

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended**

**30 June 2015**

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 105, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

  
\_\_\_\_\_  
M R Clay  
(BCom Honours and MBA)

**Acting City Manager**

04 December 2015

Date

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

**General Information**

<b>Legal form of entity</b>	It is a Metropolitan Municipality established in terms of section 155 of the Constitution of the Republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	Local Government
	The principal activities are:
	- To provide democratic and accountable government to the local communities;
	- To ensure sustainable service delivery to communities;
	- To promote social and economic development;
	- To promote a safe and healthy environment; and
	- Encourage the involvement of communities and community organisations in the matters of local government.
	The Municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 117 of 1998), the Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.
<b>Executive Mayor</b>	Cllr D.A Jordaan
<b>Deputy Executive Mayor</b>	Cllr P.S Ndoni
<b>Speaker</b>	Cllr M.E Hermans
<b>Chief Whip</b>	Cllr L Suka
<b>Members of the Mayoral Committee</b>	Cllr A.C.G Mfunda (Infrastructure and Engineering and Electricity and Energy) Cllr B Lobishe (Roads and Transport) Cllr F Sibeko (Corporate Services) Cllr F Desi (Safety and Security) Cllr Z Jodwana (Economic Development, Tourism and Agriculture) Cllr A Mama (Youth, Sport and Culture) Cllr J Seale (Public Health) Cllr N Tontsi (Human Settlements) Cllr R Riordan (Budget and Treasury)
<b>Accounting Officer (City Manager)</b>	M Mbambisa
<b>Chief Financial Officer (CFO)</b>	J.T Harper
<b>Chief Operating Officer (COO)</b>	M Clay

<b>Chief of Staff</b>	B Ntshona
<b>Metro Police Chief</b>	M Mathabathe
<b>Executive Directors</b>	M Ndozana (Corporate Services) A Qaba (Economic Development, Tourism and Agriculture) N Nqwazi (Sports, Recreation, Arts and Culture) T Mokonyane (Acting - Public Health) L Petuna (Human Settlements) S Mathew (Electricity and Energy) E.W Shaidi (Infrastructure and Engineering) S Brown (Safety and Security)
<b>Members of the Audit Committee</b>	Mr G Billson (Chairperson) Ms T Cumming Mr J Neves Dr M Nicholls Ms L Smith
<b>Registered Office</b>	1 <sup>st</sup> Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
<b>Business Address</b>	1 <sup>st</sup> Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
<b>Postal Address</b>	P O Box 116 Port Elizabeth 6000
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor-General (SA)
<b>Physical Address of Auditors</b>	69 Frere Road Vincent East London 5247
<b>Postal Address of Auditors</b>	P O Box 13252 East London 5217

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

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

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2015	2014	2015	2014
		R	R	R	R
<b>NET ASSETS AND LIABILITIES</b>					
<b>Net Assets</b>					
Total Accumulated Funds		11 930 956 843	11 159 498 416	11 929 460 165	11 158 594 675
<b>Non-current Liabilities</b>					
		3 171 589 042	3 194 976 755	3 171 083 574	3 193 972 175
Long-term Liabilities	3	1 472 471 485	1 579 062 215	1 471 966 017	1 578 057 635
Employee Benefit Obligation	4.1	1 369 345 626	1 304 681 454	1 369 345 626	1 304 681 454
Non-current Provisions	4.2	329 771 931	311 233 086	329 771 931	311 233 086
<b>Current Liabilities</b>					
		2 166 135 005	2 295 477 387	2 153 985 857	2 287 868 651
Current Employee Benefit Obligation	5.1	72 877 174	82 254 519	72 246 987	81 605 533
Current Provisions	5.2	85 649 120	78 479 629	85 649 120	78 479 629
Consumer Deposits	6	111 852 356	100 347 533	111 852 356	100 347 533
Creditors - Exchange Transactions	7	1 617 654 616	1 659 661 478	1 608 835 915	1 653 711 657
Unspent Conditional Grants and Receipts	8	171 308 712	260 756 201	171 308 712	260 756 201
Current Portion of Long-term Liabilities	3	106 793 027	113 978 027	104 092 767	112 968 098
<b>Total Net Assets and Liabilities</b>		<b>17 268 680 890</b>	<b>16 649 952 558</b>	<b>17 254 529 596</b>	<b>16 640 435 501</b>
<b>ASSETS</b>					
<b>Non-current Assets</b>					
		14 031 980 733	13 460 852 110	14 030 484 056	13 459 948 370
Property, Plant and Equipment (PPE)	9	13 465 652 242	12 878 448 566	13 464 550 262	12 877 819 700
Heritage Assets	10	205 361 653	203 660 123	205 111 153	203 409 623
Intangible Assets	11	144 499 027	167 213 016	144 354 830	167 188 642
Investment Property	12	198 168 885	199 439 155	198 168 885	199 439 155
Long-term Receivables - Exchange Transactions	13	9 033 206	6 734 606	9 033 206	6 734 606
Long-term Receivables - Non-exchange Transactions	13	9 265 720	5 356 644	9 265 720	5 356 644
<b>Current Assets</b>					
		3 236 700 157	3 189 100 448	3 224 045 540	3 180 487 131
Current Portion of Long-term Receivables - Exchange Transactions	13	80	80	80	80
Inventory	14	124 216 338	104 273 575	124 216 338	104 273 575
Consumer Debtors - Exchange Transactions	15	912 635 081	841 041 601	912 635 081	841 041 601
Consumer Debtors - Non-exchange Transactions	15	229 399 410	195 273 797	229 399 410	195 273 797
Other Debtors - Exchange Transactions	16	474 891 788	302 451 754	518 406 817	353 156 209
VAT Refund	17	31 479 714	90 335 144	28 966 822	89 079 115
VAT Receivable	17	15 826 945	45 100 613	15 826 945	45 100 613
Short-term Investments	18	2 714 566	2 526 748	2 714 566	2 526 748
Short-term Investment Deposits	18	1 252 259 152	1 421 480 088	1 252 259 152	1 421 480 088
Bank Balances and Cash	19	193 277 083	186 617 048	139 620 329	128 555 305
<b>Total Assets</b>		<b>17 268 680 890</b>	<b>16 649 952 558</b>	<b>17 254 529 596</b>	<b>16 640 435 501</b>

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

Restated 2014 R		Actual 2015 R	Approved Original Budget 2015 R	Adjustments 2015 R	Approved Final Budget 2015 R	Variance between Final Budget and Actual R	%	No.
<b>REVENUE</b>								
<b>Exchange revenue</b>								
3 812 333 047	Service Charges	21.1	4 051 914 808	4 325 027 020	(42 999 940)	4 282 027 080	230 112 272	5%
82 577 554	Interest earned - Investments		83 106 550	66 525 389	(32 959)	66 492 430	(16 801 938)	-25%
644 474	Interest earned - Fair Value Adjustment		187 818	0	0	0	0	
144 355 632	Interest earned - Outstanding Debtors		100 658 505	133 106 600	(39 309 090)	93 797 510	(6 860 995)	-7%
9 328 146	Licences and Permits		9 695 407	11 364 580	0	11 364 580	1 669 173	15%
19 458 980	Rental of Facilities and Equipment		17 897 368	22 327 400	(98 730)	22 228 670	4 331 302	19%
2 094 655	Income for Agency Services		2 246 476	1 574 540	626 960	2 201 500	(44 976)	-2%
368 481 590	Other Income	23	470 976 647	239 242 253	48 891 534	288 133 787	(182 842 860)	-63%
0	Gain on disposal of Property Plant and Equipment	35.9	829 981	0	0	0	(829 981)	100%
<b>Non-exchange revenue</b>								
1 205 525 500	Property Rates	20	1 332 134 909	1 373 532 540	0	1 373 532 540	41 397 631	3%
73 281 472	Interest earned - Outstanding Debtors		50 391 214	49 892 470	0	49 892 470	(498 744)	-1%
61 409 438	Fines	21.2	39 643 657	36 836 270	(26 039 420)	10 796 850	(28 846 807)	-267%
1 299 429 838	Government Grants and Subsidies - Operating	22	1 481 999 453	1 327 259 000	243 356 340	1 570 615 340	88 615 887	6%
1 027 686 340	Government Grants and Subsidies - Capital	22	784 204 088	846 775 460	51 055 945	897 831 405	113 627 317	13%
434 831 000	Fuel levy	23	459 329 000	458 879 000	0	458 879 000	(450 000)	0%
21 133 635	Public Contributions	23	76 038 013	61 063 987	0	61 063 987	(14 974 026)	-25%
199 060	Other Income	23	242 436	242 436	0	242 436	0	0%
0	Interest earned - SARS		1 771 238	0	0	0	(1 771 238)	100%
0	Dividends received		220 233	0	0	0	(220 233)	100%
<b>8 562 770 361</b>	<b>Total Revenue</b>		<b>8 963 487 801</b>	<b>8 953 648 945</b>	<b>235 450 640</b>	<b>9 189 099 585</b>	<b>225 611 784</b>	
<b>EXPENDITURE</b>								
1 761 674 408	Employee Related Costs	24	2 176 075 420	2 196 694 256	(6 258 782)	2 190 435 474	14 360 054	1%
55 918 386	Remuneration of Councillors	25	58 161 095	60 975 910	0	60 975 910	2 814 815	5%
200 766 874	Impairment - receivables	26	407 409 770	341 967 970	(2 600 390)	339 367 580	(68 042 190)	-20%
3 214 202	Collection Costs		2 970 073	4 701 300	0	4 701 300	1 731 227	37%
192 488 112	Finance cost	27	180 098 336	179 799 399	117 961	179 917 360	(180 976)	0%
0	Interest and Penalties	27	26 694 717	0	0	0	(26 694 717)	100%
2 251 557 960	Bulk Purchases	28	2 454 439 281	2 386 982 500	67 718 900	2 454 701 400	262 119	0%
20 048 404	Grants and Subsidies Paid	29	25 691 323	440 553 169	21 046 101	461 599 270	435 907 947	94%
288 983 963	Contracted Services	30.1	323 685 243	374 836 670	(52 542 300)	322 294 370	(1 390 873)	0%
732 317 414	General Expenses	30.2	1 078 790 336	1 026 719 549	268 737 076	1 295 456 625	216 666 289	17%
490 120 288	Repairs and Maintenance		555 642 893	607 670 754	15 320 346	622 991 100	67 348 207	11%
632 483 802	Depreciation - Property, Plant and Equipment	31.1	803 125 952	862 555 591	(37 202 441)	825 353 150	(43 009 479)	-5%
6 117 799	Depreciation - Investment Property	31.2	6 131 885	0	0	0	0	0%
106 364 388	Amortisation	31.3	59 104 792	0	0	0	0	0%
692 967 399	Impairment - Other	35.7	33 495 329	0	0	0	(33 495 329)	100%
1 272 093	Loss on Disposal of Property Plant and Equipment	35.8	512 929	0	0	0	(512 929)	100%
<b>7 436 295 492</b>	<b>Total Expenditure</b>		<b>8 192 029 374</b>	<b>8 483 457 068</b>	<b>274 336 471</b>	<b>8 757 793 539</b>	<b>565 764 165</b>	
<b>1 126 474 869</b>	<b>Surplus for the year</b>		<b>771 458 427</b>	<b>470 191 877</b>	<b>(38 885 831)</b>	<b>431 306 046</b>	<b>(340 152 381)</b>	

Refer to Note 53 of the Financial Statements for explanation of variances

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**

## NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

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

Restated 2014 R		Actual 2015 R	Approved Original Budget 2015 R	Adjustments 2015 R	Approved Final Budget 2015 R	Variance between Final Budget and Actual R	%	No.	
<b>REVENUE</b>									
<b>Exchange revenue</b>									
3 812 473 405	Service Charges	21.1	4 052 102 205	4 325 027 020	(42 999 940)	4 282 027 080	229 924 875	5%	
80 037 422	Interest earned - Investments		79 773 591	63 192 430	0	63 192 430	(16 768 979)	-27%	1
644 474	Interest earned - Fair Value Adjustment		187 818	0	0	0	0		
144 355 632	Interest earned - Outstanding Debtors		100 658 505	133 106 600	(39 309 090)	93 797 510	(6 860 995)	-7%	
9 328 146	Licences and Permits		9 695 407	11 364 580	0	11 364 580	1 669 173	15%	2
19 458 980	Rental of Facilities and Equipment		17 897 368	22 327 400	(98 730)	22 228 670	4 331 302	19%	3
2 094 655	Income for Agency Services		2 246 476	1 574 540	626 960	2 201 500	(44 976)	-2%	
368 481 590	Other Income	23	470 976 647	250 306 240	48 923 970	299 230 210	(171 746 437)	-57%	4
0	Gain on disposal of Property Plant and Equipment	35.9	829 981			(829 981)		100%	5
<b>Non-exchange revenue</b>									
1 205 525 500	Property Rates	20	1 332 134 909	1 373 532 540	0	1 373 532 540	41 397 631	3%	
73 281 472	Interest earned - Outstanding Debtors		50 391 214	49 892 470	0	49 892 470	(498 744)	-1%	
61 409 438	Fines	21.2	39 643 657	36 836 270	(26 039 420)	10 796 850	(28 846 807)	-267%	6
1 299 282 534	Government Grants and Subsidies - Operating	22	1 481 999 453	1 327 259 000	233 092 340	1 560 351 340	78 351 887	5%	
1 027 126 340	Government Grants and Subsidies - Capital	22	784 204 088	846 775 460	51 055 945	897 831 405	113 627 317	13%	7
434 831 000	Fuel levy	23	459 329 000	458 879 000	0	458 879 000	(450 000)	0%	
15 746 549	Public Contributions	23	64 974 026	50 000 000	0	50 000 000	(14 974 026)	-30%	4
0	Interest earned - SARS		1 771 238	0	0	0	(1 771 238)	100%	8
0	Dividends received		220 233	0	0	0	(220 233)	100%	9
<b>8 554 077 137</b>	<b>Total Revenue</b>		<b>8 949 035 816</b>	<b>8 950 073 550</b>	<b>225 252 035</b>	<b>9 175 325 585</b>	<b>226 289 769</b>		
<b>EXPENDITURE</b>									
1 751 331 511	Employee Related Costs	24	2 164 383 696	2 184 414 520	(6 257 560)	2 178 156 960	13 773 264	1%	
55 918 386	Remuneration of Councillors	25	58 161 095	60 975 910	0	60 975 910	2 814 815	5%	
200 710 834	Impairment - receivables	26	407 361 185	341 918 970	(2 581 390)	339 337 580	(68 023 605)	-20%	10
3 214 202	Collection Costs		2 970 073	4 701 300	0	4 701 300	1 731 227	37%	11
192 320 643	Finance cost	27	179 901 285	179 580 800	152 560	179 733 360	(167 925)	0%	
0	Interest and Penalties	27	26 694 718	0	0	0	(26 694 718)	100%	12
2 251 557 960	Bulk Purchases	28	2 454 439 281	2 386 982 500	67 718 900	2 454 701 400	262 119	0%	
43 286 590	Grants and Subsidies Paid	29	56 964 123	440 052 910	21 546 360	461 599 270	404 635 147	88%	13
288 983 963	Contracted Services	30.1	323 685 243	374 836 670	(52 542 300)	322 294 370	(1 390 873)	0%	
711 144 657	General Expenses	30.2	1 045 889 907	894 140 520	380 580 260	1 274 720 780	228 830 873	18%	14
490 044 452	Repairs and Maintenance		555 544 430	607 473 610	15 517 490	622 991 100	67 446 670	11%	
632 333 505	Depreciation - Property, Plant and Equipment	31.1	802 955 151	862 359 280	(37 219 130)	825 140 150	(43 026 882)	-5%	
6 117 799	Depreciation - Investment Property	31.2	6 131 885	0	0	0	0	0%	
106 354 864	Amortisation	31.3	59 079 996	0	0	0	0	0%	
692 967 399	Impairment - Other	35.7	33 495 329	0	0	0	(33 495 329)	100%	15
1 272 093	Loss on Disposal of Property Plant and Equipment	35.8	512 929	0	0	0	(512 929)	100%	16
<b>7 427 558 858</b>	<b>Total Expenditure</b>		<b>8 178 170 326</b>	<b>8 337 436 990</b>	<b>386 915 190</b>	<b>8 724 352 180</b>	<b>546 181 854</b>		
<b>1 126 518 279</b>	<b>Surplus for the year</b>		<b>770 865 490</b>	<b>612 636 560</b>	<b>(161 663 155)</b>	<b>450 973 405</b>	<b>(319 892 085)</b>		

Refer to Note 53 of the Financial Statements for explanation of variances



NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

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<b>NELSON MANDELA BAY MUNICIPALITY</b>	
<b>CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015</b>	
	<u>Accumulated Funds</u>
	R
<b>Balance at 01 July 2013 as previously reported</b>	10 070 889 884
Restatements (Refer note 40.2)	(38 374 333)
<b>Restated Balance at 01 July 2013</b>	<b>10 032 515 551</b>
Surplus for the year as previously reported	1 124 865 983
Decrease in Surplus (Refer note 40.1.1)	1 608 886
<b>Restated Surplus for the year</b>	<b>1 126 474 869</b>
Reversal of Uitesco's portion in Accumulated Surplus	507 996
<b>Restated Balance at 30 June 2014</b>	<b>11 159 498 416</b>
<b>Balance at 01 July 2014</b>	<b>11 159 498 416</b>
Surplus for the year	771 458 427
<b>Balance at 30 June 2015</b>	<b>11 930 956 843</b>

<b>NELSON MANDELA BAY MUNICIPALITY</b>	
<b>STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015</b>	
	<u>Accumulated Funds</u>
	R
<b>Balance at 01 July 2013 as previously reported</b>	10 070 450 729
Restatements (Refer note 40.2)	(38 374 333)
<b>Restated Balance at 01 July 2013</b>	<b>10 032 076 396</b>
Surplus for the year as previously reported	1 124 870 351
Decrease in Surplus (Refer note 40.1.1)	1 647 928
<b>Restated Surplus for the year</b>	<b>1 126 518 279</b>
<b>Restated Balance at 30 June 2014</b>	<b>11 158 594 675</b>
<b>Balance at 01 July 2014</b>	<b>11 158 594 675</b>
Surplus for the year	770 865 490
<b>Balance at 30 June 2015</b>	<b>11 929 460 165</b>

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

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2015	2014	2015	2014
		R	R	R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash receipts from ratepayers, government and other</b>		<b>8 499 797 427</b>	<b>7 897 580 605</b>	<b>8 490 429 886</b>	<b>7 897 580 605</b>
- Sale of goods and services, fines and taxes levied		6 104 337 605	5 188 116 582	6 098 303 023	5 190 412 205
- Grants		2 172 707 958	2 424 951 625	2 172 707 958	2 424 951 625
- Dividends received		220 233	0	220 233	0
- Interest received		222 531 631	284 512 398	219 198 672	282 216 775
<b>Cash paid to suppliers and employees</b>		<b>(7 114 795 511)</b>	<b>(6 074 418 261)</b>	<b>(7 100 645 183)</b>	<b>(6 072 511 286)</b>
- Employee Costs		(2 061 637 298)	(1 871 723 142)	(2 049 945 574)	(1 861 380 246)
- Suppliers		(4 844 298 693)	(4 009 980 321)	(4 841 840 089)	(4 018 416 242)
- Finance Cost	27	(208 859 520)	(192 714 798)	(208 859 520)	(192 714 798)
<b>CAH GENERATED FROM OPERATIONS</b>	32	<b>1 385 001 916</b>	<b>1 823 162 344</b>	<b>1 389 784 703</b>	<b>1 825 069 319</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of PPE		(1 391 964 272)	(1 602 499 923)	(1 391 285 728)	(1 602 419 372)
Proceeds on disposal of PPE		829 981	0	829 981	0
Loss on Disposal of PPE		(512 931)	0	(512 931)	0
Purchase of Intangible assets		(36 390 803)	(66 555 885)	(36 246 184)	(66 539 177)
Purchase of Investment Property		(6 056 124)	(6 295 644)	(6 056 124)	(6 295 644)
Purchase of Heritage Assets		(1 701 530)	(6 007 921)	(1 701 530)	(5 986 921)
Proceeds from sale of property, plant and equipment		9 742	0	0	0
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>(1 435 785 937)</b>	<b>(1 681 359 373)</b>	<b>(1 434 972 516)</b>	<b>(1 681 241 114)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Decrease in Non-current Liabilities (external loan funding)		0	(8 863 151)	0	(8 863 151)
Increase/ (Decrease) in Non-current Liabilities (construction contracts)		1 191 219	(565 447)	0	0
Repayment of Non-current Liabilities (external loan funding)	33	(112 968 099)	(105 158 824)	(112 968 099)	(105 158 824)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(111 776 880)</b>	<b>(114 587 422)</b>	<b>(112 968 099)</b>	<b>(114 021 975)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(162 560 901)</b>	<b>27 215 549</b>	<b>(158 155 912)</b>	<b>29 806 230</b>
Cash and cash equivalents at the beginning of the year		1 608 097 136	1 580 881 587	1 550 035 393	1 520 229 163
Cash and cash equivalents at the end of the year	34	<b>1 445 536 235</b>	<b>1 608 097 136</b>	<b>1 391 879 481</b>	<b>1 550 035 393</b>

## **1. BASIS OF PREPARATION and STATEMENT OF COMPLIANCE**

These Consolidated Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003). In addition, these Consolidated Financial Statements include mandatory disclosures in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and related regulations.

The Consolidated Financial Statements are prepared on the accrual basis of accounting and the transactions, assets and liabilities included in the financial statements are measured at historical cost unless otherwise stated.

With respect to accounting standards for material transactions, events or conditions not covered by Directive 5, the Economic Entity has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's Consolidated Financial Statements, unless explicitly stated.

New standards now effective:

<b>Standard number</b>	<b>Standard name</b>	<b>Effective date from (if applicable)</b>
GRAP 105	Transfer of Functions Between Entities under Common Control	01 April 2015
GRAP 106	Transfer of Functions Between Entities not under Common Control	01 April 2015
GRAP 107	Mergers	01 April 2015

### **1.1 CONSOLIDATED FINANCIAL STATEMENTS**

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Nelson Mandela Bay Municipality and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

The controlled entities have the same reporting date and reporting period as the controlling entity.

All inter-entity transactions and balances, unrealised gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate, the accounting policies of controlled entities conform to the policies adopted by the Economic Entity.

### **1.2 MUNICIPAL ENTITIES**

Municipal entities are all controlled entities over which the Economic Entity has ownership control or effective control to govern the financial and operating policies of such controlled entities to benefit from its activities.

## **2. PRESENTATION AND FUNCTIONAL CURRENCY**

These Consolidated Financial Statements are presented in South African Rand.

The functional currency of the Economic Entity is South African Rand. Financial values are rounded to the nearest one Rand.

### **3. GOING CONCERN ASSUMPTION**

These Consolidated Financial Statements have been prepared on a going concern basis.

### **4. COMPARATIVE INFORMATION**

#### **4.1 Current year comparatives (Budget):**

In accordance with GRAP 1 and 24, the Budget information has been provided on the face of the Statement of Financial Performance in these consolidated financial statements.

#### **4.2 Prior year comparatives:**

When the presentation or classification of items in the Consolidated Financial Statements are amended, prior period comparative amounts are reclassified and restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year and the standards require retrospective adjustment, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassifications and restatements are disclosed in Note 40 to the Consolidated Financial Statements.

### **5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

#### **STANDARDS**

The following revised and newly approved Standards of GRAP have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. The Economic Entity has not early-adopted any new Standards or revised Standards of GRAP but has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework.

<b>Standard number</b>	<b>Standard name</b>	<b>Effective date (if applicable)</b>
GRAP 18	Segment Reporting	No effective date
GRAP 20	Related Party Disclosures	No effective date
GRAP 32	Service Concession Arrangements - Grantor	No effective date
GRAP 108	Statutory Receivables	No effective date
GRAP 109	Accounting by Principals and Agents	No effective date

#### **GRAP 18 - Segment Reporting**

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Economic Entity is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. The standard does not have an effective date yet.

#### **GRAP 20 – Related Party Disclosures**

The objective of this standard is to ensure that a reporting entity's financial statements contain

the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. It is expected that adoption of this standard will result in additional disclosures. The standard does not have an effective date yet.

**GRAP 32 - Service Concession Arrangements – Grantor**

This Standard applies to an asset used in a service concession arrangement for its entire economic life (a “whole-of-life” asset) if certain conditions are met. The standard does not have an effective date yet. It is expected that adoption of this standard will not be significant.

**GRAP 108 – Statutory Receivables**

This standard deals with receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. This standard does not yet have an effective date. It is expected that adoption of this standard will not be significant.

**GRAP 109 – Accounting by Principals and Agents**

This standard deals with principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. This standard does not yet have an effective date.

**INTERPRETATIONS**

The following interpretations have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. These interpretations are expected to have an insignificant impact on the financial statements since they generally reflect the interpretation and principles already established under GRAP.

<b>Standard number</b>	<b>Standard name</b>	<b>Effective date (if applicable)</b>
IGRAP 17	Service concession arrangements where a grantor controls a significant residual interest in an asset	Effective date not yet determined

**6. SIGNIFICANT JUDGEMENTS**

The use of judgment, estimates and assumptions is inherent to the process of preparing consolidated financial statements. These judgements affect the amounts presented in the consolidated financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Management has made the following significant judgements:

**Heritage Assets**

The Economic Entity has elected to make use of the transitional provisions as set out in Directive 3, which states that entities are not required to measure heritage assets for reporting periods beginning on or after 01 April 2012 within three years following the date of initial adoption of the Standard of GRAP on Heritage Assets.

#### Allowances for Credit losses

On Consumer debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the estimated future cash flows based on the historical payment trend.

#### **Other key judgements**

##### Provisions and contingent liabilities

Management judgement is required when disclosing and measuring provisions and contingent liabilities. Provisions have been discounted where the effect of discounting is material. Refer to accounting policy Note 11.

##### Operating lease commitments – the Economic Entity as lessor

The Economic Entity has entered into commercial property leases on its investment property portfolio. The Economic Entity has determined that it retains all the significant risks and rewards of ownership of these properties and therefore has continued to recognise the investment properties.

##### GRAP 5 Borrowing Costs

The Economic Entity has determined that it is inappropriate to capitalise borrowing costs, as it is unable to establish a clear link between borrowing costs and numerous individual assets falling within the broader range of specific capital projects. Refer to accounting policy Note 21.

##### Management's Going Concern Assessment

Management considered the following matters relating to the Going Concern:

On 29 May 2014, the Council adopted the 2014/15 to 2016/17 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the on-going delivery of municipal services to residents reflected that the Budget was funded over the three-year period.

Management has thus prepared the Consolidated Financial Statements on the Going Concern basis.

## **7. SIGNIFICANT ESTIMATES AND ASSUMPTIONS**

In the process of preparing the Economic Entity's Consolidated Financial Statements, management has made the following key estimates and assumptions:

##### Provision for Rehabilitation of Refuse Landfill Sites

The Economic Entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost to rehabilitate the landfill sites in the future. The cost factors as determined have been applied and projected at an inflation rate of 4.7% (2014: 6.60%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.04% (2014: 11.04%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 1.75% (2014: 2.25%).

##### Provision for Rehabilitation of Swartkops River

The provision is in relation to the Economic Entity's obligation to address the environmental pollution of the Swartkops River. The provision is based on the estimated costs to carry out the rehabilitation work of a wetland beside the Swartkops River, which was present valued at a rate of 11.04% (2014: 11.04%).

#### Pension and other post-employment benefits

The cost of defined benefit pension plans (ex gratia pensions), other post-employment medical benefits, and the present value of the pension obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For key assumptions, refer to Note 47 of the Consolidated Financial Statements.

#### Gratuity Provision

This obligation is in respect of the long-term liability relating to gratuities payable to employees that were not previously members of a pension fund. A management decision was made to ensure that a provision be raised from 1975.

The provision is made up of two parts namely:

- Years' service prior to 1997: number of years' service prior to 1997 multiplied by the employee fortnightly wage rate in 1997 (R533) plus
- Years services after 1997: number of years' service multiplied by the employee fortnightly wage rate in 1997 (R533) increased per annum by the average earnings interest earned on investments of 6.02% (2014: 5.147%)

#### Property, plant and equipment including Investment Properties and Intangible Assets

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The Economic Entity maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain and thus residual values are determined to be nil for all assets.

#### Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to accounting policy Note 18.

#### Amounts due to Funders of Construction Contracts

This represents the total value of unspent conditional grant funding that has been received by the Entity and which is reflected as payable to the funders of construction contracts and other capital projects.

### **8. 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 Economic Entity 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 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.

The Housing Development Fund is included as one of the reserves within Accumulated Surplus.

## **9. ACCUMULATED FUNDS**

The Economic Entity maintains various internal reserves in terms of specific requirements, which includes:

- Capital Replacement Reserve (CRR): Internal reserve administered within the Accumulated Surplus for control purposes
- Capitalisation Reserve (CR): Internal reserve administered within the Accumulated Surplus for control purposes
- Donations and Public Contributions Reserve: Internal reserve administered within the Accumulated Surplus for control purposes
- Self-Insurance Reserve: Internal reserve administered within the Accumulated Surplus for control purposes.
- Compensation for Occupational Injuries and Diseases (COID) Reserve

The Economic Entity has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act, but is required to maintain a reserve of R10 million. This reserve is subject to annual review by the Commissioner.

The certificate of exemption issued by the Commissioner and as prescribed by the Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993), requires that the Economic Entity deposit cash and/or securities relating to COID with the Commissioner. The combined market values shall not be less than the capitalised value of the continuing liability of the Economic Entity as at 31 December of each year.

The continuing liability is that of pensions, with the capitalised value being determined based on an actuarial determination as prescribed by the Commissioner. A COID reserve has been established to be equal to or greater than the value of the continuing liability. The Commissioner determines the market value of the securities annually and the Economic Entity is required to meet any shortfall in the aggregate value of the securities as at 31 December.

Monthly pensions are funded by allocating funds out of the COID portion of Accumulated Surplus to general Accumulated Surplus (refer to note 2).

- Government Grant Reserve: Internal reserve administered within the Accumulated Surplus for control purposes

## **10. EMPLOYEE BENEFIT OBLIGATIONS**

Remuneration to employees is recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Short-term employee benefits are measured on an undiscounted basis.

#### **Leave pay accrual**

The liability is based on the total amount of leave days due to the employees at reporting date and on the total remuneration package of the employees.

#### **Gratuity Provision**

A provision in respect of the liability relating to gratuities payable to employees that were not previously members of a pension fund is maintained. The gratuity is payable by Council to wage earners who joined the Economic Entity before 1988. The Council decided to make gratuity payments to these employees upon retirement. The amount payable is based on the individual employee wage rate and the number of years in service until the employee joined a pension fund. The provision is determined with reference to minimum wage rate applicable immediately prior to joining the pension fund multiplied by number of years' service and adjusted annually based on the average interest earned on investments.

#### **Provision for Performance Bonuses**

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is raised once the timing and amount of such provision can be reliably determined. The provision is based on the performance of each S57 employee against the performance scorecard set and agreed upon for each financial year. If on assessment of the respective S57 employees it is decided that a bonus will be paid out, the S57 employee is entitled to receive this bonus irrespective of whether they are still in the service of the Economic Entity.

#### **Long service awards**

Employees who have completed 25 years unbroken service are entitled to receive a once-off cash award not exceeding R2, 500. The cash award is included in the employee's salary in the month of the service anniversary. Actuarial valuations were conducted for the first time in the 2014 financial year and will be conducted on an annual basis.

#### **Retirement benefits**

The Economic Entity provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan, using the projected unit credit method. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

The Economic Entity has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Economic Entity has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Economic Entity but do it as a whole for all the Municipalities together.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred.

The past service costs are recognised as an expense immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (further detail is available in Note 47), less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by long-term employee benefit funds or qualifying insurance policies. Plan assets are not available to the creditors of the Economic Entity nor can they be paid directly to the Economic Entity.

Fair value is based on market price information and in the case of quoted securities; it is the published bid price. It should be noted that there are currently no plan assets.

#### **Medical Aid: Continued Members**

The Economic Entity provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the Medical Aid Funds with which the Economic Entity is associated, a member, on retirement, is entitled to remain a continued member of such medical aid fund. Should the member opt to remain on the fund, the member is liable for the portion, as determined by Council from time to time, of the medical aid membership fee and the Economic Entity for the remaining portion. These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

The actuarial gains or losses are recognised in the Statement of Financial Performance in the year incurred. Actuarial valuations are conducted on an annual basis for each plan. In the event that an independent actuarial valuation is not performed, Management will assess whether the assumptions used in the previous valuation remain applicable. If so, the valuation will be based on the previous independent valuation. If not, an adjustment is made to take into account any changes in assumptions.

## **11. PROVISIONS AND CONTINGENCIES**

Provisions are recognised when the Economic Entity has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects the risk of the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that there will be an outflow of resources embodying economic benefits or service potential to settle the obligation, the provision is reversed.

Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions

are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

With respect to litigation and claims against the Economic Entity: The Economic Entity's Legal Council assesses the list of claims against the Economic Entity on an annual basis. The Economic Entity recognises a provision for all claims/cases for which the outflow of economic resources is probable and the amount can be reliably estimated.

The Economic Entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

## **12. FINANCIAL INSTRUMENTS**

### **Initial Recognition**

The Economic Entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Economic Entity becomes a party to the contractual provisions of the instrument.

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

The Economic Entity evaluates the terms of a financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities or residual interests.

### **Initial Measurement**

When a financial asset or financial liability is recognised initially, the Economic Entity measures it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example where interest free credit is granted or where credit is granted at a below market rate of interest.

### **Subsequent Measurement**

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- a) Financial instruments at fair value
  - Instruments held for trading.
  - Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
  - Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

- b) Financial instruments at amortised cost  
Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the Economic Entity designates at fair value at initial recognition or are held for trading.
- c) Financial instruments at cost  
Investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The Economic Entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

### **Concessionary loans**

An entity first assesses whether the substance of a concessionary loan meets the definition of a financial instrument. On initial recognition, an entity analyses a concessionary loan into its component parts and accounts for each component separately. An entity accounts for that part of a concessionary loan that is:

- a) A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- b) Non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

### **Derecognition**

A financial asset or the specifically identified cash flows of an asset are derecognised, when:

- a) The cash flows from the asset expire, are settled or waived;
- b) Significant risks and rewards are transferred to another party; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

### **Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

### **Offsetting**

The Economic Entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **Impairment of financial assets**

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The Economic Entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### For financial assets held at amortised cost:

The Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### For financial assets held at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Such impairment losses are not reversed.

### **Policies relating to specific financial instruments**

#### **Investments at amortised cost**

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

#### **Investments at fair value**

Investments, which represent investments in equity for which fair value can be measured reliably, are subsequently measured at fair value.

Gains and losses in the fair value of such investments are recognised in the Statement of Financial Performance.

#### **Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost.

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 comprises of cash on hand and deposits held on call with banks.

#### **Trade and other receivables**

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. Amounts that are receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Bad debts are written off in the year in which they are identified as irrecoverable, subject to the approval of the Council.

#### **Trade and other payables**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest method.

### **13. PROPERTY, PLANT AND EQUIPMENT**

#### **Initial recognition and measurement**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, other than investment property, or for administrative purposes and are expected to be used during more than one year.

Items of property, plant and equipment are recognised when it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an item of property, plant and equipment is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Economic Entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **Subsequent measurement**

Subsequent to initial recognition, items of property, plant and equipment (other than land) are measured at cost less accumulated depreciation and impairment losses.

Subsequent to initial recognition, land is measured at cost and is not depreciated because it has an indefinite useful life.

Where the Economic Entity replaces parts of an asset, it derecognises the part of the asset replaced and capitalises the new component.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

#### **Depreciation**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the component assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The component assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively if appropriate.

The annual depreciation rates for the current and previous year are based on the following average asset useful lives:

<b>Land &amp; Buildings</b>	<b>Useful Life Range in Years</b>
Buildings	15 - 50
Land	Indefinite Life
<b>Infrastructure Assets</b>	<b>Useful Life Range in Years</b>
Roads, Sidewalks & Stormwater Networks	5 – 100
Beach Developments	30 – 50
Electricity Reticulation & Supply	10 – 80
Sewerage Mains & Purification Works	15 – 80
Waste Disposal Facilities	20 – 100
Water Supply & Reticulation	10 – 50
Dams & Treatment Works	25 – 100
<b>Other Assets</b>	<b>Useful Life Range in Years</b>
Bins & Containers	5 – 15
Emergency & Medical Equipment	5 – 20
Vehicles & Plant	4 – 30



Office Furniture & Fittings	3 – 20
Landfill Sites	50
Security Systems	5 – 15
Tip Sites	30
Computer Hardware	3 – 8

<b>Community Assets</b>	<b>Useful Life Range in Years</b>
Libraries	15 – 50
Fire Stations	15 – 50
Library Books	5 – 20
Cemeteries	15 – 50
Clinics	15 – 50
Community Centres	15 – 50
Public Conveniences	15 – 50
Swimming Pools	15 – 50
Recreational Facilities	15 – 50
Selling & Letting Schemes	15 – 50

### **Derecognition**

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. 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. Residual values are assumed to be zero, unless otherwise stated.

## **14. HERITAGE ASSETS**

### **Initial recognition and measurement**

Heritage Assets are assets that have cultural, historical, environmental, natural, scientific or technological significance that are held indefinitely for the benefit of present and future generations.

Heritage assets are recognised when it is probable that future economic benefits or service potential associated with the item will flow to the Economic Entity and the cost or fair value of the item can be measured reliably.

When an asset, do not meet the initial recognition criteria of a heritage asset, the Economic Entity discloses the relevant and useful information about such assets in the notes to the financial statements.

Heritage assets are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity.

Where an asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

**Subsequent measurement**

Subsequent to initial recognition, the Economic Entity uses the cost model to measure its heritage assets.

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

The table below reflects the class of heritage assets and the estimated useful life range in years:

Heritage Sites	Useful Life Range in Years
Memorials & Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life
Collections of rare books and manuscripts	Indefinite Life

**Derecognition**

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**15. INTANGIBLE ASSETS**

**Initial recognition and measurement**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The Economic Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Economic Entity and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- a) The Economic Entity intends to complete the intangible asset for use or sale.
- b) It is technically feasible to complete the intangible asset.
- c) The Economic Entity has the resources to complete the project.
- d) It is probable that the Economic Entity will receive future economic benefits or service potential.
- e) The ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an intangible asset is acquired in exchange for a dissimilar asset, the acquired asset is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset given up.

#### **Subsequent measurement**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

#### **Amortisation and impairment**

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when its available for use.

The annual amortisation rates are based on the following estimated average asset lives:

Intangible	Useful Life Range in Years
Computer Software	3 – 5
Website Development	3 – 5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

#### **Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **16. INVESTMENT PROPERTY**

#### **Initial recognition and measurement**

Investment property includes property (land or a building or part of a building or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation,

rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment property is initially recognised when future benefits and or service potential are probable and the cost or fair value can be determined reliably.

At initial recognition, the Economic Entity measures investment property at cost including transaction costs once it meets the definition of investment property.

Where an investment property was acquired through a non-exchange transaction (i.e. where the Economic Entity acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. If owner occupied property becomes an investment property, the Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. If investment property becomes owner-occupied property, the Economic Entity accounts for such property in accordance with the policy stated under investment property up to the date of change in use. The costs of day-to-day servicing of investment properties are recognised in the Statement of Financial Performance as incurred.

#### **Subsequent measurement**

Investment property is measured using the cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment.

#### **Depreciation**

Depreciation begins when the asset is available for use. Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Investment Property</b>	<b>Useful Life Range in Years</b>
Land	Indefinite Life
Buildings	15 - 50

The investment property's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year-end.

Land is not depreciated.

#### **Fair Value**

The assumptions for determining the fair value of the Investment property is set out in Note 12 of the Consolidated Financial Statements.

#### **Derecognition**

An Investment Property is derecognised when it is disposed of or when no future economic benefits or service potential are to be derived from the use of the asset. All gains or losses from the disposal of investment property are determined as the difference between the sales proceeds and the carrying value of the asset and are recognised in the Statement of Financial Performance.

## **17. NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Economic Entity's accounting policies for the individual assets.

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

Gains on the subsequent increase in fair value less costs to sell are not recognised in excess of any cumulative impairment loss. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### **Derecognition**

Non-current assets held for sale are derecognised when the asset is disposed of or when there are no further economic benefits. The gain or loss arising not previously recognised by the date of the sale of a non-current asset (or disposal group), shall be recognised on the disposal of the asset. The gain or loss is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in the Statement of Financial Performance.

## **18. INVENTORIES**

### **Initial recognition and measurement**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than VAT), transport costs and any other direct costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Economic Entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **Subsequent measurement**

Inventories, consisting of consumable stores, raw materials, water and finished goods (FG), are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is first-in, first-out (FIFO) method for all inventory categories except water. Water is measured on the weighted average method.

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

An impairment provision for the write down of inventory is maintained in lieu of obsolete inventory. The level of the impairment provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The Economic Entity purchases its water. The cost of water purchased and not yet sold as reflected in the statement of financial position comprises the purchase price and other direct costs attributable to the acquisition. The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

## **19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

### **Recognition**

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An asset's recoverable amount (or recoverable service amount) is the higher of the fair value less costs to sell, and the value-in-use of the asset.

The Economic Entity classifies the asset/identifiable group of assets as cash-generating if the key purpose of such asset/group of assets is to derive a commercial return from continuing use, and is independent of the cash inflows from other assets or groups of assets. The Economic Entity will classify all other assets that do not meet the definition of cash-generating assets/group of assets as non-cash generating assets.

### **Measurement**

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash-generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash-generating unit.

An asset is part of a cash-generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets, the value in use is determined as a function of the discounted future cash flows from the asset.

Where the asset is a non-cash generating asset, the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach: The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic Entity makes an estimate of the assets or cash-generating unit's recoverable amount.

### **Reversal of impairment losses**

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

## **20. REVENUE**

### **20.1 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Economic Entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

#### **Recognition**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity has transferred the significant rewards of ownership of the goods.
- b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- c) The amount of revenue can be measured reliably.
- d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

#### **Specific exchange-revenue sources**

Service charges relating to electricity, water and sewerage are based on consumption. 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 and the related revenue adjustment is recognised in the same period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at point of sale.

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied monthly based on the costs of providing the refuse removal service.

Rental income arising on investment properties, facilities and equipment is accounted for on a straight-line basis over the lease term on on-going leases.

Revenue from the issue of permits and licenses is recognised at point and time of issue.

Interest income is recognised in surplus or deficit on a time proportionate basis, using the effective interest method (i.e. based on the effective interest rate of the individual investments).

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated to the fund concerned
- Interest earned on unutilised conditional grants is allocated to the creditor (i.e. recognised as an obligation), if grant conditions indicate that interest is payable to the funder.

#### **Measurement**

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.



## **20.2 Revenue from Non-Exchange Transactions**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an Economic Entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

### **Recognition**

Revenue from non-exchange transactions refers to transactions where the Economic Entity received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Economic Entity and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

### **Specific non-exchange-revenue sources**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines are recognised when it is probable that future economic benefits will flow to the Economic Entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue in the invoicing period, therefore an accrual is raised at the end of the financial year based on the average collection of fines throughout the year.

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the Economic Entity. Where public contributions have been received but the Economic Entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Economic Entity.

Fuel levy is recognised in revenue when the income is received.

Grants, transfers or donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions. Where the grant, transfer or donation

has been received but the Economic Entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

### **Measurement**

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met. Therefore the best estimate of the amount required to settle the present obligation at the reporting date will be recognised as a liability.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

The Economic Entity has an obligation in terms of legislation to collect all revenue and as such, the Economic Entity does not consider the collective collectability of the revenue on initial recognition on a portfolio basis. The Economic Entity assesses collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss is recognised as an expense.

### **Expenditure from Non-exchange Transactions**

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue.

Expenditure from non-exchange transactions are recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that conditions attached to the expenditure have not been met. The asset is transferred to the Statement of Financial Performance once the conditions are met.

## **21. BORROWING COSTS**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Economic Entity ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance using the effective interest method.

## **22. LEASES**

### **The Economic Entity as Lessee**

#### **Recognition**

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised

in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### **Measurement**

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

#### **Derecognition**

The finance lease liabilities are derecognised when the Economic Entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the Economic Entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the Economic Entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the Economic Entity no longer anticipates economic benefits to flow from the asset.

#### **The Economic Entity as Lessor**

##### **Recognition**

For those leases that meet the definition of a finance lease, where the Economic Entity is the lessor, the Economic Entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the Economic Entity recognises a finance lease receivable. Finance lease income is allocated between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, on a straight-line basis over the lease period.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### **Measurement**

Finance lease receivables are recognised at an amount equal to the Economic Entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

#### **Derecognition**

Finance lease receivables are derecognised when the Economic Entity's right to the underlying cash flows expire or when the Economic Entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the Economic Entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the Economic Entity's right to the underlying cash flows expire or the Economic Entity no longer expects economic benefits to flow from the operating lease asset.

### **23. FOREIGN CURRENCY TRANSACTION**

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded are expensed.

Transactions in foreign currency are accounted for at the spot rate of the exchange ruling on the date of the transaction.

Gains and losses arising on the translation are recognised in the Statement of Financial Performance in the year in which they occur.

### **24. VALUE ADDED TAX (VAT)**

The Economic Entity accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT refundable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

### **25. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government,

Economic Entity 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 incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

## **26. 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 Economic Entity's Supply Chain Management Policy. Irregular expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

## **27. 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 incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the financial statements.

## **28. RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE**

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

## **29. TRANSFER OF FUNCTION BETWEEN ENTITIES NOT UNDER COMMON CONTROL**

The Economic Entity uses the acquisition method in accounting for transactions relating to transfers of function, between entities not under common control.

Applying the acquisition method requires:

- a) Identifying the acquirer.
- b) Determining the acquisition date.
- c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- d) Recognising the difference between (c) and the consideration transferred to the seller.

The acquisition date is the date on which control is transferred from the acquiree to the acquirer.

### **Economic Entity as the acquirer:**

At acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree shall be recognised if:

- a) The assets taken on and the liabilities assumed meets the definitions of an asset and liability as set out in the Framework for the Preparation and Presentation of Financial Statements.
- b) These assets and liabilities relate to the binding agreement between the parties to the transaction and may not relate to separate transactions.

Assets and liabilities not previously recognised by the acquiree will be recognised if these assets and liabilities now meet the recognition criteria (for example internal generated intangible assets not previously recognised).

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

### **30. EVENTS AFTER THE REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Consolidated Financial Statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Economic Entity adjusts the amounts recognised in the Consolidated Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The Economic Entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

### **31. RELATED PARTIES**

The Economic Entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the Economic Entity and one or more related parties, and those transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Economic Entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the Economic Entity's legal mandate.

Further details about those transactions are disclosed in the notes to the financial statements.

### **32. BUDGET INFORMATION**

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the Economic Entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Comparative information is not required.

### **33. COMMITMENTS**

Items are classified as commitments when the Economic Entity has committed itself to future transactions that will normally result in an outflow of cash.

Disclosure is done to the extent that it has not already been recognised elsewhere in the financial statements.

Capital commitments are treated as follows:

- The aggregate amount of capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements; and
- If a commitment is for a period longer than a year.

Commitments are disclosed in the following circumstances:

- Unrecorded expenditure approved and contracted for before/at reporting date;
- Unrecorded expenditure approved but not yet contracted for at reporting date; and
- Unrecorded expenditure approved after reporting date.

### **34. GRANTS-IN-AID**

The Economic Entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Economic Entity does not:

- Receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period in which the events giving rise to the transfer occurred.

### **35. IMPAIRMENT**

#### **Impairment of cash generating units:**

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

#### **External sources of information**

(a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use. (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal sources of information

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

**Impairment of non-cash generating units:**

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

**External sources of information**

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

**Internal sources of information**

- (c) Evidence is available of physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

**36. CONSTRUCTION CONTRACTS**

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date exceed capital grants received, the surplus is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent project funding received. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.



Unutilised project funding is reflected on the Statement of Financial Position as a Current Liability - Unspent Project Funding. The cash received is invested until it is utilised.

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Economic Entity		Municipality	
	2015	Restated 2014	2015	Restated 2014
<b>RESERVES GOVERNED BY AN ACT: Note 1 and Note 2</b>				
<b>1 HOUSING DEVELOPMENT FUND</b>				
Housing Revolving Fund	108 605 509	108 605 509	108 605 509	108 605 509
Housing Reserves	1 126 270	1 126 270	1 126 270	1 126 270
<b>Total Housing Development Fund</b>	<b>109 731 779</b>	<b>109 731 779</b>	<b>109 731 779</b>	<b>109 731 779</b>

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

Housing Revolving Fund

Balance at the beginning of the year	108 605 509	108 605 509	108 605 509	108 605 509
Contributions received	0	0	0	0
<b>Balance at the end of the year</b>	<b>108 605 509</b>	<b>108 605 509</b>	<b>108 605 509</b>	<b>108 605 509</b>

The purpose of the Housing Revolving Fund is to provide bridging financing for Provincial Housing Board approved housing developments. Contributions consist of cash received from the Provincial Housing Board.

**HOUSING RESERVES**

Community Facilities	160 631	160 631	160 631	160 631
Replacement and Renewals	965 639	965 639	965 639	965 639
<b>Balance at the end of the year</b>	<b>1 126 270</b>	<b>1 126 270</b>	<b>1 126 270</b>	<b>1 126 270</b>

Community Facilities

Balance at the beginning of the year	160 631	160 631	160 631	160 631
Transfer from Accumulated Surplus	0	0	0	0
<b>Balance at the end of the year</b>	<b>160 631</b>	<b>160 631</b>	<b>160 631</b>	<b>160 631</b>

Replacement and Renewals

Balance at the beginning of the year	965 639	965 639	965 639	965 639
Transfer from Accumulated Surplus	0	0	0	0
<b>Restated Balance at beginning of year</b>	<b>965 639</b>	<b>965 639</b>	<b>965 639</b>	<b>965 639</b>

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

**2 COID RESERVE**

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

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

The COID Reserve is required in terms of Section 84 of the COID Act (No. 130 of 1993) as the Nelson Mandela Bay Municipality (NMBM) has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases.

## NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>3. LONG-TERM LIABILITIES</b>				
<b>Financial Liabilities:</b>				
Development Bank of Southern Africa (DBSA)	411 715 278	454 611 711	411 715 278	454 611 711
Amalgamated Banks of South Africa (ABSA)	75 000 000	105 000 000	75 000 000	105 000 000
Rand Merchant Bank	436 262 056	446 825 947	436 262 056	446 825 947
Nedbank	637 507 985	669 887 890	637 507 985	669 887 890
<b>Total External Loans</b>	<b>1 560 485 319</b>	<b>1 676 325 548</b>	<b>1 560 485 319</b>	<b>1 676 325 548</b>
Construction Contract Retention	3 205 728	2 014 509	0	0
Brookes Bequest	15 573 465	14 700 185	15 573 465	14 700 185
<b>Total Long-term Liabilities</b>	<b>1 579 264 512</b>	<b>1 693 040 242</b>	<b>1 576 058 784</b>	<b>1 691 025 733</b>
<b>Less : Current portion transferred to current liabilities</b>	<b>106 793 027</b>	<b>113 978 027</b>	<b>104 092 767</b>	<b>112 968 098</b>
Development Bank of Southern Africa (DBSA)	28 081 918	41 862 114	28 081 918	41 862 114
Amalgamated Banks of South Africa (ABSA)	30 000 000	30 000 000	30 000 000	30 000 000
Rand Merchant Bank	11 200 036	10 593 062	11 200 036	10 593 062
Nedbank	34 810 813	30 512 922	34 810 813	30 512 922
Construction Contract Retention	2 700 260	1 009 929	0	0
	<b>1 472 471 485</b>	<b>1 579 062 215</b>	<b>1 471 966 017</b>	<b>1 578 057 635</b>

The Financial liabilities are measured at amortised cost taking into account relevant interest rates.

No loans are secured.

**ABSA**

The loan was taken up during the 2007/08 financial year and is repayable over 10 years in 20 half-year instalments, by 31 December 2017, at a fixed interest rate of 11.85% per annum. The loan was used to finance various electricity reticulation projects. A capital amount of R30 000 000 and interest of R11 561 055 was repaid during the financial year. (2014: Capital repaid R30 000 000 and Interest paid R15 072 226)

**DBSA**

Various loans were consolidated into one single loan amounting to R238 297 599 with effect from 30 September 2005, repayable over 10 years in 20 half-yearly instalments, by 30 September 2015, including accrued interest. There are two choices of variable interest rate linked to the 6 month JIBAR or to the 3 month JIBAR and a fixed interest rate linked to Government Bond R157. From 1 October 2005 to 30 September 2006 the interest was calculated linked to the six month JIBAR, but on 1 October 2006 the interest rate was fixed, linked to the Government Bond R157 at 9.38%. Council has the right to amend the interest rate between variable or fixed. A capital amount of R31 952 612 and interest of R3 871 989 was repaid during the financial year. (2014: Capital repaid R29 145 061 and Interest paid R6 679 540)

A further loan of R420 000 000 was taken up during the 2008/09 financial year and is repayable over 20 years in 38 half yearly instalments of R27 651 367, by 30 September 2029, at a fixed interest rate of 11.62% per annum with a final payment of R27 651 367. The loan was used for various capital projects. A capital amount of R9 909 502 and interest of R45 393 231 was repaid during the financial year. (2014: Capital repaid R8 834 487 and Interest paid R46 468 246)

**NEDBANK**

The loan of R745 000 000 was taken up during the 2009/10 financial year and is repayable over 15 years in 30 half yearly instalments of R52 372 749, by 31 January 2025, at a fixed interest rate of 11.7% per annum. The loan was used for various capital projects. A capital amount of R30 512 922 and interest of R74 255 075 was repaid during the financial year. (2014: Capital repaid R27 590 265 and Interest paid R77 177 732)

**RAND MERCHANT BANK**

The loan of R470 000 000 was taken up during the 2010/11 financial year and is repayable over 20 years in 40 half yearly instalments of R27 779 027, by 31 May 2031, at a fixed interest rate of 10.24% per annum. The loan was used for various capital projects. A capital amount of R10 593 062 and interest of R44 964 992 was repaid during the financial year. (2014: Capital repaid R9 589 011 and Interest paid R45 969 043)

**BROOKES BEQUEST**

Brookes bequest represents a long-term creditor. The funds can only be utilised by the NMBM when the two remaining Trustees approve the donation of funds to the NMBM. The funds may be utilised for capital projects related to the development of Humewood. The fund bears interest at an average of 5.94% per annum.

**CONSTRUCTION CONTRACT RETENTION**

Construction contract retention creditors relate to retentions held in projects in line with accepted construction accounting principles. Such retentions are payable 3 to 12 months after official sign off of the project, and are non-interest bearing.

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

Refer to Note 47 for the full reconciliation and disclosures.

**Gratuity Benefit**

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

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

**Post Retirement Benefits**

The past service liability in respect of post retirement benefits relates to ill-health retirements and medical aid contributions, and ex-gratia pensions which have been actuarially assessed at R1 223 674 216

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

**Long Service Awards and Long Service Bonus**

This obligation is in respect of the long service award and long service bonus which the Municipality offers to its current employees and which become payable at certain pre-determined intervals.

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

**4.2 NON-CURRENT PROVISIONS**

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

**Rehabilitation of landfill sites**

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R136,194,301 for the Arlington Tip site, R57,871,477 for the Koedoeskloof Tip site and R89,949,955 for the Ibhayi Tip site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2031 (Arlington) and 2019 (Koedoeskloof). Squatters are currently occupying the Ibhayi Landfill site that is already closed as a tip site. Provision has been made for the rehabilitation of the landfill sites based on the net present value of cost. For Arlington and Koedoeskloof landfill sites, the cost factors as determined have been applied and projected at an inflation rate of 4.7%. The projected amounts are discounted to the present value at the long term Treasury Bond rate of 1.75%, for Arlington and at an average borrowing cost of 11.04% for Koedoeskloof. The determined cost to rehabilitate Ibhayi landfill site represents the present value.

<b>Balance at beginning of year</b>	267 291 647	235 394 122	267 291 647	235 394 122
Contributions to Provision	16 724 086	31 897 525	16 724 086	31 897 525
<b>Balance at end of year</b>	<b>284 015 733</b>	<b>267 291 647</b>	<b>284 015 733</b>	<b>267 291 647</b>

**Rehabilitation of Swartkops River**

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

The provision is in relation to the Municipality's obligation to address the environmental pollution of the Swartkops River.

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 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>5 EMPLOYEE BENEFITS AND PROVISIONS</b>				
<b>5.1 CURRENT EMPLOYEE BENEFIT OBLIGATION</b>				
Gratuity Liability	4 842 003	5 788 043	4 842 003	5 788 043
Post Retirement Benefits	46 856 876	48 887 000	46 856 876	48 887 000
Performance Bonus Liability	3 715 238	4 208 368	3 117 531	3 603 490
Long service awards and long service bonuses	17 430 577	23 327 000	17 430 577	23 327 000
Provision for Workmen's Compensation	32 480	44 108	0	0
<b>Total Current Employee Benefit Obligation</b>	<b>72 877 174</b>	<b>82 254 519</b>	<b>72 246 987</b>	<b>81 605 533</b>

Refer to Note 47 for the full reconciliation and disclosures.

**Gratuity Obligation**

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

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

**Post Retirement Benefits**

The obligation is in respect of the short-term liabilities attributable to ill-health retirements, medical aid contributions and ex-gratia pensions.

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

**Performance bonus liability**

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

<b>Balance at beginning of year</b>	4 208 368	6 569 816	3 603 490	6 120 017
Movement in Obligation	111 748	(1 822 799)	(485 959)	(2 427 677)
Expenditure incurred	(604 878)	(538 649)	0	(88 850)
<b>Balance at end of year</b>	<b>3 715 238</b>	<b>4 208 368</b>	<b>3 117 531</b>	<b>3 603 490</b>

**Task Evaluation Liability**

The obligation is in respect of task evaluation.

<b>Balance at beginning of year</b>	0	29 234 318	0	29 234 318
Expenditure incurred	0	(29 234 318)	0	(29 234 318)
<b>Balance at end of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Long service awards and long service bonuses**

The obligation is in respect of long service awards and long service bonuses

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

**Provision for Workmens Compensation**

<b>Balance at beginning of year</b>	44 108	33 797	0	0
Contributions to Obligation	32 481	44 109	0	0
Adjustment for underprovision	(17 583)	(29 077)	0	0
Expenditure incurred	(26 526)	(4 721)	0	0
<b>Balance at end of year</b>	<b>32 480</b>	<b>44 108</b>	<b>0</b>	<b>0</b>

**5.2 CURRENT PROVISIONS**

Provision for Litigation and Claims	85 649 120	78 479 629	85 649 120	78 479 629
<b>Total Current Provisions</b>	<b>85 649 120</b>	<b>78 479 629</b>	<b>85 649 120</b>	<b>78 479 629</b>

**Provision for Litigation and Claims**

The provision is in respect of probable claims against the NMBM, pending the outcome of court decisions - See note 45(b).

<b>Balance at the beginning of the year</b>	78 479 629	139 174 500	78 479 629	139 174 500
Provision utilised	(30 766 137)	(71 939 123)	(30 766 137)	(71 939 123)
Contributions to Provision	37 935 628	11 244 252	37 935 628	11 244 252

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY  
Balance at end of year

<u>85 649 120</u>	<u>78 479 629</u>
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<u>85 649 120</u>	<u>78 479 629</u>
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**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**  
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**NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>6 CONSUMER DEPOSITS</b>				
Electricity and Water	110 379 842	98 999 522	110 379 842	98 999 522
Interest	1 472 514	1 348 011	1 472 514	1 348 011
	<b>111 852 356</b>	<b>100 347 533</b>	<b>111 852 356</b>	<b>100 347 533</b>
Guarantees held in lieu of Electricity and Water Deposits	<b>11 568 314</b>	<b>6 968 595</b>	<b>11 568 314</b>	<b>6 968 595</b>
Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.				
<b>7 CREDITORS - EXCHANGE TRANSACTIONS</b>				
Trade creditors	1 185 590 772	1 294 139 825	1 178 373 889	1 289 274 255
Payments Received in Advance	86 734 136	70 696 327	86 734 136	70 696 327
Staff leave	176 737 753	145 122 794	176 279 015	144 745 275
Other Creditors	7 013 040	4 085 894	5 869 960	3 379 162
Retentions	161 363 544	144 971 818	161 363 544	144 971 818
Operating Leases	215 371	644 820	215 371	644 820
<b>Total Creditors</b>	<b>1 617 654 616</b>	<b>1 659 661 478</b>	<b>1 608 835 915</b>	<b>1 653 711 657</b>

Refer Restatement Note no. 40.2.2

**Financial liabilities:**

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R161 363 544, which could be settled within the next 12 months.

No creditors are secured

**8 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**8.1 Conditional Grants from other spheres of Government**

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

The unspent portion of grants represents cash.

Refer Restatement Note no. 40.2.1

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9 PROPERTY, PLANT AND EQUIPMENT  
 ECONOMIC ENTITY  
 As at 30 June 2015

	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	1 846 654 821	182 370 554	1 664 284 267
Infrastructure Assets	13 199 906 461	4 511 126 770	8 688 779 691
Community Assets	3 217 593 698	619 570 239	2 598 023 459
Other Assets	1 169 170 016	654 605 191	514 564 825
	<u>19 433 324 996</u>	<u>5 967 672 754</u>	<u>13 465 652 242</u>

No assets were pledged as security

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2014

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	1 740 483 005	140 018 325	1 600 464 680
Infrastructure Assets	12 058 021 462	3 932 432 000	8 125 589 462
Community Assets	3 153 531 870	515 726 882	2 637 804 988
Other Assets	1 099 546 803	584 957 367	514 589 436
	<u>18 051 583 140</u>	<u>5 173 134 574</u>	<u>12 878 448 566</u>

Refer Restatement Note no. 40.2.3

MUNICIPALITY  
 As at 30 June 2015

	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	1 846 654 821	182 370 554	1 664 284 267
Infrastructure Assets	13 199 906 461	4 511 126 770	8 688 779 691
Community Assets	3 217 593 698	619 570 239	2 598 023 459
Other Assets	1 166 959 156	653 496 311	513 462 845
	<u>19 431 114 136</u>	<u>5 966 563 874</u>	<u>13 464 550 262</u>

No assets were pledged as security

A detailed register of Property, plant and equipment is maintained and is available for inspection.

Refer to Note 48 for reconciliation.

As at 30 June 2014

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

Refer Restatement Note no. 40.2.3



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## 10 HERITAGE ASSETS

ECONOMIC ENTITY		R	R	R
As at 30 June 2015		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		205 361 653	0	205 361 653
		<b>205 361 653</b>	<b>0</b>	<b>205 361 653</b>

Refer to Note 49 for reconciliation.

As at 30 June 2014

ECONOMIC ENTITY		R	R	R
As at 30 June 2014		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		203 660 123	0	203 660 123
		<b>203 660 123</b>	<b>0</b>	<b>203 660 123</b>

MUNICIPALITY

As at 30 June 2015

MUNICIPALITY		R	R	R
As at 30 June 2015		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		205 111 153	0	205 111 153
		<b>205 111 153</b>	<b>0</b>	<b>205 111 153</b>

Refer to Note 49 for reconciliation.

As at 30 June 2014

MUNICIPALITY		R	R	R
As at 30 June 2014		Cost	Accumulated Impairment	Carrying Value
Heritage Assets		203 409 623	0	203 409 623
		<b>203 409 623</b>	<b>0</b>	<b>203 409 623</b>

## 11 INTANGIBLE ASSETS

ECONOMIC ENTITY		R	R	R
As at 30 June 2015		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		579 837 666	435 338 639	144 499 027
		<b>579 837 666</b>	<b>435 338 639</b>	<b>144 499 027</b>

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2014

ECONOMIC ENTITY		R	R	R
As at 30 June 2014		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		543 446 863	376 233 847	167 213 016
		<b>543 446 863</b>	<b>376 233 847</b>	<b>167 213 016</b>

MUNICIPALITY

As at 30 June 2015

MUNICIPALITY		R	R	R
As at 30 June 2015		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		579 512 808	435 157 978	144 354 830
		<b>579 512 808</b>	<b>435 157 978</b>	<b>144 354 830</b>

No assets were pledged as security

Refer to Note 50 for reconciliation.

As at 30 June 2014

MUNICIPALITY		R	R	R
As at 30 June 2014		Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software		543 266 624	376 077 982	167 188 642
		<b>543 266 624</b>	<b>376 077 982</b>	<b>167 188 642</b>

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12 INVESTMENT PROPERTY

ECONOMIC ENTITY AND MUNICIPALITY  
 As at 30 June 2015

	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	248 623 193	50 454 308	198 168 885
	<u>248 623 193</u>	<u>50 454 308</u>	<u>198 168 885</u>

No assets were pledged as security

Refer to Note 51 for reconciliation.

As at 30 June 2014

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	244 119 319	44 680 164	199 439 155
	<u>244 119 319</u>	<u>44 680 164</u>	<u>199 439 155</u>

Description of Investment Property:

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

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12 INVESTMENT PROPERTY (Continued)

**Additional Disclosure:**

The NMBM applies the Cost Model

**The Market Value was determined by professional valuers of the NMBM who are experts in this field as at 30 June 2015:**

The depreciated replacement cost method of valuation was applied in determining the valuation of the property. This method of valuation is usually applied to properties that do not often change hands in the open market. The depreciated replacement cost method of valuation is calculated by determining the replacement cost of the improvements, as at the date of the valuation, less a depreciation factor, which comprises physical deterioration, functional obsolescence and location deterioration. The value of land is determined by means of comparable sales of similar properties in the area. The two values are added together to arrive at the valuation of the property.

	Economic Entity		Municipality	
	2015	Restated 2014	2015	Restated 2014
	R	R	R	R
<b>Rental revenue included in surplus for following Investment Property:</b>				
Beachview resort	240 000	240 000	240 000	240 000
Van Stadens Resort	240 000	240 000	240 000	240 000
Direct Operating expenses that generated rental revenue	0	0	0	0

13 LONG-TERM RECEIVABLES

Sporting and Other Bodies	180	260	180	260
Other Debtors	50 315	50 315	50 315	50 315
Consumer Debtors	18 248 511	12 040 755	18 248 511	12 040 755
Rate and General	9 265 720	5 356 644	9 265 720	5 356 644
Electricity	3 590 679	2 975 490	3 590 679	2 975 490
Water	2 195 112	1 665 443	2 195 112	1 665 443
Refuse	1 132 893	826 873	1 132 893	826 873
Sewerage	1 846 402	1 216 305	1 846 402	1 216 305
Insurance	217 705	0	217 705	0
	<b>18 299 006</b>	<b>12 091 330</b>	<b>18 299 006</b>	<b>12 091 330</b>
<b>Less current portion:</b>				
Sporting and Other Bodies	80	80	80	80
<b>Current Portion of Long-term Receivables</b>	<b>80</b>	<b>80</b>	<b>80</b>	<b>80</b>
<b>Long-term Receivables</b>	<b>18 298 926</b>	<b>12 091 250</b>	<b>18 298 926</b>	<b>12 091 250</b>
Long-term Receivables - Exchange Transactions	9 033 206	6 734 606	9 033 206	6 734 606
Long-term Receivables - Non-exchange Transactions	9 265 720	5 356 644	9 265 720	5 356 644
	<b>18 298 926</b>	<b>12 091 250</b>	<b>18 298 926</b>	<b>12 091 250</b>

No collateral is held for receivables

In the event of defaults on arrangements, the consumers may enter into a fresh arrangement upon making certain down payments.

**LONG-TERM RECEIVABLES - CONSUMER DEBTORS**

**Financial Assets - Receivables:**

Consumer Debtors have a fixed repayment term per individual consumer and interest is calculated on monthly basis at 9% per annum.

**CONSUMER DEBTORS**

The current portion is disclosed in note 15 - Consumer Debtors.

14 INVENTORY

	125 682 541	106 012 765	125 682 541	106 012 765
Raw Materials	98 809	143 144	98 809	143 144
Finished Goods	95 106 709	85 238 477	95 106 709	85 238 477
Water Finished Goods - at cost (refer to note 28 for cost of inventory sold)	11 038 673	7 016 348	11 038 673	7 016 348
Consumable Goods	19 438 350	13 614 796	19 438 350	13 614 796
Less: Provision for Obsolete Stock	(1 466 203)	(1 739 190)	(1 466 203)	(1 739 190)
	<b>124 216 338</b>	<b>104 273 575</b>	<b>124 216 338</b>	<b>104 273 575</b>

No inventory was pledged as security

**Refer Restatement Note no. 40.2.8**

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## 15 CONSUMER DEBTORS

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
<b>As at 30 June 2015</b>			
<b>ECONOMIC ENTITY AND MUNICIPALITY</b>			
Service Debtors	<b>2 917 474 100</b>	<b>(1 779 155 689)</b>	<b>1 138 318 411</b>
Rates and General	788 704 395	(559 304 985)	229 399 410
Electricity	1 031 363 720	(417 123 714)	614 240 006
Water	572 456 769	(410 151 769)	162 305 000
Refuse	221 296 570	(176 025 922)	45 270 648
Sanitation	303 652 646	(216 549 299)	87 103 347
House Rentals	22 933 207	(19 217 127)	3 716 080
<b>Total</b>	<b>2 940 407 307</b>	<b>(1 798 372 816)</b>	<b>1 142 034 491</b>

**Consumer debtors are made up as follows:**

Consumer debtors - Non-exchange Transactions	229 399 410
Consumer debtors - Exchange Transactions	912 635 081
<b>Total</b>	<b>1 142 034 491</b>

No consumer debtors were pledged as security.

In the event of defaults services are disconnected until such time that the outstanding debt has been paid or an arrangement entered into.

	Gross Balances	Impairment Allowance	Carrying Amount
<b>As at 30 June 2014</b>			
<b>ECONOMIC ENTITY AND MUNICIPALITY</b>			
Service Debtors	<b>2 622 921 771</b>	<b>(1 589 914 908)</b>	<b>1 033 006 863</b>
Rates and General	700 233 299	(504 959 502)	195 273 797
Electricity	921 294 026	(350 755 842)	570 538 184
Water	542 786 678	(386 046 641)	156 740 037
Refuse	191 772 243	(154 745 709)	37 026 534
Sanitation	266 835 525	(193 407 214)	73 428 311
House Rentals	24 191 741	(20 883 206)	3 308 535
<b>Total</b>	<b>2 647 113 512</b>	<b>(1 610 798 114)</b>	<b>1 036 315 398</b>

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

Consumer debtors - Non-exchange Transactions	195 273 797
Consumer debtors - Exchange Transactions	841 041 601
<b>Total</b>	<b>1 036 315 398</b>

	2015 R	Restated 2014 R
<b><u>Rates and General: Ageing</u></b>		
Current (0-30 days)	97 401 007	81 253 078
31 - 60 Days	38 946 251	32 034 238
61 - 90 Days	22 528 982	19 063 379
Over 90 Days	629 828 155	567 882 604
<b>Total</b>	<b>788 704 395</b>	<b>700 233 299</b>
<b><u>Electricity: Ageing</u></b>		
Current (0-30 days)	481 412 632	450 552 740
31 - 60 Days	59 162 278	46 628 599
61 - 90 Days	40 962 246	28 710 608
Over 90 Days	449 826 564	395 402 079
<b>Total</b>	<b>1 031 363 720</b>	<b>921 294 026</b>
<b><u>Water: Ageing</u></b>		
Current (0-30 days)	91 624 396	94 878 410
31 - 60 Days	32 878 319	41 291 952
61 - 90 Days	24 684 913	24 018 541
Over 90 Days	423 269 141	382 597 775
<b>Total</b>	<b>572 456 769</b>	<b>542 786 678</b>
<b><u>Refuse: Ageing</u></b>		
Current (0-30 days)	20 240 186	18 249 463
31 - 60 Days	12 025 924	11 034 544
61 - 90 Days	5 902 003	6 042 877
Over 90 Days	183 128 457	156 445 359
<b>Total</b>	<b>221 296 570</b>	<b>191 772 243</b>

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

**Housing Rentals: Ageing**

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

**Summary of Debtors by Customer Classification**

	R	R	R
	<u>Residential Consumers</u>	<u>Industrial / Commercial</u>	<u>National and Provincial Government</u>
<b>30 June 2015</b>			
Current (0-30 days)	177 471 316	540 074 365	16 869 375
31 - 60 Days	81 460 573	75 741 758	6 327 558
61 - 90 Days	54 873 285	55 696 190	3 361 878
Over 90 Days	1 210 359 519	693 807 333	24 364 157
<b>Gross Consumer Debtors by Customer classification</b>	<b>1 524 164 693</b>	<b>1 365 319 646</b>	<b>50 922 968</b>
Gross Consumer Debtors			2 940 407 307
Less: Impairment allowance			(1 798 372 816)
<b>Net Consumer Debtors for the period ended 30 June 2015</b>			<b>1 142 034 491</b>

**Summary of Debtors by Customer Classification**

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

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

Financial Assets have been classified as loans and receivables

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

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

	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>Neither past due nor impaired</b>				
Current (0-30 days)	1 142 034 491	1 036 315 398	1 142 034 491	1 036 315 398

**Consumer Debtors for which an impairment allowance was raised**

Provision (based on the collection of outstanding debts and debtors handed over to attorneys)	1 798 372 815	1 610 798 114	1 798 372 815	1 610 798 114
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16 OTHER DEBTORS	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
Government Grants and Subsidies	290 121 939	154 479 140	290 121 939	154 479 140
Interest on External Investments	13 870 321	15 566 930	13 385 624	15 283 379
Operating lease accruals	2 549 888	2 823 086	2 549 888	2 823 086
Sundry Debtors	186 788 436	147 972 809	182 279 041	141 681 488
Entity - MBDA	0	0	48 362 452	57 181 243
	<b>493 330 584</b>	<b>320 841 965</b>	<b>536 698 944</b>	<b>371 448 336</b>
Provision for Bad Debts - Uitesco	(18 438 796)	(18 390 211)	(18 292 127)	(18 292 127)
	<b>474 891 788</b>	<b>302 451 754</b>	<b>518 406 817</b>	<b>353 156 209</b>

Refer Restatement Note no. 40.2.5

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

**17 VAT Refund / VAT Receivable**

VAT Refund	<b>31 479 714</b>	<b>90 335 144</b>	<b>28 966 822</b>	<b>89 079 115</b>
VAT Receivable	<b>15 826 945</b>	<b>45 100 613</b>	<b>15 826 945</b>	<b>45 100 613</b>

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.  
The VAT Receivable account is used to record VAT on revenue and expenses incurred but for which no payment has been received or made.

Refer Restatement Note no. 40.2.6 and 40.2.7

**18 SHORT-TERM INVESTMENTS & INVESTMENT DEPOSITS**

**DEPOSITS**

ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 6.03% (2014: 5.78%) during the current audit period.

**ECONOMIC ENTITY AND MUNICIPALITY**

275 000 000 245 000 000

First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 6.02% (2014: 5.83%) during the current audit period.

275 000 000 290 000 000

Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 5.50% (2014: 5.25 %) during the current audit period.

105 607 152 255 607 152

Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 6.20% (2014: 5.88%) during the current audit period.

300 500 000 330 500 000

Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2015: 6.37% (2014: 5.89%) during the current audit period.

296 152 000 300 372 936

**1 252 259 152 1 421 480 088**

**FINANCIAL INSTRUMENTS - INVESTMENTS**

Sanlam Shares

2 714 566 2 526 748

**2 714 566 2 526 748**

No Investments were pledged as security

The Municipal Structures Act, Act 117 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

The NMBM is the holder of 40 919 shares in Sanlam Ltd received or allotted for no cost, of which the market value was R2 714 566 (2014: R 2 526 748) determined on the open market share price as at 30 June 2015. The shares were awarded to the NMBM as the beneficiary of an insurance endowment policy, which matured during October 1998.

All deposits are invested in call accounts with all of the above banks as per the above-mentioned interest rate options. Short-term investment deposits form part of cash and cash equivalents for purposes of the cash flow statement.

Short-term Investment Deposits amounting to R104 092 767 (2014: R112 968 098) are ring-fenced and attributable to repaying long-term loans.

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19 BANK BALANCES AND CASH	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
The NMBM operates various current accounts with ABSA. The details are as follows:				
<b>BANK: ABSA</b>				
<b>ACCOUNT NUMBER: 4079534961</b>				
<b>BRANCH: Greenacres</b>				
<b>BRANCH CODE: 632005</b>				
Cash Book balance at beginning of the year	128 555 305	274 851 075	128 555 305	274 851 075
Cash Book balance at end of the year	139 620 329	128 555 305	139 620 329	128 555 305
Bank Balance at beginning of the year	179 170 678	214 988 377	179 170 678	214 988 377
Bank Balance at end of the year	114 066 794	179 170 678	114 066 794	179 170 678
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	139 620 329	128 555 305	139 620 329	128 555 305
<b>In terms of GRAP 23, the following Cash and Cash equivalents relates to restrictive agreements:</b>				
Transportation levies received and can only be used for the upkeep of roads or any roads related projects.	836 189	2 875 329	836 189	2 875 329
<b>Mandela Bay Development Agency</b>				
<b>Current Accounts (Primary Account)</b>				
<b>NedBank, Govan Mbeki Avenue, Port Elizabeth</b>				
<b>Account Number -</b>				
Cashbook balance at beginning of year	0	0		
Cashbook balance at end of the year	435 692	0		
Bank statement balance at beginning of the year	0	0		
Bank statement balance at end of the year	435 692	0		
<b>First National Bank, Govan Mbeki Avenue, Port Elizabeth</b>				
<b>Account Number - 62244870748</b>				
Cashbook balance at beginning of year	726 410	372 312		
Cashbook balance at end of the year	83 628	726 410		
Bank statement balance at beginning of the year	726 410	726 410		
Bank statement balance at end of the year	83 628	726 410		
<b>Call Account Deposits</b>				
<b>NedBank, Govan Mbeki Avenue, Port Elizabeth</b>				
<b>Account Number -</b>				
Cashbook balance at beginning of year	0	0		
Cashbook balance at end of the year	24 142 826	0		
Bank statement balance at beginning of the year	0	0		
Bank statement balance at end of the year	24 142 826	0		
<b>Rand Merchant Bank, Port Elizabeth</b>				
<b>Account Number - X021906134</b>				
Cashbook balance at beginning of year	57 335 333	60 280 112		
Cashbook balance at end of the year	28 994 607	57 335 333		
Bank statement balance at beginning of the year	57 335 333	60 280 112		
Bank statement balance at end of the year	28 994 607	57 335 333		
<b>Which are disclosed in the Statement of Financial Position as follows:</b>				
Cash and cash equivalents	53 656 754	58 061 743		
Current Account (Primary Account)	519 320	726 410		
Call Account Deposits	53 137 434	57 335 333		
<b>Consolidated Cash Book balance at end of the year</b>	<b>193 277 083</b>	<b>186 617 048</b>		

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20	PROPERTY RATES	Economic Entity		Municipality	
		2015	Restated 2014	2015	Restated 2014
		R	R	R	R
	<u>Actual</u>				
	Residential	607 505 821	557 666 343	607 505 821	557 666 343
	Commercial	562 055 291	504 905 239	562 055 291	504 905 239
	State	101 969 829	92 960 009	101 969 829	92 960 009
	Other	60 603 968	49 993 909	60 603 968	49 993 909
		<b>1 332 134 909</b>	<b>1 205 525 500</b>	<b>1 332 134 909</b>	<b>1 205 525 500</b>

As per the Municipal Property Rates Act, the date of valuation was 1 July 2012, with the implementation date being 1 July 2013.

\*Other includes Agricultural, Public Service Infrastructure and Vacant Properties.  
 These amounts are reflected excluding VAT.

<u>Valuations</u>	R'000	R'000	R'000	R'000
	Residential	84 317 736	83 360 130	84 317 736
Commercial	36 483 208	35 940 706	36 483 208	35 940 706
State	5 783 429	5 878 929	5 783 429	5 878 929
Other	6 445 702	6 113 951	6 445 702	6 113 951
	<b>133 030 075</b>	<b>131 293 716</b>	<b>133 030 075</b>	<b>131 293 716</b>

21.1 SERVICE CHARGES

Sale of Electricity	3 077 763 668	2 873 802 258	3 077 951 065	2 873 942 616
Sale of Water	519 527 626	505 420 422	519 527 626	505 420 422
Service delivery - sale of inventory	<b>3 597 291 294</b>	<b>3 379 222 680</b>	<b>3 597 478 691</b>	<b>3 379 363 038</b>
Refuse Removal	130 907 080	124 745 195	130 907 080	124 745 195
Sewerage and Sanitation charges	323 716 434	308 365 172	323 716 434	308 365 172
Service delivery - sale of services	<b>454 623 514</b>	<b>433 110 367</b>	<b>454 623 514</b>	<b>433 110 367</b>
	<b>4 051 914 808</b>	<b>3 812 333 047</b>	<b>4 052 102 205</b>	<b>3 812 473 405</b>

Refer Restatement Note no. 40.1.11

21.2 FINES

Fines	<b>39 643 657</b>	<b>61 409 438</b>	<b>39 643 657</b>	<b>61 409 438</b>
<b>Included in Fines above are Traffic fines shown as follows:</b>				
Fines issued for the year	36 831 810	63 593 570	36 831 810	63 593 570
Impaired, based on collection rate	(31 144 372)	(52 138 324)	(31 144 372)	(52 138 324)
Net fines collected	<b>5 687 438</b>	<b>11 455 246</b>	<b>5 687 438</b>	<b>11 455 246</b>

Refer Restatement Note no. 40.1.6



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22	GOVERNMENT GRANTS AND SUBSIDIES	Economic Entity		Municipality	
		2015	Restated 2014	2015	Restated 2014
		R	R	R	R
	PHB Subsidies (See Note 22.1)	428 289 586	336 533 801	428 289 586	336 533 801
	Health Subsidies (See Note 22.2)	0	6 626 745	0	6 626 745
	Equitable Share Allocation ( See Note 22.3)	761 606 000	742 909 000	761 606 000	742 909 000
	Finance Management Grant (See Note 22.4)	1 202 266	1 207 888	1 202 266	1 207 888
	Provincial Department of Human Settlements: Accreditation Grant (See Note 22.6.1)	2 556 654	12 127 257	2 556 654	12 127 257
	Municipal Human Settlements Capacity Grant (See Note 22.6.2)	13 648 697	0	13 648 697	0
	Provincial Government Grants: Library Services (See Note 22.7)	7 390 000	3 752 000	7 390 000	3 752 000
	Public Transport Networks Operations Grant (See Note 22.8.2)	67 871 622	84 044 891	67 871 622	84 044 891
	Integrated National Electrification Programme Grant (See Note 22.9)	0	0	0	0
	EU Sector Policy Support Project (See Note 22.10)	2 814 922	5 386 616	2 814 922	5 386 616
	Energy Efficiency & Demand Side Management (See Note 22.11)	9 313 581	11 751 726	9 313 581	11 751 726
	Other Grants (See Note 22.12)	9 031 981	7 884 750	9 031 981	7 737 446
	Government Grant Revenue (See Note 22.13)	784 204 088	1 027 686 340	784 204 088	1 027 126 340
	National Lotteries Grant (See Note 22.14)	1 010 012	901 491	1 010 012	901 491
	CDC Walmer Intervention Funding Grant (See Note 22.15)	49 453 043	0	49 453 043	0
	Neighbourhood Partnership Development Grant (See Note 22.16)	0	1 718 128	0	1 718 128
	Urban Settlements Development Grant (See Note 22.17)	69 167 779	4 925 502	69 167 779	4 925 502
	Infrastructure Skills Development Grant (See Note 22.18)	8 251 887	9 780 584	8 251 887	9 780 584
	EPWP Incentive Grant (See Note 22.19)	17 454 850	21 077 638	17 454 850	21 077 638
	Groen Sebenza (SANBI) Grant (See Note 22.20)	581 196	287 478	581 196	287 478
	United Nations Development Partnership Grant (See Note 22.21)	0	5 474 686	0	5 474 686
	Integrated City Development Grant (See Note 22.22)	3 682 231	0	3 682 231	0
	Department of Roads and Public Works Grant (See Note 22.25)	3 357 583	5 624 438	3 357 583	5 624 438
	Post Disaster Recovery Grant (See Note 22.26)	25 315 563	37 415 219	25 315 563	37 415 219
		<b>2 266 203 541</b>	<b>2 327 116 178</b>	<b>2 266 203 541</b>	<b>2 326 408 874</b>

Refer Restatement Note no. 40.1.3

**22.1 PHB Subsidies**

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

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

**22.2 Health Subsidies**

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

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

**22.3 Equitable Share**

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

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	761 606 000	742 909 000	761 606 000	742 909 000
Transferred to revenue	(761 606 000)	(742 909 000)	(761 606 000)	(742 909 000)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**22.4 Finance Management Grant**

This grant is used in the financial reform project under the guidance of National Treasury.

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - Transferred to Other Income - VAT portion	(47 734)	(42 112)	(47 734)	(42 112)
Conditions met - Transferred to revenue	(1 202 266)	(1 207 888)	(1 202 266)	(1 207 888)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**22.5 Smart Grid Initiative**

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

<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	2 250 000	0	2 250 000	0
Conditions met - Transferred to revenue - capital	(440 100)	0	(440 100)	0

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Conditions still to be met - transferred to liabilities

1 809 900 0

1 809 900 0

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

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	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>22.11 Energy Efficiency &amp; Demand Side Management</b>				
This Grant is used to fund Energy Efficient Electricity Projects				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	10 000 000	11 999 700	10 000 000	11 999 700
Conditions met - Transferred to Other Income - VAT portion	(686 419)	(247 974)	(686 419)	(247 974)
Conditions met - Transferred to revenue	(9 313 581)	(11 751 726)	(9 313 581)	(11 751 726)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>22.12 Other Grants</b>				
These are grants received by the NMBM for various purposes.				
<b>Balance unspent at beginning of year</b>	<b>27 037 511</b>	<b>14 034 801</b>	<b>27 037 511</b>	<b>14 034 801</b>
Current year receipts	6 608 560	22 446 173	6 608 560	21 738 869
Conditions met - Transferred to revenue - capital	(2 001 287)	(1 558 713)	(2 001 287)	(998 713)
Transfer to Other Income	0	0	0	0
Conditions met - Transferred to revenue	(9 031 981)	(7 884 750)	(9 031 981)	(7 737 446)
<b>Conditions still to be met - transferred to liabilities</b>	<b>22 612 803</b>	<b>27 037 511</b>	<b>22 612 803</b>	<b>27 037 511</b>
<b>22.13 Government Grant Revenue</b>				
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.				
	<b>784 204 088</b>	<b>1 027 686 340</b>	<b>784 204 088</b>	<b>1 027 126 340</b>
<b>22.14 National Lotteries Grant</b>				
This grant is used to fund Art and Culture programmes				
<b>Balance unspent at beginning of year</b>	<b>5 703 549</b>	<b>5 605 040</b>	<b>5 703 549</b>	<b>5 605 040</b>
Current year receipts	0	1 000 000	0	1 000 000
Conditions met - Transferred to revenue	(1 010 012)	(901 491)	(1 010 012)	(901 491)
<b>Conditions still to be met - transferred to liabilities</b>	<b>4 693 537</b>	<b>5 703 549</b>	<b>4 693 537</b>	<b>5 703 549</b>
<b>22.15 CDC Walmer Intervention Funding Grant</b>				
This grant is used to speed up service delivery intervention in Walmer Gqebera township.				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	0	0	0	0
Debtor raised	49 453 043	0	49 453 043	0
Conditions met - Transferred to revenue	(49 453 043)	0	(49 453 043)	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>22.16 Neighbourhood Partnership Development Grant</b>				
This grant is used for the urban renewal of townships				
<b>Balance unspent at beginning of year</b>	<b>7 134 879</b>	<b>0</b>	<b>7 134 879</b>	<b>0</b>
Transfer to E-share	(7 134 808)	0	(7 134 808)	0
Current year receipts	9 000 000	32 121 000	9 000 000	32 121 000
Debtor raised	-	(2 317 247)	-	(2 317 247)
Conditions met - Transferred to revenue - capital	(6 913 799)	(18 377 847)	(6 913 799)	(18 377 847)
Conditions met - Transferred to Other Income - VAT	(93 898 866)	(89 214 736)	(93 898 866)	(89 214 736)
Conditions met - Transferred to revenue	-	(1 718 128)	-	(1 718 128)
<b>Conditions still to be met - transferred to liabilities</b>	<b>1 118 343</b>	<b>7 134 879</b>	<b>1 118 343</b>	<b>7 134 879</b>
<b>22.17 Urban Settlements Development Grant</b>				
This grant is used to improve urban land production to the benefit of poor households as well as improving spatial integration and densities.				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	828 863 000	727 986 000	828 863 000	727 986 000
Conditions met - Transferred to revenue - capital	(665 796 355)	(633 845 761)	(665 796 355)	(633 845 761)
Conditions met - Transferred to Other Income - VAT portion	(93 898 866)	(89 214 736)	(93 898 866)	(89 214 736)
Conditions met - Transferred to revenue	(69 167 779)	(4 925 503)	(69 167 779)	(4 925 503)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>22.18 Infrastructure Skills Development Grant</b>				
This grant is used for skills development				
<b>Balance unspent at beginning of year</b>	<b>560 285</b>	<b>3 499 803</b>	<b>560 285</b>	<b>3 499 803</b>
Current year receipts	8 000 000	8 200 000	8 000 000	8 200 000
Conditions met - Transferred to revenue	(8 251 887)	(9 780 584)	(8 251 887)	(9 780 584)
Conditions met - Transferred to Other Income - VAT portion	(59 755)	(159 131)	(59 755)	(159 131)
Transfer of Roll-over amount	0	(1 199 803)	0	(1 199 803)
<b>Conditions still to be met - transferred to liabilities</b>	<b>248 643</b>	<b>560 285</b>	<b>248 643</b>	<b>560 285</b>

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	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>22 GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>				
<b>22.19 EPWP Incentive Grant</b>				
This grant is used to implement expanded public works programme.				
<b>Balance unspent at beginning of year</b>	<b>5 528 976</b>	<b>6 695 716</b>	<b>5 528 976</b>	<b>6 695 716</b>
Current year receipts	13 439 000	20 885 000	13 439 000	20 885 000
Conditions met - Transferred to revenue	(17 454 850)	(21 077 639)	(17 454 850)	(21 077 639)
Conditions met - Transferred to Other Income - VAT portion	(1 513 126)	(974 101)	(1 513 126)	(974 101)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>5 528 976</b>	<b>0</b>	<b>5 528 976</b>
<b>22.20 Groen Sebenza (SANBI) Grant</b>				
This grant is used to provide training material and to cover operational expenditure of the SANBI staff.				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	440 392	71 053	440 392	71 053
Debtor raised	140 804	216 425	140 804	216 425
Conditions met - Transferred to revenue	(581 196)	(287 478)	(581 196)	(287 478)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>22.21 United Nations Development Partnership Grant</b>				
This grant is used for technical assistance relating to Infrastructure assets.				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	0	5 474 686	0	5 474 686
Conditions met - Transferred to revenue	0	(5 474 686)	0	(5 474 686)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>22.22 Intergrated City Development Grant</b>				
This grant is used to for the development of more inclusive, liveable, productive and sustainable urban built environments in the metropolitan municipalities.				
<b>Balance unspent at beginning of year</b>	<b>3 193 000</b>	<b>0</b>	<b>3 193 000</b>	<b>0</b>
Transfer to E-share	(3 193 000)	0	(3 193 000)	0
Current year receipts	4 133 000	3 193 000	4 133 000	3 193 000
Conditions met - Transferred to revenue	(3 682 231)	0	(3 682 231)	0
Conditions met - Transferred to Other Income - VAT portion	(450 769)	0	(450 769)	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>3 193 000</b>	<b>0</b>	<b>3 193 000</b>
<b>22.23 VUNA Awards</b>				
This award is used for training within the Revenue Management Directorate.				
<b>Balance unspent at beginning of year</b>	<b>15 294</b>	<b>0</b>	<b>15 294</b>	<b>0</b>
Current year receipts	0	60 000	0	60 000
Payments to Service Provider	0	(44 706)	0	(44 706)
<b>Conditions still to be met - transferred to liabilities</b>	<b>15 294</b>	<b>15 294</b>	<b>15 294</b>	<b>15 294</b>
<b>22.24 Off-Grid Electrification Grant</b>				
This grant is used to promote the socio-economic development of previously disadvantaged communities through household and institutional electrification and the electrification of associated community value-adding facilities.				
<b>Balance unspent at beginning of year</b>	<b>22 000 000</b>	<b>0</b>	<b>22 000 000</b>	<b>0</b>
Current year receipts	0	22 000 000	0	22 000 000
Conditions met - Transferred to revenue	0	0	0	0
<b>Conditions still to be met - transferred to liabilities</b>	<b>22 000 000</b>	<b>22 000 000</b>	<b>22 000 000</b>	<b>22 000 000</b>
<b>22.25 Department of Roads and Public Works Grant</b>				
This grant is used to fund the maintenance of Provincial roads in the Metropolitan area				
<b>Balance unspent at beginning of year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year receipts	3 502 936	5 698 682	3 502 936	5 698 682
Conditions met - Transferred to revenue	(3 357 583)	(5 624 438)	(3 357 583)	(5 624 438)
Conditions met - Transferred to Other Income	(145 353)	(74 244)	(145 353)	(74 244)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>22.26 Post Disaster Recovery Grant</b>				
This grant is used for the maintenance of Infrastructure Assets due to damage caused in the event of disasters.				
<b>Balance unspent at beginning of year</b>	<b>28 803 272</b>	<b>0</b>	<b>28 803 272</b>	<b>0</b>
Current year receipts	0	71 961 000	0	71 961 000
Conditions met - Transferred to revenue	(25 315 563)	(37 415 219)	(25 315 563)	(37 415 219)
Conditions met - Transferred to Other Income - VAT portion	(3 487 709)	(5 069 702)	(3 487 709)	(5 069 702)
Conditions met - Transferred to revenue - capital	0	(672 807)	0	(672 807)
<b>Conditions still to be met - transferred to liabilities</b>	<b>0</b>	<b>28 803 272</b>	<b>0</b>	<b>28 803 272</b>

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	Economic Entity		Municipality	
	2015	Restated 2014	2015	Restated 2014
	R	R	R	R
<b>23 OTHER INCOME</b>				
Fees and Charges	133 449 035	106 460 808	133 449 035	106 460 808
Grave Income	7 088 794	6 212 945	7 088 794	6 212 945
Government Grants - VAT recognised	120 984 155	161 534 582	120 984 155	161 534 582
Settlement - New Billing system	46 100 000	0	46 100 000	0
Settlement - NMBM Stadium	76 845 262	0	76 845 262	0
Other Income	86 509 401	94 273 255	86 509 401	94 273 255
<b>Other Income - NMBM</b>	<b>470 976 647</b>	<b>368 481 590</b>	<b>470 976 647</b>	<b>368 481 590</b>
Other Income - MBDA	242 436	199 060	0	0
Public Contributions and Donations Revenue	76 038 013	21 133 635	64 974 026	15 746 549
Fuel Levy	459 329 000	434 831 000	459 329 000	434 831 000
	<b>1 006 586 096</b>	<b>824 645 285</b>	<b>995 279 673</b>	<b>819 059 139</b>
<b>Refer Restatement Note no. 40.1.8</b>				
<b>24 EMPLOYEE RELATED COSTS</b>				
Employee related costs - Salaries and Wages	1 361 877 634	1 229 324 159	1 353 119 003	1 221 558 516
Employee related costs - Contributions for UIF, pensions and medical aids	495 016 951	235 263 054	495 016 951	235 263 054
Travel, motor car, accommodation, subsistence and other allowances	126 167 026	122 160 555	123 939 255	120 188 179
Housing benefits and allowances	7 187 979	6 542 350	7 187 979	6 542 350
Overtime payouts	122 405 672	106 681 263	122 405 672	106 681 263
Performance bonus	27 732 068	22 172 211	27 134 361	21 567 333
Long-service Awards	35 688 090	39 530 816	35 580 475	39 530 816
	<b>2 176 075 420</b>	<b>1 761 674 408</b>	<b>2 164 383 696</b>	<b>1 751 331 511</b>
<b>Refer Restatement Note no. 40.1.5</b>				
<b>Remuneration of the current City Manager</b>				
Annual Remuneration	2 000 000	1 000 000	2 000 000	1 000 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	244 987	55 048	244 987	55 048
<b>Total</b>	<b>2 244 987</b>	<b>1 055 048</b>	<b>2 244 987</b>	<b>1 055 048</b>
<b>Remuneration of the former City Manager</b>				
Final claim settlement	3 170 128	0	3 170 128	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	94 670	0	94 670
<b>Total</b>	<b>3 170 128</b>	<b>94 670</b>	<b>3 170 128</b>	<b>94 670</b>
<b>Remuneration of the Chief Financial Officer</b>				
Annual Remuneration	1 800 000	600 000	1 800 000	600 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	179 970	0	179 970	0
<b>Total</b>	<b>1 979 970</b>	<b>600 000</b>	<b>1 979 970</b>	<b>600 000</b>
<b>Remuneration of the Chief Operating Officer</b>				
Annual Remuneration	1 800 000	300 000	1 800 000	300 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	16 883	3 000	16 883	3 000
<b>Total</b>	<b>1 816 883</b>	<b>303 000</b>	<b>1 816 883</b>	<b>303 000</b>
<b>Remuneration of the former Chief of Staff</b>				
Annual Remuneration	1 254 828	881 280	1 254 828	881 280
Travel, Subsistence, UIF, Medical, Pension Funds, Other	108 067	13 103	108 067	13 103
<b>Total</b>	<b>1 362 895</b>	<b>894 383</b>	<b>1 362 895</b>	<b>894 383</b>
<b>Remuneration of the Chief of Police</b>				
Annual Remuneration	1 268 270	531 667	1 268 270	531 667
Car allowance	120 000	10 000	120 000	10 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	53 489	11 773	53 489	11 773
<b>Total</b>	<b>1 441 759</b>	<b>553 440</b>	<b>1 441 759</b>	<b>553 440</b>
<b>Remuneration of the Chief Executive Officer - MBDA</b>				
Annual Remuneration	1 532 381	1 421 837	0	0
Performance Bonuses	175 321	200 048	0	0
Long Service Bonus (5/10 years)	55 877	0	0	0
Car allowance	60 000	60 000	0	0
<b>Total</b>	<b>1 823 579</b>	<b>1 681 885</b>	<b>0</b>	<b>0</b>
<b>Remuneration of the Chief Financial Officer - MBDA</b>				
Annual Remuneration	861 418	799 952	0	0
Performance Bonuses	101 823	111 233	0	0
Long Service Bonus (5/10 years)	32 463	0	0	0
Car allowance	24 000	24 000	0	0
<b>Total</b>	<b>1 019 704</b>	<b>935 185</b>	<b>0</b>	<b>0</b>
<b>Remuneration of the Planning and Development Manager - MBDA</b>				
Annual Remuneration	748 361	695 413	0	0
Performance Bonuses	92 683	86 330	0	0
Long Service Bonus (5 years)	11 436	0	0	0
Car allowance	24 000	24 000	0	0
<b>Total</b>	<b>876 480</b>	<b>805 743</b>	<b>0</b>	<b>0</b>

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24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>Remuneration of the Operations Manager - MBDA</b>				
Annual Remuneration	494 749	461 133	0	0
Performance Bonuses	56 896	50 725	0	0
Long Service Bonus (5 years)	7 839	0	0	0
<b>Total</b>	<b>559 484</b>	<b>511 858</b>	<b>0</b>	<b>0</b>
<b>Remuneration of the Planning and Development Manager 2 - MBDA</b>				
Annual Remuneration	731 765	681 600	0	0
Performance Bonuses	84 153	81 792	0	0
<b>Total</b>	<b>815 918</b>	<b>763 392</b>	<b>0</b>	<b>0</b>
<b>Remuneration of the Marketing and Communications Manager - MBDA</b>				
Annual Remuneration	723 580	650 000	0	0
Performance Bonuses	86 830	74 750	0	0
<b>Total</b>	<b>810 410</b>	<b>724 750</b>	<b>0</b>	<b>0</b>
<b>Remuneration of Individual Executive Directors</b>				
<b>Corporate Services</b>				
Annual Remuneration	1 600 000	1 430 846	1 600 000	1 430 846
Travel, Subsistence, UIF, Medical, Pension Funds, Other	51 418	237 376	51 418	237 376
<b>Total</b>	<b>1 651 418</b>	<b>1 668 222</b>	<b>1 651 418</b>	<b>1 668 222</b>
<b>Economic Development, Tourism and Agriculture</b>				
Annual Remuneration	1 408 000	400 000	1 408 000	400 000
Car Allowance	192 000	0	192 000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	73 458	17 279	73 458	17 279
<b>Total</b>	<b>1 673 458</b>	<b>417 279</b>	<b>1 673 458</b>	<b>417 279</b>
<b>Infrastructure and Engineering</b>				
Annual Remuneration	1 600 000	1 196 428	1 600 000	1 196 428
Car Allowance	0	90 000	0	90 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	17 054	78 937	17 054	78 937
<b>Total</b>	<b>1 617 054</b>	<b>1 365 365</b>	<b>1 617 054</b>	<b>1 365 365</b>
<b>Electricity</b>				
Annual Remuneration	1 456 000	388 000	1 456 000	388 000
Car Allowance	144 000	12 000	144 000	12 000
Travel, Subsistence, UIF, Medical, Pension Funds, Other	149 225	3 976	149 225	3 976
<b>Total</b>	<b>1 749 225</b>	<b>403 976</b>	<b>1 749 225</b>	<b>403 976</b>
<b>Safety and Security</b>				
Annual Remuneration	1 460 992	312 585	1 460 992	312 585
Car Allowance	139 008	23 169	139 008	23 169
Travel, Subsistence, UIF, Medical, Pension Funds, Other	20 706	203 335	20 706	203 335
<b>Total</b>	<b>1 620 706</b>	<b>539 089</b>	<b>1 620 706</b>	<b>539 089</b>
<b>Human Settlements</b>				
Annual Remuneration	1 468 000	337 214	1 468 000	337 214
Car Allowance	132 000	14 422	132 000	14 422
Travel, Subsistence, UIF, Medical, Pension Funds, Other	81 335	107 138	81 335	107 138
<b>Total</b>	<b>1 681 335</b>	<b>458 774</b>	<b>1 681 335</b>	<b>458 774</b>
<b>Sports, Recreation, Arts and Culture</b>				
Annual Remuneration	1 420 000	0	1 420 000	0
Car Allowance	180 000	0	180 000	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	51 535	0	51 535	0
<b>Total</b>	<b>1 651 535</b>	<b>0</b>	<b>1 651 535</b>	<b>0</b>

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

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

Refer Restatement Note no. 40.1.15

**In-kind Benefits**

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

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

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



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	Economic Entity		Municipality	
	2015	Restated 2014	2015	Restated 2014
<b>26 IMPAIRMENT - RECEIVABLES</b>				
Bad debts consists of the following:				
<b>Bad debts expense</b>	<b>259 856 959</b>	<b>208 145 398</b>	<b>259 808 374</b>	<b>208 089 358</b>
ATTP and Miscellaneous fees and charges	257 092 457	189 321 126	257 092 457	189 321 126
Uitesco	0	18 312 127	0	18 312 127
Miscellaneous	2 764 502	512 145	2 715 917	456 105
<b>Net Contribution to doubtful debts</b>	<b>147 552 811</b>	<b>(7 378 524)</b>	<b>147 552 811</b>	<b>(7 378 524)</b>
Contribution to doubtful debts (inclusive of VAT)	444 667 158	187 426 046	444 667 158	187 426 046
Less: VAT portion	40 021 890	20 137 042	40 021 890	20 137 042
Contribution to doubtful debts (excluding VAT)	<b>404 645 268</b>	<b>167 289 004</b>	<b>404 645 268</b>	<b>167 289 004</b>
Less: Bad debts as above	257 092 457	174 667 528	257 092 457	174 667 528
	<b>147 552 811</b>	<b>(7 378 524)</b>	<b>147 552 811</b>	<b>(7 378 524)</b>
	<b>407 409 770</b>	<b>200 766 874</b>	<b>407 361 185</b>	<b>200 710 834</b>
<b>27 FINANCE COSTS</b>				
Interest on External Loans	177 174 212	189 339 227	177 174 212	189 339 227
Interest on Other	2 924 123	3 148 885	2 727 073	2 981 416
<b>Finance Cost</b>	<b>180 098 335</b>	<b>192 488 112</b>	<b>179 901 285</b>	<b>192 320 643</b>
Interest and Penalties	26 694 718	0	26 694 718	0
<b>Total Finance Cost</b>	<b>206 793 053</b>	<b>192 488 112</b>	<b>206 596 003</b>	<b>192 320 643</b>
Finance cost accrued/ Prior year accrual reversals	(2 263 517)	(394 155)	(2 263 517)	(394 155)
<b>Finance cost paid</b>	<b>209 056 570</b>	<b>192 882 267</b>	<b>208 859 520</b>	<b>192 714 798</b>
Refer Restatement Note no. 40.1.13				
<b>28 BULK PURCHASES</b>				
Electricity	2 362 484 236	2 176 041 913	2 362 484 236	2 176 041 913
Water	91 955 045	75 516 047	91 955 045	75 516 047
	<b>2 454 439 281</b>	<b>2 251 557 960</b>	<b>2 454 439 281</b>	<b>2 251 557 960</b>
<b>29 GRANTS AND SUBSIDIES PAID</b>				
Grants in aid	7 257 400	5 767 990	7 257 400	5 767 990
Grants to Entities	(404 808)	(3 257 691)	31 352 919	20 277 236
Grants to Other Organisations	18 838 731	17 538 105	18 353 804	17 241 364
	<b>25 691 323</b>	<b>20 048 404</b>	<b>56 964 123</b>	<b>43 286 590</b>
Refer Restatement Note no. 40.1.12				
<b>30 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE</b>				
<b>30.1 Contracted Services</b>				
Is made up as follows:				
Contract Security	94 994 743	61 465 029	94 994 743	61 465 029
Grass Cutting	19 954 380	19 443 848	19 954 380	19 443 848
Meter reading contracts	11 459 262	10 752 548	11 459 262	10 752 548
Stadium Management fee/ Operational Cost	58 704 708	64 844 185	58 704 708	64 844 185
Transport OperationS - IPTS	54 300 760	44 150 194	54 300 760	44 150 194
Edams system	6 674 631	7 081 866	6 674 631	7 081 866
Other minor contracts	77 596 759	81 246 293	77 596 759	81 246 293
	<b>323 685 243</b>	<b>288 983 963</b>	<b>323 685 243</b>	<b>288 983 963</b>
Refer Restatement Note no. 40.1.4				
<b>30.2 General Expenses</b>				
Is made up as follows:				
Cellphone and Telephone	30 509 981	29 080 773	30 509 981	29 080 773
Fleet management services	82 859 080	92 247 477	82 859 080	92 247 477
Petrol, oil and lubricants	52 465 844	54 737 035	52 465 844	54 737 035
Consultants	70 627 893	52 885 804	70 627 893	52 885 804
Legal Expenses incurred	35 313 574	29 116 415	35 313 574	29 116 415
Legal Expenses - Provision for litigation claims	39 168 383	(57 785 881)	39 168 383	(57 785 881)
RDP Housing - Top structures	396 800 406	363 993 731	396 800 406	363 993 731
Audit Fees - Auditor General	12 046 474	9 433 239	12 046 474	9 433 239
Hiring of equipment and machinery	23 227 076	17 356 632	23 227 076	17 356 632
Operating levies funded projects	51 167 522	49 304 097	51 167 522	49 304 097
Electricity - Dams, treatment works and pump stations	30 574 799	20 714 947	30 574 799	20 714 947
Industry capacity building expenses	20 151 616	0	20 151 616	0
RDP Housing - Toilet structures	63 597 887	0	63 597 887	0
Chemicals	36 141 638	39 641 407	36 141 638	39 641 407
Other Sundry General Expenses	134 138 163	31 591 738	101 237 734	10 418 981
	<b>1 078 790 336</b>	<b>732 317 414</b>	<b>1 045 889 907</b>	<b>711 144 657</b>
Refer Restatement Note no. 40.1.2				

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	Economic Entity		Municipality	
	2015	Restated 2014	2015	Restated 2014
<b>31 DEPRECIATION AND AMORTISATION</b>				
31.1 Depreciation - Property, Plant and Equipment	803 125 952	632 483 802	802 955 151	632 333 505
31.2 Depreciation - Investment Property	6 131 885	6 117 799	6 131 885	6 117 799
31.3 Amortisation	59 104 792	106 364 388	59 079 996	106 354 864
<b>32 CASH GENERATED FROM OPERATIONS</b>				
<b>Surplus for the year</b>	<b>R 771 458 427</b>	<b>R 1 126 474 869</b>	<b>R 770 865 490</b>	<b>R 1 126 518 279</b>
Adjustment for:-				
Interest accrued (net movement)	1 897 755	(15 283 379)	1 897 755	(15 283 379)
Interest - SARS	(1 771 238)	0	(1 771 238)	0
Impairment of receivables	187 623 286	5 589 649	187 574 701	5 533 609
Write down to net realisable value	(272 987)	1 620 874	(272 987)	1 620 874
Loss on disposal of PPE	24 887	1 273 941	0	1 272 093
Depreciation - Property, plant and equipment	803 125 952	632 483 802	802 955 151	632 333 505
Depreciation - Investment Property	6 131 885	6 117 799	6 131 885	6 117 799
Amortisation	59 104 792	106 364 388	59 079 996	106 354 864
Finance cost accrued (net movement)	(1 998 850)	(394 155)	(1 998 850)	(394 155)
Contribution to provisions/ employee benefit obligation - non-current	83 203 017	(100 765 639)	83 203 017	(100 765 639)
Contribution to provisions/ employee benefit obligation - current	(2 200 683)	(93 644 212)	(2 189 055)	(93 654 524)
Unrealised gain to Sanlam shares	(187 818)	(644 474)	(187 818)	(644 474)
Impairment of PPE/ Heritage Assets	2 350 957	640 829 081	2 350 957	640 829 081
<b>Operating Surplus before working capital changes</b>	<b>1 908 489 382</b>	<b>2 310 022 544</b>	<b>1 907 639 004</b>	<b>2 309 837 933</b>
(Increase) / Decrease in Inventory	(19 669 776)	61 245	(19 669 776)	61 245
Increase in Consumer Debtors	(293 293 794)	(412 609 987)	(293 293 794)	(412 609 987)
Increase in Other Debtors	(162 628 713)	(13 637 183)	(165 250 608)	(1 899 596)
Decrease / (Increase) in VAT	89 385 961	(138 067 806)	89 385 961	(138 067 806)
Decrease in Unspent conditional grants and receipts	(100 696 324)	(93 000 842)	(89 447 489)	(103 919 143)
(Decrease) / Increase in Creditors	(30 377 144)	150 574 958	(33 370 919)	151 847 258
(Increase) / Decrease in Long-term Receivables	(6 207 676)	19 819 415	(6 207 676)	19 819 415
	<b>1 385 001 916</b>	<b>1 823 162 344</b>	<b>1 389 784 703</b>	<b>1 825 069 319</b>
<b>33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)</b>				
Loans raised	0	0	0	0
Loans repaid	(112 968 099)	(105 158 824)	(112 968 099)	(105 158 824)
	<b>(112 968 099)</b>	<b>(105 158 824)</b>	<b>(112 968 099)</b>	<b>(105 158 824)</b>
<b>34 CASH AND CASH EQUIVALENTS</b>				
Short-term Investment Deposits	1 252 259 152	1 421 480 088	1 252 259 152	1 421 480 088
Bank balances and cash	193 277 083	186 617 048	139 620 329	128 555 305
Total Cash and Cash Equivalents	<b>1 445 536 235</b>	<b>1 608 097 136</b>	<b>1 391 879 481</b>	<b>1 550 035 393</b>
<b>35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>35.1 Contributions to organised local government</b>				
Opening balance	0	0	0	0
Council subscriptions	10 541 200	10 400 000	10 541 200	10 400 000
Amount paid - current year	(10 541 200)	(10 400 000)	(10 541 200)	(10 400 000)
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>35.2 Audit Fees</b>				
<b>Opening balance</b>	<b>5 863</b>	<b>19 327</b>	<b>0</b>	<b>0</b>
Current year audit fee	12 066 799	10 168 418	12 046 474	9 433 238
Amount paid - current year	(11 151 730)	(10 162 171)	(11 131 405)	(9 433 238)
Previous year audit fees adjustment	479 888	0	0	0
Amount paid - previous year	(5 863)	(19 711)	0	0
<b>Balance unpaid (included in creditors)</b>	<b>1 394 957</b>	<b>5 863</b>	<b>915 069</b>	<b>0</b>

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35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>35.3 VAT</b>				
The Net effect of the VAT inputs and VAT output are shown in note 17. All VAT returns have been submitted by the due date throughout the year.				
<b>35.4 PAYE and UIF</b>				
<b>Opening balance</b>	<b>22 142 167</b>	<b>18 356 784</b>	<b>21 992 449</b>	<b>18 243 017</b>
Current year payroll deductions	285 402 826	266 076 633	283 015 827	264 163 133
Amount paid - current year	(260 808 135)	(243 934 466)	(258 612 221)	(242 170 684)
Amount paid - previous year	(22 142 167)	(18 356 784)	(21 992 449)	(18 243 017)
<b>Balance unpaid (included in creditors)</b>	<b>24 594 691</b>	<b>22 142 167</b>	<b>24 403 606</b>	<b>21 992 449</b>
<b>35.5 PENSION AND MEDICAL DEDUCTIONS</b>				
<b>Opening balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Current year payroll deductions and Council Contributions	534 712 959	486 837 247	534 712 959	486 837 247
Amount paid - current year	(534 712 959)	(486 837 247)	(534 712 959)	(486 837 247)
<b>Balance unpaid (included in creditors)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>35.6 SKILLS DEVELOPMENT LEVY</b>				
<b>Opening balance</b>	<b>1 371 717</b>	<b>1 191 030</b>	<b>1 371 717</b>	<b>1 191 030</b>
Current year payroll deductions	17 192 213	16 331 403	17 192 213	16 331 403
Amount paid - current year	(15 778 455)	(14 959 686)	(15 778 455)	(14 959 686)
Amount paid - previous year	(1 371 717)	(1 191 030)	(1 371 717)	(1 191 030)
<b>Balance unpaid (included in creditors)</b>	<b>1 413 758</b>	<b>1 371 717</b>	<b>1 413 758</b>	<b>1 371 717</b>
<b>OTHER ADDITIONAL DISCLOSURES:</b>				
<b>35.7 IMPAIRMENT - OTHER</b>				
Impairment - Land and buildings	1 638 757	640 829 075	1 638 757	640 829 075
Impairment - Moveable assets	712 200	0	712 200	0
Impairment - Traffic Fines	31 144 372	52 138 324	31 144 372	52 138 324
	<b>33 495 329</b>	<b>692 967 399</b>	<b>33 495 329</b>	<b>692 967 399</b>
<b>Refer Restatement Note no. 40.1.14</b>				
The Impairment of Land relates to a reduction in market values as per the valuation roll and Moveable assets relate to assets which have become redundant.				
The Impairment of Traffic Fines was based on the collection rate of fines.				
<b>35.8 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>				
Loss on disposal of property, plant and equipment	<b>512 929</b>	<b>1 272 093</b>	<b>512 929</b>	<b>1 272 093</b>
Relates to disposal of various redundant property, plant and equipment.				
<b>35.9 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>				
Sale of motor vehicles	<b>829 981</b>	<b>0</b>	<b>829 981</b>	<b>0</b>
Relates to the disposal of motor vehicles which are past their useful lives.				
<b>35.10 WATER LOSSES</b>				
The NMBM suffered water losses of 46,643 megalitres (42.7%) amounting to R148 million (2014: 39,756 megalitres (36.93%) amounting to R135 million) during the year. The value of the water losses have been based on cost for both years, compared to previously being based on the selling price. Various water demand management interventions are being implemented to curb water losses of which the planning took place during the 2014/15 financial year and will be implemented during the 2015/16 financial year.				
<b>35.11 ELECTRICITY LOSSES</b>				
The NMBM suffered electricity losses of 12% amounting to total accumulative losses of R244.4 million (2014: 11% amounting to R234.7 million). Various electricity management interventions are being implemented to curb these losses of which the planning took place during the 2014/15 financial year and will be implemented during the 2015/16 financial year.				
<b>35.12 ADDITIONAL OTHER WATER AND ELECTRICITY LOSSES</b>				

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1. About 3 995 meters for water and electricity were identified as having less than twelve readings in a year for both actual and estimated. There was no indication that these meters were newly installed or had been removed from the premises of the account holders. It is the auditor's assumption that meter readings were not collected and no estimates were made on these accounts for the full twelve months in the year. The estimated revenue loss (revenue understatement) to the municipality as a result of not collecting all the meters estimated to be R 43 599 147.

It was however found that approximately R29 189 032 of the above amount relate to the removal and installation of scales E34, E35, E39 meters as mentioned above, and it was also found that other meters did not bill for 12 months due to removals and new installations taking place during the financial year.

2. About 2 180 meters for water and electricity were identified as having zero readings for both actual and estimated readings for the year. There was no indication that these meters were newly installed or had been removed from the premises of the account holders. It is the auditor's assumption that these meters are likely broken (stuck) as such the meter carries through with the same reading month to month. The estimated revenue loss (revenue understatement) to the municipality as a result of the possibly stuck meters was estimated to be R 35 843 668.

The AG was provided the minutes showing them, that the above anomalies are currently being investigated.

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35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>35.13 Provident Fund</b>				
Opening balance	91 873	78 315	0	0
Amount paid - current year	(1 210 444)	(1 050 353)	0	0
Expenditure	1 223 054	1 063 911	0	0
<b>Balance unpaid (included in creditors)</b>	<b>104 483</b>	<b>91 873</b>	<b>0</b>	<b>0</b>

The entity contributes to the Liberty Corporate Selection Group Life Scheme, a defined contribution plan which is required to be actuarially valued. The fund is governed under the Pension Fund Act, 1956 as amended.

The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 25 members belong to the fund.

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.1 Councillors' arrear consumer accounts

Councillors had arrear accounts outstanding for more than 90 days as at:	R <u>Arrangements</u>	R <u>Outstanding more than 90 days</u>
<b>30 June 2015</b>		
Councillor TP Adams		13
Councillor XC Bisset		12
Councillor MS Jodwana		281
Councillor ZW Jodwana		8
Councillor RC Kayser		665
Councillor XT Klaas		7
Councillor V Knoetze		88
Councillor MC Mtanga		644
Councillor LC Mtwana		15
Councillor KG Ntshanyana		127
Councillor NJ Quluba		274
Councillor LM Stemele		4
Councillor L Troon		
	2 734	
	<b>2 734</b>	<b>2 138</b>

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

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

36.2 List of Entities and related transactions

1 Solely-controlled entities	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
The following entity is solely controlled by the NMBM and have received the following grants:				
Nelson Mandela Bay Development Agency (excluding VAT)	0	0	78 131 720	63 206 244

Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

2 Section 57 Employees (See note 24)

3 Other Organisations

The Organisations have received the following grants/ payments:

1. Uitenhage Despatch Development Initiative	6 567 690	6 195 930	6 567 690	6 195 930
2. Nelson Mandela Bay Tourism	11 691 730	11 029 930	11 691 730	11 029 930
3. Surf lifesaving Club	94 385	89 890	94 385	89 890
<b>Grants/ payments to Other Organisations</b>	<b>18 353 805</b>	<b>17 315 750</b>	<b>18 353 805</b>	<b>17 315 750</b>

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Although a related party relationship does exist, the transactions were made in the ordinary course of business and as such the transactions do not constitute related party transactions as per the definition per IPSAS 20 on related parties. However these amounts have been included as the additional disclosure is required by the MFMA.

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**36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)**

**36.3.1 Suppliers in which close family members of employees, councillors/ directors or Mayor has an interest**

Name of Individual	Name of Company	Interest in Company	Economic Entity and Municipality Payments made	
			2015	Restated 2014
J Sigonyela	Umziwoxolo Construction CC	Spouse is a member of the CC	0	169 580
B Naran (Councillor)	Protea Enterprises	Spouse is a member of the CC	0	0
S Brophy	To Dine for Trading	Child is a member of the CC	98 060	140 233
JW Fitton	Andos Garden Services	Spouse is a member of the CC	0	83 748
LH Klerk	Nola Maintenance Builders	Spouse is a member of the CC	0	49 301
NC Dywili	Ezamangwevu Trading	Spouse is a member of the CC	0	43 663
T Maliti	Pily and Shakes Trading	Spouse is a member of the CC	0	170 371
ME Jarvis (Councillor)	Keypoint Consulting CC	Spouse is a member of the CC	54 606	56 544
Family of employees who have an interest in a supplier			29 372 742	20 822 789
			<b>29 525 408</b>	<b>21 536 229</b>

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

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

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

Although a related party relationship does exist, contracts were awarded to certain councillors and officials in which they have an interest. These transactions were made in the ordinary course of business at market related rates. However this disclosure has been included as required by SCM regulation 44.

**36.4 Supply Chain Management Policy**

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2014/15 financial year are detailed as follows in terms of section 39 (1) (a) of the Supply Chain Management Policy:

**1. Nelson Mandela Bay Metropolitan Municipality**

**2015**

**2014**

Deviations: Supply Chain Management Policy		Payments made	Payments made
(i)	In an emergency;	2 112 233	4 515 318
(ii)	If such goods or services are produced or available from a single provider only;	2 946 816	13 093 271
(iii)	For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;	0	183 872
(v)	In any other exceptional cases where all possible options have been explored, and it is still impractical or impossible to follow the official procurement processes	1 631 572	18 349 169
	39 (1) (b) - Ratify any minor breaches of the procurement processes.	0	0

**2. Mandela Bay Development Agency**

**2015 Financial year:**

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R248 514

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R766 201

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 780

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 638 624

**2014 Financial year:**

In accordance with section 39(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R143 061

In accordance with section 39(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R564 949

In accordance with section 39(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R51 345

In accordance with section 39(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R1 247 545

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37 CAPITAL COMMITMENTS	Economic Entity		Municipality	
	2015 R	Restated 2014 R	2015 R	Restated 2014 R
<b>Approved and contracted for</b>	<b>653 598 737</b>	<b>425 567 789</b>	<b>653 598 737</b>	<b>425 567 789</b>
Land and Buildings	0	632 672	0	632 672
Infrastructure	634 359 414	382 328 301	634 359 414	382 328 301
Community	19 239 323	42 606 816	19 239 323	42 606 816
<b>Approved but not yet contracted for</b>	<b>9 933 738</b>	<b>28 947 307</b>	<b>9 933 738</b>	<b>28 947 307</b>
Infrastructure	0	26 213 951	0	26 213 951
Community	9 933 738	0	9 933 738	0
Other	0	2 733 356	0	2 733 356
<b>Total</b>	<b>663 532 475</b>	<b>454 515 096</b>	<b>663 532 475</b>	<b>454 515 096</b>
<b>This expenditure will be financed from:</b>				
Fuel Levy	43 456 587	28 321 800	43 456 587	28 321 800
Equitable Share (E-Share)	22 059 473	0	22 059 473	0
Department of Minerals and Energy (DME) Grant	0	6 712 455	0	6 712 455
Grants and Subsidies - State	0	5 295 652	0	5 295 652
Urban Settlements Development Grant (USDG)	594 308 661	391 119 972	594 308 661	391 119 972
Intergrated Public Transport Systems (IPTTS) Grant	0	2 318 738	0	2 318 738
Capital Replacement Reserve	3 707 754	20 746 479	3 707 754	20 746 479
<b>Total</b>	<b>663 532 475</b>	<b>454 515 096</b>	<b>663 532 475</b>	<b>454 515 096</b>
<b>38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>				
Long-term liabilities (See Note 3)	1 560 485 319	1 676 325 548	1 560 485 319	1 676 325 548
Used to Finance property, plant and equipment - at cost	1 560 485 319	1 676 325 548	1 560 485 319	1 676 325 548
Sub-total	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash set aside for the repayment of long-term liabilities (See Note 3) - This is only the capital portion of the loan.</b>	<b>106 793 027</b>	<b>113 978 027</b>	<b>104 092 767</b>	<b>112 968 098</b>

## 39 FINANCIAL RISK MANAGEMENT

There have been no significant changes in the risks below from the prior year to current. The risks have remained the same.

**Interest rate risk**

The NMBM is not exposed to interest rate risk on its financial liabilities. All of the NMBM's interest-bearing external loan liabilities, as detailed in Note 3 are fixed interest loans. No interest rate swap agreements have been entered into. The NMBM invests its surplus funds in fixed interest rate deposits with banks for fixed terms not exceeding one year.

**Liquidity risk**

The liquidity risk is the risk that the NMBM is not able to settle its obligations. The NMBM manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. The NMBM has secured standby credit facilities in the form of an overdraft facility with its banker in order to cater for any unexpected temporary shortfall in operating funds. The maximum exposure to liquidity risk is the trade creditors and long term borrowings. Consumer deposits have a low exposure to liquidity risk.

The following table details the NMBM's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the NMBM can be required to pay. The table includes both estimated interest and principal cash flows. A sensitivity analysis was not considered to be necessary.

**Trade payables**

1-3 months	1 185 590 772	1 294 139 825	1 178 373 889	1 289 274 255
> 3 months	161 363 544	144 971 818	161 363 544	144 971 818

**Other payables**

> 3 months	7 013 040	4 085 894	5 869 960	3 379 162
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**Long term borrowings**

< 12 months	106 793 027	113 978 027	104 092 767	112 968 098
> 12 months	1 472 471 485	1 579 062 215	1 471 966 017	1 578 057 635

**Credit risk**

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

Refer to note 52 for table.



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**39 FINANCIAL RISK MANAGEMENT (Continued)**

**Fair value interest risk**

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

**Currency risk**

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

**40 RESTATED PRIOR YEAR COMPARATIVES**

**Prior Period Errors:**

Net effect of changes - see details below

**1 608 886**

**1 647 928**

**Net effect on surplus**

**1 608 886**

**1 647 928**

**Statement of Financial Performance**

**40.1.1 Surplus for the year**

Balance as per audited financial statements (as previously reported)

**1 124 865 983**

**1 124 870 351**

**Net effect on surplus**

**1 608 886**

**1 647 928**

General Expenses (Refer 40.1.2)  
 Government Grants and Subsidies (Refer 40.1.3)  
 Contracted Services (Refer 40.1.4)  
 Employee Related costs (Refer 40.1.5)  
 Fines (Refer 40.1.6)  
 Interest Earned - Outstanding Debtors (Refer 40.1.7)  
 Other Income (Refer 40.1.8)  
 Rental of Facilities and equipment (Refer 40.1.9)  
 Repairs and Maintenance (Refer 40.1.10)  
 Service Charges (Refer 40.1.11)  
 Grants and Subsidies Paid (Refer 40.1.12)  
 Finance Cost (Refer 40.1.13)  
 Impairment - Other (Refer 40.1.14)  
 Remuneration of Councillors (Refer 40.1.15)

(5 639 611)  
 44 256  
 475 376  
 (253 330)  
 48 601 057  
 174 372  
 10 046 848  
 1 552 260  
 (346 878)  
 1 389 557  
 (317 175)  
 (1 633 405)  
 (52 138 324)  
 (346 117)

(5 888 311)  
 44 256  
 475 376  
 (253 330)  
 48 601 057  
 174 372  
 10 046 848  
 1 552 260  
 (346 878)  
 1 389 557  
 (29 433)  
 (1 633 405)  
 (52 138 324)  
 (346 117)

**Restated surplus for 2013/14**

**1 126 474 869**

**1 126 518 279**

**40.1.2 General expenses**

**Expense as per Audited financial statements (as previously reported)**

**726 677 803**

**705 256 346**

Transfer to Creditors  
 Transfer to Other Debtors  
 Transfer to VAT Refund  
 Transfer from Inventory  
 MBDA restatement

4 735 370  
 (82 476)  
 (1 716 615)  
 2 952 032  
 (248 700)

4 735 370  
 (82 476)  
 (1 716 615)  
 2 952 032  
 0

**732 317 414**

**711 144 657**

General Expenses in the amount of R5 639 611 (net effect) relates to both creditors not previously accrued for or creditors that have been double accrued for.

**40.1.3 Government Grants and Subsidies**

**Expense as per Audited financial statements (as previously reported)**

**2 327 071 922**

**2 326 364 618**

Transfer from Unspent Conditional Grants and Receipts  
 Transfer from Other Debtors

948  
 43 308

948  
 43 308

**2 327 116 178**

**2 326 408 874**

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

**40.1.4 Contracted Services**

**Expense as per Audited financial statements (as previously reported)**

**289 459 339**

**289 459 339**

Transfer from Creditors  
 Transfer to VAT Refund

6 843 422  
 (7 318 798)

6 843 422  
 (7 318 798)

**288 983 963**

**288 983 963**

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

Contracted services in the amount of R6 843 422, which was not previously accrued for.

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2014 R	Municipality Restated 2014 R
<b>40.1.5 Employee Related Costs</b>		
<b>Expense as per Audited financial statements (as previously reported)</b>	<b>1 761 421 078</b>	<b>1 751 078 181</b>
Transfer to Other Debtors	(201 101)	(201 101)
Transfer from Creditors	537 783	537 783
Transfer to VAT Receivable/ Refund	(83 352)	(83 352)
	<u><b>1 761 674 408</b></u>	<u><b>1 751 331 511</b></u>
Employee related expenditure/ deductions in the amount of R253 330 (net effect) not accrued for previously.		
<b>40.1.6 Fines</b>		
<b>Income as per Audited financial statements (as previously reported)</b>	<b>12 808 381</b>	<b>12 808 381</b>
Transfer to Other Debtors	(3 537 267)	(3 537 267)
Transfer from Impairment	52 138 324	52 138 324
	<u><b>61 409 438</b></u>	<u><b>61 409 438</b></u>
Fines in the amount of R3 537 264 relates to both debtors not previously accrued for or debtors that have been over accrued for.		
Impairment of fines in the amount of R52 138 324, which was based on the fines collection rate.		
<b>40.1.7 Interest Earned - Outstanding Debtors</b>		
<b>Expense as per Audited financial statements (as previously reported)</b>	<b>217 462 732</b>	<b>217 462 732</b>
Transfer from Other Debtors	174 372	174 372
	<u><b>217 637 104</b></u>	<u><b>217 637 104</b></u>
Interest in the amount of R174 372, which was not previously accrued for.		
<b>40.1.8 Other Income</b>		
<b>Income as per Audited financial statements (as previously reported)</b>	<b>814 598 437</b>	<b>809 012 291</b>
Transfer to Other Debtors	9 700 731	9 700 731
Transfer from Remuneration of Councillors	346 117	346 117
	<u><b>824 645 285</b></u>	<u><b>819 059 139</b></u>
Debtors in the amount of R9 700 731 not accrued for previously relating to Other Income.		
Recoveries of data connectivity in the amount of R346 117 have been transferred to Other Income		
<b>40.1.9 Rental of Facilities and Equipment</b>		
<b>Income as per Audited financial statements (as previously reported)</b>	<b>17 906 720</b>	<b>17 906 720</b>
Transfer from Other Debtors	1 552 260	1 552 260
	<u><b>19 458 980</b></u>	<u><b>19 458 980</b></u>
Debtors relating to Rental of facilities in the amount of R1 552 260, not accrued for previously.		
<b>40.1.10 Repairs and Maintenance</b>		
<b>Expense as per Audited financial statements (as previously reported)</b>	<b>489 773 410</b>	<b>489 697 574</b>
Transfer to VAT Refund	(553 400)	(553 400)
Transfer from Creditors	900 278	900 278
	<u><b>490 120 288</b></u>	<u><b>490 044 452</b></u>
VAT on Repairs and Maintenance in the amount of R553 400 not previously claimed.		
Repairs and Maintenance in the amount of R900 278, not accrued for previously.		
<b>40.1.11 Service Charges</b>		
<b>Income as per Audited financial statements (as previously reported)</b>	<b>3 810 943 490</b>	<b>3 811 083 848</b>
Transfer from Other Debtors	1 389 557	1 389 557
	<u><b>3 812 333 047</b></u>	<u><b>3 812 473 405</b></u>
Debtors in the amount of R1 389 557 not accrued for previously relating to Service Charges.		
<b>40.1.12 Grants and Subsidies Paid</b>		
<b>Income as per Audited financial statements (as previously reported)</b>	<b>19 731 229</b>	<b>43 257 157</b>
Transfer to Creditors	29 433	29 433
MBDA restatement	287 742	0
	<u><b>20 048 404</b></u>	<u><b>43 286 590</b></u>
Grants and Subsidies in the amount of R317 175, which was not previously accrued for.		

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2014 R	Municipality Restated 2014 R
<b>40.1.13 Finance Cost</b>		
<b>Income as per Audited financial statements (as previously reported)</b>	<b>190 854 707</b>	<b>190 687 238</b>
Transfer to Creditors	1 633 405	1 633 405
	<u><b>192 488 112</b></u>	<u><b>192 320 643</b></u>
Finance Cost in the amount of R1 633 405, which was not previously accrued for.		
<b>40.1.14 Impairment - Other</b>		
<b>Income as per Audited financial statements (as previously reported)</b>	<b>640 829 075</b>	<b>640 829 075</b>
Transfer to Creditors	52 138 324	52 138 324
	<u><b>692 967 399</b></u>	<u><b>692 967 399</b></u>
Impairment of fines in the amount of R52 138 324, which was based on the fines collection rate.		
<b>40.1.15 Remuneration of Councillors</b>		
<b>Income as per Audited financial statements (as previously reported)</b>	<b>55 572 269</b>	<b>55 572 269</b>
Transfer to Other Income	346 117	346 117
	<u><b>55 918 386</b></u>	<u><b>55 918 386</b></u>
Recoveries of data connectivity in the amount of R346 117 have been transferred to Other Income.		
<b>Statement of Financial Position</b>		
<b>40.2 Accumulated Surplus</b>		
<b>Closing Balance as per audited financial statements (as previously reported)</b>	<b>4 250 436 206</b>	<b>4 249 493 427</b>
Decrease in Surplus (Refer to Note 40.1.1)	<b>1 608 886</b>	<b>1 647 928</b>
Transfer to Consumer Debtors	(420 186)	(420 186)
Transfer to Property, Plant and Equipment	(3 638 908)	(3 638 908)
Transfer to VAT Refund	(37 072 173)	(37 072 173)
Transfer from Creditors	(5 600 807)	(5 600 807)
Transfer from Other Debtors	8 357 741	8 357 741
	<u><b>(38 374 333)</b></u>	<u><b>(38 374 333)</b></u>
<b>Restated Closing Balance</b>	<u><b>4 213 670 759</b></u>	<u><b>4 212 767 022</b></u>
<b>40.2.1 Unspent Conditional Grants and Receipts</b>		
<b>Balance as per Audited financial statements (as previously reported)</b>	<b>260 757 148</b>	<b>260 757 148</b>
Transfer to Government Grants and Subsidies	(947)	(947)
	<u><b>260 756 201</b></u>	<u><b>260 756 201</b></u>
Government Grants and Subsidies, in the amount of R947, which have not been funded.		
<b>40.2.2 Creditors - Exchange Transactions</b>		
<b>Balance as per Audited financial statements (as previously reported)</b>	<b>1 632 654 692</b>	<b>1 626 421 354</b>
Transfer from Various expenditure and VAT	16 416 019	16 416 019
Transfer from Accumulated Surplus	5 600 807	5 600 807
Transfer from VAT Receivable	(173 588)	(173 588)
Transfer to Other Debtors	9 426	9 426
Transfer from Property Plant and Equipment	5 437 639	5 437 639
MBDA restatement	(283 517)	-
	<u><b>1 659 661 478</b></u>	<u><b>1 653 711 657</b></u>
Expenditure in the amount of R16 416 019 (net effect) relates to creditors not previously accrued for or incorrectly accrued for.		
Vat in the amounts of R173 588 relates to various expenditure which was either not accrued for or double accrued for.		
Receipts in the amount of R9 426 and R5 295 from a Creditor was incorrectly accounted for in the incorrect financial year.		
Property Plant and Equipment in the amount of R5 437 639, which was not previously accrued for.		
<b>40.2.3 Property, plant and equipment</b>		
<b>Balance as per Audited financial statements (as previously reported)</b>	<b>12 877 317 615</b>	<b>12 876 688 749</b>
Transfer to Accumulated Surplus	(3 638 908)	(3 638 908)
Transfer to Creditors	4 769 859	4 769 859
	<u><b>12 878 448 566</b></u>	<u><b>12 877 819 700</b></u>
An amount of R517 760 relates to VAT to be added back as per SARS audit and an amount of R4 156 668, relates to Land and Buildings not belonging to NMBM.		
Property Plant and Equipment in the amount of R4 769 859, which was not previously accrued for.		

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	Economic Entity Restated 2014 R	Municipality Restated 2014 R
<b>40.2.4 Consumer debtors - Non-Exchange Transactions</b>		
<b>Balance as per Audited financial statements (as previously reported)</b>	<b>195 693 983</b>	<b>195 693 983</b>
Transfer to Accumulated Surplus	(420 186)	(420 186)
	<u><b>195 273 797</b></u>	<u><b>195 273 797</b></u>

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

<b>40.2.5 Other Debtors</b>		
<b>Balance as per Audited financial statements (as previously reported)</b>	<b>285 200 298</b>	<b>335 182 500</b>
Transfer from Other Income	9 700 731	9 700 731
Transfer from Accumulated Surplus	8 357 741	8 357 741
Transfer from Creditors	9 426	9 426
Transfer to Employee Related Costs	201 101	201 101
Transfer to Fines	(3 537 264)	(3 537 264)
Transfer from General Expenses	82 476	82 476
Transfer from Government Grants and Subsidies	43 309	43 309
Transfer from Interest Earned - Outstanding Debtors	174 372	174 372
Transfer from Service Charges	1 389 557	1 389 557
Transfer from Rental of Facilities and Equipment	1 552 260	1 552 260
MBDA restatement	(722 253)	0
	<u><b>302 451 754</b></u>	<u><b>353 156 209</b></u>

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

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

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

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

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

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

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

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

<b>40.2.6 Vat Refund</b>		
<b>Balance as per Audited financial statements (as previously reported)</b>	<b>119 440 061</b>	<b>118 583 727</b>
Transfer from Contracted Services	7 318 798	7 318 798
Transfer from Employee Related Costs	83 352	83 352
Transfer from General Expenses	1 716 615	1 716 615
Transfer to Accumulated Surplus	(37 072 173)	(37 072 173)
Transfer from Repairs and Maintenance	553 400	553 400
Transfer to VAT Receivable	(2 104 605)	(2 104 605)
MBDA restatement	399 696	0
	<u><b>90 335 144</b></u>	<u><b>89 079 114</b></u>

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

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

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

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

<b>40.2.7 Vat Receivable</b>		
<b>Balance as per Audited financial statements (as previously reported)</b>	<b>40 765 490</b>	<b>40 765 490</b>
Transfer from Creditors	(1 064 338)	(1 064 338)
Transfer to Creditors	3 294 856	3 294 856
Transfer from VAT Refund	2 104 605	2 104 605
	<u><b>45 100 613</b></u>	<u><b>45 100 613</b></u>

Vat in the amount of R4 335 123 (net effect), relates to various expenditure not previously accrued for.

<b>40.2.8 Inventory</b>		
<b>Balance as per Audited financial statements (as previously reported)</b>	<b>107 225 607</b>	<b>107 225 607</b>
Transfer to General Expenses	(2 952 032)	(2 952 032)
	<u><b>104 273 575</b></u>	<u><b>104 273 575</b></u>

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

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**41 CAPITALISATION OF LIBRARY BOOKS**

Certain library books, which qualify as heritage assets, have not been recognised. The value of these books must still be determined.

**42 CHANGE IN ACCOUNTING ESTIMATE**

**2015 Financial year**

A condition assessment is done annually on property, plant and equipment, which indicates whether the useful lives of the assets have increased or decreased and as a result of this condition assessment some assets' useful lives have either increased or decreased and therefore the depreciation charge has now changed, which is included in the total depreciation/ amortisation.

**2014 Financial year**

A condition assessment is done annually on property, plant and equipment, which indicates whether the useful lives of the assets have increased or decreased and as a result of this condition assessment some assets' useful lives have either increased or decreased and therefore the depreciation charge has now changed, which is included in the total depreciation/ amortisation.

**43 OPERATING LEASE COMMITMENTS**  
**Municipality as Lessee**

<b>Economic Entity</b>		<b>Municipality</b>	
<b>2015</b>	<b>Restated 2014</b>	<b>2015</b>	<b>Restated 2014</b>
<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

The Municipality normally enters into a lease agreement over 3 years for most of the Operating leases.

**Future minimum lease payments under non-cancellable operating leases:**

<b>Buildings</b>	<b>7 835 941</b>	<b>16 622 968</b>	<b>7 492 288</b>	<b>15 002 400</b>
Payable within one year	5 658 284	10 427 606	5 314 631	9 572 384
Payable within two to five years	2 177 657	6 195 362	2 177 657	5 430 016
<b>Photocopier, fax machines and other equipment</b>	<b>11 097 011</b>	<b>13 196 036</b>	<b>10 788 811</b>	<b>13 054 705</b>
Payable within one year	6 270 324	6 526 089	6 109 697	6 465 549
Payable within two to five years	4 826 687	6 669 947	4 679 114	6 589 156
	<b>18 932 952</b>	<b>29 819 004</b>	<b>18 281 099</b>	<b>28 057 105</b>

**Municipality as Lessor**

At reporting date, the Municipality has contracted with tenants for the following minimum lease payments over a period of 1 to 99 years:

<b>Land</b>	<b>14 000 000</b>	<b>14 480 000</b>	<b>14 000 000</b>	<b>14 480 000</b>
Receivable within one year	480 000	480 000	480 000	480 000
Receivable within two to five years	1 920 000	1 920 000	1 920 000	1 920 000
Receivable after 5 years	11 600 000	12 080 000	11 600 000	12 080 000
<b>Buildings</b>	<b>31 822 009</b>	<b>34 048 804</b>	<b>31 822 009</b>	<b>34 048 804</b>
Receivable within one year	1 890 649	2 226 794	1 890 649	2 226 794
Receivable within two to five years	3 462 016	4 874 362	3 462 016	4 874 362
Receivable after 5 years	26 469 344	26 947 648	26 469 344	26 947 648
	<b>45 822 009</b>	<b>48 528 804</b>	<b>45 822 009</b>	<b>48 528 804</b>

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NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Economic Entity and Municipality	
	2015	Restated 2014
	R	R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>Incident/ Disciplinary steps / Criminal Proceedings</b>		
<b>44.1 Unauthorised Expenditure</b>		
Opening Balance - 01 July 2013	745 867 813	272 716 841
Incurring - Current year	34 403 001	743 928 574
Approved by Council	(622 551 908)	(270 777 602)
Recoveries - Current year	0	0
	<b>157 718 906</b>	<b>745 867 813</b>
<b>1 Actual expenditure in excess of approved budget votes</b>	34 403 001	743 928 574
The total actual expenditure, including non-cash flow items amounted to <b>R9 520 258 063</b> , compared to the approved adjustments budget of <b>R10 192 240 155</b> . The actual expenditure was thus <b>R671 982 092</b> below the approved adjustments budget and does not constitute unauthorised expenditure.		
However, the actual expenditure for a certain budget vote exceeded the approved adjustments budget mainly due to non-cash flow items, included in the actual expenditure which could not reasonably have been budgeted for, such as the Impairment of traffic fines in the amount of R31 144 372 and the remaining balance in the amount of R3 258 629 relating to depreciation.		
Approved by Council	(622 551 908)	(270 777 602)
<b>Total</b>	<b>(588 148 907)</b>	<b>473 150 972</b>
<b>44.2 Irregular Expenditure</b>		
Opening Balance - 01 July 2013	753 409 637	483 251 139
Restatement - refer no.20	0	6 960 122
Restated Opening Balance	753 409 637	490 211 261
Incurring - Current year	397 072 789	263 198 376
Approved by Council - Other	(11 802 648)	0
	<b>1 138 679 778</b>	<b>753 409 637</b>
<b>Irregular Expenditure review by Internal Audit</b>	951 256 090	190 567 760
	<b>2 089 935 867</b>	<b>943 977 396</b>
<b>1 Breach of the Supply Chain Management policy</b>	214 027 118	28 425 954
A breach occurred as certain contracts were awarded to persons in the service of the state where he/she may have a significant influence over the financial or operating policies of the entity.		
<b>2 Breach of the Supply Chain Management policy</b>	1 228 152	789 677
A breach occurred as certain contracts were awarded to persons in the service of the state (certain councillors and officials) where he/she may have a significant influence over the financial or operating policies of the entity.		

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		Economic Entity and Municipality	
		2015	Restated 2014
		R	R
<b>44</b>	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>		
<b>44.2</b>	<b><u>Irregular Expenditure (Continued)</u></b>		
<b>3</b>	<b>SCM Deviations</b>		
	Some of the deviations relating to the informal tender process appear to be made where improper planning was conducted and expenditure were incurred before the deviation was approved and therefore considered to be irregular.	179 027 116	223 905 542
<b>4</b>	<b>Breach of the Supply Chain Management policy</b>		
	A breach occurred with respect to the procurement of certain goods and services via the informal tendering process whereby orders were split to avoid formal tendering processes.	0	469 581
<b>5</b>	<b>Acting Appointments longer than 3 months</b>		
	Certain Senior Managers acted for periods longer than the 3 months in the 2013/14 financial year and no proof could be found on employee files that the MEC gave permission to act longer than 3 months.	132 559	236 077
<b>6</b>	<b>Payment prior to signing of SLA</b>		
	The idle time rates were paid despite no SLA having been concluded between the NMBM and the service provider, therefore all payments made before signing the SLA are irregular. The expenditure was incurred in 2011/12 but the investigation was only completed in 2013/14.	0	4 848 336
<b>7</b>	<b>Nelson Mandela Memorial Services</b>		
	National Treasury received a number of requests in this regard, from municipalities seeking guidance pertaining to the costs associated with the Memorial Services. The Minister of Finance then determined that the costs associated with the following activities are not permissible (mm resolution 2162): - Catering (R1 129 601) - T Shirts (R722 100)	0	1 851 701
	Less: Duplication - Already disclosed as part of SCM Deviations		-1 851 701
<b>8</b>	<b>Irregular appointments</b>		
	Four mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	987 456	507 001
	A strategic advisor in the Executive Mayor's Office was appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	1 178 244	735 552
	Two mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	492 144	115 212
<b>9</b>	<b>Breach of the Supply Chain Management policy</b>		
	Irregular appointment of a Service Provider for the Implementation of the IPTS Marketing Strategy, therefore as per MM resolution 2133, all expenditure to be irregular	0	27 107 996
	Less: Duplication - Already disclosed in KPMG's Report		-27 107 996
<b>10</b>	<b>Breach of the Supply Chain Management policy</b>		
	Attendance of meetings with Parliament on the 5 & 12 March 2014. Monies paid by the official and re-imbursment requested. Expenditure is irregular as the NMBM has an appointed Service Provider.	0	2 000
<b>11</b>	<b>Breach of the Supply Chain Management policy</b>		
	Expenditure incurred against SCM contract 481 which is outside the scope of work of the said contract.	0	140 607
<b>12</b>	<b>Breach of the Supply Chain Management policy</b>		
	Expenditure incurred against SCM contract 193, which expired on 30 June 2013.	0	4 195
<b>13</b>	<b>Breach of the Supply Chain Management policy</b>		
	Expenditure incurred for software licences for the BAUD system. The relevant contract expired on 30 June 2013.	0	31 827
<b>14</b>	<b>Breach of the Supply Chain Management policy</b>		
	CE 2636 - Upgrading of Zwide Stadium: Expenditure incurred prior to the increase in the contract value being approved by the Bid Adjudication Committee.	0	508 057

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	Economic Entity and Municipality	
	2015	Restated 2014
	R	R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>		
<b>44.2 Irregular Expenditure (Continued)</b>		
<b>15 Breach of the Supply Chain Management policy</b> Irregular expenditure incurred as certain goods and services were procured prior to the SCM processes being followed.	0	382 913
<b>16 Breach of the Supply Chain Management policy</b> Irregular expenditure incurred with regards to the payment of certain invoices.	0	39 272
<b>17 Breach of the Supply Chain Management policy</b> Irregular expenditure incurred with regards to repairs done to the Feather Market clockcard machine.	0	507
<b>18 Breach of the Supply Chain Management policy</b> Irregular expenditure incurred with regards to the payment of certain invoices relating to AFCON.	0	159 200
<b>19 Breach of the Supply Chain Management policy</b> Irregular expenditure incurred with regards to the Waste Disposal, Operation and Management of Waste Transfer Stations.	0	1 896 866
<b>20 Breach of the Supply Chain Management policy</b> Various Irregular expenditure incurred relating to prior years, which was not previously disclosed. R1 522 483 and R5 437 639 respectively.	0	0
<b>Total</b>	<b>397 072 789</b>	<b>263 198 376</b>
Total amount approved by Council in respect of ALL cases	(11 802 648)	0
<b>21 Irregular Expenditure review by Internal Audit</b> The review process entailed extracting and analysing the payment information for all formal bids for the period 2010/11 to 2014/15 financial years. This information was then used to trace the relevant bid files / supporting documents, which were then assessed against a comprehensive irregular expenditure checklist. In addition, certain payments relating to formal bid awards appearing under the informal bid awards module were identified. These amounts were added to the schedule of formal bid award payments, and evaluated against the same irregular expenditure checklist. The combination of these amounts is therefore deemed to be a complete summary of all formal payments made during the period under review as set out below:		
<b>Non-compliance with regards to the Formal Bid and Deviation process</b>		
Opening Balance - 01 July 2013	548 639 553	103 022 905
Incurred - Current year	846 536 416	445 616 648
<b>Total</b>	<b>1 395 175 969</b>	<b>548 639 553</b>
<b>Deduct: Expenditure previously disclosed Irregular Expenditure</b>		
2013/14	(346 362 285)	(184 378 307)
2014/15	(85 548 086)	(161 983 978)
	<b>(431 910 371)</b>	<b>(346 362 285)</b>
<b>Fruitless and Wasteful Expenditure</b>		
2013/14	(11 709 508)	(1 187 823)
2014/15	(300 000)	(10 521 685)
	<b>(12 009 508)</b>	<b>(11 709 508)</b>
<b>Balance remainder as Irregular</b>	<b>951 256 090</b>	<b>190 567 760</b>



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	Economic Entity and Municipality	
	2015	Restated 2014
	R	R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>		
<b>44.2 Irregular Expenditure (Continued)</b>		
<b>22 Limitation of scope</b>		
Opening Balance - 01 July 2013	9 818 285 132	7 115 623 232
Incurred - Current year	2 579 394 396	2 702 661 900
	<b>12 397 679 528</b>	<b>9 818 285 132</b>
Deviations not considered as a limitation of scope	87 350 817	84 206 768
Contracts awarded in the Service of state not considered as a limitation	162 683 157	12 253 932
	<b>12 147 645 554</b>	<b>9 721 824 432</b>
This item is has not been included in the Irregular expense calculation, because it is impracticable in terms of GRAP 1 to determine whether the tender files are indeed Irregular or Regular as described below:		
These payments were considered to be a limitation of scope because it relates to old tender files for awards made 2012/13 and prior where the contract award files or documentation could not be provided for or had missing compulsory documentation or could not be linked to a formal contract file or award. This was due to the fact that tender files were previously decentralised and kept with the Directorates and have only been centralised recently.		
<b>44.3 Fruitless and Wasteful Expenditure</b>		
Opening Balance - 01 July 2013	<b>405 005 041</b>	<b>111 468 037</b>
Restatement - refer no.5 and 7	0	197 481 890
Restated Opening Balance	<b>405 005 041</b>	<b>308 949 927</b>
Incurred - Current year	146 398 637	96 055 114
Approved by Council - Other	(226 035)	0
	<b>551 177 643</b>	<b>405 005 041</b>
<b>1 Wasted expenditure as a result of the premature signing of a letter</b>		
An official signed an acceptance letter for a R90 million contract, prior to the Municipal Manager signing the Bid Adjudication recommendation. The appointment of the contractor was retracted. The contractor is busy with civil litigation against council, resulting in wasted legal costs. <b>MPAC disgussing the item.</b>	0	1 701 711
<b>2 Suspended Officials</b>		
Various officials have been on suspension for more than 3 months. In terms of the South African Local Government Bargaining Council; disciplinary procedure and collective agreement, the period of suspension shall not exceed a period of 3 months. <b>Matter to be referred to Labour Relations.</b>	965 661	207 607
<b>3 Wasted expenditure as result of termination of contract</b>		
A parking contract was entered into with a service provider. Due to the Municipality failing to comply with the obligations in the agreement, the service provider terminated the agreement on 5 June 2011 and instituted recourse against Council. The award was for R2.8 million and is being paid off at R50 000 per month. To date R2.5 million has been paid by Council	300 000	600 000
<b>4 Wasteful expenditure due to overpayment to service provider</b>		
An overpayment of R4,712M was made to a service provider due to an incorrect calculation of rates and said overpayment was never recovered. Payment documentation could not be traced and the external attorneys withdrew matter from the court role. Also, payments were made to the service provider for "idle time", which was claimed whilst waiting for the previous service provider, who was still operating the site and disputing the early termination of the contract, to vacate said site. <b>MPAC disgussing the matter</b>	0	8 219 974
<b>Amount previously stated - R 7 914 519</b>		
<b>Amount now stated - R 8 219 974</b>		
<b>Difference - R 305 455</b>		



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	Economic Entity and Municipality	
	2015	Restated 2014
	R	R
<b>44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>		
<b>44.3 Fruitless and Wasteful Expenditure (Continued)</b>		
<b>5 Wasteful expenditure due to payment of interest to Service Providers</b>		
Interest accrued due to late payment of Telkom account (R 27 097 relates to 2011)	60 034	28 848
Interest accrued due to late payment of Eskom account	5 635	8 868
Interest incurred as a result of VAT audit done by SARS	26 086 106	0
Interest incurred due to late payment of a Creditor. ( R4 743 586 relates to 2011 to 2013)	608 611	1 633 405
<b>6 Wasteful expenditure incurred for Missionvale Garden Lots</b>		
Expenditure incurred for the launch of the Missionvale Garden Lots housing project which was cancelled due to threatened unrest.	0	178 949
<b>7 Wasteful expenditure incurred relating to an overseas trip</b>		
Some of the traveling expenditure incurred relating to an overseas trip was cancelled at a late stage, resulting in wasteful expenditure. The Board will determine at its next meeting whether the expenditure is to be condoned.	55 191	0
<b>8 Wasteful expenditure incurred relating to IPTS</b>		
The metro has been mandated to install and operate an integrated transport system. The process started as far back as 2004/5 and the plan was to have the system operational and the buses on the road. To date the system is not operating therefore it is considered to be wasteful expenditure.		
Opening Balance - 01 July 2013 - R192 711 209	0	0
Incurred - Current year	118 317 399	83 475 752
<b>Total</b>	<b>146 398 637</b>	<b>96 055 114</b>
Total amount approved by Council for in respect of ALL cases	(226 035)	0

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**Economic Entity and Municipality**  
**2015**                      **Restated 2014**  
**R**                              **R**

**45a CONTINGENT LIABILITIES**

These are ongoing matters and the Municipality is unable to determine the exact timing and amount of the outcome of these matters.

Should any liability arise as a result of these claims, the Municipality will attempt to recover any amounts paid over with respect to these claims (if applicable and able to do so).

**Possible Contingent liabilities:**

1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	39 020 828	40 031 476
2	Various claims due to municipal administrative matters that are under dispute or investigation.	1 644 543	22 310 871
3	Various claims by current or terminated employees due to alleged unfair labour practices.	3 890 000	8 766 659
4	Various claims due to supply chain related issues or creditor payment related matters.	37 805 494	19 126 761
		<b>82 360 865</b>	<b>90 235 767</b>

**Economic Entity and Municipality**  
**2015**                      **Restated 2014**  
**R**                              **R**

**45(b) PROVISION FOR LITIGATION AND CLAIMS**

**Detail of Provision raised in Note 5.2**

1	Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.	12 299 315	9 228 100
2	Various claims due to municipal administrative matters that are under dispute or investigation.	62 145 863	65 820 000
3	Various claims by current or terminated employees due to alleged unfair labour practices.	2 580 000	2 725 000
4	Various claims due to supply chain related issues or creditor payment related matters.	8 623 942	706 529
	<b>TOTAL PROVISION REFER NOTE 5.2</b>	<b>85 649 120</b>	<b>78 479 629</b>

**46 SUBSEQUENT EVENTS**

**46.1 Kabuso Report**

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

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

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

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

**46.2 IPTS Investigation**

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

**46.3 Morrison Report**

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

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

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**47 Information on Post Retirement Benefits**

**RETIREMENT BENEFIT INFORMATION**

The Nelson Mandela Bay Municipality makes provision for post-retirement benefits to employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes. Contribution of R214.429 million (2014: R 188.515 million) to the defined benefit and defined contribution structures are expensed as incurred during the period under review.

**DEFINED CONTRIBUTION SCHEMES**

**CAPE RETIREMENT FUND**

The contribution rate paid by the members (9%) and the NMBM (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund as being in a sound financial position as at 30 June 2013. The funding level of the Share Account is 100.2%, the Preservation fund is 100% and the Pensions Account reflected a funding level of 105.1% as at 30 June 2013.

**SALA CONTRIBUTION FUND**

The SALA Contribution Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.92%) and their councils (19.18%) is sufficient to fund the benefits accruing from the Fund in the future. The fund is 100% funded.

**SOUTH AFRICAN MUNICIPAL WORKERS UNION (SAMWU) NATIONAL PROVIDENT FUND**

The SAMWU National Provident Fund is a defined contribution scheme. The last actuarial valuation of the Fund was performed at 30 June 2008, and certified it as being in a financially sound position with the funding level remaining at 100% since the previous valuation date, 30 June 2005. The 30 June 2011 report is not available yet and is expected to be available towards the end of 2014. The contribution rate paid by the members (7.5%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in the future.

**DEFINED BENEFIT SCHEMES**

**CAPE JOINT PENSION FUND**

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 27% (9% by the members and 18% by their councils) and is constituted of 3 funds, namely, the Defined Benefit, Defined Contribution and Pensioner account. The fund was certified by the actuary as being in a sound financial condition as at 30 June 2013. The trustees resolved to ring-fence the pensioner assets as at 30 June 2013. The sections are funded at 99.7%, 99.8% and 100%, respectively.

**SALA PENSION FUND**

The defined benefit scheme is a multi-employer plan, and the contribution rate payable is 26.67% (7.92% by the members and 19.18% by their councils). This defined benefit plan, is financially sound, and was 100% funded as at 30 June 2013.

The Nelson Mandela Bay Municipality has used GRAP 25 as guidance for treatment of multi-employer plans as sufficient information was not available to use defined-benefit accounting. The Municipality has therefore accounted for the Cape Joint Pension Fund and the SALA Pension Fund as defined contribution plans. It is impracticable to disclose as a defined benefit plan because the funds do not determine a separate actuarial valuation per Municipality but do it as a whole for all the Municipalities together.

**EX GRATIA PENSIONS**

**General Description**

The Ex-gratia pension benefits scheme operates as pensions that are being paid from the Council's revenue, that is, they are not funded or paid from one of the Employer's formalised pension arrangements.

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

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

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

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

**Detailed Results**

An actuarial valuation of the Municipality's unfunded liability in respect of revenue pension benefits to eligible employees and retirees of the Nelson Mandela Bay Municipality, was performed as at 30 June 2015. The unfunded liability in respect of past service has been estimated at R42.459 million, of which R39.346 million relates to the non-current portion. It is expected that approximately 7.3% of the amount provided will be expensed per annum.

**Past and Future Changes in the Accrued Liability**

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

Past year and future projected liability

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

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## 47 Information on Post Retirement Benefits (Continued)

## Balance Sheet Figures

## Unfunded Accrued Liability

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

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

Category	Year ending 30/06/2014	Year ending 30/06/2015
Current Service Cost (In-Service members only)	739 000	0
Interest Cost	4 985 000	6 046 000
Actuarial (Gain)/Loss	13 134 000	-28 641 919
<b>Total employee benefits expense</b>	<b>18 857 000</b>	<b>-22 595 919</b>

## KEY ASSUMPTIONS

## Key Financial Assumptions:

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

## Key Financial Assumptions

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

## Discount Rate:

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

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

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

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

## CPI Inflation Rate:

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

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

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

## Demographic Assumptions:

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

## Pre-retirement Mortality:

SAB5-90 ultimate table, adjusted for female lives.

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47 Information on Post Retirement Benefits (Continued)

**Post-retirement Mortality:**

PA(90) ultimate table.

**Withdrawal from Service:**

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

Withdrawal rates

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

**Average Retirement Age:**

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

**Family Profile:**

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

**Ex-Gratia Arrangement Assumptions:**

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

**Plan Assets:**

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

**Sensitivity Analysis**

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

**Sensitivity Results**

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

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

The table below summarises the results of the sensitivity analysis:

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

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

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

## NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

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## 47 Information on Post Retirement Benefits (Continued)

**History of Liabilities, Assets and Experience Adjustments**

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

**History of liabilities and assets**

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

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

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

**POST-EMPLOYMENT HEALTH CARE BENEFITS****Benefit Structure****Medical Aid Scheme Arrangements:**

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

**Contribution Rate Structure:**

Members contribute according to the tables of contribution rates, which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

**Subsidy Arrangements:**

The Municipality has agreed to subsidise the medical aid contributions of retired members as follows:

In accordance with Resolution 8 of the SALGBC (SALGA), all existing and new pensioners (employees currently in service) and their dependants will receive a subsidy ranging between 60% and 70% subject to the maximum (CAP) amount of R3,871.00 (per month, per member) for the period from 1 July 2015 to 30 June 2016. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R3,618.04 in the previous financial year.

The maximum subsidy is expected to increase at 50% of inflation.

Eligible employees should have at least five years of service to qualify for a benefit at retirement.

**Valuation Method**

The Projected Unit Credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

**Post Employment Medical Aid Liabilities:**

The expected value of each employee and their spouses' future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation. We also allowed for mortality, retirements and withdrawals from service. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further, it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assume that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

**Valuation of Assets:**

As at the valuation date, the medical aid liability of the municipality was unfunded, that is, no dedicated assets have been set aside to meet this liability. Therefore, no assets have been considered as part of this valuation.

**Detailed Results**

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

**Past and Future Changes in the Accrued Liability**

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

**Past year and future projected liability**

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



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## 47 Information on Post Retirement Benefits (Continued)

## Balance Sheet Figures

## Unfunded Accrued Liability

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

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

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

## KEY ASSUMPTIONS

## Key Financial Assumptions:

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

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

**Discount Rate:**

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

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

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

**Health Care Cost Inflation Rate:**

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

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

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

**Average Retirement Age:**

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

**Replacement Ratio:**

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

**Demographic Assumptions:**

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

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47 Information on Post Retirement Benefits (Continued)

**Pre-retirement Mortality:**

SA85-90 ultimate table, adjusted for female lives.

**Post-retirement Mortality:**

PA(90) ultimate table.

**Withdrawal from Service:**

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

Withdrawal rates

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

**Average Retirement Age:**

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

**Continuation of Membership:**

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

**Family Profile (Retirees):**

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

**Medical Scheme Options:**

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

**Other Assumptions:**

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

**Plan Assets:**

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

**Sensitivity Analysis**

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

The table below summarises the results of the sensitivity analysis:

**Sensitivity Analysis on the Accrued Liability (R millions)**

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

## NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

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## 47 Information on Post Retirement Benefits (Continued)

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

Assumption	Change	Current service cost	Interest cost	Total	% Change
<b>Central Assumptions</b>		35 038 000	101 719 000	136 757 000	
Health care inflation	+1%	31 452 000	91 310 000	122 762 000	-10%
	-1%	39 032 000	113 315 000	152 347 000	11%
	-20%	37 193 000	107 901 000	145 094 000	6
Mortality	+20%	32 883 000	95 537 000	128 420 000	-6%

**History of Liabilities, Assets and Experience Adjustments**

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

**History of liabilities and assets (R Millions)**

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

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

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

**LONG SERVICE AWARD AND LONG SERVICE BONUS****Description of the Long Service Award Arrangement****Long Service Bonuses:**

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

**Long Service Awards:**

In addition to the above, employees are eligible to receive a Long Service Award to the value of R2,500 upon completion of 25 years in service.

The table below describes the benefits awarded.

Long Service Awards for levels of past service:

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

**Reconciliation of opening and closing accrued liability values****Past year and future projected liability**

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

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47 Information on Post Retirement Benefits (Continued)

Net Liability to reflect in the Balance Sheet

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

**Key Assumptions**

**Key Financial Assumptions**

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

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

The salaries used in the valuation include an assumed increase on 1 July 2015 of 7%.

The next salary increase was assumed to take place on 1 July 2016.

Key Demographic Assumptions

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

**Detailed Assumptions**

**Discount Rate:**

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

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

The average duration of the total liability is 6.16 years.

**Salary Inflation Rate:**

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

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

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47 Information on Post Retirement Benefits (Continued)

**General Salary Inflation:**

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

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

**Demographic Assumptions**

**Promotional Salary Scale:**

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

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

**Pre-Retirement Mortality:**

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

**Average Retirement Age:**

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

**LSA Arrangement Assumptions**

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

**Plan Assets:**

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

**Sensitivity Analysis**

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

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

Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

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

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

Assumption	Change	Current service cost	Interest cost	Total	% Change
<b>Central Assumptions</b>		11 570 000	10 217 000	21 787 000	
General salary inflation	+1%	12 382 000	10 884 000	23 266 000	7%
	-1%	10 839 000	9 608 000	20 447 000	-6%
Withdrawal rates	-20%	12 372 000	10 714 000	23 086 000	6%
	+20%	10 866 000	9 766 000	20 632 000	-5%

**History of Liabilities, Assets and Experience Adjustments**

History of liabilities and assets

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

History of experience adjustments: (Gains) and Losses

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

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## NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION  
ECONOMIC ENTITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
<b>Restated Carry Value 1 July 2014</b>					
Cost	1 744 639 673	12 053 251 603	3 153 531 869	1 099 057 834	18 050 480 979
Transfers/Adjustments - Costs	1 378 261		2 356 204	(1 378 260)	2 356 205
Restatement - Cost	(1 469 304)	4 769 859	(2 687 364)	517 760	1 130 951
Disposal/Impairment					
Transfers/Adjustments - Depreciation			(515 726 878)	(584 957 368)	(5 173 134 571)
Accumulated Depreciation	(140 018 327)	(3 932 431 998)			
	<b>1 604 530 303</b>	<b>8 125 589 464</b>	<b>2 637 473 831</b>	<b>513 239 966</b>	<b>12 880 833 564</b>
<b>Movement during the year ended 30 June 2015</b>					
Acquisition	102 518 896	1 141 884 999	65 496 128	79 748 615	1 389 648 638
Depreciation	(42 428 308)	(578 694 772)	(104 325 946)	(77 676 926)	(803 125 952)
	<b>60 090 588</b>	<b>563 190 227</b>	<b>(38 829 818)</b>	<b>2 071 689</b>	<b>586 522 686</b>
<b>Carry Value of Disposals/Impairments during the year ended 30 June 2015</b>					
Cost	(412 705)		(1 103 139)	(8 775 933)	(10 291 777)
Depreciation	76 081		482 585	8 029 103	8 587 769
	<b>(336 624)</b>	<b>-</b>	<b>(620 554)</b>	<b>(746 830)</b>	<b>(1 704 008)</b>
<b>Carrying Values at 30 June 2015</b>	<b>1 664 284 267</b>	<b>8 688 779 691</b>	<b>2 598 023 459</b>	<b>514 564 825</b>	<b>13 465 652 242</b>
<b>Summary - Carrying Values at 30 June 2015</b>					
Summary - Cost	1 846 654 821	13 199 906 461	3 217 593 698	1 169 170 016	19 433 324 996
Summary - Accumulated Depreciation	(182 370 554)	(4 511 126 770)	(619 570 239)	(654 605 191)	(5 967 672 754)
	<b>1 664 284 267</b>	<b>8 688 779 691</b>	<b>2 598 023 459</b>	<b>514 564 825</b>	<b>13 465 652 242</b>

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
<b>Restated Carry Value 1 July 2013</b>					
Cost	2 293 640 596	10 727 494 675	3 167 875 238	1 055 015 447	17 244 025 956
Transfers/Adjustments - Costs	1 221 549	16 590 751	1 797 393	27 731 312	47 341 005
Restatement - Cost	(3 874 524)	2 434 966	(28 090)	517 351	(950 297)
Disposal/Impairment	(21 468 392)	(1 293 268)	(108 858 438)	(31 436 664)	(163 056 762)
Transfers/Adjustments - Depreciation	(521 027)	(91 697)	(1 415)	-	(614 139)
Accumulated Depreciation	(115 252 409)	(3 508 997 360)	(418 104 088)	(533 857 624)	(4 576 211 481)
	<b>2 153 745 793</b>	<b>7 236 138 067</b>	<b>2 642 680 600</b>	<b>517 969 822</b>	<b>12 550 534 282</b>
<b>Movement during year ended 30 June 2014</b>					
Acquisition	358 872	-	-	47 707 225	48 066 097
Capital Under Construction	83 443 186	1 303 278 924	69 533 407	-	1 456 255 517
Transfers / Adjustments - Cost	17 824 008	10 290 757	32 610 477	37 453 066	98 178 308
Transfers / Adjustment - Depreciation	565 631				565 631
Depreciation	(24 930 716)	(424 090 678)	(100 570 999)	(83 457 040)	(633 049 433)
	<b>77 260 981</b>	<b>889 479 003</b>	<b>1 572 885</b>	<b>1 703 251</b>	<b>970 016 120</b>
<b>Carry Value of Disposals/Impairments during the year ended 30 June 2014</b>					
Cost	(630 662 290)	(775 343)	(9 398 117)	(37 440 934)	(678 276 684)
Depreciation	120 196	747 735	2 949 620	32 357 297	36 174 848
	<b>(630 542 094)</b>	<b>(27 608)</b>	<b>(6 448 497)</b>	<b>(5 083 637)</b>	<b>(642 101 836)</b>
<b>Carrying Values at 30 June 2014</b>	<b>1 600 464 680</b>	<b>8 125 589 462</b>	<b>2 637 804 988</b>	<b>514 589 436</b>	<b>12 878 448 566</b>
<b>Summary - Carrying Values at 30 June 2014</b>					
Summary - Cost	1 740 483 005	12 058 021 462	3 153 531 870	1 099 546 803	18 051 583 140
Summary - Accumulated Depreciation	(140 018 325)	(3 932 432 000)	(515 726 882)	(584 957 367)	(5 173 134 574)
	<b>1 600 464 680</b>	<b>8 125 589 462</b>	<b>2 637 804 988</b>	<b>514 589 436</b>	<b>12 878 448 566</b>

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48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (CONTINUED)  
 MUNICIPALITY

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
<b>Restated Carry Value 1 July 2014</b>					
Cost	1 744 639 673	12 053 251 603	3 153 531 869	1 097 361 184	18 048 784 329
Transfers/Adjustments - Costs	1 378 261		2 356 204	(1 378 260)	2 356 205
Restatement - Cost	(1 469 304)	4 769 859	(2 687 364)	517 760	1 130 951
Disposal/Impairment					
Transfers/Adjustments - Depreciation					
Accumulated Depreciation	(140 018 327)	(3 932 431 998)	(515 726 878)	(583 889 584)	(5 172 066 787)
	<b>1 604 530 303</b>	<b>8 125 589 464</b>	<b>2 637 473 831</b>	<b>512 611 100</b>	<b>12 880 204 698</b>
<b>Movement during the year ended 30 June 2015</b>					
Acquisition	102 518 896	1 141 884 999	65 496 128	79 070 071	1 388 970 094
Depreciation	(42 428 308)	(578 694 772)	(104 325 946)	(77 506 125)	(802 955 151)
	<b>60 090 588</b>	<b>563 190 227</b>	<b>(38 829 818)</b>	<b>1 563 946</b>	<b>586 014 943</b>
<b>Carry Value of Disposals/Impairments during the year ended 30 June 2015</b>					
Cost	(412 705)		(1 103 139)	(8 611 599)	(10 127 443)
Depreciation	76 081		482 585	7 899 398	8 458 064
	<b>(336 624)</b>	<b>-</b>	<b>(620 554)</b>	<b>(712 201)</b>	<b>(1 669 379)</b>
<b>Carrying Values at 30 June 2015</b>	<b>1 664 284 267</b>	<b>8 688 779 691</b>	<b>2 598 023 459</b>	<b>513 462 845</b>	<b>13 464 550 262</b>
<b>Summary - Carrying Values at 30 June 2015</b>					
Summary - Cost	1 846 654 821	13 199 906 461	3 217 593 698	1 166 959 156	19 431 114 136
Summary - Accumulated Depreciation	(182 370 554)	(4 511 126 770)	(619 570 239)	(653 496 311)	(5 966 563 874)
	<b>1 664 284 267</b>	<b>8 688 779 691</b>	<b>2 598 023 459</b>	<b>513 462 845</b>	<b>13 464 550 262</b>

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
<b>Restated Carry Value 1 July 2013</b>					
Cost	2 293 640 596	10 727 494 675	3 167 875 238	1 053 387 025	17 242 397 534
Transfers/Adjustments - Costs	1 221 549	16 590 751	1 797 393	27 731 312	47 341 005
Restatement - Cost	(3 874 524)	2 434 966	(28 090)	517 351	(950 297)
Disposal/Impairment	(21 468 392)	(1 293 268)	(108 858 438)	(31 436 664)	(163 056 762)
Transfers/Adjustments - Depreciation	(521 027)	(91 697)	(1 415)	-	(614 139)
Accumulated Depreciation	(115 252 409)	(3 508 997 360)	(418 104 088)	(532 929 683)	(4 575 283 520)
	<b>2 153 745 793</b>	<b>7 236 138 067</b>	<b>2 642 680 600</b>	<b>517 269 361</b>	<b>12 549 833 821</b>
<b>Movement during year ended 30 June 2014</b>					
Acquisition	358 872	-	-	47 626 674	47 985 546
Capital Under Construction	83 443 186	1 303 278 924	69 533 407	-	1 456 255 517
Transfers / Adjustments - Cost	17 824 008	10 290 757	32 610 477	37 453 066	98 178 308
Transfers / Adjustment - Depreciation	565 631				565 631
Depreciation	(24 930 716)	(424 090 678)	(100 570 999)	(83 306 743)	(632 899 136)
	<b>77 260 981</b>	<b>889 479 003</b>	<b>1 572 885</b>	<b>1 772 997</b>	<b>970 085 866</b>
<b>Carry Value of Disposals/Impairments during the year ended 30 June 2014</b>					
Cost	(630 662 290)	(775 343)	(9 398 117)	(37 428 611)	(678 264 361)
Depreciation	120 196	747 735	2 949 620	32 346 823	36 164 374
	<b>(630 542 094)</b>	<b>(27 608)</b>	<b>(6 448 497)</b>	<b>(5 081 788)</b>	<b>(642 099 987)</b>
<b>Carrying Values at 30 June 2014</b>	<b>1 600 464 680</b>	<b>8 125 589 462</b>	<b>2 637 804 988</b>	<b>513 960 570</b>	<b>12 877 819 700</b>
<b>Summary - Carrying Values at 30 June 2014</b>					
Summary - Cost	1 740 483 005	12 058 021 462	3 153 531 870	1 097 850 153	18 049 886 490
Summary - Accumulated Depreciation	(140 018 325)	(3 932 432 000)	(515 726 882)	(583 889 583)	(5 172 066 790)
	<b>1 600 464 680</b>	<b>8 125 589 462</b>	<b>2 637 804 988</b>	<b>513 960 570</b>	<b>12 877 819 700</b>

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 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## 49 HERITAGE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Heritage Assets
<b>Restated Carry Value 1 July 2014</b>	
Cost	203 660 123
Transfers/Adjustments	(2 310 039)
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	<b>201 350 084</b>
<b>Movement during the year ended 30 June 2015</b>	
Aquisition	4 011 569
Transfers / Adjustment	-
Impairment	-
	<b>4 011 569</b>
<b>Impairment value during the year ended 30 June 2015</b>	
Cost	-
Amortisation	-
	<b>205 361 653</b>
<b>Carrying Values at 30 June 2015</b>	<b>205 361 653</b>
<b>Summary - Carrying Values at 30 June 2015</b>	
Summary - Cost	205 361 653
Summary - Accumulated Impairment	-
	<b>205 361 653</b>

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Heritage Assets
<b>Restated Carry Value 1 July 2013</b>	
Cost	168 958 903
Transfers/Adjustments	5 669 999
Restatement - Cost	29 542 000
Disposal	(6 518 700)
Accumulated Depreciation	-
	<b>197 652 202</b>
<b>Movement during year ended 30 June 2014</b>	
Aquisition	3 636 401
Transfers / Adjustment	2 371 520
Impairment	-
	<b>6 007 921</b>
<b>Impairment value during year ended 30 June 2014</b>	
Cost	-
Amortisation	-
	<b>203 660 123</b>
<b>Carrying Values at 30 June 2014</b>	<b>203 660 123</b>
<b>Summary - Carrying Values at 30 June 2014</b>	
Summary - Cost	203 660 123
Summary - Accumulated Impairment	-
	<b>203 660 123</b>



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49 HERITAGE ASSETS RECONCILIATION (CONTINUED)  
 MUNICIPALITY

Reconciliation of Carrying Value	Heritage Assets
<b>Restated Carry Value 1 July 2014</b>	
Cost	203 409 623
Transfers/Adjustments	(2 310 039)
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	<b>201 099 584</b>
<b>Movement during the year ended 30 June 2015</b>	
Acquisition	4 011 569
Transfers / Adjustment	-
Impairment	-
	<b>4 011 569</b>
<b>Impairment value during the year ended 30 June 2015</b>	
Cost	-
Amortisation	-
	<b>205 111 153</b>
<b>Carrying Values at 30 June 2015</b>	<b>205 111 153</b>
<b>Summary - Carrying Values at 30 June 2015</b>	
Summary - Cost	205 111 153
Summary - Accumulated Impairment	-
	<b>205 111 153</b>

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

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50 INTANGIBLE ASSETS RECONCILIATION  
 ECONOMIC ENTITY

Reconciliation of Carrying Value	Intangible Assets
<b>Restated Carry Value 1 July 2014</b>	
Cost	543 446 863
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(376 233 847)
	<b>167 213 016</b>
<b>Movement during the year ended 30 June 2015</b>	
Acquisition	36 390 803
Adjustment	-
Amortisation	(59 104 792)
	<b>(22 713 989)</b>
<b>Impairment value during the year ended 30 June 2015</b>	
Cost	0
Amortisation	0
	<b>0</b>
<b>Carrying Values at 30 June 2015</b>	<b>144 499 027</b>
<b>Summary - Carrying Values at 30 June 2015</b>	
Summary - Cost	579 837 666
Summary - Accumulated Amortisation	(435 338 639)
	<b>144 499 027</b>

Reconciliation of Carrying Value	Intangible Assets
<b>Restated Carry Value 1 July 2013</b>	
Cost	476 890 978
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(269 869 459)
	<b>207 021 519</b>
<b>Movement during year ended 30 June 2014</b>	
Acquisition	66 555 885
Adjustment	-
Amortisation	(106 364 388)
	<b>(39 808 503)</b>
<b>Impairment value during year ended 30 June 2014</b>	
Cost	0
Amortisation	0
	<b>0</b>
<b>Carrying Values at 30 June 2014</b>	<b>167 213 016</b>
<b>Summary - Carrying Values at 30 June 2014</b>	
Summary - Cost	543 446 863
Summary - Accumulated Amortisation	(376 233 847)
	<b>167 213 016</b>

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50 INTANGIBLE ASSETS RECONCILIATION (CONTINUED)  
 MUNICIPALITY

Reconciliation of Carrying Value	Intangible Assets
<b>Restated Carry Value 1 July 2014</b>	
Cost	543 266 624
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(376 077 982)
	<b>167 188 642</b>
<b>Movement during the year ended 30 June 2015</b>	
Acquisition	36 246 184
Adjustment	-
Amortisation	(59 079 996)
	<b>(22 833 812)</b>
<b>Impairment value during the year ended 30 June 2015</b>	
Cost	0
Amortisation	0
	<b>0</b>
<b>Carrying Values at 30 June 2015</b>	<b>144 354 830</b>
<b>Summary - Carrying Values at 30 June 2015</b>	
Summary - Cost	579 512 808
Summary - Accumulated Amortisation	(435 157 978)
	<b>144 354 830</b>

Reconciliation of Carrying Value	Intangible Assets
<b>Restated Carry Value 1 July 2013</b>	
Cost	476 727 447
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(269 723 118)
	<b>207 004 329</b>
<b>Movement during year ended 30 June 2014</b>	
Acquisition	66 539 177
Adjustment	-
Amortisation	(106 354 864)
	<b>(39 815 687)</b>
<b>Impairment value during year ended 30 June 2014</b>	
Cost	0
Amortisation	0
	<b>0</b>
<b>Carrying Values at 30 June 2014</b>	<b>167 188 642</b>
<b>Summary - Carrying Values at 30 June 2014</b>	
Summary - Cost	543 266 624
Summary - Accumulated Amortisation	(376 077 982)
	<b>167 188 642</b>

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51 INVESTMENT PROPERTY RECONCILIATION  
 ECONOMIC ENTITY AND MUNICIPALITY

Reconciliation of Carrying Value	Investment Property
<b>Restated Carry Value 1 July 2014</b>	
Cost	244 119 319
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(44 680 164)
	<b>199 439 155</b>
<b>Movement during the year ended 30 June 2015</b>	
Acquisition	6 056 125
Transfers/Adjustments	-
Capital Under Construction	-
Transfers / Adjustment	-
Depreciation	(6 131 885)
	<b>(75 760)</b>
<b>Carry Value of Disposals for the year ended 30 June 2015</b>	
Cost	(1 552 251)
Depreciation	357 741
	<b>(1 194 510)</b>
<b>Carrying Values at 30 June 2015</b>	<b>198 168 885</b>
<b>Summary - Carrying Values at 30 June 2015</b>	
Summary - Cost	248 623 193
Summary - Accumulated Depreciation	(50 454 308)
	<b>198 168 885</b>

Reconciliation of Carrying Value	Investment Property
<b>Restated Carry Value 1 July 2013</b>	
Cost	219 111 049
Restatement - Cost	-
Transfers/Adjustments	18 715 415
Disposal	-
Restatement - Depreciation	614 139
Accumulated Depreciation	(39 178 113)
	<b>199 262 490</b>
<b>Movement during year ended 30 June 2014</b>	
Acquisition	-
Transfers/Adjustments	5 209 270
Capital Under Construction	1 086 374
Transfers / Adjustment	(565 631)
Depreciation	(5 552 168)
	<b>177 845</b>
<b>Carry Value of Disposals during year ended 30 June 2014</b>	
Cost	(2 789)
Depreciation	1 609
	<b>(1 180)</b>
<b>Carrying Values at 30 June 2014</b>	<b>199 439 155</b>
<b>Summary - Carrying Values at 30 June 2014</b>	
Summary - Cost	244 119 319
Summary - Accumulated Depreciation	(44 680 164)
	<b>199 439 155</b>

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## 52 FINANCIAL INSTRUMENTS

## ECONOMIC ENTITY

Financial instruments are classified into the following categories:

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

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

The amounts relating to financial instruments reflected below approximates fair value

	2015			2014		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
<b>ASSETS</b>						
Property, Plant and Equipment		13 465 652 242	13 465 652 242		12 878 448 566	12 878 448 566
Heritage Assets		205 361 653	205 361 653		203 660 123	203 660 123
Intangible Assets		144 499 027	144 499 027		167 213 016	167 213 016
Investment Property		198 168 885	198 168 885		199 439 155	199 439 155
Long-term Receivables - Exchange Transactions	9 033 206		9 033 206	6 734 606		6 734 606
Long-term Receivables - Non-exchange Transactions		9 265 720	9 265 720		5 356 644	5 356 644
Inventory		124 216 338	124 216 338		104 273 575	104 273 575
Consumer debtors - Exchange Transactions	912 635 081		912 635 081	841 041 601		841 041 601
Consumer debtors - Non-exchange Transactions		229 399 410	229 399 410		195 273 797	195 273 797
Other Debtors	474 891 788		474 891 788	302 451 754		302 451 754
VAT Refund		31 479 714	31 479 714		90 335 144	90 335 144
VAT Receivable		15 826 945	15 826 945		45 100 613	45 100 613
Current portion of long-term receivables	80		80	80		80
Short-term investment deposits (excluding Sanlam Shares)	1 252 259 152		1 252 259 152	1 421 480 088		1 421 480 088
Bank balances and cash	193 277 083		193 277 083	186 617 048		186 617 048
	<b>2 842 096 390</b>	<b>14 423 869 934</b>	<b>17 265 966 324</b>	<b>2 758 325 177</b>	<b>13 889 100 633</b>	<b>16 647 425 810</b>

	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
	<b>LIABILITIES</b>					
Long-term Liabilities	1 472 471 485		1 472 471 485	1 579 062 215		1 579 062 215
Employee Benefit Obligation		1 369 345 626	1 369 345 626		1 304 681 454	1 304 681 454
Non-current Provisions		329 771 931	329 771 931		311 233 086	311 233 086
Consumer deposits	111 852 356		111 852 356	100 347 533		100 347 533
Current Employee Benefit Obligation		72 877 174	72 877 174		82 254 519	82 254 519
Current Provisions		85 649 120	85 649 120		78 479 629	78 479 629
Creditors	1 617 654 616		1 617 654 616	1 659 661 478		1 659 661 478
Unspent Conditional Grants and Receipts		171 308 712	171 308 712		260 756 201	260 756 201
Current Portion of Long-term Liabilities	106 793 027		106 793 027	113 978 027		113 978 027
	<b>3 308 771 485</b>	<b>2 028 952 563</b>	<b>5 337 724 047</b>	<b>3 453 049 253</b>	<b>2 037 404 889</b>	<b>5 490 454 142</b>

Net Assets 11 930 956 843 11 930 956 843 11 159 498 416 11 159 498 416

## Financial Asset at Fair Value

Sanlam Shares - Valued at the open market value

Financial Asset at Fair Value	Financial Asset at Fair Value
2 714 566	2 526 748
<b>(463 960 527)</b>	<b>(692 197 328)</b>
	<b>692 197 328</b>
	<b>0</b>

## Financial Asset at amortised cost

## Opening balance

Net other movements

## Closing balance

2015	2014
2 758 325 177	2 506 189 729
83 771 213	252 135 448
<b>2 842 096 390</b>	<b>2 758 325 177</b>

## Financial liabilities at amortised cost

## Opening balance

Net other movements

## Closing balance

3 453 049 253	3 423 409 177
(144 277 768)	29 640 076
<b>3 308 771 485</b>	<b>3 453 049 253</b>

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## 52 FINANCIAL INSTRUMENTS (CONTINUED)

## MUNICIPALITY

Financial instruments are classified into the following categories:

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

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

The amounts relating to financial instruments reflected below approximates fair value

	2015			2014		
	Financial Instruments at Amortised Cost	Non financial assets	Total	Financial Instruments at Amortised Cost	Non financial assets	Total
	R	R	R	R	R	R
<b>ASSETS</b>						
Property, Plant and Equipment		13 464 550 262	13 464 550 262		12 877 819 700	12 877 819 700
Heritage Assets		205 111 153	205 111 153		203 409 623	203 409 623
Intangible Assets		144 354 830	144 354 830		167 188 642	167 188 642
Investment Property		198 168 885	198 168 885		199 439 155	199 439 155
Long-term Receivables - Exchange Transactions	9 033 206		9 033 206	6 734 606		6 734 606
Long-term Receivables - Non-exchange Transactions		9 265 720	9 265 720		5 356 644	5 356 644
Inventory		124 216 338	124 216 338		104 273 575	104 273 575
Consumer debtors - Exchange Transactions	912 635 081		912 635 081	841 041 601		841 041 601
Consumer debtors - Non-exchange Transactions		229 399 410	229 399 410		195 273 797	195 273 797
Other Debtors	518 406 817		518 406 817	353 156 209		353 156 209
VAT		28 966 822	28 966 822		89 079 115	89 079 115
VAT Suspense		15 826 945	15 826 945		45 100 613	45 100 613
Current portion of long-term receivables	80		80	80		80
Short-term investment deposits (excluding Sanlam Shares)	1 252 259 152		1 252 259 152	1 421 480 088		1 421 480 088
Bank balances and cash	139 620 329		139 620 329	128 555 305		128 555 305
	<b>2 831 954 665</b>	<b>14 419 860 365</b>	<b>17 251 815 030</b>	<b>2 750 967 889</b>	<b>13 886 940 864</b>	<b>16 637 908 753</b>

	Financial Instruments at Amortised Cost	Non financial liabilities	Total	Financial Instruments at Amortised Cost	Non financial liabilities	Total
	R	R	R	R	R	R
	<b>LIABILITIES</b>					
Long-term Liabilities	1 471 966 017		1 471 966 017	1 578 057 635		1 578 057 635
Employee Benefit Obligation		1 369 345 626	1 369 345 626		1 304 681 454	1 304 681 454
Non-current Provisions		329 771 931	329 771 931		311 233 086	311 233 086
Consumer deposits	111 852 356		111 852 356	100 347 533		100 347 533
Current Employee Benefit Obligation		72 246 987	72 246 987		81 605 533	81 605 533
Current Provisions		85 649 120	85 649 120		78 479 629	78 479 629
Creditors	1 608 835 915		1 608 835 915	1 653 711 657		1 653 711 657
Unspent Conditional Grants and Receipts		171 308 712	171 308 712		260 756 201	260 756 201
Current Portion of Long-term Liabilities	104 092 767		104 092 767	112 968 098		112 968 098
	<b>3 296 747 056</b>	<b>2 028 322 376</b>	<b>5 325 069 431</b>	<b>3 445 084 923</b>	<b>2 036 755 903</b>	<b>5 481 840 826</b>

Net Assets 11 929 460 165 11 929 460 165 11 158 594 675 11 158 594 675

## Financial Asset at Fair Value

Sanlam Shares - Valued at the open market value

Financial Asset at Fair Value	Financial Asset at Fair Value
2 714 566	2 526 748
<b>(462 077 823)</b>	<b>(691 590 286)</b>
	<b>0</b>

## Financial Asset at amortised cost

## Opening balance

Net other movements

## Closing balance

	2015	2014
Opening balance	2 750 967 889	2 495 872 909
Net other movements	80 986 776	255 094 980
Closing balance	<b>2 831 954 665</b>	<b>2 750 967 889</b>

## Financial liabilities at amortised cost

## Opening balance

Net other movements

## Closing balance

	2015	2014
Opening balance	3 445 084 923	3 412 558 441
Net other movements	(148 337 867)	32 526 482
Closing balance	<b>3 296 747 056</b>	<b>3 445 084 923</b>

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53 EXPLANATION FOR OPERATING VARIANCES: ECONOMIC ENTITY AND MUNICIPALITY

APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2014 as approved by National Treasury.

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

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Budget and Actual amounts are shown on the face of the Statement of Financial Performance, with the reasons in variances explained below.

**ACTUAL VERSUS APPROVED FINAL BUDGET (REVENUE AND EXPENDITURE)**

**Explanations of Significant Variances greater than 10% versus Budget - The 10% threshold was considered to be the best indicator to meet performance.**

**1 Interest earned - Investments**

Interest increased due to strict cashflow management.

**2 Licences and Permits**

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

**3 Rental of Facilities and Equipment**

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

**4 Other Income**

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

**5 Gain on disposal of Property Plant and Equipment**

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

**6 Fines**

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

**7 Government Grants and Subsidies - Capital**

Due to underspending - Refer to note 54 for reasons.

**8 Interest earned - SARS**

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

**9 Dividends received**

The dividend income relates to the Sanlam shares.

**10 Impairment - receivables**

Increased consumer debt was written off, than initially anticipated.

**11 Collection Costs**

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

**12 Interest and Penalties**

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

**13 Grants and Subsidies Paid**

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

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

**14 General Expenses**

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

**15 Impairment - PPE**

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

**16 Loss on Disposal of Property Plant and Equipment**

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

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## 54 EXPLANATION FOR CAPITAL VARIANCES:

## APPROVED ORIGINAL BUDGET VS APPROVED FINAL BUDGET:

In terms of GRAP 24.27 the changes between the approved original budget and approved final budget are as a consequence of reallocations within the approved original budget and the inclusion of the roll-over of unspent conditional grants as at 30 June 2014 as approved by National Treasury.

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

NMBM uses the accrual basis of accounting for its Budget.

## See below reconciliation between the Budget and the Actual expenditure:

ACTUAL VERSUS ADJUSTMENTS BUDGET (ACQUISITION OF ASSETS)	2015 Adjustments Budget	Additions / Under Construction	Variance	% variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	326 980 539	284 118 817	42 861 722	13	The underspending relates to the IPTS Capital projects. The original Capital Budget was R100 million (Vat Incl). In the 2014/15 Adjustments Budget, R70 million was transferred from the Operating Budget (PTNOG) to the Capital Budget (PTIG). This was motivated by the IPTS office in anticipation of over-expenditure.
Human Settlements	187 472 807	201 395 464	(13 922 657)	-7	
Economic Development, Tourism & Agriculture	8 674 341	6 254 365	2 419 976	28	The variance relates to challenges experienced in terms of the procurement of equipment for the Rehabilitation of the Market Building. The challenge relates to the specifications for the type of Hysters required. Bid Specification Committee referred the item back and it will be re-submitted in 2015/16. Also security upgrades were ordered prior to 30 June 2015, however, the security cameras and boom gates were only received in July 2015.
Recreational and Cultural Service	29 894 280	17 859 913	12 034 367	40	The underspending is directly attributable to the Mendi Bottle Store Capital Project. Numerous challenges were experienced on this project, which ultimately resulted in delays and the contract being ceded to a different contractor in May 2015. The remaining funds will be carried over to the 2015/16 financial year whereafter work will re-commence.
Safety & Security	15 590 000	12 925 588	2 664 412	17	The underspending relates to the replacement of 2 Polaris Ranger off-road appliances. Challenges were experienced as certain Bid Adjudication Committee meetings were cancelled. As a result the budget will only be utilised in 2015/16 once the item has been approved by the BAC.
Budget & Treasury	32 991 700	34 554 940	(1 563 240)	-5	
Public Health	85 928 900	73 939 507	11 989 393	14	The underspending relates to the purchase of refuse compactors. The order was placed prior to 30 June 2015, however the goods were not delivered in the 2014/15 financial year. These funds will be carried over to the 2015/16 financial year and payment will be effected once delivery takes place.
Corporate Services	40 150 000	38 957 427	1 192 573	3	
Sanitation Service	294 386 000	263 306 582	31 079 418	11	An amount of R 44 557 950 was transferred from the Capital Sanitation Budget to the Human Settlements Operating Budget in order to fund the Bucket Eradication Programme Initiative. This has resulted in the Sanitation Capital Budget being underspent .
Water Service	175 900 000	170 849 667	5 050 333	3	
Strategic Programmes	21 765 903	3 333 009	18 432 894	85	The underspending relates to the Helenvale Precinct Upgrading. The balance of the funds will be utilised in 2015/16 to complete the outstanding work on the project.  The Mothenwell Thusong Service centre was replanned to incorporate a Customer Care centre and Traffic and Licensing centre. This replanning caused delays in terms of the construction work that had to be undertaken. The project is expected to be completed in the 2015/16 Financial Year.
Executive and Council	5 770 000	2 375 912	3 394 088	59	The ILIS support component of the GIS Capital project was not utilised during the 2014/15 financial year with the result that a saving was realised on this project.
Electricity & Energy	222 383 480	228 350 501	(5 967 021)	-3	
NMBM Stadium	20 000 000	6 832 200	13 167 800	66	The variance is attributable to the following projects:  North End Lake Project Korsten Dry Lake Project Football Fields Signage  These projects will be completed in the 2015/16 financial year.
Assets - Take-on from BAUD operating budget/ MBDA etc.		90 230 080			Budget within various Directorates
<b>CONTROLLED ENTITIES</b>	<b>1 467 887 950</b>	<b>1 435 283 972</b>	<b>122 634 058</b>	<b>8</b>	
Mandela Bay Development Agency	1 541 791	823 162	718 629	47	Less was spent than initially anticipated, therefore resulting in a saving.
<b>ECONOMIC ENTITY</b>	<b>1 469 429 741</b>	<b>1 436 107 134</b>	<b>123 552 687</b>		





NOTE 55																		
ECONOMIC ENTITY'S: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2015																		
	COST									ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
<b>Land &amp; Buildings</b>																		
Buildings	646 920 314	(1 469 304)	645 451 010	1 378 261	12 980 337	87 723 799	-	412 705	747 120 702	140 018 327	-	140 018 327	-	42 428 308	-	76 081	182 370 554	564 750 148
Land	1 097 719 359	-	1 097 719 359	-	1 814 760	-	-	-	1 099 534 119	-	-	-	-	-	-	-	-	1 099 534 119
	<b>1 744 639 673</b>	<b>(1 469 304)</b>	<b>1 743 170 369</b>	<b>1 378 261</b>	<b>14 795 097</b>	<b>87 723 799</b>	<b>-</b>	<b>412 705</b>	<b>1 846 654 821</b>	<b>140 018 327</b>	<b>-</b>	<b>140 018 327</b>	<b>-</b>	<b>42 428 308</b>	<b>-</b>	<b>76 081</b>	<b>182 370 554</b>	<b>1 664 284 267</b>
<b>Infrastructure Assets</b>																		
Roads, Sidewalks & Stormwater Network	5 254 378 433	4 769 859	5 259 148 292	-	29 654 981	262 249 459	-	-	5 551 052 732	1 715 355 117	-	1 715 355 117	-	244 304 158	-	-	1 959 659 274	3 591 393 458
Beach Developments	53 246 815	-	53 246 815	-	-	4 586 794	-	-	57 833 609	9 945 942	-	9 945 942	-	1 354 662	-	-	11 300 604	46 533 005
Electricity Reticulation & Supply	2 375 288 665	-	2 375 288 665	-	-	191 179 917	-	-	2 566 468 583	780 588 149	-	780 588 149	-	127 134 356	-	-	907 722 605	1 658 746 078
Fencing	22 890 790	-	22 890 790	-	-	17 463 990	-	-	40 354 780	14 477 010	-	14 477 010	-	3 271 424	-	-	17 748 434	22 606 346
Sewerage Mains & Purification Works	1 860 249 512	-	1 860 249 512	-	-	271 854 034	-	-	2 132 103 546	739 939 216	-	739 939 216	-	91 378 108	-	-	831 317 324	1 300 786 222
Waste Disposal Facilities	18 216 986	-	18 216 986	-	-	408 268	-	-	18 625 254	932 671	-	932 671	-	111 371	-	-	1 044 042	17 581 212
Water Supply & Reticulation	1 455 870 173	-	1 455 870 173	-	28 367 076	258 265 174	-	-	1 742 502 423	544 260 476	-	544 260 476	-	82 726 702	-	-	626 987 178	1 115 515 246
Dams & Treatment Works	1 013 110 228	-	1 013 110 228	-	-	77 855 306	-	-	1 090 965 534	126 933 418	-	126 933 418	-	28 413 992	-	-	155 347 410	935 618 124
	<b>12 053 251 603</b>	<b>4 769 859</b>	<b>12 058 021 462</b>	<b>-</b>	<b>58 022 057</b>	<b>1 083 862 942</b>	<b>-</b>	<b>-</b>	<b>13 199 906 461</b>	<b>3 932 431 998</b>	<b>-</b>	<b>3 932 431 998</b>	<b>-</b>	<b>578 694 772</b>	<b>-</b>	<b>-</b>	<b>4 511 126 771</b>	<b>8 688 779 691</b>
<b>Community Assets</b>																		
Libraries	30 566 183	(2 687 364)	27 878 819	-	-	-	-	-	27 878 819	9 989 417	-	9 989 417	-	1 027 169	-	-	11 016 586	16 862 233
Library Books	72 281 661	-	72 281 661	46 165	564 806	-	-	-	72 892 632	18 147 890	-	18 147 890	-	3 048 006	-	-	21 195 896	51 696 737
Fire Stations	53 938 994	-	53 938 994	-	4 898 461	2 407 145	-	-	61 234 600	12 843 038	-	12 843 038	-	2 246 592	-	-	15 089 629	46 144 970
Cemeteries	49 954 788	-	49 954 788	-	17 788 785	2 384 834	-	-	70 128 407	8 211 344	-	8 211 344	-	1 909 031	-	-	10 120 375	60 008 032
Clinics	2 865 141	-	2 865 141	-	516 139	-	-	-	3 381 280	448 127	-	448 127	-	102 503	-	-	550 629	2 830 651
Community Centres	207 708 503	-	207 708 503	-	3 294 066	10 390 803	-	64 450	221 328 923	47 225 208	-	47 225 208	-	7 598 877	-	14 202	54 809 883	166 519 040
Public Conveniences	4 940 987	-	4 940 987	-	-	-	-	105 724	4 835 263	2 435 820	-	2 435 820	-	165 295	-	48 349	2 552 767	2 282 496
Swimming Pools	82 535 125	-	82 535 125	-	-	-	-	-	82 535 125	16 389 852	-	16 389 852	-	2 546 245	-	-	18 936 097	63 599 028
Recreational Facilities	2 582 252 467	-	2 582 252 467	2 310 039	17 430 582	5 830 507	-	-	2 607 823 594	367 379 329	-	367 379 329	-	83 308 863	-	-	450 688 192	2 157 135 402
Selling & Letting Schemes	66 488 020	-	66 488 020	-	-	-	-	932 965	65 555 056	32 656 854	-	32 656 854	-	2 373 366	420 035	-	34 610 184	30 944 871
	<b>3 153 531 869</b>	<b>-2 687 364</b>	<b>3 150 844 505</b>	<b>2 356 204</b>	<b>44 482 838</b>	<b>21 013 290</b>	<b>932 965</b>	<b>170 174</b>	<b>3 217 593 698</b>	<b>515 726 878</b>	<b>-</b>	<b>515 726 878</b>	<b>-</b>	<b>104 325 946</b>	<b>420 035</b>	<b>62 550</b>	<b>619 570 239</b>	<b>2 598 023 459</b>
<b>Other Assets</b>																		
Bins & Containers	5 794 356	-	5 794 356	-	4 260 761	-	-	-	10 055 117	1 895 953	-	1 895 953	-	1 259 026	-	-	3 154 979	6 900 138
Vehicles & Plant	477 527 504	517 760	478 045 264	-	21 965 902	-	556 173	-	499 454 993	314 936 596	-	314 936 596	-	33 213 890	556 172	-	347 594 314	151 860 679
Office Furniture & Fittings	175 575 742	-	175 575 742	-	6 615 624	-	-	5 101 466	177 089 900	141 571 475	-	141 571 475	-	19 702 703	-	4 547 283	156 726 895	20 363 004
Air Monitoring Facilities	73 124	-	73 124	-	-	-	-	-	73 124	11 992	-	11 992	-	4 764	-	-	16 755	56 369
Security Systems	11 350 758	-	11 350 758	(1 378 260)	-	-	-	-	9 972 498	8 289 038	-	8 289 038	-	561 153	-	-	8 850 191	1 122 307
Tip Sites	328 222 643	-	328 222 643	-	16 724 086	5 584 785	-	-	350 531 514	43 646 790	-	43 646 790	-	12 029 649	-	-	55 676 439	294 855 075
Computer Hardware	100 513 706	-	100 513 706	-	24 597 456	-	164 334	2 953 960	121 992 868	74 605 523	-	74 605 523	-	10 905 739	129 705	2 795 943	82 585 614	39 407 254
	<b>1 099 057 833</b>	<b>517 760</b>	<b>1 099 575 593</b>	<b>-1 378 260</b>	<b>74 163 828</b>	<b>5 584 785</b>	<b>720 507</b>	<b>8 055 426</b>	<b>1 169 170 014</b>	<b>584 957 367</b>	<b>-</b>	<b>584 957 367</b>	<b>-</b>	<b>77 676 925</b>	<b>685 877</b>	<b>7 343 226</b>	<b>654 605 188</b>	<b>514 564 825</b>
	<b>18 050 480 978</b>	<b>1 130 951</b>	<b>18 051 611 929</b>	<b>2 356 205</b>	<b>191 463 821</b>	<b>1 198 184 816</b>	<b>1 653 472</b>	<b>8 638 305</b>	<b>19 433 324 994</b>	<b>5 173 134 570</b>	<b>-</b>	<b>5 173 134 570</b>	<b>-</b>	<b>803 125 952</b>	<b>1 105 913</b>	<b>7 481 857</b>	<b>5 967 672 752</b>	<b>13 465 652 242</b>

NOTE 55 (CONTINUED)																		
ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015																		
	COST									ACCUMULATED AMORTISATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
<b>Intangible</b>																		
Computer Software	543 446 863	-	543 446 863	-	4 426 353	31 964 450	-	-	579 837 666	376 233 847	-	376 233 847	-	59 104 792	-	-	435 338 639	144 499 027
ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2015																		
	COST									ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
<b>Investment Property</b>																		
Land & Buildings	244 119 319	-	244 119 319	-	1 647 081	4 409 044	-	1 552 251	248 623 193	44 680 164	-	44 680 164	-	6 131 885	-	357 741	50 454 308	198 168 885
ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2015																		
	COST									ACCUMULATED DEPRECIATION								
	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Capital Under Construction	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Transfers / Adjustments	Additions	Disposals	Impairment	Closing Balance	Carrying Value
<b>Heritage Assets</b>																		
Heritage Buildings	136 820 310	-	136 820 310	(2 310 039)	3 093 089	-	-	-	137 603 360	-	-	-	-	-	-	-	-	137 603 360
Memorials & Statues	42 514 291	-	42 514 291	-	-	918 480	-	-	43 432 771	-	-	-	-	-	-	-	-	43 432 771
Land	6 655 783	-	6 655 783	-	-	-	-	-	6 655 783	-	-	-	-	-	-	-	-	6 655 783
Art Works	17 669 739	-	17 669 739	-	-	-	-	-	17 669 739	-	-	-	-	-	-	-	-	17 669 739
	203 660 123	-	203 660 123	(2 310 039)	3 093 089	918 480	-	-	205 361 653	-	-	-	-	-	-	-	-	205 361 653
Grant Totals Assets	19 041 707 283	1 130 951	19 042 838 234	46 166	200 630 344	1 235 476 790	1 653 472	10 190 556	20 467 147 507	5 594 048 581	-	5 594 048 581	-	868 362 629	1 105 913	7 839 598	6 453 465 699	14 013 681 808

**Appendix A - Unaudited  
ECONOMIC ENTITY**

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

<b>2014 Actual Income</b>	<b>2014 Actual Expenditure</b>	<b>2014 Surplus/ (Deficit)</b>		<b>2015 Actual Income</b>	<b>2015 Actual Expenditure</b>	<b>2015 Surplus/ (Deficit)</b>
541 156	186 621 035	(186 079 879)	Executive and Council	2 639 289	220 807 460	(218 168 171)
2 423 404 508	346 365 765	2 077 038 743	Budget and Treasury	2 532 222 462	680 697 296	1 851 525 166
11 476 977	348 006 238	(336 529 261)	Corporate Services	19 828 089	333 566 871	(313 738 782)
258 659 512	479 343 634	(220 684 122)	Public Health	283 325 933	533 024 502	(249 698 569)
545 799 641	1 182 684 771	(636 885 130)	Human Settlements	729 208 805	678 324 002	50 884 803
31 388 317	429 357 697	(397 969 380)	Safety and Security	60 569 775	465 351 503	(404 781 728)
528 562 769	505 932 571	22 630 198	Infrastructure and Engineering - R & G	297 660 572	681 898 832	(384 238 260)
818 135 306	422 088 876	396 046 430	Water	803 147 170	622 289 168	180 858 002
3 050 138 922	2 672 225 007	377 913 915	Electricity and Energy	3 275 708 403	3 011 331 271	264 377 132
144 799 084	333 105 926	(188 306 842)	Economic Development and Recreational Services (Split below)	-	-	-
			Economic Development, Tourism and Agriculture	114 306 517	106 282 155	8 024 362
			Sports, Recreation, Arts and Culture	33 859 014	268 969 874	(235 110 860)
645 673 587	324 027 420	321 646 167	Sanitation	716 758 724	386 230 259	330 528 465
46 901 674	166 307 794	(119 406 120)	NMBM Stadium	42 111 565	155 929 760	(113 818 195)
48 595 684	31 492 124	17 103 560	Special Projects	37 689 498	33 467 373	4 222 125
<b>8 554 077 137</b>	<b>7 427 558 858</b>	<b>1 126 518 279</b>	<b>Total</b>	<b>8 949 035 816</b>	<b>8 178 170 326</b>	<b>770 865 490</b>
			<b>Controlled Entities</b>			
71 576 382	71 619 792	(43 410)	Mandela Bay Development Agency	99 722 723	99 129 786	592 937
<b>71 576 382</b>	<b>71 619 792</b>	<b>(43 410)</b>	<b>Total Controlled Entities</b>	<b>99 722 723</b>	<b>99 129 786</b>	<b>592 937</b>
(62 883 158)	(62 883 158)	-	Less: Intercompany charges	(85 270 738)	(85 270 738)	-
<b>8 562 770 361</b>	<b>7 436 295 492</b>	<b>1 126 474 869</b>	<b>Total: Economic Entity before taxation</b>	<b>8 963 487 801</b>	<b>8 192 029 374</b>	<b>771 458 427</b>
-	-	-	Taxation	-	-	-
<b>8 562 770 361</b>	<b>7 436 295 492</b>	<b>1 126 474 869</b>	<b>Total</b>	<b>8 963 487 801</b>	<b>8 192 029 374</b>	<b>771 458 427</b>

**Appendix B - Unaudited  
ECONOMIC ENTITY**

**DISCLOSURES OF CONDITIONAL GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2015**

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

**Appendix C - Unaudited  
ECONOMIC ENTITY**

<b>TOTAL ACCUMULATED FUNDS</b>	<b>2015</b>	<b>Restated 2014</b>
	<b>R</b>	<b>R</b>
<b>Made up as follows:</b>		
Housing Development Fund	109 731 779	109 731 779
Capital Replacement Reserve	91 370 086	237 365 658
Government Grant Reserve	6 221 746 532	5 884 817 161
Capitalisation Reserve	134 769 439	347 496 052
Donations and Public Contributions Reserves	347 226 266	266 063 068
Self-Insurance Reserve	96 391 064	78 940 556
COVID Reserve	24 831 196	21 413 380
Accumulated Surplus	4 904 890 481	4 213 670 762
	<b>11 930 956 843</b>	<b>11 159 498 416</b>

**Appendix C - Unaudited  
NELSON MANDELA BAY METROPOLITAN MUNICIPALITY**

<b>TOTAL ACCUMULATED FUNDS</b>	<b>2015</b>	<b>Restated 2014</b>
	<b>R</b>	<b>R</b>
<b>Made up as follows:</b>		
Housing Development Fund	109 731 779	109 731 779
Capital Replacement Reserve	91 370 086	237 365 658
Government Grant Reserve	6 221 746 532	5 884 817 161
Capitalisation Reserve	134 769 439	347 496 052
Donations and Public Contributions Reserves	347 226 266	266 063 068
Self-Insurance Reserve	96 391 064	78 940 556
COVID Reserve	24 831 196	21 413 380
Accumulated Surplus	4 903 393 803	4 212 767 021
	<b>11 929 460 165</b>	<b>11 158 594 675</b>