 0708	5 year target- 2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	Position the city as a centre for learning	Implement two(2) CIFAL trainings	3 Programs Presented	2 programmes presented	2 Programmes presented annually	Copy of programme	Steering Committee appointed	50%. 1 Programme completed (Occupational Healthy & Safety in Municipalities - Not achieved		No change in status-quo since March 2008	One programme still outstanding
		Design an ICT Skills Portal	Achieved	1st Phase Business needs and service provider research completed	ICT Skills portal developed and in use	Portal available for access	N/A	Achieved - 100%		Annual target reached.Status confirmed	Audit finding accepted
	Develop our Human Capital	Compile a consolidated Workplace Skills Plan (WSP) for the Municipality	WSP completed on time	2008-2009 WSP complied and submitted to LGSETA by 30 June 2008	All WSPs complied and submitted to LGSETA within stipulated deadlines	Copy of compiled WSP available and copy of postal adviseavailable	Additional staff budget approved for 2008-2009 to improve service to Units	WSP for 2008/2009 completed and submitted to LGSETA - Achieved		2008/09 WSP in place.Target achieved	Noted
		Produce WSP quarterly Implementation Reports and submit to Heads and DCM's	4 reports circulated to DCM's & Heads	4 reports circulated to DCM's & Heads	4 Reports circulated annually to DCM's & Heads	Copy of emails available	Software updated to improve reports	Monthly reports distributed. Achieved		Status confirmed.	Noted
		Produce an annual skills development/training schedule in line with the WSP.	Annual Schedules produced	Quarterly schedules produced	Annual schedules produced	Annual Schedule available for inspection	N/A	100% - Achieved		Schedules generated quarterly	
		% of a Municipality's budget actually spent on implementing its WSP	0.16%	0.16%	0.16%	Financial reports	Agreement to established an internal working group to monitor this in future	to be advised		Meeting outstanding	Meeting has not taken place yet
	Improve Knowledge Management	% Implementation of the adopted Knowledge Management Strategy	30%	40%	100%	Project Plan	On going discussion re formalisation of KM Unit	35% - Not achieved	N	Percentage per Project Plan is 59%	The Project Plan has been enhanced by defining milestones/targets with weightings to enable appropriate measurement.Management will ensure that this means of measurement is utilised during performance reviews and reporting.Progress per the Project Plan at reporting date is 59%

PLAN 6 - PROMOTING CULTURAL DIVERSITY

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target 0708	5 year target-2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
LOCAL ECONOMIC DEVELOPMENT (LED)	Create economic opportunities for arts, culture and heritage	Number of economic opportunities created by the City in the promotion of Arts and Culture	5	This target is calculated through the development of fifteen projects/events that creates economic opportunities through the promotion of arts and culture = 15	75		More effort will be put in place to secure private and provincial government support.	27 - achieved	Y	-	-
		Number of people accessing opportunities and benefits in arts, culture and heritage	90	This target is calculated by registering the number of people accessing opportunities and benefits in arts, culture and heritage projects i.e. 15 projects/events x 15 people = 225 people per annum.	1125		Develop stronger partnerships with the private sector in the tourism and hospitality industry.	250 - achieved	Y	Per Stats produced by Curator:DAG (J Stretton),the no of artists =316.	-
		Number of Interventions of sports and recreation activities in the city	12	The number of interventions is two per month = 24	120		Need more develop more active partnerships with sports federations and school sports bodies.	Not achieved - 7	Y	Incorrect information captured. As at 30/06/08 Should be: TARGET=24 STATUS @ 30/06 =25 ACHIEVED	-
LOCAL ECONOMIC DEVELOPMENT (LED)	Promoting sports and recreation within the City	Percentage of registered participants in Clubs and Federations in the City	10%	30% growth in members of sports persons affiliating to local federations and clubs	to be determined		Will develop more creative campaigns and events to attract participants.	35% - achieved	N	Inspected records of sports clubs and societies.Per Deputy Head,no control over registered participants.	-
		Number of registered participants in sports and recreation activities in the City	25%	50% growth of registered clubs and recreational projects.			Work with sports federations mobilise participants in sports at school level.	40%	N	Total no of registered participants @ 30/06/08 = 29132. ACHIEVED	-

PLAN 7 - GOOD GOVERNANCE

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target 0708	5 year target 2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Create an efficient, effective and accountable administration	Percentage of Citizen Satisfaction with regard to: 1. Participatory decision making 2. Customer Care 3. Communications and Information	Quality of life survey not done in 0607	50%	80%	Various Surveys including QSL Attendance Registers		N/A Annual indicator investigating alternate surveys rather than reliance on QSL - some alternates have been identified - TBA - Not achieved	N/A	N/A	Management is investigating alternate surveys rather than reliance on the Quality of Life survey as the means of verification for key performance indicators to ensure measurability.
		% of citizens satisfied with the transparency, and accountability of the municipal administration	Quality of life survey not done in 0607	55%	80%	Surveys including QSL Registers Reports		N/A Annual indicator investigating alternate surveys rather than reliance on QSL- not achieved	N/A	N/A	
		Number/% of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	African Top- 39% Senior =23% Middle=26% Coloured Top=4% Senior 3% Middle=3% Indian Top=28% Senior=35% Middle=34% Females Top=22% Senior=18% Middle=26%	5 Year Target African Top=43% Senior=42% Middle=43% Coloured Top=3% Senior=3% Middle=3% Indian Top=20% Senior=24% Middle=20% Females Top=32% Senior=30% Middle=34%	EE National Targets	EE Reports	*All new appointments made in accordance with demographic targets. *Trainee schemes in key disciplines. *Assisted Education scheme to improve qualifications. *Loan student scheme (100% bursary scheme for University study). *Workplace Skills Plan	African Top- 40% Senior =24% Middle= 28% Coloured Top=4% Senior 4% Middle=3% Indian Top=27% Senior=37% Middle=35% Females Top=21% Senior=21% Middle=27%	Y	Status as at 30 June 2008 confirmed.	
	Healthy and Productive Employees	Develop and implement an organisation Culture Strategy for the Municipality	50%	50%	100%	Plan		Achieved - 50%	Y	Status as at 30 June 2008 confirmed.	The project is progressing in terms of the Plan.
		Reduction in the Disabling injury Frequency Rate (DIFR)	0.64 out of 5 Where 1= excellent and 5= poor	3.5	2.5	Reports	1. Develop and implementation of Injury on Duty and diseases procedure. 2. Providing Health and Safety training to lower level employees. 3. Investigating of accidents in the workplace 4. Conduct workplace inspections, Health and Safety Audits and Risk Assessments	Achieved - 0.98	N	Information outstanding.	Outstanding

PLAN 8 - FINANCIAL VIABILITY AND SUSTAINABILITY

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target 0708	5 year target- 2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
Municipal Financial Viability and Management	Budget Strategically and Sustainably	Outstanding Service Debtors to Revenue	41.50%	41%	29%	AFS	Credit Control Policy being strictly adhered to. Focused team working on Government Debt. Focused teams also working on Top 30 debtors.	Achieved - 40%	Y	Status as at year end not correct as the amount relating to revenue i.r.o Property Rates, Penalties & Collection charges was not included in the computation of the ratio.	Agree with the audit observation. The figure was omitted by error and this was not picked up until advised by Internal Audit
		% Capital Budget Spent	98.70%	100%	100%	Capital Comparative statement	Monthly capital meetings held to monitor the spend. One on-one meetings with the various sectors held on a rotational basis to address backlogs, etc. Meeting held with Provincial DAEA to fast track capital projects with environmental impact	Not achieved - 96.9%	Y	-	-
		Debt Coverage Ratio (No of Times)	9.5	Target not set	12.4	AFS		20.62	N	KPI does not meet the SMART principles as it is not measurable (i.e. no target was set against which the actual status at year-end could be compared)	Agree with the audit observation. The error will be rectified in the following financial year and the KPI will be reviewed and target defined
		Cost Coverage Ratio (no of Times)	4.2	Target not set	4.02	AFS		7.42	N	KPI does not meet the SMART principles as it is not measurable (i.e. no target was set against which the actual status at year-end could be compared)	Agree with the audit observation. The error will be rectified in the following financial year and the KPI will be reviewed and target defined

PLAN 8 - FINANCIAL VIABILITY AND SUSTAINABILITY

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target 0708	5 year target- 2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
Municipal Financial Viability and Management	Ensure value for money expenditure	Salaries and Wages as a % of Operating Budget	31%	31%	29%	Budget	Efficiency & Economy Task Team established to look at staff costs. Major savings achieved, especially with regard to overtime. Cost saving ideas implemented, for example, in respect of security guards and shifts.	Achieved - 29.3%	Y	-	-
		Repairs and Maintenance of % of Total Operating Budget	9%	10%	10%	Budget		Overachieved - 11.60%	Y	-	-
		Availability of Vehicles	96%	85%	95%	Monthly control report	Implemented Preventative Maintenance Programme to reduce breakdowns. Also the Vehicle Replacement Programme has resulted in newer vehicles with fewer breakdowns.	Achieved - 94%	Y	-	-
		Benchmark to the private sector for vehicle hire rates	20%	Benchmark within industry norm	26%	Schedule of vehicle change rates	Efficient management of operating costs, especially staff costs. Implementation of the Fleet Monitoring System has resulted in a reduction in the abuse of vehicles	Rate in line with the industry norm	Y	-	-
Municipal	Maintain,	Valuation Roll - Compliance with MPRA provisions	99.9% in terms of current Ordinance	98% in terms of current Ordinance Compliance with Project Plan to deliver new Roll to MPRA in Jan 2008	100 % compliance with MPRA	Recapitulation summary and schedule of appeals	Recapitulation summary and schedule of appeals	Achieved - Valuation roll delivered in February 2008	Y	-	-

PLAN 8 - FINANCIAL VIABILITY AND SUSTAINABILITY

National Key Results Area	Strategic Focus Area	Key Performance Indicator	Baseline 0607	Annual Target 0708	5 year target- 2010/11	Means of Verification	Measures taken to improve performance	Status as at 30th June 2008	Verified	Audit Comment	Management Comment
Financial Viability and Management	Grow and Diversify Revenue	Manage Council Property Assets - Grow total income	R33.7m	R31.4 m	By 2 % above CPI			Land Sales R68.4M and Rental Income R48.3M. Total of R116.7M - Achieved	Y	-	-
		Increase in tariffs	Rates - 7.5 Water - 7.5 Electricity- 7.5 CPI - 7.0	Rates - 7.5 Water - 7.5 Electricity - 7.5 CPI - 5.2	CPI related			Rates 9.9%; Electricity 29.5%; Water 9.9%; CPI (June) 12.2%	N	-	-

ETHEKWINI MUNICIPALITY

REPORT OF THE AUDIT AND RISK COMMITTEE OF ETHEKWINI MUNICIPALITY AND ITS ENTITIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

The Audit and Risk Committee (herein called "*the Committee*") reports that it has complied with its responsibilities arising from section 166(2)(b) of the MFMA. The Committee also reports that it has adopted appropriate formal terms of reference as contained in its charter, and carried out its functions in compliance with the terms of reference as approved by Council during the current financial year.

The Committee consists of three independent members listed hereunder; who all have the required qualifications, skills and knowledge; including legal, business management, accounting and financial management.

1. Committee Membership and Attendance of meetings

In terms of its charter, the Committee should have a minimum of four (4) meetings during a financial year. There were eight (8) meetings held during the current financial year, including three (3) special meetings held for the reviews and approval of unaudited and audited annual financial statements.

Names of Members	Number of Meetings attended
Total number of Meetings during the year	8
Advocate B.S. Khuzwayo (Chairperson)	8
Ms F. Ussuph	8
Mr S. Luthuli CA (SA)	7

2. Audit and Risk Committee Responsibilities on Audit Matters

The Audit and Risk Committee fiduciary duties cover the eThekweni Municipality; the municipal owned entities - the Chief Albert Luthuli International Convention Centre and the Durban Ushaka Marine World.

ETHEKWINI MUNICIPALITY

The Committee advises the Accounting Officer and Council on matters relating to internal financial control and internal audits; Risk Management; accounting policies; adequacy, reliability and accuracy of financial reporting and information; performance management and evaluation; effective governance; compliance with the Municipal Finance Management Act (MFMA), the Annual Division of Revenue Act, and any other applicable legislation; and any other issues referred to it by the Municipality.

Various recommendations, as per Section 121 (3)(j) of the Municipal Finance Management Act No. 56 of 2003 have been made during the financial year, including those which have been recorded in the minutes to the Committee. The following functions were carried out by the Committee as prescribed by the Municipal Finance Management Act, in its meetings for the year ended 30th June 2008.

2.1 Evaluation of Financial Statements

The Committee has reviewed:

- and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- the Auditor-General's management report on the regularity audit and the audit of performance information; and management's response thereto;
- accounting policies and practices; and
- significant adjustments resulting from the audit.

2.2 Evaluation of the effectiveness of Internal Audit and internal control systems

Internal Audit Unit

The Municipality's Internal Audit Unit provides the Committee and management with assurance that the internal controls are appropriate and effective; in line with the MFMA and the King II Report on Corporate Governance requirements. This is achieved by means of continuous risk assessments, as well as the identification of corrective actions and suggested enhancements to the controls and processes. During the year under review several instances of non compliance with regulations,

ETHEKWINI MUNICIPALITY

policies and procedures that resulted from a breakdown in the functioning of controls were reported by the internal auditors. To ensure the effectiveness of the internal audit activity, a quality assurance review was conducted as a result of which the unit has commenced with the development of an audit methodology.

Internal control Systems

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded; liabilities and working capital are efficiently managed; and there is compliance with applicable legislation. The system of internal control was not entirely effective for the year under review, as compliance with prescribed policies and procedures were lacking in certain instances. A number of recurring areas of weaknesses raised during the year are on non-compliance with supply chain management regulations, policies and procedures; inadequate contract management and monitoring quality of service; inadequate leave administration procedures. Some of the recommendations of the Unit are not timeously addressed and reflect outstanding for significant long periods, this compromises work of the Unit. Management has to implement appropriate systems of internal controls to address the identified weaknesses and possible irregularities.

Significant control weaknesses have been reported by the Auditor-General under emphasis of matter and in the management letter. In certain instances, the weaknesses reported previously have not been fully and satisfactorily addressed. The effect of these instances has been included in the annual financial statements and the report of the Accounting Officer.

Fraud and Irregular activities

The Investigations Units as well as Internal Audit Unit reported a number of instances of possible irregular and/or fraudulent activities, to the Accounting Officer and the Committee. Reported matters are investigated; and this includes two fraudulent activities at the uShaka Marine World, and at the Chief Albert Luthuli International Convention Centre, investigated during the year under review.

ETHEKWINI MUNICIPALITY

The Internal Audit Unit has further reported contravention of the Supply Chain management regulations and policies in that certain employees of the Municipality were awarded tenders to the value of R12 625 154. 05. There are other matters where tenders were awarded to close family members of the employees of the Municipality without making necessary disclosure in terms of the Supply Chain Management regulations and policy. These matters have been referred to a forensic investigating firm for further investigation.

2.3 Performance Management and Information

The Committee reviewed the Quarterly Organizational Scorecards and the Quarterly Internal Audit Reports on Performance Management and Performance Information. It also reviewed the Municipality's Performance Management System. Based on the review of the Quarterly Performance Reports, the Committee has noted areas of non-compliance which require urgent attention and others requiring improvement. These matters are included in the Municipality's Internal Audit and Performance Management Report on the Organizational Performance Scorecard.

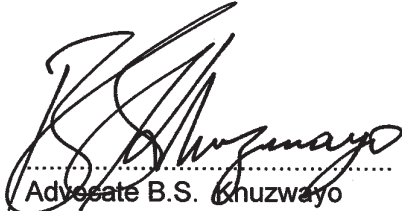
2.4 Enterprise Risk Management

The Municipality is in the process of implementing an Enterprise Risk Management System, a requirement in terms of the MFMA; which is in line with Risk Management best practices. Matters of risk management and the risk profile of the Municipality are dealt with by the Committee in a separate report on Enterprise Risk Management. Strategic risk assessments, using a standardized risk assessment methodology, were held and key risks identified, measured and prioritized. The Accounting Officer will ensure that risk mitigation strategies are in place and implemented. The Municipality's risk management function has acquired risk management software to support the implementation of risk management systems; and maintain the risk registers and risk profile.

ETHEKWINI MUNICIPALITY

3. Going Concern statement

The Committee concurs and accepts the Auditor-General's conclusions on the annual financial statements that in all material respects they comply with the relevant provisions of the MFMA and the South African Statements of Generally Recognised Accounting Practice. The Committee is therefore of the opinion that the audited annual financial statements be accepted and be read together with the report of the Auditor-General.



Advocate B.S. Khuzwayo
Chairperson of the Audit and Risk Committee

Date: 12 December 2008.



AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



APPROVAL PAGE

[Signature]
HEAD: INTERNAL AUDIT & RISK MANAGEMENT

29/07/2008.
DATE

[Signature]
CITY MANAGER

29/07/2008
DATE

[Signature]
CHAIRPERSON : AUDIT & RISK COMMITTEE

29/07/2008.
DATE

29 APRIL 2008.
EFFECTIVE DATE



Abbreviations and Definitions

Abbreviations	
AUDIT-COM	Audit and Risk Committee
AC / CM	Accounting Officer or City Manager
EXCO	Executive Committee of eThekweni Municipality
DCM'(s)	Deputy City Manager(s)
IIA	Institute Of Internal Auditors
MFMA	Municipal Finance Management Act, No. 56 of 2003
NTR/ TR	National Treasury Regulations issued in terms of the PFMA
MSA	Municipal Systems Act
EM	eThekweni Municipality
MOE's	Municipal Owned Entities
Definitions	
Audit and Risk Committee	Members of the Committee established in terms of section 166 of the MFMA
Accounting Officer	The Accounting Officer is the City Manager, also sometimes referred to as the Municipal Manager.
the "Committee"	The committee refers to the Audit and Risk Committee of the Municipality.
Executive Committee	Council members who are appointed to the Executive Committee inclusive of the Mayor, Deputy Mayor, Speaker and the City Manager.
Terms of Reference	Should be read as same as Audit and Risk Committee Charter
IIA Standards	Standards for the Professional Practice of Internal Auditing, by the Institute of Internal Audit
Internal Audit	
MOE's	Municipal Owned entities, namely Ushaka Marine World and the Durban International Convention Centre.
External Audit	The Auditor General of South Africa. This may include the representatives of the Office of the Auditor General, public audit firms appointed by the Auditor General to conduct audits on their behalf.



Index Page

1. INTRODUCTION

- 1.1 Legislative Framework
- 1.2 Purpose of the Audit and Risk Committee Charter

2. ROLE OF THE AUDIT AND RISK COMMITTEE

3. AUTHORITY OF THE AUDIT AND RISK COMMITTEE

4. RESPONSIBILITIES

- 4.1 Responsibilities relating to Accounting and Financial Reporting
- 4.2 Responsibilities relating to the external audit function performed by the Auditor General
- 4.3 Responsibilities relating to the Internal Audit function
- 4.4 Responsibilities relating to the Risk Management function
- 4.5 Responsibilities relating to Performance management
- 4.6 Responsibilities relating to Corporate Governance
- 4.7 Responsibilities relating to Internal Control and Compliance
- 4.8 Responsibilities relating to Ethics and Forensic Audits and Investigations
- 4.9 Reporting Responsibilities of the Audit and Risk Committee
- 4.10 Responsibilities of Management

5. CONSTITUTION AND MEMBERSHIP

6. MEETINGS AND PROCEEDINGS

ANNEXURE

- A1 Extract of Section 166 of The Municipal Finance Management Act
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1. INTRODUCTION

The eThekweni Municipality has established an Audit and Risk Committee, in accordance with section 166 of the Municipal Finance Management Act (MFMA), no 56 of 2003. These terms of reference constitute the Audit and Charter, which sets out the legislative mandate of the Audit and Risk Committee and also ensures alignment to South Africa's Code of Corporate Governance.

The formalization of an Audit and Risk Committee charter is accordingly good standard practice and is one of the key aspects that are considered by the Auditor General in their assessment of the effectiveness of the Audit and Risk Committee in carrying out its fiduciary responsibilities.

1.1 Legislative framework

Section 166 of the Municipal Finance Management Act (MFMA), no 56 of 2003, requires that each municipality should have an audit committee which must serve the purpose of being an independent advisory body to the Council, Political Office bearers, Accounting Officer, Management and staff.

1.2 Purpose of the Audit and Risk Committee Charter

The purpose of the Audit and Risk Committee charter is to set out the Status, Authority, Role and Responsibility of the Audit and Risk Committee of the Municipality. The Authority, status and responsibilities are in accordance with section 166 of the MFMA and as delegated by the eThekweni Municipality's Council and Accounting Officer. In addition, these terms of reference are to guide the Audit and Risk Committee in carrying out its mandate.

2. ROLE OF THE AUDIT AND RISK COMMITTEE

- 2.1 The role of the Audit and Risk Committee is to assist the Council's EXCO and the Accounting Officer, in fulfilling the responsibility for oversight of the quality and integrity of the internal control and accounting functions, internal and external auditing, and reporting practices of the Municipality and such other duties as may be directed by the Accounting Officer, from time to time.
 - 2.2 The Audit and Risk Committee's role includes the identification and assessment of the business risks; giving guidance to the Council, Political Office bearers, Accounting Officer, and Management to fulfill their legal responsibilities; and ensuring there is effective independence of the internal as well as external audit functions.
-



3. AUTHORITY OF THE AUDIT AND RISK COMMITTEE

- 3.1 The Audit and Risk Committee of the eThekweni Municipality is authorized, in terms of this Charter, to perform the duties and functions required to ensure adherence to the provisions of the Municipal Finance Management Act, the applicable provisions of the Municipal Systems Act, and applicable regulations; as well as the Code on corporate governance.
- 3.2 In carrying out its mandate, the Audit-Com must have regard to the strategic goals of the eThekweni Municipality, strategic focus areas and programmes as outlined in the Integrated Development Plan (IDP) and the Service Delivery Budget Implementation Plan (SDBIP).
- 3.3 The overall objective of the Audit and Risk Committee is to provide oversight over systems to ensure the adequacy and effectiveness of the risk management processes; internal controls over financial management and reporting, operations management, compliance with applicable legislation; and good governance processes.
- 3.4 The Audit and Risk Committee is authorized in terms of this Charter and the provisions of the MFMA, as applicable, to:
- a) The Committee is authorised by the Executive Committee of Council to investigate any activity within its terms of reference.
 - b) The Committee is authorised by the Council to obtain outside legal, accounting or other independent professional advice. The committee may secure the attendance of outsiders with relevant experience and expertise if it considers this necessary to its meetings.
 - c) It is authorised to seek any information it requires from any employee of the municipality and municipal entities, and all employees are directed to co-operate with any request made by the Committee. Such requests will be channelled through the City Manager and/or the Head of Internal Audit.
 - d) The mandate of the Audit and Risk Committee and therefore its authority extends to the municipal owned entities (MOE's) of eThekweni Municipality, namely the two entities trading as Ushaka Marine World and the Durban International Convention Centre (ICC).
 - e) The Committee must ensure that in exercising its delegated authority its decisions and recommendations support and promote the operations of accurate financial reporting and statements in compliance with applicable legislation and standards for financial reporting.
- 3.5 The Committee will not perform any management functions or assume any management responsibilities as this could prejudice its objectivity. The Committee will make recommendations to the EXCO Council as well as the City Manager and senior management resulting from the activities carried out by the Committee according to its terms of reference.
-



4. RESPONSIBILITIES

The Audit and Risk Committee is required to consider any matters relating to the financial affairs of the municipality, and any risk, internal audit and external audit matters. The Committee must review and assess the qualitative aspects of financial reporting, the municipality's processes to manage business and financial risk; governance processes and compliance with significant applicable legal, ethical and regulatory requirements.

4.1 Responsibilities relating to Accounting and Financial Reporting

- (a) Review and monitor the integrity of the Annual Financial Statements relating to the municipality's financial position and performance; and where requested by the Council EXCO, any other public reports by the municipality to regulators before submission to the Council EXCO, focusing particularly on:
- significant financial reporting, including complex or unusual accounting transactions and highly judgmental areas regarding the implementation of accounting standards, and where applicable estimates, and recent professional and regulatory pronouncements;
 - clarity and completeness of disclosure and whether disclosures made have been set properly in context;
 - quality and acceptability of, and any significant changes in accounting policies and practices;
 - compliance with accounting standards and legal requirements;
 - significant adjustments and/or unadjusted differences resulting from the audit;
 - reflection of unusual circumstances or events and management's explanation for the accounting treatment adopted;
 - reasons for major year on year fluctuations;
 - asset valuations and revaluations;
 - calculation and levels of general and specific provisions;
 - write-offs and reserve transfers;
 - basis for the going concern assumption; and
 - existence and implementation of policies and procedures regarding complex or unusual accounting transactions, e.g. raising and disclosure of municipal bonds.
- (a) Discuss and resolve any significant problems or reservations arising from the final audit and any matters the auditors wish to discuss (in the absence of management, where necessary).
- (b) Review measures to enhance the credibility and objectivity of the eThekweni Municipality Annual Financial Statements; and the consolidated annual financial statements.
- (c) Report its views to the EXCO Council where, following its review, the Committee is not satisfied with any aspect of the proposed financial reporting by the Municipality.
-



4.2 Responsibilities relating to the external audit function performed by the Auditor General

- (a) Review the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements. The Committee should obtain a report on internal quality control procedures.
- (b) Develop and monitor a policy on the engagement of external registered auditors to supply non-audit services, taking into account relevant ethical guidance and Auditor-General requirements regarding the provision of non-audit services by the external registered audit firm, and to report to the Council EXCO identifying any matters in respect of which it considers that action or improvement is needed and to make recommendations as to the steps to be taken.
- (c) Discuss with the Auditor-General before the audit commences and, as necessary, following the audit, the nature and scope of the audit (including the accounting principles, policies and practices adopted in the preparation of Annual Financial Statements and in terms of information submitted to for consolidation into its results, planned levels of materiality, resourcing and the terms of the Auditor-General's engagement letter). In particular:
 - the Committee should ensure at the start of each annual audit cycle that appropriate plans are in place for the audit, and review any significant changes to the audit plan;
 - the Committee should consider whether the Auditor-General's overall work plan, including planned levels of materiality, and proposed resources to execute the audit plan appear consistent with the scope of the audit engagement, having regard also to the seniority, expertise and experience of the audit team;
 - the Committee should review, with the external auditors, the findings of their work. In the course of its review, the Committee should:
 - (i) discuss with the external auditors major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved;
 - (ii) review key accounting and audit judgements; and
 - (iii) review levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted;
 - the Committee should also review the Strategic Audit Plan for the Regulatory Audit presented by the Auditor General and give particular consideration to matters where the plan relate to non-standard issues. The Committee should consider whether the information provided is complete and appropriate based on its own knowledge;
 - at the end of the annual audit cycle, the Committee should assess the effectiveness of the external audit process. In the course of doing so, the Committee should:
 - (i) review whether the auditors have met the agreed Strategic Audit Plan for the regulatory audit and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
 - (ii) consider the robustness and perceptiveness of the external auditors in their handling of the key accounting and audit judgements identified and in responding to questions from



the Committee, and in their commentary where appropriate, on the systems of internal control;

- (iii) obtain feedback about the conduct of the audit from key people involved, e.g. the Deputy City Manager: Treasury and the Head: Internal Audit and Risk Management Services; and
 - (iv) review and monitor the content of the Auditor-General's management letter, in order to assess whether it is based on a good understanding of the municipality's business and establish if not, the reasons why they have not been acted upon.
- (a) Recommend the adoption of the audited Consolidated Annual Financial Statements of the eThekweni Municipality to the Council for approval.
 - (b) Monitor on a high-level that there is co-ordination between external audit firms where more than one external audit firm is involved. External audit firms function as agents on behalf of the Auditor-General.
 - (c) Review the Auditor-General's interim and final management letters and management's responsiveness to the Auditor-Generals' findings and recommendations.
 - (d) Ensure co-ordination and co-operation between the external and internal auditors.
 - (e) Review the allocation of hours by and fees of the Auditor-General in relation to audit risks and recommend the approval thereof to the Council EXCO.
 - (f) Ensure direct access by the Auditor-General to the Audit and Risk Committee, the Chairperson of the Audit and Risk Committee and the City Manager.
 - (g) On a regular basis, meet separately with the Auditor-General to discuss any matters that the Committee or Auditor-General believe should be discussed privately.

4.3 Responsibilities relating to the Internal Audit function

The Audit and Risk Committee's responsibilities relating to the Internal Audit function that is responsible for Corporate Governance, Process Audits, Special Audits, Information System Audits, Performance Management Audits, Forensic Audits are to ensure its effectiveness and efficiency:

- (a) Review and approve the Internal Audit Charter.
 - (b) Monitor and review the effectiveness of the risk management and internal audit functions of the Municipality and the Municipality Owned Entities.
 - (c) Review and approve the internal audit strategic plan and the annual risk-based Internal Audit Coverage Plan, ensuring that material risk areas are included and that the coverage of business processes is acceptable. Changes to this plan must be approved by the Committee.
 - (d) Review the internal audit function's compliance with its mandate as approved by the Committee; and the performance against the annual internal audit coverage plan.
 - (e) Ensure that the Internal Audit & Risk Management Unit is adequately and appropriately resourced and has the appropriate authority and status within the municipality, and is equipped to perform in
-



accordance with appropriate professional standards, by obtaining evidence in this regard from the Head of the Unit.

- (f) Review and discuss with the Head the internal audit function's scope of work, the significant matters reported by this function as a result of its work and management's responsiveness to their findings and recommendations.
- (g) Monitor and assess the role and effectiveness of the Internal Audit and Risk Management Unit in the overall context of the Municipality's risk management system.
- (h) Consider the appointment, resignation or dismissal of the Head: Internal Audit and Risk Management Unit in conjunction with the City Manager. The Committee should concur on the dismissal of the Head.
- (i) Review the results of any quality assurance reviews; and.
- (j) Provide support to the municipality's Internal Audit and Risk Management Unit; and ensure that no restrictions or limitations are placed on the Unit.
- (k) On a regular basis, meet separately with the Head of the Unit to discuss any matters that the Committee or the Head believes should be discussed privately.

4.4 Responsibilities relating to the Risk Management function

The Council has delegated the responsibilities to review the risk management processes and the significant risks exposures of the municipality to the Audit and Risk Committee, in order to discharge its (Council's) duties with regard to risk management. The Audit and Risk Committee's responsibilities relating to risk management are to:

- (a) Consider the Municipality's key risk management strategy and policy; and give appropriate advice on risk threshold levels.
 - (b) Review and discuss the risk management and compliance initiatives planned for the year and the results thereof.
 - (c) Examine the manner in which management ensures and monitors the adequacy of the nature, intent and effectiveness of the risk and control infrastructure of the eThekweni Municipality.
 - (d) Ensure direct access by the Head of the Internal Audit and Risk Management Unit to the Audit and Risk Committee, the Chairperson of the Audit and Risk Committee and the City Manager privately.
 - (e) Review the identification of fraud and corruption risks, anti-fraud programs and measures in place to mitigate the inherent risks identified as well as the implementation thereof.
 - (f) Review:
 - the opinion of the Internal Audit function regarding the municipality's risk management systems;
 - the policies and overall process for identifying and assessing business risks and managing their impact;
-



- regular assurance reports from management, internal audit, external audit and others on the operational effectiveness of matters related to risk and control and the conclusions of any testing carried out on them by internal or external audit;
- the timeliness of, and reports on, the effectiveness of corrective action taken by management; and
- the municipality's annual statement on risk management prior to consideration by the Council EXCO.

This information can be used to determine the information required by the Audit and Risk Committee in deciding the nature and extent of assurance required from external and internal audit.

4.5 Responsibilities relating to Performance management

- (a) The Audit and Risk Committee will be responsible for monitoring the adequacy of the assessment by internal audit of the performance management system.
- (b) In terms of Regulation 14(1)(b) of the Local Government: Municipal Planning and Performance Management Regulation, 2001, the review of performance management by internal audit should include an assessment of the following:
 - i) The functionality of the performance management system of the Municipality and MOE's;
 - ii) The compliance of the performance management system with the Systems Act;
 - iii) The extent to which the performance measurements are reliable in measuring the performance of the Group against the Key Performance Indicators.
- (c) The Audit and Risk Committee will be responsible for reviewing the strategy and plan to monitor and evaluate the implementation and effectiveness of performance management processes and framework; the results of the audit of performance management and the quarterly internal audit reports on performance management and performance information.

4.6 Responsibilities relating to Corporate Governance

- (a) Review the minutes of proceedings of the Finance Committee and/or Audit Committees of MOE's, as applicable. The Chairperson of such committees and the Accounting Officer and Chief Financial Officer of the MOE's may attend meetings of this Committee, upon invitation.
 - (b) Review, together with external and internal audit, developments in corporate governance and best practices and consider their impact and implications for eThekweni Municipality's processes and structures.
 - (c) Consider the disclosure on the role of the Audit and Risk Committee to be included in the Annual Report of the Municipality.
 - (d) Review annually and, if appropriate, update the Audit and Risk Committee's own terms of reference as embodied in the Audit and Risk Committee Charter, subject to the approval of the Council Executive Committee.
 - (e) Assess and report to the Council EXCO on the Audit and Risk Committee's operating effectiveness and performance at least annually.
-



- f) Review the municipality's annual statement on its compliance with the Corporate Governance Code and Practices prior to consideration by the Council EXCO.
- h) Evaluate and monitor the regulatory governance requirements and code of business conduct within the Municipality and its MOE's.
- a) Advise the Mayor and City Manager on any questions relating to the financial affairs and internal controls (including financial, operating and compliance controls and risk management) of the Municipality.
- b) Consider and report on other topics, as may be required by the Council.

4.7 Responsibilities relating to Internal Control and Compliance

The Audit and Risk Committee's responsibilities relating to internal control and compliance and therefore ensure that assets of the municipality are safeguarded, are to consider with management, internal audit and the external auditors:

- a) The adequacy and effectiveness of the municipality's systems of internal control over annual financial reporting, including information technology security and controls.
 - b) The adequacy and effectiveness of the systems that have been designed to ensure and monitor compliance with laws, regulations, policies and procedures of eThekweni Municipality.
 - c) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
 - d) To review the results of management's investigation and follow-up including disciplinary action of any instances of non-compliance with laws, regulations, policies, procedures and municipal directives and circulars.
 - e) To consider any necessary disclosure implications of the process that has been applied by eThekweni Municipality to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts.
 - f) To review the municipality's annual statement on internal controls prior to consideration by the Council; including the statements of the municipal owned entities.
 - g) To review and consider any legal matters, contingencies and reports from the Head: Corporate Legal Services including those that may have a material impact on the financial statements; or as may be required.
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4.8 Responsibilities relating to Ethics and Forensic Audits and Investigations

The Committee will be responsible for

- (a) Monitoring the municipality's compliance with its Code of Conduct; and must review the process to monitor ethical behaviour of the eThekweni Municipality's management and officials.
- (b) Reviewing the systems in place to ensure protected disclosures by management and officials; the adequacy of the municipality's fraud policies; and compliance with the applicable laws and regulations.
- (c) Reviewing the effectiveness of the whistle-blowing mechanisms or arrangements by which concerns are raised about possible improprieties in matters of financial reporting or other matters
- (d) Questioning and obtaining explanations for any violations of ethical conduct.
- (e) Reviewing any situations that arise relating to potential conflict of interest or questionable situations of a material nature that it becomes aware of and make suitable recommendations to EXCO.
- (f) Periodically to receive reports on the prevention, detection and investigation of fraudulent activities or misconduct within the Group and the related management responses.

4.9 Reporting Responsibilities of the Audit and Risk Committee

The Audit and Risk Committee shall

- (a) Make progress reports to the eThekweni Municipality Council in writing once in every quarter. The committee reports must include matters contained in the Audit and Risk Committee's terms of reference and related recommendations.
- (b) Provide, with the support of the City Manager, an open avenue of communication between Internal Audit, External Audit and the Council EXCO.
- (c) Report annually to the Council on the Committee's composition, responsibilities and the discharging of these responsibilities.
- (d) Submit annual to the Council the updated Audit and Risk Committee Charter for the review and approval thereof.
- (e) Prepare a statement for inclusion in the Annual Report of the municipality on the systems of internal control, internal audit, risk management, financial management and good governance.

4.10 Responsibilities of Management

- (a) It is the responsibility of management to design and implement adequate processes and systems of internal control; to ensure:
 - ✓ the safeguarding of assets;
 - ✓ the integrity and reliability of financial and operational of information, including electronic data and computer systems;
 - ✓ compliance with applicable legislations and governance practices;that will enable the achievement of the strategic objectives of the Municipality.
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- (b) Management responsibilities include, but are not limited to reporting within the timelines, on the design and effectiveness of internal controls; and where control weaknesses are reported by the Auditor General and Internal Audit, appropriate action plans to improve the systems of internal control, risk and governance processes.
- (c) Management must ensure that relevant reports are submitted to the Audit and Risk Committee, for each meeting of the Committee as listed in the calendar of meetings for the year.

5. CONSTITUTION AND MEMBERSHIP

The Audit and Risk Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework; and in accordance with the provisions of the Municipal Finance Management Act.

5.1 Membership

Size of the Committee

- a) The Audit and Risk Committee should consist of at least three independent individuals, up to a maximum of seven, who are neither in the employ of nor are Councillors of eThekweni Municipality. The members of the Board of the MOE's may not be members of the Audit and Risk Committee.

Appointment of members

- b) The members' terms of appointment should provide for both continuity of membership and the contribution of fresh perspectives.
- c) The members shall be appointed by the Council of the eThekweni Municipality. Each member must be capable of making a valuable contribution to the Committee.
- d) The Chairperson of the Audit-Com shall be appointed by the EXCO Council (the Mayor), or in terms of authority delegated to the City Manager, to so appoint the chairperson. The chairperson shall be independent, knowledgeable of the status of the position they occupy, have the requisite business, financial and leadership skills and may not be a political office bearer.
- e) The Council of the Municipality shall, from time to time, review and revise (when appropriate) the composition of the Audit and Risk Committee in accordance with recommendations received, taking into account the need for an adequate combination of financial and business skills and knowledge.

Term of Office

- f) Membership of the Audit-Com shall be for a three-year term of office, renewable to a maximum of six years from the date on which the member assumed duty on the terms and conditions contained in the contract.

Secretarial services

- g) The secretary of the Audit-Com shall be nominated the City Secretariat in consultation with the City Manager.
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6. MEETINGS AND PROCEEDINGS

Quorum

- a) The quorum for any meeting will be three members present for the duration of the meeting, with the approval of the other members that the meeting may be held in their absence.

Frequency of Meetings

- b) The Audit-Com shall hold a minimum of four quarterly meetings during each financial year. Special meetings may be convened with the Chairperson's approval. Any member of the Audit and Risk Committee, the City Manager, DCM: Treasury, the Head: Internal Audit or the Auditor-General may request a special meeting if they consider that one is necessary.

Meeting Attendance and Proceedings

- c) Meetings shall be chaired by the Chairperson of the Audit-Com and in his/her absence by the delegated person, failure which, any alternative member of the Committee agreed upon by the majority of members in attendance.
 - a) Invitations to attend Audit Com meetings will be extended to the Internal Audit Management team; the Deputy City Managers of the clusters; Head: Legal Services; senior management and professional advisors as deemed necessary.
 - b) Members of the Council EXCO may be invited to meetings of the Audit and Risk Committee.
 - c) The internal and external auditors should be invited to make presentations to the Audit and Risk Committee as appropriate. The Committee shall meet with the Auditor General at least annually to ensure that there are no unresolved issues of concern. Similarly, the Head of Internal Audit may meet with the Audit-Com or Chairperson without the presence of management.
 - d) Where the Committee requires attendance of its meeting or input, opinion or report by or from any person in the employ of the municipality or the municipal entities, such other person shall be given at least 7 days notice or request, provided that under exceptional circumstances Audit and Risk Committee may give a shorter notice. The Committee must give a notice or make a request through the City Manager and not directly to the individual concerned.

Notification, agenda and minutes of meetings

- e) The dates of meetings should be agreed at the commencement of each financial year. Notice of each meeting shall be given in writing to all members of the Committee and other invited or interested parties, at least 14 days prior to the date on which such meeting is to be held. This may be waived by the Chairperson should circumstances necessitate it.
- f) The agenda of the meeting together with the audit pack shall be prepared and distributed at least seven (7) days prior to the meeting date. Any person attending the meeting may add items to the agenda three (3) days before the agenda is finalised. Such items should be provided to the City Secretariat.
- g) The Secretariat shall keep minutes of all meetings and shall circulate the minutes of the meetings to all members of the Audit and Risk Committee and as determined in terms of Council policy.



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; 10
 - (ii) risk management; 15
 - (iii) accounting policies;
 - (iv) the adequacy, reliability and accuracy of financial reporting and information;
 - (v) performance management;
 - (vi) effective governance; 20
 - (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; 25
 - (c) respond to the council on any issues raised by the Auditor-General in the audit report; 30
 - (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 35
 - (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 40
 - (b) 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— 45
- (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. 50
- (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. 55
- (6) A single audit committee may be established for—

PLAN 1: SUSTAINING OUR NATURAL AND BUILT ENVIRONMENT

ANNEXURE P

Plan Owner: Acting DCM: Sustainable Development and City Enterprises
Votes: Development Planning & Management; Corporate Policy; Corporate GIS; Engineering

Operating Budget: R187.9m

Capital Budget: R32.3m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1 - SEP 07	Actual for Q1	Q2 - DEC 07	Actual for Q2	Q3 - MAR 08	Actual for Q3	Q4 - JUN 08	Actual for Q4			
Develop, manage and regulate the built and natural environment	Develop and implement an integrated, efficient and effective application and approval system	Lihle Phewa	Implement eThekweni advertising/signage management policy and bylaws	Facilitate and package advertising opportunities on council property	Range of opportunities packaged and marketed	25% Identification of suitable opportunities for advertising	0%	50% Preparation of tender documentation and advertisement	35%	75% Tender adjudication and award	35%	100% Signage management contract(s) signed for implementation	35%			
				Finalise and implement eThekweni advertising bylaws	New bylaws adopted and implemented	25% Facilitate finalisation of legal input and sign off	25%	50% Gearing of capacity for implementation	50%	75% Final adoption by Council	75%	100% User friendly leaflet developed for awareness	85%			
			Create an enabling framework for the timeous approval of building applications	Establish an electronic development application monitoring system for building applications	Phase 1 rolled out to all regional offices	25% Process development & resources audit	25%	50% Testing	50%	75% User acceptance & sign off	50%	100% Training	50%			
				Establish Submissions & enquiries service for development applications in the operational regional centres	Presence in 5 regional one stop shops	25% Finalise locations and compile needs and/or requirements	25%	50% Resource mobilisation and set up	35%	75% Training	35%	100% Implementation	80%			
				Develop & implement service level agreements with other Dpts involved in the development application approval process	Service level agreements developed and signed off	25% Identify critical departments and initiate discussion	20%	50% Draft documents / agreements produced	50%	75% Finalise negotiation	60%	100% Acceptance and sign off	60%			
			Develop and implement a sustainable land use, environment and building control compliance system			Review and enhance compliance Re: building control enforcement & prosecution system	Improve/ enhance enforcement in priority areas	Pressure areas identified and enforcement implemented	25% Identify, prioritise and map priority enforcement zones and/or precincts	15%	50% Gearing of required capacity for implementation	50%	75% Package and deliver training Re : building control and land use enforcement	50%	100% Roll out implementation	50%
							Implement business Process Management to improve enforcement efficiencies	Phase II staffware project roll out to all regional offices	25% Scoping	25%	50% Analysis	50%	75% New process development and resource audit	50%	100% Testing, training and acceptance/sign off	50%
				Develop and implement outreach, awareness/capacity building programme for citizens Re : policies, procedures, compliance requirements and responsibilities	Material developed and 3 workshops implemented	25% Review and augment existing material	20%	50% Finalise communication strategy	40%	75% Stakeholder identification and mobilisation	60%	100% Workshopping	60%			

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Develop, manage and regulate the built and natural environment	Ensure the long term sustainability of the natural resource base	Debra Roberts	Revision and implementation of the EMA Environmental Management Policy; including sectoral policy development (e.g. energy, river health)	Energy Strategy	Completion of Energy Strategy/Initiation of Pilot Projects	5%	5%	10%	10%	30%	60%	100%	100%
				River Health Monitoring	Analysis and communications of 05/06 & 06/07 data	5%	5%	10%	10%	30%	60%	100%	100%
			Remapping of the EESMP	Remap the EESMP to support the Geographic Areas project and to address the impacts of climate change on the natural resource base.	EESMP layer including climate change considerations republished.	5%	5%	10%	10%	30%	30%	100%	100%
			Targeted implementation tools for sustaining and enhancing biodiversity	Working for Ecosystems, Invasive Alien Strategy (IAS), 'Green' By-laws (GB), 'Green' Special Rating Area(SRA), Sand Budgeting survey	Working for Ecosystems project implementation ongoing, Special Rating Area approved by Council and ratepayers, 'Green' by-laws drafted and made available for public comment, Invasive Alien Strategy prepared and made available for public comment.	5%	5%	10%	10%	30%	30%	100%	92%
			Meet scoreboard stipulated processing times for applications		Building Plans: Target - 14 days ; Planning: Target - 21 days ; EIA: Target - 28 days ; Queries: Target - 14 days	5%	5%	10%	10%	30%	30%	100%	100%
			Establish and maintain a system to review CAPMON projects		All Projects Reviewed and compliance system established	5%	0%	10%	0%	30%	30%	100%	100%
			Establish a monitoring and Enforcement Strategy		System Developed	0%	0%	5%	5%	50%	50%	100%	100%
			Supplement the National EIA regulations using Geographical Areas as a tool		Project will run over two years. Not possible to define annual target.	5%	0%	10%	0%	15%	0%	40%	0%
			Critical environmental assets secured using means other than acquisition		Appropriate tools applied to 100% of applications	5%	5%	10%	10%	30%	30%	100%	100%
			Land Acquisition and rezoning to secure critical environmental assets		Possible acquisition at St Helier, Treasure Beach and Cliffdale	100% of Capital Budget Spent	5%	5%	10%	10%	30%	30%	100%

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			Regular state of the environment reporting	SOE Headline Indicators	SOE Headline Indicators Report	5%	5%	10%	10%	30%	30%	100%	100%
				Best Practice Portfolio	Best Practice Portfolio	5%	5%	10%	10%	30%	30%	100%	100%
			Development of estuary management plans	EMP for two pilot Estuaries, Amanzimtoti and Umhloti (2006/7), 2 more EMP in 2007/8	Appointed consultants and ready to run EMP in new financial year	5%	0%	10%	0%	15%	0%	25%	0%
			Develop a Departmental Communication Strategy		Communication Strategy Developed	0%	0%	5%	5%	40%	40%	100%	100%
			Develop and implement outreach, awareness and capacity building programmes	NEMA/EIA/ECO Training course. Continued roll out of internship programme. Multilateral Environmental Forums established and meeting regularly.	One training session run. Two interns being trained. Ten presentations made. Multilateral Environmental Forums meeting regularly.	5%	5%	10%	10%	30%	30%	100%	100%
Climate protection and pollution minimization	Develop & Implement municipal pollution reduction and climate protection programme	Siva Chetty	Develop and implement an air quality management plan	Develop and implement the air quality management plan for the Ethekwini Municipality.	Production of the air quality management plan report	5%	5%	10%	10%	15%	15%	40%	40%
			Develop and implement a climate protection programme	Development of 2010 Green Goal Programme	Finalisation and rollout of Green Goal work programme	5%	5%	10%	10%	15%	15%	40%	40%
				Develop an Integrative Assessment Tool for Climate Change.	Due for completion in 2008/09. Alpha version of Integrative Assessment Model developed.	5%	5%	10%	10%	15%	15%	40%	40%
			Implementation of Cleaner Production	Apply CP tools for the Jacobs industrial area	Targeted intervention for top ten industries	25%	25%	50%	50%	75%	75%	100%	100%
			Develop and implement a outreach, awareness and capacity building programmes	Promotion of integrated waste minimisation programme	Outreach programme in the SDB and INK ABM areas		In progress		In progress		In progress		Completed
Develop, manage and regulate the built and natural environment	Develop and implement a sustainable and integrated spatial planning system (Prepare and implement spatial development plans - inclusive of engineering plans)	Gavin Benjamin	Northern MPR Spatial Development Plan	Completion of NSDP - from 2006-7	Council approved NSDP	40%	16%	60%	20%	80%	30%	100%	50%
				Ohlanga-Tongati LAP (including M4 realignment study)	Council approved LAP	25%	23%	50%	50%	75%	50%	100%	75%

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			Umhlanga Precinct Plan	Council approved Precinct Plan	25%	25%	50%	50%	75%	75%	100%	100%				
				Review of Verulam CBD Framework Plan	1st CBD framework plan	25%	15%	50%	15%	75%	15%	100%	15%			
				Verulam Tongaat Local Area Plan	Draft LAP	25%	15%	50%	15%	75%	15%	100%	15%			
			Central MPR Spatial Development Plan	Central Spatial Framework Plan	Draft Spatial Framework	25%	0%	50%	20%	75%	25%	100%	25%			
				Pinetown Node Regeneration Project	1st draft Regeneration Framework Plan	25%	15%	50%	25%	75%	30%	100%	30%			
				Clermont Node Regeneration Project	1st draft Regeneration Framework Plan	25% (Subject to NDGP Funding)	5%	50% (Subject to NDGP Funding)	20%	75% (Subject to NDGP Funding)	35%	100% (Subject to NDGP Funding)	35%			
				Clermont Social Housing Assessment	Housing Assessment report	25%	5%	50%	25%	75%	25%	100%	25%			
				Port Interface LAP (incl Clairwood)	1st Draft LAP	25%	18%	50%	25%	75%	30%	100%	35%			
				Southern MPR Spatial Development Plan	1st draft SDP - from 2006-7	Council Approval SSDP	25%	25%	50%	45%	75%	45%	100%	50%		
			Property Trends Assessment		Property Trends report	50%	50%	70%	60%	85%	65%	100%	100%			
			Illovo Node		Strategic Assessment	25%	0%	50%	0%	75%	10%	100%	15%			
			Umlazi Regeneration Project		1st draft Regeneration Framework Plan	25%	25%	50%	25%	75%	30%	100%	30%			
			Western MPR Spatial Development Plan	2nd draft SDP - from 2006-7	Council Approval WSDP	25%	23%	50%	90%	75%	90%	100%	95%			
				Hammarsdale-Mpumalanga LAP	Council approved LAP	25%	25%	50%	Contained in rural ABM	75%	Contained in rural ABM	100%	Contained in rural ABM			
				Shongweni LAP	Draft LAP	25%	23%	50%	35%	75%	40%	100%	45%			
				OWTPS	Scheme alignment with EESMP	25%	25%	50%	35%	75%	40%	100%	45%			
			Develop, manage and regulate the built and natural environment	Develop and implement a sustainable and integrated spatial planning system (Prepare and implement spatial development plans - inclusive of engineering plans)	Gavin Benjamin	Western MPR Spatial Development Plan	Cato Ridge LAP (including Harrison Flats-Cato Ridge Industrial Node)	Strategic Assessment and Council approved Concept Plan	25%	25%	50%	50%	75%	50%	100%	55%
						Strategic Environmental Assessment for eM		1st draft SEA	25%	23%	50%	30%	75%	30%	100%	30%
						City wide SDP and Phasing Plan (Unlocking Development Strategy and Plan)		1st Draft Spatial Plan for City	25%	18%	50%	35%	75%	35%	100%	35%
				Prepare and implement a single uniform Land Use Management System for eThekweni Municipality	Consolidation of LUSs		Consolidation of Land Use Schemes in Northern MPR	Updating of 11 LUS's in Northern MPR	25%	25%	50%	50%	75%	75%	100%	100%
Consolidation of Land Use Schemes in South MPR	Updating of 7 LUS's in Southern MPR	25%					13%	50%	13%	75%	35%	100%	40%			
Review of LUS'S	Giba Gorge Precinct Land Use Scheme Review	Amended LUS of Giba Gorge approved and adopted by Council			25%	25%	50%	50%	75%	50%	100%	75%				

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				Brickfield Road Precinct Land Use Scheme Review	Final Draft Precinct Plan	25%	0%	50%	0%	75%	75%	100%	75%		
			Develop and maintain information data base to support the preparation and implementation of spatial development framework (Unicity) spatial development plans (regional) and town planning scheme reviews (local area plans, precincts, nodes, corridors)	Implementation of electronic land use application procedures	Roll-out of Staffware system for Special Consents to all Regional Offices	25%	0%	50%	25%	75%	25%	100%	50%		
					Roll-out of Document Management system to LUM Branch in all Regional Offices	25%	25%	50%	25%	75%	25%	100%	50%		
	Efficient and Effective Decision Making on Land Use Applications		Recommendations on land Use Application outcomes by Joint Advisory Committee (JAC)		All items on JAC Agenda dealt with weekly	25%	25%	50%	50%	75%	75%	100%	100%		
			Development and Implementation of Electronic Complaints System		Electronic complaint management of system in place in all regional offices	25%	25%	50%	40%	75%	40%	100%	40%		
			Compliance with LUMS	Land Use Surveys	Programme for annual Land Use Surveys	25%	0%	50%	0%	75%	0%	100%	0%		
				LUS Enforcement	All LUM Branch Technical Planners trained as Peace Officers	25%	N/A	50%	50%	75%	100%	100%	100%		
			Reduction of Backlogs		40% Reduction in backlogs	25%	0%	50%	0%	75%	0%	100%	10%		
			Undertake spatial research and policy development to support spatial development plan and scheme reviews and land use application decisions	Production of 2 research papers resulting in 2 spatial policies	Research proposals to be finalised	25%	0%	50%	0%	75%	50%	100%	50%		
Develop, manage and regulate the built and natural environment	Efficient and Effective Decision Making on Land Use Applications	G Benjamin	Develop and implement outreach, awareness and capacity building programmes		Production of customer information brochure	25%	0%	50%	0%	75%	0%	100%	0%		
					Follow-up workshop with customer focus groups on new business processes	25%	0%	50%	0%	75%	0%	100%	0%		
	Develop and implement a coastal management plan			Develop and implement the coastal management plan	Completion of all CMP	Completion of all CMP	25%	25%	50%	35%	75%	100%	100%	100%	
					Tongati to Umhlanga CMP Umhlanga to Harbour CMP	Completion of CMP	25%	50%	50%	75%	75%	100%	100%	100%	
					Develop and Implement Coastal Policy and Bylaws	Review existing bylaws and draft new bylaws	Draft Coastal Bylaws ready for Council approval	25%	0%	50%	0%	75%	0%	100%	10%
					Monitor and Implement Coastal Water Quality Management	On going	Complete annual task 100%	25%	25%	50%	50%	75%	100%	100%	100%
					Implement a sustainable coastal livelihood programme	Secure 2 Year R6 million DEAT poverty relief project (Working for the Coast) for 08/09	Submit application for approval to DEAT	25%	100%	50%	100%	75%	100%	100%	100%

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				Execute R6 million DEAT poverty relief project (Working for the Coast) for 07/08	Complete annual task	25%	25%	50%	50%	75%	100%	100%	100%	
			Develop and implement outreach, awareness and capacity building programmes	On going - publication of key strategic and policy documents	Complete annual task 100%	25%	25%	50%	50%	75%	100%	100%	100%	
	Develop and Implement environmental, land use and transport monitoring system to minimize the negative impacts in priority areas		Coastal Management and Co-ordination	On Going	Complete annual task 100%	25%	25%	50%	50%	75%	100%	100%	100%	
			Manage the negative impacts of existing land fill and contaminated sites	Generate strategy and plans for intervention with a focus on human livelihood impacted sites	Conduct audit for selected parafin storage sites	25%	25%	50%	50%	75%	100%	100%	100%	
					Generate strategy and plans for intervention with a focus on human livelihood impacted sites	Develop a permit for the Shongweni Landfill site with a focus on air media	25%	25%	50%	50%	75%	100%	100%	100%
				Management of non-compliance and conflicting land uses and activities	Link with AQMP for SDB			Ongoing		Ongoing		Ongoing	100%	Ongoing
					Development of transport based emissions modelling system	Establish transport based emission inventory for SDB and CBD	25%	25%	50%	50%	75%	100%	100%	100%

PLAN 2: ECONOMIC DEVELOPMENT AND JOB CREATION

Plan Owner: DCM Procurement and Infrastructure
 Votes: Economic Development & Facilitation; City Enterprises; Procurement; Strategic Projects; Retail Markets; Market Service; Business Support

Operating Budget: R970.9m

Capital Budget: R1 750.1m

Strategic Focus Area	Programme	Programme Driver	Projects	Subprojects	Annual Target	Q1-SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4-JUN 08	Actual for Q4									
Support and grow new and existing businesses	Adopt a strategic economic development plan for the city	Shunnon Tulsiram	Economic Strategy	Develop a local economic development Implementation	Finalise the plan	75%	75%	100%	95%	100%	95%	100%	100%									
			Economic Information	Timeous provision of current economic	Complete 100% of 4 newsletters per annum	25%	0%	50%	0%	75%	0%	100%	0%									
Stimulate key sectors that promote economic growth and create jobs through providing support for prioritised sectors	Shunnon Tulsiram	Information, Communication and Technology (ICT)	ICT Cluster	2 Implementation and monitoring reports	25%	25%	50%	50%	75%	75%	100%	100%										
														Lamontville Media Centre	Implementation of Business Plan	25%	30%	50%	50%	75%	75%	100%
			Smart exchange committee	3 Progress reports to committee	25%	25%	50%	25%	75%	75%	100%	75%	100%	75%								
																BPO's	Implementation of Business Plan	25%	25%	50%	50%	75%
			Economic learning	Position papers around key economic issues	3 papers and 1 learning partnership	25%	25%	50%	25%	75%	75%	100%	75%									
			Strategic Economic Partnership	1 Strategic partnership on implementing economic development	1 Strategic partnership with KZNDED	25%	75%	50%	90%	75%	90%	100%	100%									
			Automotive industry	Durban automotive cluster to deliver and benefit from industrial	Implementation of Business Plan	25%	25%	50%	75%	75%	75%	100%	100%									
			Creative Industries	Creative industry strategy and implementation plan	Finalisation of strategy and implementation plan	25%	10%	50%	25%	75%	75%	100%	75%									
			Industrial and fashion design	Fashion forum required to assist in the management of sector specific design programmes in the consumer goods industry	Establish industrial and fashion design forum	25%	0%	50%	25%	75%	25%	100%	100%									
			Chemical and petro-chemical	Chemicals cluster to deliver and benefit from industrial development	Establish chemicals cluster	50%	25%	75%	50%	100%	75%	100%	100%									
			Craft manufacturing	Craft cluster to develop and benefit from industrial programme	Establish craft cluster	25%	0%	50%	25%	75%	25%	100%	75%									
			Clothing textile and footwear	KZN Clothing and textiles cluster to deliver and benefit from industrial development programme	Implementation of Business Plan	50%	50%	75%	75%	100%	75%	100%	100%									
			Agri-businesses		Implementation of Business Plan	25%	25%	50%	50%	75%	75%	100%	100%									
			Centres of excellence	Manufacturing center of excellence and Innovation HUB	Pre-feasibility study for Centre of Manufacturing Excellence	25%	15%	50%	50%	75%	75%	100%	100%	100%	100%							
																Horticulture centre of excellence and entrepreneurial support centre	Implementation strategy and Business plan for the Horticulture Centre of Excellence	25%	15%	50%	40%	75%
			Incubation and post-incubation facilities	Integrated Craft and Creative industries HUB	Craft HUB implementation strategy and Business plan	25%	0%	50%	30%	75%	75%	100%	100%	100%	100%							
																Furniture post-incubation facilities for expanding incubatees	Furniture industry post-incubation implementation strategy and Business plan	25%	15%	50%	25%	100%
Cothing incubator for new entrants	Clothing incubator implementation strategy and Business plan	50%														10%	75%	50%	100%	50%	100%	50%
Chemicals incubator to create a secure/safe environment for new entrants	Chemicals incubator implementation strategy and Business plan	25%														15%	50%	25%	75%	50%	100%	50%

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ANNEXURE P

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Operating Budget: R970.9m

Capital Budget: R1 750.1m

Strategic Focus Area	Programme	Programme Driver	Projects	Subprojects	Annual Target	Q1-SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4-JUN 08	Actual for Q4
			Shipbuilding, boatbuilding and repair	KZN Shipbuilding, boatbuilding and repair cluster to deliver and benefit from the industrial development programme	KZN Shipbuilding, boatbuilding and repair cluster	50%	30%	75%	35%	100%	40%	100%	75%
			Material's Recovery	Materials recovery SPV to manage the operations of a waste park in Buffelsbosch	Materials recovery SPV	50%	30%	75%	75%	100%	90%	100%	100%
			Renewable Energy technologies	5 Sub projects	Implementation of Business Plan	25%	20%	50%	30%	75%	40%	100%	50%
			Furniture	KZN Furniture cluster to deliver and benefit from industrial development programme	Implementation of Business Plan	25%	25%	50%	75%	75%	75%	100%	100%
			Maritime	Maritime logistics cluster to deliver and benefit from industry development programme	Maritime logistics cluster	50%	25%	75%	25%	100%	40%	100%	100%
Support and grow new and existing businesses			Indigenous Medicine	Traditional medicinal plants industry development programme	Implementation of Business Plan	25%	10%	50%	25%	75%	75%	100%	100%
			Promote local economic development (LED) in key business nodes and underinvested areas	LED Strategies and strategic township development	3 Finalised strategies	25%	20%	50%	40%	75%	75%	100%	75%
				LED Projects	2 Projects packaged for implementation	25%	25%	50%	40%	75%	50%	100%	75%
				Town Centre Renewal	Implementation of upgrade plans for 12 town centre nodes	25%	15%	50%	40%	75%	45%	100%	100%
				Town Centre investment and management	Strategy in place and 2 management plans for upgraded centres	25%	25%	50%	25%	75%	30%	100%	50%
			Tourism nodes and corridors	11 nodes and corridors being upgraded	100% spend of budget	25%	15%	50%	30%	75%	40%	100%	100%
				Product strategy for tourism nodes and corridors	100% completion of database of visitor attractions; product strategy and project packaging	25%	20%	50%	25%	75%	30%	100%	30%
	Support and grow tourism and related industries	Lindiwe Mahlangu	Coastal Tourism	Implement a coastal management plan	100% completion of the plan	25%	25%	50%	25%	75%	25%	100%	50%
			Cultural & Heritage Tourism	Undertake a cultural and heritage tourism study	100% completion of the study	25%	25%	50%	25%	75%	25%	100%	25%
				Establish clearly defined tourism rules	100% completion of the study	25%	15%	50%	15%	75%	15%	100%	15%
Sustainable marketing plan				100% completion of the study	25%	15%	50%	15%	75%	15%	100%	15%	
Business Tourism			Implement Support Programmes	100% completion of the support programme	25%	25%	50%	25%	75%	25%	100%	25%	
Implementation of the business tourism			100% completion of the implementation plan	25%	25%	50%	60%	75%	75%	100%	100%		
Welcome program for all conference delegates			100% completion of the implementation plan	25%	25%	50%	50%	75%	75%	100%	100%		
Business facilitation service	100% completion of the implementation plan	25%	25%	50%	50%	75%	75%	100%	100%				
Networking with key business associations and federations	100% completion of the implementation plan	25%	25%	50%	50%	75%	75%	100%	100%				

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Strategic Focus Area	Programme	Programme Driver	Projects	Subprojects	Annual Target	Q1-SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4-JUN 08	Actual for Q4
				Setup a fully operational convention bureau	100% completion of the implementation plan	25%	10%	50%	50%	75%	50%	100%	100%
				Training and development of event planners and organisers	100% completion of the implementation plan	25%	0%	50%	40%	75%	75%	100%	75%
			Customer Care	Implementation of the Customer Service	100% completion of the implementation plan	25%	10%	50%	55%	75%	75%	100%	100%
				Develop a uniform consistent approach in attending to tourists in distress	100% completion of the implementation plan	25%	15%	50%	50%	75%	75%	100%	100%
Support and grow new and existing businesses	Support and grow tourism and related industries	Lindiwe Mahlangu	Customer Care	Uniform branding at all info & tourist centres	100% completion of the implementation plan	25%	25%	50%	40%	75%	75%	100%	100%
				Single dedicated customer care line	100% completion of the implementation plan	25%	0%	50%	50%	75%	60%	100%	100%
				Constant research and feedback on customer	100% completion of the implementation plan	25%	25%	50%	50%	75%	60%	100%	100%
				Acknowledge outstanding service	100% completion of the implementation plan	25%	25%	50%	50%	75%	75%	100%	100%
	Create an integrated procurement management and monitoring system	Themba Shezi	E-procurement		Complete 100% of the Development of a Bus.	60%	20%	100%	40%	100%	40%	100%	40%
			Eco-procurement		Complete 75% of research component of Eco-Procurement Strategy	40%	10%	50%	20%	60%	20%	75%	20%
			Supplier management		Annual Supplier Management Reports	25%	25%	50%	50%	75%	50%	100%	50%
			Reviewing and monitoring of procurement policy interventions		Annual Policy Review Reports	25%	25%	50%	50%	75%	50%	100%	50%
			Procurement Excellence Best Practice Review Reports		Procurement Excellence Best Practice Annual Review Reports	25%	25%	50%	50%	75%	50%	100%	50%
	Investment facilitation and promotion	Russell Curtis	Investment promotion and marketing		Max Bus. Profile of City locally & abroad	25%	35%	50%	72%	75%	85%	100%	100%
			Existing business retention and expansion		>90% retention rate + support key expansions & roll out	25%	25%	50%	50%	75%	75%	100%	100%
			Foreign investor support		>20% conversion of fid enquiries	25%	25%	50%	90%	75%	100%	100%	100%
			Land use controls and business development in R293 townships		Council adopted implementation plan with new developments actioned	25%	10%	50%	15%	75%	25%	100%	70%
			Create a business friendly environment		Implement strategic recommendations for improvement, in partnership with business	25%	15%	50%	20%	75%	20%	100%	20%
			Undercapitalised investment development		SMME linkages+ 2 new Bus Dev explorations	25%	20%	50%	30%	75%	75%	100%	75%
			Targeted incentive strategy		Council adopted business and incentives policy	50%	25%	75%	25%	100%	25%	100%	75%
	Develop a Logistics platform	Keith Barnett	Facilitate the development of a City freight plan		Freight plan complete	25%	25%	50%	25%	75%	40%	100%	40%
			Infrastructure for economic growth plan		Complete planned infrastructure		Ongoing		Ongoing		Ongoing	100%	100%
	Drive the 2010 world cup soccer event for eThekweni	Julie-May Ellingson	Stadium and Precinct	Stadium	40 % Stadium construction	25%	25%	50%	47%	75%	100%	100%	100%
					Stadium Visitors centre-establishment of phase 1	20%	20%	90%	90%	100%	100%	100%	100%
				Precinct	Detailed Precinct design/documentation, ready for construction procurement	10%	10%	20%	20%	40%	60%	100%	60%
			Transport	M4 PT Lanes	Prepare final design	25%	25%	50%	50%	75%	75%	100%	90%
				People Mover	Launch of service and monitoring	40%	60%	70%	90%	90%	90%	100%	100%

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Strategic Focus Area	Programme	Programme Driver	Projects	Subprojects	Annual Target	Q1-SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4-JUN 08	Actual for Q4		
				Warwick Junction	Detailed planning and final design of inbound flyover, including preparing tender etc	25%	25%	50%	50%	75%	100%	100%	100%		
			Communications and Marketing		Procurement of agency	60%	60%	100%	100%	100%	100%	100%	100%		
					Development of communication strategy			50%	50%	100%	100%	100%	100%		
					Strategy rollout					50%	45%	100%	45%		
			Tourism and Accomodation	Development of tourism routes	Identification of routes and details of required sub-projects	25%	5%	50%	20%	75%	20%	100%	20%		
			Safety and Security	Disaster Management Centre	Planning & development of documents ready for provurement	10%	10%	30%	30%	60%	30%	100%	30%		
			Fan Parks		Identification of potential venue, presentation to FIFA, procurement of venue	33%	33%	66%	66%	100%	80%	100%	80%		
					Identification of required Infrastructure					50%	40%	100%	40%		
			Volunteer Programme		Strategic Planning										
Support and grow new and existing businesses	Drive the 2010 world cup soccer event for eThekweni	Julie-May Ellingson	Training Venues		Identification of venues	100%	100%		100%		100%		100%		
					Detailed planning for upgrade requirements including expansion tender done Initiation of upgrade	40%	25%	80%	50%	100%	60%		60%		
											30%	50%	100%	50%	
			City Beautification	Beachfront Upgrade	Working Framework Plan	100%	100%		100%		100%		100%		
							Detailed planning for 2 beach nodes			100%	50%		50%		50%
			Economic Strategy	Optional SubProject Listing: 1) Intangible economic benefits study 2) Business Opportunities Prospectus	Adopted, resourced and Implemented Phase 1 and 2 of project plan	25%	25%	50%	50%	75%	50%	100%	75%		
			Green Goal	Greening programme for 2010	Project identification and costing	33%	33%	66%	66%	100%	75%		75%		
			IT	Provision of IT Infrastructure for 2010	Identification of IT requirements and detailed project planning	20%	20%	40%	40%	60%	60%	100%	60%		
			Infrastructure Plan		Assessment of infrastructure needs for 2010 projects	25%	25%	50%	50%	75%	60%	100%	60%		
			Dube Trade Port	Keith Barnett	Develop bulk infrastructure		Implement infrastructure plan	100%	100%		100%		100%		100%
		Participate in addressing environmental challenges and planning issues		Resolve Issues							100%				
City/Port Partnership	Adrian Peters	Develop and implement a city plan for the port consistent with the port plan	Participate in EIA process	ongoing	ongoing	ongoing	Being actioned	ongoing	EIA pending by Transnet	ongoing	EIA pending by Transnet	ongoing	EIA not yet commenced		
				Implementation strategy	Operations Team	Deal with ongoing issues	ongoing	Being actioned	ongoing	Being actioned	ongoing	Being actioned	ongoing	ongoing	
					Car Terminal	Participate in Point feasibility					Car terminal abandoned by Transnet		Project terminated	Feasibility outcome	Project terminated
					Victoria Embankment	Revised Approach to Development		20%					Ongoing	Agreement with Transnet	Ongoing
				Land use Management strategy	Zoning plan	Plan							This work has been suspended	Draft	This work has been suspended

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Operating Budget: R970.9m

Capital Budget: R1 750.1m

Strategic Focus Area	Programme	Programme Driver	Projects	Subprojects	Annual Target	Q1-SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4-JUN 08	Actual for Q4
				Enforcement strategy	Strategy						by the Port LAP project	Draft	by the Port LAP project
Provide secondary support to business enterprise	Managing informal trade	Philip Sithole	Arts and crafts	Identification of co-ops, training, and access to markets	Implementation of plan and review	25%	10%	50%	40%	80%	80%	100%	100%
			clothing	Training and incubation	Implementation of plan and review	10%	10%	20%	20%	45%	50%	100%	100%
			Manage markets	Review the operations of flea markets and retail markets	Implementation of plan and review	25%	25%	50%	50%	75%	75%	100%	100%
	Provide business support to priority sectors		Tourism, agriculture and manufacturing	Business selection, training, and linkages	Implementation of plan and review	10%	10%	20%	20%	55%	60%	100%	100%
	Promote and stimulate entrepreneurship		Business to business linkage	Implementation of framework, provision of relevant skills, and matching	100% completed of planned work	20%	20%	50%	45%	80%	75%	100%	100%
			Vulnerable groups	Group identification and participation in the	Implement support programme	25%	15%	50%	40%	80%	80%	100%	100%
			Support and manage the informal economy	Allocation of sites, collection of rentals, training of traders and committees, enforcement of street trading by-laws	100% completion of planned work	25%	15%	50%	50%	90%	90%	100%	100%
			Integrated Business Information Systems	Development of screens and training of users for the integrated business	Implementation of systems by 30 January	20%	30%	40%	40%	80%	80%	100%	90%
	Provision of Infrastructure			100% spend of capital budget	10%	10%	20%	20%	50%	85%	100%	100%	

PLAN 3: QUALITY LIVING ENVIRONMENTS

ANNEXURE P

Plan Owner: HEAD: Engineering
 Votes: Housing; Water; Electricity; eThekweni Transport Authority; Engineering; Parks, Cemeteries, Recreation & Culture; Cleansing & Solid Waste; Sanitation
 Operating Budget: R9 228.9m
 Capital Budget: R2 072.4m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual target	Q1 - SEP 07	Actual for Q1	Q2 - DEC 07	Actual for Q2	Q3- MAR 08	Actual for Q3	Q4 - JUN 08	Actual for Q4
Meet service needs and address backlogs	Rental housing strategy	Cogi Pather	Hostel management	New family units	400	50	50	125	220	275	350	400	422
				Introduction to economic rentals	R 6m	R 1.5m	R 1.8m	R 3m	R 1.8m	R 4.5m	R 2.9m	R 6m	R 5m
				Maintenance/rehabilitation programme	R 75m	R 18.75m	R 12.5m	R 37.5m	R 12.5m	R 56.25m	R 12.5m	R 75m	R 80m
				Access control strategy	Draft Strategy		Draft		Draft		Draft	Draft Strategy	Strategy complete
			Rental stock rationalisation strategy	Maintenance/rehabilitation programme	R 50m	R 12.5m	R 20.5m	R 25.0m	R 28.0m	R 37.5m	R 45.8m	R 50.0m	R 96.2m
				Transfer Council stock	4 000	500	193	1 750	334	3 000	447	4 000	3 700
				Transfer of R293 stock	Awaiting trf of units from Province		1 500 SA signed		1 500 SA signed		1 898 SA signed		Surveyed 5 000, signed
			Social housing strategy	Property management	Ongoing		Ongoing		Ongoing		Ongoing		Ongoing
				Social housing policy	CM approval		O/S		150 units		Ongoing	CM approval	Awaiting Bill
				Social housing facilitation	Ongoing		Done		50		Ongoing		Ongoing
				Special needs housing strategy	On request		Done		450		On request		Ongoing
			Financing programme	Promote inner city housing	Ongoing		Ongoing		Ongoing		Ongoing		Ongoing
				Rental tariff review	5% increase		N/A		N/A	5% increase	No increase		No increase
				Funding management	Ongoing		Ongoing		Ongoing		Ongoing		Ongoing
	New Integrated housing development	Cogi Pather	Upgrading informal settlements & relocations	Housing construction	5 000	1 250	2 000	2 500	3 950	3 750	4 512	5 000	10 000
				Promotion of ownership	5 000	1 250	2 000	2 500	2 810	3 750	3 759	5 000	10 000
				Review of community facilities	Adopted Access Model	100%	50%		100%		100%		100%
				Top structure typologies	Draft Report		20%		O/S		No appointment	Draft Report	No appointment
				Engineering Standards & Phasing strategy	Draft proposal	100%	20%		100%		100%		100%
				Densification strategy development	Draft Strategy		15%		RFP gone out, 1/5 appointed		Registration for 4 sites	RFPs on infill sites	RFPs received on 4 sites
				Review subsidy limitations & make representation to National Govt	Ongoing		Ongoing		Ongoing		Ongoing		Ongoing
				Promotion of private sector involvement	1 000	250	300	500	450	750	851	1 000	1 000
			Financing programme	Funding management	Ongoing		Ongoing		Ongoing		Ongoing		Ongoing
Greenfields projects / Creation of new residential areas				Housing construction	5 000	1 250	1 980	2 500	2 432	3 750	3 768	5 000	8 149
			Water reticulation	See below		N/A		N/A		N/A		N/A	
			Electricity reticulation	10 000	2 500	1 500	5 000	2 600	7 500	4 100	10 000	10 000	
	Promotion of ownership	5 000	1 250	1 980	2 500	3 520	3 750	6 261	5 000	8 149			

PLAN 3: QUALITY LIVING ENVIRONMENTS

ANNEXURE P

Plan Owner: HEAD: Engineering
 Votes: Housing; Water; Electricity; eThekweni Transport Authority; Engineering; Parks, Cemeteries, Recreation & Culture; Cleansing & Solid Waste; Sanitation

Operating Budget: R9 228.9m

Capital Budget: R2 072.4m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual target	Q1 - SEP 07	Actual for Q1	Q2 - DEC 07	Actual for Q2	Q3- MAR 08	Actual for Q3	Q4 - JUN 08	Actual for Q4	
Meet service needs and address backlogs	New Intergrated housing development	Cogi Pather	Greenfields projects / Creation of new residential areas	Review of community facilities	Adopted Access Model	100%	50%		100%		100%		100%	
				Top structure typologies	Draft Report	20%	20%	30%	20%	50%	No. appointment	Draft report	Non appointment	
				Engineering Standards & Phasing strategy	Draft proposal	100%	100%		100%		100%		100%	
				Densification strategy development	Draft Report		20%		RFP gone out. 1/5 appointed		Registration for 4 sites		20%	
				Review subsidy limitations & make representation to National Govt	Ongoing		Ongoing		Ongoing		Ongoing		Ongoing	
				Promotion of private sector involvement	1 000	250	500	500	500	750	851	1 000	1 000	
	Address service backlogs	Chris Hardy	Develop a backlogs strategy and implement	Backlogs Model	Finalise software development		50%	50%	100%	75%	100%	75%	100%	100%
					Verification of 20% of infrastructure backlogs on site		5%	5%	10%	10%	15%	15%	20%	20%
					Develop appropriate levels of service for urban & rural areas		50%	50%	100%	90%	100%	90%	100%	100%
				Water connections	8 000 reduction in water backlogs	2 000	1 496	4 000	4 668	6 000	5 919	8 000	8 001	
				Sanitation connections	9 200 reduction in sanitation backlogs	2 300	2 842	4 600	7 491	6 900	8 969	9 200	12 547	
				Premises affected by stormwater problems (below defined LOS)	250 reduction in the number of properties affected by stormwater problems	50	22	90	91	130	150	250	255	
				Sidewalks & footpaths	62km	0.00	18.40	11.00	27.80	31.00	40.04	62.00	72%	
				Ped bridges	2 No	0	0	0	0	0	0	2	0	
				Gravel to asphalt	12.8 lane k.m	4.00	4.50	6.00	7.14	8.00	7.14	12.80	9.80	
				Access roads	12 lane km	0.00	0.60	4.00	1.72	8.00	1.72	12.00	17.50	
				P T infrastructure	3 no. PT ranks	2	2	3	2	3	2	3	3	
				Street addressing	Naming of all unnamed roads	100% complete	85%	82%	90%	85%	95%	85%	100%	92%
					Rationalisation of township addresses	100% complete	85%	82%	90%	85%	95%	85%	100%	92%
				Infrastructure asset management	Jannie Pietersen	Establish an Asset Management system	Appoint 8 Asset Managers	100% complete	50%	63%	75%	75%	100%	80%
	Asset Management Training for 15 Staff	Train 5 staff	100%				100%		100%		100%		100%	
	Business Analyst designed computerised, intergrated asset management system	100%	25%				25%	50%	60%	75%	70%	100%	100%	
	Infrastructure Asset Management Risk Policy	100%	25%				25%	50%	60%	75%	75%	100%	100%	

PLAN 3: QUALITY LIVING ENVIRONMENTS

ANNEXURE P

Plan Owner: HEAD: Engineering
 Votes: Housing; Water; Electricity; eThekweni Transport Authority; Engineering; Parks, Cemeteries, Recreation & Culture; Cleansing & Solid Waste; Sanitation
 Operating Budget: R9 228.9m
 Capital Budget: R2 072.4m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual target	Q1 - SEP 07	Actual for Q1	Q2 - DEC 07	Actual for Q2	Q3- MAR 08	Actual for Q3	Q4 - JUN 08	Actual for Q4
Meet service needs and address backlogs	Infrastructure asset management	Jannie Pietersen	High Order Network Development, Rehabilitation & Maintenance	Reduce Water Loss	Replace R 100 m of AC pipes - Approx 225 km	15%	15%	40%	50%	70%	95%	100%	250%
				Reduce Water Loss	Replace R 14m of relays & extensions - Approx 36.5 km	25%	25%	50%	85%	75%	87%	100%	95%
				Sewer replacement	Brickhill Road Sewer Replacement R 20m 630m	25%	10%	50%	25%	75%	40%	100%	50%
					Reservoir Hills trunk sewer replacement R8m - 4000m	25%	0%	50%	0%	75%	0%	100%	0%
					Clermont Sewer rehabilitation R6m 4 500m plus 175 point repairs	25%	35%	50%	60%	75%	85%	100%	100%
					Mpumalanga/Hammarsdale Bridge Replacement R 4m 4 bridges approx 270m of pipe	25%	0%	50%	0%	75%	0%	100%	0%
				Landfill Rehabilitation	Rehabilitate 10 sites	15%	15%	40%	40%	70%	70%	100%	125%
					Rehabilitate 1 garden refuse site in Tongaat R 2m	15%	2%	40%	5%	70%	35%	100%	130%
					Gas to Electricity Project R 22m	15%	40%	40%	65%	70%	130%	100%	180%
				Identification of Network	Location of 15% of unknown network in municipal area	20%	0%	40%	0%	65%	0%	100%	10%
				Higher Order Road rehabilitation	Rehabilitate R 60 m (14 lane.km)of road network	0.00	0.00	14.00	22.80		22.80		46.90
				New roads	4 lane.km	0.60	0.00	1.20	2.00	2.00	4.19	4.00	6.60
				Gravel to Asphalt	10 lane.km	2.00	0.00	4.00	0.63	7.00	0.63	10.00	7.60
				MV/LV Replacement	Replacement of R 12m of reticulation	20%	0%	40%	32%	70%	35%	100%	100%
				New Substations	Substation buildings	20%	0%	40%	15%	60%	18%	100%	32%

PLAN 3: QUALITY LIVING ENVIRONMENTS

ANNEXURE P

Plan Owner: HEAD: Engineering
 Votes: Housing; Water; Electricity; eThekweni Transport Authority; Engineering; Parks, Cemeteries, Recreation & Culture; Cleansing & Solid Waste; Sanitation
 Operating Budget: R9 228.9m
 Capital Budget: R2 072.4m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual target	Q1 - SEP 07	Actual for Q1	Q2 - DEC 07	Actual for Q2	Q3- MAR 08	Actual for Q3	Q4 - JUN 08	Actual for Q4
Meet community service needs	Sustainable supply of community facilities	Jonathan Edkins	Develop & Implement Access Modelling	Complete optimisation phase of access modelling	Extended model	50%	50%	80%	60%	90%	90%	100%	95%
			Implement Community Facilities in compliance with the strategy for the sustainable supply & management	Clinics	3 no.	0	0	1	1	2	2	3	3
				Community halls	1 no.	0	0					1	1
				Libraries	0	0							0
				Swimming pools	1 no. complete	0	0					1	10%
				Cemeteries	acquire 1 site	0	0					1	1
				Sports centres/stadia	2 no. complete	0	0					0	0
	Kickabouts	4 no. 2nd phase upgrading	0	0	0		1	1	2	2			
	Develop a policy for sustainable management of facilities.	Community Participation in management.	Approved Policy	50%	20%	100%	25%		30%		30%		
	Sustainable Public Spaces	Jonathan Edkins	Implementation of a public realm urban design & streetscape strategy	Monitor Implementation	Monitoring & assessment report	20%	0%	40%	40%	60%	60%	100%	80%
			Implementation of a public realm maintenance strategy	Monitor Implementation	Monitoring & assessment report on 1st completed pilot project	20%	0%	40%	40%	60%	60%	100%	80%
	Implement an effective public transport plan for the city	Victor Baloyi	CBD Circulatory system	Consult with stakeholders & spec system	Bus/Taxi/Business plan	20%	5%	40%	5%	60%	10%	100%	20%
				CBD core	Detailed geometric plan for bus routing & stops	20%	0%	40%	0%	60%	40%	100%	80%
			Warwick Modal Interchange	Overpass	Preliminary design	20%	25%	40%	40%	60%	100%	100%	100%
Rail stations			Facilitate intergrated planning at modal interchanges & new stations	2 stations	20%	20%	40%	40%	60%	60%	100%	80%	
Travel Survey			Survey 15 000 households	Report	20%	20%	40%	40%	60%	60%	100%	100%	

PLAN 4: SAFE, HEALTHY AND SECURE ENVIRONMENT

ANNEXURE P

Plan Owner: DCM Health, Safety and Social Services
 Votes: eThekweni Transport Authority; Metropolitan Police; Emergency Services; Health; Occupational Health; Human Resources
 Operating Budget: R911.4m
 Capital Budget: R48.5m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Actual for Q1	Q2- DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4- JUN 08	Actual for Q4
Promoting The Safety Of Citizens	1. Safe From Crime	Eugene Nzama	Facilitate the implementation of targeted social crime	1. Initiate & support women, youth, & elderly	100%	25%	35%	50%	55%	75%	80%	100%	100%
				2. Establishment of community safety initiatives	75%	30%	20%	60%	40%	70%	45%	75%	45%
				3. Support National & Provincial initiatives in the	100%	100%	100%		100%		100%		100%
			Improve law enforcement & community policing relations.	1. Enforcement of By-Laws in 4 key areas a. Nuisance Bylaws b. Illegal Dumping c. Illegal Posters d. Traffic Fines	50%	12%	9%	24%	18%	37%	27%	50%	40%
				2. Enforcement of crime prevention at City hot spots.	2%	1%	2%	1%	3%	1%	4%	1%	4%
				3. Provide a satellite Station and Offices at Albert Park.	100%	25%	25%	35%	25%	40%	25%	100%	Project not approved
				4. Recruit & train 300 Police by 2009.	50%	10%	50%	20%	50%	50%	50%		50%
	Cator Manor ABM - Community Safety & Security awareness	100%	15%	0%	45%	4%	75%	8%	100%	16%			
	2. Safe While Traveling: Road & Pedestrian Safety	Victor Baloyi	1. Investigate hazardous locations by conducting road safety audits.		10	3	1	6	6	8	8	10	10
				2. Improvements to high frequency accident locations.		2	0	0	0	0	1	2	2
			3. South Coast Road Meridian & Sidewalk Upgrade		100%	25%	0%	50%	0%	75%	0%	100%	0%
			4. M4 Corridor Landscaping Phase 2		100%	25%	0%	50%	0%	75%	0%	100%	0%
			5. Bluff/Edwin Swales Gateway Upgrade		100%	25%	0%	50%	0%	75%	40%	100%	40%
			6. Edwin Swales Corridor Landscaping		100%	25%	0%	50%	0%	75%	60%	100%	60%
7. Traffic intervention and Community Safety			Ongoing traffic calming mechanisms, installation of stop / yield signs, slipways and laybys	100%	0%	0%	10%	10%	50%	61%	100%	100%	
3. Safe From Fire & Emergencies	L Manzi	Extend a Fire & Rescue Service to under serviced areas.	1. Establish a Fire & Rescue Service operating base to cover the under protected Southern areas of the jurisdiction.	100%	0%	0%	80%	20%	90%	20%	100%	20%	
			2. Establish a Fire & Rescue service Operating base to cover the under protected areas of the jurisdiction.	100%	0%	0%	0%	0%	0%	0%	100%	0%	

PLAN 4: SAFE, HEALTHY AND SECURE ENVIRONMENT

ANNEXURE P

Plan Owner: DCM Health, Safety and Social Services
 Votes: eThekweni Transport Authority; Metropolitan Police; Emergency Services; Health; Occupational Health; Human Resources
 Operating Budget: R911.4m
 Capital Budget: R48.5m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Actual for Q1	Q2- DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4- JUN 08	Actual for Q4	
Promoting The Safety Of Citizens	3. Safe From Fire & Emergencies	L Manzi	Maintain acceptable levels of service delivery.	Improve infrastructure to maintain the Emergency Services Vehicle fleet by building new workshop in the Moberi area	R 700 000	100%	80%		100%		100%		100%	
				Improve facilities to enable the development of skills and knowledge of the work force	0%	0%	0%	0%	0%	0%	0%	0%	0%	
	4. Safe From Disasters	L. Manzi	Develop a Disaster Risk reduction Plan for the Jurisdictional Areas.	Complete a Risk & Vulnerability Assessment of the Jurisdictional Areas.	100%	10%	0%	30%	0%	60%	0%	100%	0%	
	5. Safe In Buildings	Hoosen Moola	Facilitation of crime prevention through environmental design.	1. Capacitating staff in advanced course on CPTED to enable them to engage community on CPTED approach in EMA.	100%	30%	10%	60%	70%	90%	70%	100%	70%	
				2. Initiate community crime mapping	60%	20%	0%	30%	30%	40%	40%	60%	60%	
6. Safe While using the Beaches & Public Pools	Thembinkosi Ngcobo				100%	0%	20%	0%	40%	60%	80%	100%	100%	
Promoting The Health Of Citizens	7. Promoting Access To Affordable Primary Health Care Services	Umi Sankar	1. Provide a clinical health service	1. CD4 testing of all HIV positive clients where Councilors are placed.	100%	25%	95%	50%	95%	75%	100%	100%	100%	
				2. Creation of PMTCT support groups at all static clinics offering PMTCT.	100%	25%	40%	50%	45%	75%	45%	100%	45%	
				3. Ensure placement of at least one IMCI trained Nurse practitioner at static clinics	90%	86%	89%	87%	91%	88%	91%	90%	91%	
				4. Service Level Agreement with KZN Health	SLA Environmental Health and Personal PHC	Develop SLA Env. Health	Achieved	Sign SLA Env. Health	Signed by City	Develop SLA Personal Health	Being developed	Sign SLA Personal Health	Being developed	
	2. Bluff Clinic Upgrade			100%	25%	0%	50%	0%	75%	0%	100%	0%		
	8. Protecting Communities From Communicable Diseases			Provide a communicable disease health service	1. Improve TB treatment success rate by 5%.	75	71	69	72	69	73	69	75	69
					2. Increase VCT uptake by 5% among facility attendees.	100%	96.50%	90.50%	98.00%	98%	99%	98%	100%	98%
3. Provide a disease vector control service.					100%	25%	24%	50%	49%	75%	73%	100%	73%	

PLAN 4: SAFE, HEALTHY AND SECURE ENVIRONMENT

ANNEXURE P

Plan Owner: DCM Health, Safety and Social Services
 Votes: eThekweni Transport Authority; Metropolitan Police; Emergency Services; Health; Occupational Health; Human Resources
 Operating Budget: R911.4m
 Capital Budget: R48.5m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Actual for Q1	Q2- DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4- JUN 08	Actual for Q4
Promoting The Health Of Citizens	9. Protecting Communities From Environmental Health Risks & Nuisances	Umi Sankar	Provide an environmental health service	1. ST inspections & audits of industrial premises. %age completed.	70%	10%	10%	30%	30%	60%	60%	70%	70%
				2. Response / input into MHI's & EIA applications.	80%	20%	20%	40%	40%	60%	60%	80%	80%
				3. COA issued to formal & informal retailers.	80% formal and 30% informal	20%&10%	30% & 25%	30% & 15%	40% & 30%	60% & 20%	80% & 34%	80%& 30%	99% & 45%
				4. No of public health campaigns held.	72	18	10	36	24	54	30	72	54
	9. Protecting Communities From Environmental Health Risks & Nuisances		Provide an environmental health service	5. No of informal settlements provided with basic sanitation.	20	5	4	10	6	15	7	20	20
			Life Skills	To ensure the intergration of CM residents into main stream society	100%	35%	0%	60%	8%		20%	100%	28%
			Community Support Programme	To empower and support local community based development initiatives	100%	35%	0%	55%	2%	70%	7%	100%	20%
	10. Promoting Social Development Programmes		Provide a social development health service.	1. To facilitate access of vulnerable groups to health related services.	50%	10%	10%	20%	20%	35%	35%	50%	50%
				2. To facilitate food security for TB infected & vulnerable groups	70%	10%	10%	30%	20%	50%	25%	70%	25%
				3. Provide training to CHW's facilitators community structures & CBO's & NGO's.	15 Training Programmes	4	2	8	5	11	7	15	10
Promoting The Security Of Citizens	11. Promote Security Of Citizens From Poverty Through Approved Municipal Policy	Ntokozo Chonco	1. Finalisation and adoption of the Indigent policy		100%	50%	50%	50%	60%	75%	60%	100%	60%
			2. Implementation of Indigent policy.	1. Development of Indigent data base	200 Indigent households benefitting	Monitor implementation	10% training provided	Monitor implementation	40% training provided	Monitor implementation	40% training provided	Monitor implementation	40% training provided
				2. Provision of 6 ki per month of free water	Provision of 72 ki pa per household		Ongoing		Ongoing		Ongoing		Ongoing
				3. Provision of onsite sanitation	9	3	0	6	0	9	0		0%
				4. Water conservation education	100%	100%	100%		100%		100%		100%
				5. Free electricity provision 50 Kwh per month	Provision of free basic electricity to indigent households		Ongoing		Ongoing		Ongoing		Ongoing

PLAN 4: SAFE, HEALTHY AND SECURE ENVIRONMENT

ANNEXURE P

Plan Owner: DCM Health, Safety and Social Services
 Votes: eThekweni Transport Authority; Metropolitan Police; Emergency Services; Health; Occupational Health; Human Resources
 Operating Budget: R911.4m
 Capital Budget: R48.5m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Actual for Q1	Q2- DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4- JUN 08	Actual for Q4
Promoting The Security Of Citizens	11. Promote Security Of Citizens From Poverty Through Approved Municipal Policy	Ntokozo Chonco	2. Implementation of Indigent policy.	6. Completion of automatic on line vending to extend from 10 000 present households to 30 000 households	16 000 households	4 000	0	8 000	0	12 000	0	16 000	0
			3. Development & adoption of Ethekwini burial policy	1. Burial of unclaimed bodies	680	170	72	340	173	510	173	680	173
				2. Burial support to indigent families.	28	7	35	14	45	21	45	28	45
			4. EPWP	1. Infrastructure Sector (10% / 20% / 25% of capital budget)	30 000 job opportunities	15%	17%	35%	46%	65%	54%	100%	71%
				2. Environmental Sector Plan	2 000 job opportunities	15%	5%	35%	12%	65%	19%	100%	19%
				3. Economic Sector Plan	develop business plan	50%	5%	100%	50%	0%	50%	0%	50%
				4. Skills Development Plan	Target 42 000 training days	15%	10%	35%	20%	65%	32%	100%	32%
				1. Social Sector Skills Plan	50%	12%	5%	24%	20%	37%	25%	50%	30%
				2. Paralegal Community Resource Centre	6	2	0	3	10%	5	10%	6	75%
				3. Substance abuse help desk	Establishment of substance abuse help desk and delivery of services	30%	0%	50%	5%	75%	13%	100%	13%
4. Labour Intensive Community Support Farms	Planning: Development of 19 farms	100%	5%	100%	10%	100%	15%	100%	70%				
Promoting The Security Of Citizens	12. Promote Security Of Vulnerable Groups From Exploitation		1. Implementation of policy strategy for assisting vulnerable people.	1. Advocate & facilitate access to services for vulnerable groups	100%	25%	25%	55%	25%	85%	55%	100%	70%
			2. Facilitate adoption of youth policy	1. Facilitate adoption of youth policy	100%	100%	100%	100%	100%	100%	100%		
				2. Implementation of youth programme.	100%	25%	25%	50%	50%	75%	50%	100%	50%
			3. Facilitate adoption of gender policy	1. Facilitate adoption of gender policy	100%	100%	50%	60%	60%	60%	60%		
				2. Implementation of gender programme.		25%	25%	25%	25%	25%	25%		
				3. Provision Of Grant- In-Aid.	300 Orgs.	2%	2%	100%	2%	60%	60%		
			4. Capacity building of NGO's.	400 Orgs.	5%	5%	30%	5%	50%	50%	100%	50%	
4. Development and adoption of poverty alleviation policy.		100%	10%	5%	30%	10%	80%	15%	100%	15%			

PLAN 4: SAFE, HEALTHY AND SECURE ENVIRONMENT

ANNEXURE P

Plan Owner: DCM Health, Safety and Social Services
 Votes: eThekweni Transport Authority; Metropolitan Police; Emergency Services; Health; Occupational Health; Human Resources
 Operating Budget: R911.4m
 Capital Budget: R48.5m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Actual for Q1	Q2- DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4- JUN 08	Actual for Q4	
Promoting The Security Of Citizens	12. Promote Security Of Vulnerable Groups From Exploitation	Ntokozo Chonco	5. Implementation of Poverty Alleviation policy.	1. Food security for vulnerable groups.	Facilitate the development of 6 Community Support Farms to support 4, 600 vulnerable families and provide 125 learnerships to food producers.	1 125	1 115	2 250	2 245	3 375	3 202	4 600	5 026	
				2. Development & support of Co-operatives	Facilitate and coordinate development and support of 6 cooperatives	2	2	3	2	5	4	6	4	
	13. Promote Security Of Vulnerable Groups From Being Marginalised		1. Development & adoption of policy on vulnerable groups to cover people with disabilities , children including street children, elderly, homeless, refugees, vulnerable patients (HIV/AIDS, TB etc), youth & gender.		100% in terms of Disabled and Elderly	50%	100%	100%	100%		100%		100%	
				2. Implemetation of policy and strategies	1. Reception Centre									
					1.1 Children received	360	90	233	180	498	270	618	360	719
					1.2 Children referred	450	120	37	220	106	370	278	450	411
					2. Out Reach	540	130	306	235	917	405	2 030	540	2 214
					3. Youth (St Children) Facilitate access Home Affairs	120	40	50	60	95	110	138	120	177
					4. Disabled People facilities access to rehabilitation.	24	5	2	9	5	16	18	24	28
	14. Zimbabwe	Ken Hobson	Implementation of Zimbabwe Projects		Project consolidated and static on 4325	0%	100%		100%		100%		100%	
Promoting Safety of Municipal Assets	15. Protecting Municipal Information & Data Systems (Council Wide)	J. Subban	Maintenance of off site back up facilities and implementation of business continuity plans		Conduct DRP testing and employ DRP and DCP Manager			100%	100%		100%		100%	

PLAN 5: EMPOWERED CITIZENS

Plan Owner: DCM:Corporate and Human Resources
 Votes: Skills Development

Operating Budget: R36.5m

Capital Budget: R0.0m

ANNEXURE P

Strategic Focus Area	Programme	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Acutal for Q1	Q2 - DEC 07	Acutal for Q2	Q3- MAR 08	Acutal for Q3	Q4- JUN 08	Acutal for Q4	
Develop Human Capital	Address the skills gap in the economy	Alexis Azzarito	Undertake Skills Audits in the ABM areas as requested	Analyse audits and implement skills interventions for INK ABM iro Home-Based Care	Analysis completed, report distributed and appropriate interventions in place	20% (analysis completed, report distributed and interventions identified)	100% short courses completed iro completed audits	40% (Procurement process commenced)	60%	80% (Procurement process complete and interventions in place)	100%	100% (short courses completed and long term courses (if any) in progress)	100%	
				Analyse audits and implement skills interventions for Cato Manor ABM iro Agribusiness & Development of Co-operatives	Analysis completed, report distributed and appropriate interventions in place	20% (analysis completed, report distributed and interventions identified)	100% short courses completed iro completed audits	40% (Procurement process commenced)	60%	80% (Procurement process complete and interventions in place)	100%	100% (short courses completed and long term courses (if any) in progress)	100%	
				Conduct Skills Audit of the unemployed in Cato Manor ABM area	Skills audit complete and report distributed	15% (Procurement process commenced)	60% Data collected	45% (Procurement process completed and research commenced)	70%	75% (Research completed)	75%	100% (Data captured & analysed and report distributed)	100%	
				Conduct Skills Audit of the unemployed in SDB ABM area	Skills audit complete and report distributed	15% (Procurement process commenced)	75% Data collected	45% (Procurement process completed and research commenced)	50% (Procurement)	75% (Research completed)	70% (Research)	100% (Data captured & analysed and report distributed)	80%	
				Conduct Skills Audit of the unemployed in Rural ABM area	Skills audit complete and report distributed	15% (Procurement process commenced)	40% Data collected	45% (Procurement process completed and research commenced)	45% (Procurement)	75% (Procurement process completed and research commenced)	55% (Research)	100% (Data captured & analysed and report distributed)	60%	
				Using the information from the skills audits, develop and implement where possible, a strategy to address the skills needs of the unemployed in the ABM areas	N/A	Appropriate interventions identified and procurement process commenced	70% Interventions in place		50%		60%	100%	70%	
				Undertake Skills Audit of Manufacturing Sector	N/A	Skills audit complete and report distributed	15% (Procurement process commenced)	30%	45% (Procurement process completed and research commenced)	45%	75% (Research completed)	50%	100% (Data captured & analysed and report distributed)	75%
				Undertake Skills Audit of Tourism Sector	N/A	Skills audit complete and report distributed	15% (Procurement process commenced)	100%	45% (Procurement process completed and research commenced)	100%	75% (Research completed)	75%	100% (Data captured & analysed and report distributed)	80%

PLAN 5: EMPOWERED CITIZENS

Plan Owner: DCM:Corporate and Human Resources
 Votes: Skills Development

Operating Budget: R36.5m

Capital Budget: R0.0m

Strategic Focus Area	Programme	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Acutal for Q1	Q2 - DEC 07	Acutal for Q2	Q3- MAR 08	Acutal for Q3	Q4- JUN 08	Acutal for Q4
Develop Human Capital	Address the skills gap in the economy	Alexis Azzarito	Undertake Skills Audit of Construction Sector	N/A	Skills audit complete and report distributed	15% (Procurement process commenced)	50%	45% (Procurement process completed and research commenced)	50%	75% (Research completed)	75%	100% (Data captured & analysed and report distributed)	100%
			Undertake Skills Audit Maritime Sector	N/A	Skills audit complete and report distributed	15% (Procurement process commenced)	10%	45% (Procurement process completed and research commenced)	45%	75% (Research completed)	80%	100% (Data captured & analysed and report distributed)	100%
			Investigate development and use of a central skills repository & commence acquisition if appropriate	N/A	Investigations completed & design & service provider appointed, if appropriate	25%	25% Investigations completed	50%	50%	75%	66% Investigations completed. Procurement commenced	100%	100%
	Improve the employability of citizens	Alexis Azzarito	Implement needs-driven learnerships	N/A	80 Learners/Apprentices on structured learning programmes	25% (22 learners / apprentices selected for learnership / Apprenticeship)	22 learners on internal audit learnership	50% (additional 22 learners / apprentices selected for learnership / Apprenticeship)	60%	75% additional 22 learners / apprentices selected for learnership / Apprenticeship)	40 Firefighters on learnerships and 200 selected for Police learnership	100% additional 22 learners / apprentices selected for learnership / Apprenticeship)	200 Learners started in Police
			Facilitate the provision of Adult Basic Education for community members	Research existing ABE needs in all Wards	Research completed and report distributed	100% (Research completed and report distributed)	100%		100%		100%		100%
			Facilitate the provision of Adult Basic Education for community members	Research need for additional ABE centres	Research completed and report distributed	100% (Research completed and report distributed)	100%		100%		100%		100%
				Facilitate the establishment of new ABE centres as required	New centres established as required		5 centres established		11 centres established	25% (This will be entirely dependant on identified needs)	11 centres established	50% (This will be entirely dependant on identified needs)	13 Centres and 7 are operating
	Facilitate the implementation of co-operative education programmes (in-service/interns/trainees)	N/A	Placement found within the Municipality for 20% of all applicants	10%	30 in-service students recruited	20%	29 students still on the programme	80%	93 students on programme	100%	101 total students		
	Raise the skills level of employees	Mandla Mithethwa	Develop a competencies matrix for the Municipality	Develop job competency profiles for selected jobs	All job families profiled (as identified by Heads of Units)	25%	25% All posts identified to date have been profiled	50%	Internal project suspended as this has become a National project	75%	Internal project suspended as this has become a National project	100%	All requests completed but project suspended until National program commences
				Conduct assessments of individual employees as requested	All individuals profiled as identified by Heads.	25%	25% Request received to profile engineering students only	50%	Internal project suspended as this has become a National project	75%	Internal project suspended as this has become a National project	100%	100%
Develop Recognition of Prior Learning policy			N/A	Policy approved by Council	25%	25% Background information gathered	50%	25% Awaiting guidelines from LGSETA	75%	25% Awaiting guidelines from LGSETA	100%	25% Awaiting guidelines from LGSETA	
Implement management development programmes			N/A	100 Managers trained	25%	0%	50%	16%	75%	26%	100%	103%, 103 managers trained	

PLAN 5: EMPOWERED CITIZENS

Plan Owner: DCM:Corporate and Human Resources
 Votes: Skills Development

Operating Budget: R36.5m

Capital Budget: R0.0m

Strategic Focus Area	Programme	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Acutal for Q1	Q2 - DEC 07	Acutal for Q2	Q3- MAR 08	Acutal for Q3	Q4- JUN 08	Acutal for Q4	
Develop Human Capital	Raise the skills level of employees	Mandla Mithethwa	Compile Municipal Workplace Skills plan (2008-2009)	N/A	WSP (2007-2008) submitted to LGSETA by 15 June 2007	33%	Awaiting LGSETA template. Cluster visits commenced	66%	33%	100%	100% completed by management. Consultation with labour in progress.	N/A	100%	
			Implement Workplace Skills plan (2007-2008)	N/A	Training implemented in line with WSP	25%	15%	45%	31%	60%	51%	80%	62%	
			Compile WSP Implementation Report (2007-20098)	N/A	WSP (2007-2008) Implementation Report submitted to LGSETA by 30 June 2008	Monthly reports forwarded to DCM, Heads and Managers	Reports forwarded	All reports forwarded	Reports forwarded	All reports forwarded	Reports forwarded	100% Report forwarded to LGSETA	100%	
Develop the City as a Learning City	Plan & Implement skills programmes for CIFAL Durban	Gugu Mji	Finalise banking requirements iro receiving African Capacity Building Foundation (ACBF) Grant	N/A	All banking details finalised and accepted by DCM (Treasury) & ACBF	100%	100%		100%		100%		100%	
			Appoint/Identify staff and office equipment for CIFAL in terms of ACBF Agreement	N/A	All staff appointed and offices equipped	50%	50% Staff appointments and accommodation being finalised	100%	100%		100%		100%	
			Deliver 4 skills programmes	N/A	4 skills programmes delivered by CIFAL DURBAN	25%	0%	50%	0% Delay in finding suitable venue & finalising staff contracts	75%	Project plan in place	100%	25% One program delivered	
	Develop the City as a Centre of Learning	Alexis Azzarito	Identify Best Municipal Practices as exhibited by eThekwin	N/A	Areas of excellence identified	50%	50% Using previous CIFAL programmes	100%	50% No additional progress		50% No additional progress		50%	
			Arrange and deliver skills programmes/mini conferences/meetings iro best practices	N/A	2 skills programmes delivered				50% (one programme delivered)	0% No programme delivered	100% (2nd programme delivered)	0%		
	Facilitate the support of the provision of maths and science in EMA schools			Undertake Maths/Science/Technology careers awareness raising workshops for teachers and pupils in SDB, Cato Manor and Rural ABM areas	N/A	3 Awareness raising workshops presented	25%	25% Planning in progress	50%	50% (SDB and Cator Manor ABM complete)	75%	66% (SDB, Cator Manor complete and part of Rural ABM)	100%	Rural done 100%
				Identify additional ways of enhancing maths and science provision in selected schools and implement where possible	N/A	New ways of enhancing maths and science provision in selected schools identified	25%	25% Planning for teacher support completed	50%	40%	75%	60% (identification complete and specialist service provider procurement commenced)	100%	70% excluding rural

PLAN 6: CELEBRATING OUR CULTURAL DIVERSITY

Plan Owner: Head: International & Governance Relations
 Votes: Parks, Cemeteries, Recreation & Culture

Operating Budget: R389.9m

Capital Budget: R25.8m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1 - SEP 07	Actual for Q1	Q2 - DEC 07	Actual for Q2	Q3 - MAR 08	Actual for Q3	Q4 - JUN 08	Actual for Q4			
Promote sport and recreation within the city	Create initiatives to promote sport in communities	Vusi Mazibuko	Develop and implement a strategy to increase the level of sporting and recreational activity in communities	Water Safety			20%		25%	60%	55%	100%	100%			
				Kwanaloga Games				100%	100%		100%		100%			
				Celebrate eThekwini	60%	60%	100%	80%		100%		100%				
				Women in Sport Development	100%	100%		100%		100%		100%				
			Support and create sport & recreational activities that promote community involvement	Beach Summer Sport Festival							80%	80%	100%	90%		100%
				Beach Winter Sport Festival										10%	100%	100%
				Sport Against Crime						20%		20%	100%	35%		75%
				Clubs / Associations Sustainable						40%		70%		85%	100%	85%
				Sport Against Racism											100%	100%
				Sport & HIV Aids									100%			100%
Implement the 'sport city' strategy	Adopt a School				100%		50%		70%		70%		70%			
	Sister City Partnership						20%		30%	100%	50%		75%			
Create economic opportunities for arts, culture and heritage	Promote an economic environment for arts, heritage and culture	Monwabisi Grootboom	Develop a strategy to promote/provide economic opportunities for artists in different disciplines	Oral Traditions Development Programme (Stand-up Comedy; Poetry & Praise-singing) Monwabisi Grootboom	3 programmes to be developed and implemented.	15%	7%	35%	20%	75%	30%	100%	75%			
				Township Tourism Festivals, incl. ABMs Monwabisi Grootboom	3 programmes to be developed and implemented.	15%	10%	40%	20%	65%	45%	100%	80%			
				eThekwini Dance Challenge Monwabisi Grootboom	3 programmes on three specific dance categories must be established by the end of the afore-mentioned financial year.	25%	5%	50%	15%	75%	35%	100%	60%			
				*Promotion of local cultural Industries e.g.. Publishing, CD Production of local artists, commercialisation of local craft industry, township technology etc. Monwabisi Grootboom	An established Music and Poetry Programme by the end of the afore-mentioned financial year.	25%	20%	50%	20%	75%	35%	90%	90%			

PLAN 6: CELEBRATING OUR CULTURAL DIVERSITY

Plan Owner: Head: International & Governance Relations
 Votes: Parks, Cemeteries, Recreation & Culture

Operating Budget: R389.9m

Capital Budget: R25.8m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1 - SEP 07	Actual for Q1	Q2 - DEC 07	Actual for Q2	Q3 - MAR 08	Actual for Q3	Q4 - JUN 08	Actual for Q4
Create economic opportunities for arts, culture and heritage	Promote an economic environment for arts, heritage and culture	Monwabisi Grootboom	Develop a strategy to generate economic activity with heritage and cultural facilities and initiatives.	Facilitate Infrastructural Development mainly within the previously disadvantaged areas Performance venues Monwabisi Grootboom	3 Facilities	15%	10%	35%	15%	75%	35%	100%	100%
				Facilitate organized structures within the arts and cultural industries to facilitate better working environment with government Monwabisi Grootboom	Facilitate the establishment of 4 structures in performing arts, i.e Local Music Production; Arts Centres; Labour Relations and Local Promoters	25%	25%	50%	40%	75%	55%	100%	100%
				eThekwini Arts Culture and Heritage Policy, incl. The Policy Conference on Local Government Service Delivery Monwabisi Grootboom	Must be finalised by the end of the aforementioned financial year.	15%	15%	45%	20%	85%	40%	100%	75%
				Create economic vibrancy within the vulnerable groups of eThekwini Monwabisi Grootboom	3 Programmes	15%	5%	50%	20%	75%	40%	100%	65%

PLAN 7: GOOD GOVERNANCE

ANNEXURE P

Plan Owner: DCM: Governance

Votes: Communications; Regional Centres; International & Governance Relations; Ombudsperson; Audit & Performance Management; Area Based Management

Operating Budget: R329.5m

Capital Budget: R53.4m

Strategic Focus Area	Programmes	Programme Driver	Project	Subprojects	Annual Target	Q1-SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4-JUN 08	Actual for Q4		
Ensure accessibility and promote governance	Promote co-operative international and inter-governmental relations	ERIC APPELGREN	Implement eThekweni's role in the Nepad process	Implement the Nepad City's initiative	100%	20%	15%	50%	50%	90%	80%	100%	80%		
				Implement projects of the Africa Desk	Projects of the Africa Desk identified and implemented	20%	15%	50%	40%	90%	60%	100%	60%		
			Implementation of an inter-governmental relations strategy	Co-ordination of events calendar for inter-governmental events	Schedule of Inter-government events developed and implemented	10%	10%	30%	50%	60%	100%	100%	100%		
				Identify opportunities to leverage funding from all spheres of government for all units within our municipality	Schedule of funding opportunities created and utilized	10%	7%	30%	30%	60%	70%	100%	70%		
				Develop and implement a strategy for funding from other spheres of government iro unfunded mandates	Strategy for Unfunded Mandates developed	10%	8%	30%	20%	60%	50%	100%	50%		
			Develop and implement a strategy iro Relationships with global partners including the sister city and donor relations programmes	Implement projects iro the Sister City programme	100% implementation of projects	35%	35%	60%	60%	90%	85%	100%	85%		
				Develop & implement a programme to secure international funding wrt donor relations programme	Programme in place	35%	10%	60%	70%	90%	70%	100%	75%		
				Implement the Cities International Visitor Support programme	100% implementation of Cities International Visitor Support programme	30%	30%	50%	50%	90%	90%	100%	100%		
			Implement a Municipal Strategy and Programmes for events Municipal wide events	Approved schedule of events in place for implementation	40%	70%	70%	80%	90%	100%	100%	100%			
				Develop a Volunteer Programme for 2010 FIFA World Cup	50% of programme established for implementation	10%	30%	20%	30%	30%	30%	50%	50%		
			Develop improved customer relations	GERARD STRYDOM	Develop and implement a single Customer Care Strategy (R1M cap)	Roll out of Customer Transaction Management Programme	10%	10%	20%	30%	60%	30%	100%	80%	
					Develop a single Customer Care Policy	Submit Customer Care Policy for adoption	45%	60%	80%	80%	100%	100%	100%		
			Ensure accessibility and promote governance	Develop improved customer relations	GERARD STRYDOM	Develop and implement a corporate customer care training programme	Implementation of a Customer Care Training within the Municipality (50%)	10%	10%	20%	20%	30%	20%	50%	50%
						Develop, implement and maintain the rollout of one stop shops as the customer care interface between citizens and the Municipality (R2.5M cap)	Finalise Upgrading and Branding of 6 OSS and 1 MPCC	25%	40%	50%	60%	75%	60%	100%	100%
Create mechanisms, processes and procedures for citizen participation	NHLANHLA ZONDI	Implement the community participation policy		Implementation plan developed and actioned	50%	10%	70%	10%	80%	10%	100%	10%			
		Support community based structures		Support given to 100 ward committees (ongoing)	50%	15%	70%	30%	80%	40%	100%	75%			
		Implement community based programmes		100 Ward Plans guiding citizens action	25%	10%	60%	80%	75%	95%	100%	100%			
Implement stakeholder participation programme	50000 stakeholders participated in Council activities	25%	10%	50%	40%	75%	80%	100%	96%						

PLAN 7: GOOD GOVERNANCE

ANNEXURE P

Plan Owner: DCM: Governance

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Operating Budget: R329.5m

Capital Budget: R53.4m

Strategic Focus Area	Programmes	Programme Driver	Project	Subprojects	Annual Target	Q1-SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4-JUN 08	Actual for Q4
	Effectively communicate the programmes and policies of the eThekweni Municipality to the full range of Audiences, internal and external communication	VASANTHA ANGAMUTHU	Implement external communication strategy		External communications plan in place for implementation	10%	10%	40%	40%	70%	70%	100%	100%
			Implement an internal communication strategy		Internal communications plan in place for implementation	25%	25%	50%	50%	75%	75%	100%	100%
			Centralise and rationalise all communications spend and systems within council		No communications spend setting outside Annual Communications plan unless otherwise approved	10%	10%	30%	30%	60%	45%	100%	80%
			Develop new and maintain existing communication tools		New communications tools identified and utilised	10%	10%	30%	30%	65%	65%	100%	100%
			Market the municipality and the city		Marketing Plan developed and implemented	25%	25%	50%	25%	75%	25%	100%	75%
			Implement a communications strategy for ward committees		Develop and action communication plan for Ward committees	25%	25%	50%	50%	75%	60%	100%	80%
Create an efficient, effective and accountable administration	Create a clean and accountable administration	BHEKI CYRIL MKHIZE	Produce reports in accordance with legal requirements		Reports produced in accordance with legal requirements	25%	25%	50%	50%	90%	80%	100%	100%
			Develop and implement an anti-fraud policy and a response plan		Policy adopted and rollout to Senior Management	25%	25%	50%	50%	80%	55%	100%	60%
			Develop and implement a code of ethics within the Municipality		Training of Staff	20%	20%	30%	30%	70%	40%	100%	55%
			The establishment of a Municipal Court		Completed by 31 December 2007	50%	80%	100%	85%		100%		100%
			Consolidate various entity bylaws to a single set of Municipal Bylaws		Single set of Municipal Bylaws in place	30%	15%	50%	15%	80%	20%	100%	20%
	Review, develop and implement municipal wide administration policies and systems	JOSEPH DAVID	Develop, review policies in terms of best practices		Policies reviewed and developed for adoption	15%	15%	30%	20%	55%	55%	100%	100%
			Develop administration systems to enhance efficiency		Set up systems	10%	10%	40%	30%	70%	60%	100%	100%
			Develop and setup administrative support systems for Councillors		Support structures set up	20%	40%	60%	60%	90%	50%	100%	50%
			Provide secretariat service to council and its committees		Secretariat to Council and its committees established	10%	19%	35%	35%	60%	60%	100%	100%
			Plan and execute special events of the city		Certain events of the city planned and executed	10%	28%	30%	30%	70%	100%	100%	100%
			Refurbish, maintain and enhance services of the City Hall		City Hall Regeneration : Office Rationalisation	5%	5%	20%	5%	55%	10%	100%	100%
Create an efficient, effective and accountable administration	Improve productivity throughout the municipality	MICK BRESLIN	Measure Productivity		Implement 12 projects to measure and improve productivity and/or eliminate wastage	3	3	6	7	9	11	12	16
	Improve productivity throughout the municipality	MICK BRESLIN	Improve productivity and business processes		Implement 12 projects to measure and improve productivity and/or eliminate wastage	3	3	6	7	9	11	12	16
			Eliminate Wastage		Implement 12 projects to measure and improve productivity and/or eliminate wastage	3	3	6	7	9	11	12	16

PLAN 7: GOOD GOVERNANCE

ANNEXURE P

Plan Owner: DCM: Governance

Votes: Communications; Regional Centres; International & Governance Relations; Ombudsperson; Audit & Performance Management; Area Based Management

Operating Budget: R329.5m

Capital Budget: R53.4m

Strategic Focus Area	Programmes	Programme Driver	Project	Subprojects	Annual Target	Q1-SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4-JUN 08	Actual for Q4	
	Mobilise to make the organisation more effective	NIRMALA GOVENDER	Develop and implement a performance Management System.		100% by June 2008	25%	35%	50%	50%	75%	75%	100%	100%	
			Rollout of enterprise wide risk management		Identify all risks	70%	80%	100%	90%		95%		95%	
			Audit and reports in terms of legal and administrative requirements.		100% by June 2008	25%	25%	50%	50%	75%	75%	100%	100%	
			Implement corporate IT solutions to improve efficiencies		Balance of 17 departments completed	20%	20%	40%	25%	60%	30%	100%	60%	
			Upgrade and maintain the IT infrastructure backbone		Maintain IT infrastructure backbone	100%	100%						100%	
	Implement a strategy to promote the use of GIS as a decision making tool	SIYABONGA MNGADI	Performance appraisal for all staff other than Section 57.		50% of employees	10%	0%	20%	0%	30%	0%	50%	0%	
			Implementation of an enterprise GIS		Further 20% implementation	5%	10%	10%	15%	15%	18%	20%	20%	
			Implementation of a common property database *Refer to Plan 5		Complete database	80%	80%	85%	80%	90%	100%	100%	100%	
			Development of a management information system		MIS in place	30%	10%	50%	10%	70%	10%	100%	20%	
			Integration of GIS applications to business functions		Integration completed	40%	50%	55%	60%	75%	80%	100%	100%	
Healthy and productive employees	Create a positive organisational climate	PAM MATHIAS	Development and implement an Organisational Culture Strategy for the Municipality		Draft Organisational Culture strategy in place 50%	10%	5%	15%	15%	30%	30%	50%	50%	
			Develop and implement a Wellness Strategy		Draft Wellness Strategy in place	10%	5%	15%	15%	30%	30%	50%	50%	
			Develop and implement a Talent Management Strategy		Draft Talent Management Strategy in place	10%	10%	15%	15%	30%	30%	50%	50%	
			Develop and implement a Performance Management Strategy		Performance Management Strategy in place	35%	0%	50%	0%	65%	0%	100%	0%	
Healthy and productive employees	Reduce new HIV/AIDs infections in the workplace	STANLEY NARAIDU	HIV / AIDS Management	HIV/AIDS Awareness Programmes	32 programmes	8	2	16	18	24	28	32	34	
Healthy and productive employees	Reduce new HIV/AIDs infections in the workplace	STANLEY NARAIDU	Wellness Medical Management		1 800 cases per year	450	536	900	1 039	1 350	1 934	1 800	2 445	
			Peer Educator Programmes	Co-ordinating peer education Council-Wide	160	40	58	80	120	120	120	160	160	
			VCT Program		60	15	12	30	48	45	55	60	60	
	Be compliant with occupational health and safety legislation			Occupational Health Medical Surveillance	Periodic Medicals	10 000	2 500	1 382	5 000	3 024	7 500	5 712	10 000	10 086
					Biological Monitoring	800	200	40	400	210	600	300	800	820
					Immunisation	1 000	250	374	500	732	750	986	1 000	1 063
					First Aid Training	1 200	300	831	600	1 046	900	1 315	1 200	1 997
				IOD Management	Accident prevention	380	95	96	190	187	285	287	380	411
				a) Inspections b) Audits	212	53	50	106	99	159	180	212	224	

PLAN 8: FINANCIAL VIABILITY & SUSTAINABILITY

Plan Owner: DCM: Treasury
 Votes: Finance
 Operating Budget: R676.4m
 Capital Budget: R122.4m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4- JUN 08	Actual for Q4
1.Strategic and sustainable budgeting	1.1 Produce and annually update the cities MTEF	Chris Nagooroo	1.1.1 Develop a budget for a long term infrastructure maintenance programme (LTIMP)		Ongoing	10%	25%	30%	30%	60%	50%	100%	80%
			1.1.2 Produce and implement a 5-year affordable CAPEX in line with financial model/strategy		Produce budget in line with finance model/strategy	10%	25%	40%	40%	70%	100%	100%	100%
	1.2 Budget according to IDP priorities	Chris Nagooroo	1.2.1 Review guidelines for the city's strategic budgeting process		Review guidelines	25%	50%	50%	60%	100%	100%		100%
			1.2.2 Produce an annual service delivery and budget implementation plan in accordance with MFMA		To produce SDBIP (08/09)								100%
	1.3 Implementation of Municipal Property Rates Act	Keith Matthias	1.3.1 Data analysis, preparation and collection		70% completion of data analysis	25%	40%	50%	95%	75%	100% and ongoing	100%	100% and ongoing
			1.3.2 IT Systems Development		70% of IT	25%	30%	50%	50%	75%	75%	100%	80%
			1.3.3 Non-Residential valuation		55% completion of non residential	25%	40%	50%	95%	75%	100%	100%	100% and ongoing
	1.4 Budget for sustainability	Chris Nagooroo	1.4.1 Implement Financial Model	1.Review alternatives for creation of a Financial Modeling system.	Development of appropriate Financial Modeling system for the City.	25%	25%	50%	30%	75%	50% Assessment of tenders being done	100%	55%
			1.4.2 Adjust budgets to eliminate cash shortfalls over ten years		10 year projection done to eliminate cash shortfall	25%	25%	50%	50%	75%	75%	100%	100%
	1.5 Reduce Council Debts	Louis Kruger	1.51 Credit Control and Debt Management Policy		% Collection Rate Bulk Electricity 95% Electricity 96% Water 91% Rates 97%	% Collection Rate Bulk Electricity 95% Electricity 96% Water 91% Rates 97%	Bulk Electricity 98%, Electricity 97%, Water 96%, Rates 103%	% Collection Rate Bulk Electricity 95% Electricity 96% Water 91% Rates 97%	Bulk Electricity 97%, Electricity 98%, Water 97%, Rates 99%	% Collection Rate Bulk Electricity 95% Electricity 96% Water 91% Rates 97%	Bulk Electricity 98%, Electricity 97%, Water 96%, Rates 105%	% Collection Rate Bulk Electricity 95% Electricity 96% Water 91% Rates 97%	Bulk Electricity 97%, Electricity 96%, Water 96%, Rates 105%
	1.6 Maintain Cluster Assets	Jay Balwanth	1.6.1 Upgrade of Lifts and Air conditioning in FMB		100 % Implementation	25%	25%	50%	50%	75%	75%	100%	75%

PLAN 8: FINANCIAL VIABILITY & SUSTAINABILITY

Plan Owner: DCM: Treasury
 Votes: Finance
 Operating Budget: R676.4m
 Capital Budget: R122.4m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4- JUN 08	Actual for Q4
2. Grow and diversify our revenues	2.1 Effectively manage Credit control	Louis Kruger	2.1.1 Develop and implement a new Revenue System	Billing	RMS Programme implemented	25%	Development 50% implementation 8%	50%	Go live in Oct/Nov 2008	75%	On target for go live date	100%	Software development will be completed by end of August. Go live date, big vs trickle feed approach to be determined as well as training
	2.2 Seek alternative sources of funding	Rory Turner	2.2.1 Provide guidance on all existing and proposed government grants	-	No longer a project. Requires ongoing monitoring.		Ongoing		Ongoing		Ongoing		Ongoing
			2.2.2 Investigate non government funding opportunities, particularly bonds	2.2.2.1 Restructuring of existing long term debt	No longer a project. Requires ongoing monitoring.		Ongoing		Ongoing		Ongoing		Ongoing
				2.2.2.2 Bond Issuance	No longer a project. Requires ongoing monitoring.		Ongoing		Ongoing		Ongoing		Ongoing
	2.3 Maximise Rates Revenue	Keith Matthias	2.3.1 Enhance the valuation roll base	2.3.1.1 Land and Building Interim Valuation	Alignment of all rate codes	25%	98%	50%	99%	75%	99% and ongoing	100%	99% and ongoing
				2.3.1.2 Valuation Roll update and Maintenance	100% clean	25%	99%	50%	99%	75%	99% and ongoing	100%	99% and ongoing
				2.3.1.3 Valuation roll GIS layer maintenance	100%	25%	29%	50%	99%	75%	99% and ongoing	100%	99% and ongoing
				2.3.1.4 Exempt property management system.	Implement strategy for exempt property	25%	25%	50%	45%	75%	75% Advertisements have gone out	100%	75%
	2.4 Raise additional source of income to replace Business Levies	Aman Maharaj	2.4.1. Implement Municipal Surcharge Bylaws	2.4.1.1 Analysis of current Municipal data to determine the levy value 2.4.1.2 Determination of top 150 Business tariff payers through consolidation of municipal data.	1.Implementation of surcharge 2.Increase in revenue for Council By R300m	25%	100%	75%	100%	100%	100%		100%

PLAN 8: FINANCIAL VIABILITY & SUSTAINABILITY

ANNEXURE 9

Plan Owner: DCM: Treasury

Votes: Finance

Operating Budget: R676.4m

Capital Budget: R122.4m

Strategic Focus Area	Programmes	Programme Driver	Projects	Subprojects	Annual Target	Q1- SEP 07	Actual for Q1	Q2-DEC 07	Actual for Q2	Q3-MAR 08	Actual for Q3	Q4- JUN 08	Actual for Q4
3. Value for money expenditure	3.1. Reduce cost to the organisation	Jay Balwanth	3.1.1 Major items of expenditure	3.1.1.1.Review key Items of expenditure	Implement savings measures with major impact	25%	10%	50%	20%	75%	25%	100%	33%
			3.1.2.Salaries and allowances expenditure	3.1.2.1 .Business process Re engineering interventions to be implemented	2 Interventions implemented	25%	25%	50%	50%	75%	75%	100%	25% Treasury BPR scheduled for 08/09 due to lack of resources at management services
			3.1.2.2.Independent Review on Benchmarks / market testing.	Benchmarks Identified	10%	0%	50%	10%	70%	15%	100%	0% Project on hold	
			3.1.2.3 Management of employee Sick Leave	Implementation of System to record data at Occupational Health Clinics	20%	10%	50%	50%	75%	75%	100%	60% RFP was advertised pending imp of s/ware	
			3.1.2.4 .Management of Overtime	1.Implementation of Shift system in Treasury	25%	0%	50%	0%	75%	0%	100%	0% not implemented, staff paid overtime for Saturday work	
				2. Categorization of Overtime at Metro Police	25%	10%	50%	10%	75%	25% Disciplinary action instituted	100%	25% Shift system under review	
			3.1.3.Forming Partnership agreements	3.1.3.1.Establish partnerships in PRC	Implementation of 25/40 Partime staff in PRC	25%	0%	50%	0%	75%	0%	100%	0%
			3.1.4.Implement a city fiber based PABX system in the council	3.1.4.1 Installation complete by due date given.	Finalisation of cut over	25%	100%	50%	100%	75%	100%	100%	100%
				3.1.4.2.Creation of Communications Backbone for Council (Broad Band and Diginet)	50%				25%	25%	50%	50%	
			3.2 Efficient Fleet Management	Malcolm Joshua	3.2.1 Value for money -fleet	3.2.1.1 Implementation of Vehicle Tracking and Monitoring System	Improved security from theft in view of Satellite tracking	10%	83% recovery of all stolen vehicles	40%	99%	70%	100% and ongoing
3.2.1.2.Reduce downtime of vehicles in workshops	Improved utilisation of vehicles	100% availability of all vehicles				96% availability of all vehicles	100% availability of all vehicles	98%	100% availability of all vehicles	95%	100% availability of all vehicles	94% vehicle availability	
3.2.1.3.Improvements of Workshop for effective utilisation and improved service delivery	Planned maintenance leading to Improved service delivery	100% of planned service				80% of all planned service done	100% of planned service	80% of all planned service done	100% of planned service	90% of all planned service done	100% of planned service	80% of all planned service done	
3.2.2 Reduce age of Vehicle	3.2.2.1.Replacement of vehicles not economical to repair	Right sizing of Fleet			25%	33% of capital budget committed to replace vehicles	50%	100% of capital budget committed to replace vehicles	100%	100% of capital budget committed to replace vehicles	100% of capital budget committed to replace vehicles		
3.2.3 Improve effectiveness of operations	3.2.3.1.Replacement of tools and small plant	Tools replaced			25%	Tool requirements identified	50%	50% of identified tools replaced	75%	75% of identified tools replaced	100%	98% of identified tools replaced	
	3.2.3.2.Disposal of vehicles on a quarterly basis	Sale of all replaced vehicles			25%	25% Auction held on 22 August 2007	50%	100%	75%	100% Another sale held	100%	4 Auctions conducted for the period	