

MANDELA BAY DEVELOPMENT AGENCY NPC

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(Registration Number: 2003/017900/08)

<u>Content</u>	<u>Page No.</u>
1 Report of the Auditor - General	Refer to Volume V - Part 3
2 Directors' Report	2 - 3
3 Statement of Financial Position	4
4 Statement of Financial Performance	5
5 Statement of Changes in Net Assets	6
6 Statement of Cash Flows	7
7 Statement of Comparison of Budget to Actual Amounts	8-11
8 Notes to the Annual Financial Statements	12 - 29

MANDELA BAY DEVELOPMENT AGENCY NPC
DIRECTORS' REPORT

The Directors have pleasure in submitting their report for the entity, which forms part of the audited financial statements of the Non Profit Company for the year ended 30 June 2017.

Establishment

The Nelson Mandela Bay Municipality (NMBM), with the assistance of the Industrial Development Corporation (IDC) established the Mandela Bay Development Agency (the entity) to project manage urban regeneration of the inner metro precinct with a view to promoting economic and tourism development. The original geographical area for which the entity was responsible was the Port Elizabeth Central Business District (CBD) and the inner city surrounds and this was later expanded to various other developing and emerging nodes in Nelson Mandela Bay. A further development during the period under review was the transfer of the management of the Nelson Mandela Bay Multi-Purpose Stadium operations to the agency by the NMBM.

Over the past thirteen years, the MBDA has implemented a number of urban renewal projects, precinct upgrades, security and cleansing programmes as well as other strategic assignments that are collectively changing the face of Nelson Mandela Bay and reinvigorating the economic life in key developing nodes and precincts and which has resulted in an expansion of its mandate and strategic objectives in line with the Integrated Development Plan (IDP) of its parent municipality.

General review

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

The MBDA mandate includes the rejuvenation of neglected township areas, from the initial focus on the inner city and its surrounds only and this initiative has now gained much momentum as the challenges of inequalities in townships and other previously disadvantaged areas are addressed by the NMBM. To date the MBDA has played a key role particularly in addressing the urban decay and degeneration in the inner cities of Port Elizabeth and Uitenhage and the municipal infrastructure and environmental upgrading projects that it has been implementing in the townships have been widely welcomed and positively received by various key stakeholders. The mandate received from the NMBM to manage the NMB Stadium is expected to be for a limited duration until the NMBM decides how to deal with this key asset in the future.

Legislation

The entity complied with all the relevant sections of the Companies Act 71 of 2008, the Companies Amendment Act 3 of 2011, the Local Government: Municipal Finance Management Act 56 of 2003, and the Local Government: Municipal Systems Act 32 of 2000.

Financial results

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

Key activities

In Progress / Completed Projects

During the period under review the Agency completed the the Singapi Rd Phase 2 development and commenced with Phase 3. This project is expected to become a gateway to the Red Location Museum with the precinct becoming a vibrant arts, cultural and tourism node. In Veeplaas three community projects were completed in the form of a carwash, a creative industries hub as well as a business incubator, all of which have been handed over to the NMBM at end June 2017 for operationalisation in the new financial period. The rehabilitation of the Campanile is nearing completion and is planned to be opened to the public early in the new financial year and is expected to become a major tourism attraction for the Metro. The Helenvale SPUU foreign donor funded projects encountered many challenges during the financial period and a few of the projects within the programme were seriously delayed due to SMME and community strife and dissatisfaction with the process involved in the way the contracts were awarded. Discussions with the NMBM and funder KfW Bank have lead to the SPUU pogramme deadline being extended to 2019/2020 with counter-funding for the programme also committed to by the NMBM. The upgrade of the Neave St Park in Korsten/Schauderville experienced a budget shortfall once tenders were submitted and the process was cancelled, with a new tender planned for the new period together with an additional budget allocated to the project.

New Projects

New projects during the 2016/17 financial period include the Upgrade of Flemming Square / Lower Valley Rd as part of the Vuyisile Mini nodal upgrade with a contractor appointed and construction work having commenced. Following a Council resolution that the Rivonia Trial Monument / Art Piece project be implemented by the agency, the Board concluded that the project was not strategic in line with the MBDA's mandate and the project will be returned to the NMBM in 2017/18.

The New Brighton Swimming Pool project posed challenges for the agency in that the project was overdesigned without sufficient budget and fruitless and wasteful expenditure incurred as a result. Negotiations are currently underway with the consultant with regard to the future design and the possibility of using an NMBM approved design that is more relevant and cost effective, and this matter will be finalised in the first quarter of the new financial period.

MANDELA BAY DEVELOPMENT AGENCY NPC
DIRECTORS' REPORT

Future Projects

During 2017/18 the Agency plans to commence with the planning and construction of the South End Mixed Use Precinct, a key project forming part of the Baakens River Valley programme which has linkages to the new port development and the Happy Valley precinct. The Neave Street Park in Schauderville / Korsten will be upgraded in line with a revised design while a further phase on the Singapi Rd will be done relating to additional sidewalks being constructed. The planning of the demolition of the old Boet Erasmus Stadium has commenced together with application for various regulatory permissions and the actual demolition is planned to commence in early 2018 leading to this key strategic site being made available to the market for redevelopment. The MBDA will also in the new financial period be taking over the operations of the Uitenhage Science & Technology Centre, an asset of the NMBM, and plans are in place to redevelop one of the adjoining Rail Sheds into an office park facility for a potential State tenant. The Bayworld project has not gathered the required momentum during the period under review and there are new plans in place to accelerate this process towards redeveloping the existing facility into a brand new state of the art edutainment facility that will have the potential to become a major tourist attraction as well as add to the development of an Oceans Economy in the region.

Directors

Non-executive directors of the company as at 30 June 2017 were:

Mputumi William Goduka (Chairperson)

Derrick Ian Swartz

Nomhle Theodora Tys (Resigned 10 November 2016)

Kasaven Govender

Adrian John Faulkner Gardiner

Renganayagee Kisten

Khulile Vuyisile Nzo

Bongani Gxilishe

Rajesh Dana

Sithole Mabi Mbanga

Masalamani Odayar

Senior Management

The Chief Executive Officer resigned in January 2017 and an acting Chief Executive Officer has been in place since, with a recruitment process currently underway for the appointment of a full-time Chief Executive Officer.

During the period under review four of the six senior managers in the agency completed the minimum finance competency level requirements for senior officials within the entity. This requirement is in terms of a National Treasury regulation (Government Gazette 29967).

Preparer of annual financial statements: Zwelithini Gagayi (Chief Financial Accountant)

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

Postal Address:

Mandela Bay Development Agency
P.O. Box 74
Port Elizabeth
6000

Business Address:

1st Floor
Tramways Building
Corner Lower Valley Road and South Union Street
Central
Port Elizabeth
6001

MANDELA BAY DEVELOPMENT AGENCY NPC**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Notes	2017 R	RESTATED 2016 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Accumulated Surplus		8 238 946	7 836 572
Non-Current Liabilities			
Construction Contract Retention Creditors	2	446 735	-
Deferred Income	5.1	889 232	865 885
Current Liabilities			
		81 944 493	60 474 877
Payables from Exchange Transactions	3	14 151 610	7 440 172
Provisions	4	1 063 917	228 330
VAT	11	727 149	-
Unspent Conditional Grants	5.2	65 085 778	51 051 079
Current Portion Deferred Income	5.1	236 150	236 150
Current portion of Construction Contract Retention Creditors	2	679 889	1 519 146
TOTAL NET ASSETS AND LIABILITIES		91 519 406	69 177 334
ASSETS			
Non-current Assets			
		7 632 928	7 836 572
Property, Plant & Equipment	6	7 346 436	7 497 494
Intangible Assets	7	35 992	88 578
Heritage Assets	8	250 500	250 500
Current Assets			
		83 886 478	61 340 763
Receivables from Exchange Transactions	9	24 466 833	24 763 722
VAT	11	-	2 474 487
Deposits	12	14 210	2 100
Cash and Cash Equivalents	13	58 876 992	34 100 454
Inventory	10	528 442	-
TOTAL ASSETS		91 519 406	69 177 334

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 R	RESTATED 2016 R
Revenue from Exchange Transactions		35 220 210	41 485 521
- NMBM Capital Expenditure Grants		34 599 511	41 485 521
- KfW Bank Capital Grants		2 640 278	-
- Stadium Liquor Income	16.2	980 421	-
Revenue from non Exchange Transactions		72 859 306	59 050 063
- Industrial Development Corporation Grants		-	1 540 951
- Nelson Mandela Bay Municipality Grants		43 715 514	46 953 663
- NMBM Stadium Operating Grant	16.1	18 653 333	-
- Eastern Cape Development Corporation Grants		-	25 304
- KfW Bank Operating Grants		7 886 409	6 392 985
- National Lotteries Board Grants		49 980	80 060
- Lease Rental Income		166 110	55 370
- Interest Received		2 387 959	4 001 730
TOTAL REVENUE		111 079 515	100 535 584
OTHER INCOME			
Other Income	15	849 062	506 269
TOTAL INCOME		111 928 578	101 041 853
EXPENDITURE		111 526 204	94 701 959
Advertising & Media		588 970	460 624
Audit Fees		892 786	789 735
Arts, Culture & Heritage Activation		1 141 412	261 670
Athenaeum Building Operating Costs		308 568	712 707
Bad Debts		39 648	26 821
Bank Charges		11 995	16 697
Capital Projects Cost		36 732 185	42 367 936
CBD Facilities		3 760 091	3 062 625
Cleaning & Safety		122 929	58 198
Cleansing Plan Project		4 472 780	4 418 061
Course Fees, Education & Training		166 905	229 551
Depreciation and amortisation	6, 7	698 808	438 301
Directors' Fees & Expenses		940 849	105 144
Donations & Social Responsibility		778 610	830 659
ECDC Project Expenses		-	25 304
Electricity, Water & Rates		247 604	83 915
Employee Related Costs	17	15 986 709	13 903 235
Entertainment		64 914	81 550
EPWP Projects		274 578	1 462 685
Operating Leases & Rentals	29	78 623	46 537
Helenvale Urban Renewal Program		-	339 023
Helenvale Resource Centre Operating Costs		1 390 820	1 335 686
Insurance		97 712	127 766
Interest Paid	19	-	3 743
IT Support Costs & Computer Expenses		376 294	204 834
Legal Fees		462 375	495 494
Stadium Liquor Expenditure	16.2	386 843	-
Loss on disposal of Property, Plant and Equipment		131 469	37 107
Motor Vehicle expenses		66 412	114 371
National Lotteries Board Expenses	31	49 980	80 060
Nelson Mandela Bay Stadium Expenditure	16.1	18 653 333	-
Office Decor & Fittings		22 074	5 996
Office Relocation costs		-	134 176
Office Rentals		1 000	343 875
Postage & Courier		12 620	7 919
Printing & Stationery		156 448	183 659
Professional & Consultant Fees		425 229	716 758
Provision for Doubtful Debts		25 421	41 739
Public Relations & Marketing		4 317 894	4 670 214
Recruitment Costs		54 655	17 403
Refreshments		78 772	58 547
Repairs & Maintenance		103 505	585 752
Security Plan Project		7 983 129	6 802 563
SPUU Consultants Expenses		5 078 966	5 425 953
SPUU Helenvale Projects Expenses		2 807 444	967 033
Staff Welfare		13 088	17 260
Strategic Spatial Framework Studies	33	242 790	1 846 190
Subscriptions		72 606	140 400
Sundry Expenses		29 763	116 633
Telephone & Fax		248 442	304 752
Tramways Building Security		526 249	-
Travel & Accommodation		401 912	195 099
SURPLUS FOR THE YEAR		402 374	6 339 895

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

		R		R
	Note	Accumulated Surplus	Stadium Liquor Sales Surplus	Total
Balance at 01 July 2015		1 496 677	-	1 496 677
Surplus for the year		6 013 040	-	6 013 040
Balance at 30 June 2016		7 509 717	-	7 509 717
Prior period adjustment	30	326 855		326 855
Restated Balance at 01 July 2016		7 836 572	-	7 836 572
Surplus for the year		(191 204)	593 578	402 374
Balance at 30 June 2017		7 645 368	593 578	8 238 946

MANDELA BAY DEVELOPMENT AGENCY NPC**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 R	Restated 2016 R
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Gross cash receipts from Nelson Mandela Bay Municipality		120 946 719	75 312 306
Gross cash receipts from kFW, ECDC and others		20 378 772	19 722 758
Cash paid to suppliers and employees		(118 307 340)	(111 628 818)
<i>Cash utilised in operations</i>	18	23 018 151	(16 593 754)
Interest received		2 394 726	2 769 114
NET CASH FLOW FROM OPERATING ACTIVITIES		25 412 878	(13 824 639)
<u>CASH FROM INVESTING ACTIVITIES</u>			
Proceeds from sale of property, plant and equipment		-	(99 885)
Purchase of property, plant and equipment	6	(636 339)	(5 622 946)
Purchase of intangible assets	7	-	(8 830)
NET CASH FROM INVESTING ACTIVITIES		(636 339)	(5 731 661)
NET DECREASE IN CASH AND CASH EQUIVALENTS		24 776 538	(19 556 300)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		34 100 454	53 656 754
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		58 876 992	34 100 454

MANDELA BAY DEVELOPMENT AGENCY NPC							
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS							
Budget on Cash Basis							
Statement of Financial Performance							
MBDA	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Difference Between Final Budget and Actual	Explanations
	R	R	R		R	%	
REVENUE							
Revenue from Exchange Transactions							
Nelson Mandela Bay Municipality Grants	80 276 469	7 479 585	87 756 054	34 599 511	53 156 543	61%	Lower recognition of revenue (refer note 5)
Stadium Liquor Income	750 000	-	750 000	980 421	(230 421)	-31%	Refer Stadium schedule
KfW Bank Capital Grants	5 192 568	-	5 192 568	2 640 278	2 552 290	49%	Project delays experienced
Interest Received	2 200 000	-	2 200 000	2 387 959	(187 959)	-9%	
Sundry Income	500 000	-	500 000	849 062	(349 062)	-70%	Lower income yielded
	88 919 037	7 479 585	96 398 622	41 457 231	54 941 391		
Revenue from non Exchange Transactions							
Nelson Mandela Bay Municipality Grants	43 715 514	-	43 715 514	43 715 514	-	0%	
NMBM Stadium Operating Grant	36 515 640	-	36 515 640	18 653 333	17 862 307	49%	Lower recognition of revenue
Lease Rental Income	200 000	-	200 000	166 110	33 890	17%	Sub-lease Rental straight lined
KfW Bank Grants	9 956 406	-	9 956 406	7 886 409	2 069 997	21%	Project delays experienced
National Lotteries Board Grants	89 648	-	89 648	49 980	39 668	44%	Timing of expenditure
	90 477 208	-	90 477 208	70 471 347	20 005 862		
TOTAL REVENUE	179 396 245	7 479 585	186 875 830	111 928 578	74 947 252		
EXPENDITURE							
Advertising & Media	300 000	300 000	600 000	588 970	(11 030)	-2%	
Audit Fees	874 930	100 000	974 930	892 786	(82 144)	-8%	
Arts, Culture & Heritage Activation	1 100 000	45 000	1 145 000	1 141 412	(3 588)	0%	
Athenaeum Building Operating Costs	548 344	(200 000)	348 344	308 568	(39 776)	-11%	Less maintenance required
Bad Debts	50 000	-	50 000	39 648	(10 352)	-21%	Lower value written off
Bank Charges	20 000	-	20 000	11 995	(8 005)	-40%	Savings incurred
Capital Projects Cost	85 469 037	7 479 585	92 948 622	36 732 185	(56 216 437)	-60%	Refer to note 5.2
CBD Facilities	4 804 891	-	4 804 891	3 760 091	(1 044 800)	-22%	Savings incurred on facility maintenance
Cleaning & Safety	114 365	10 000	124 365	122 929	(1 436)	-1%	
Cleansing Plan Project	6 469 299	-	6 469 299	4 472 780	(1 996 519)	-31%	Savings incurred
Course Fees, Education & Training	371 000	(170 000)	201 000	166 905	(34 095)	-17%	Minimum competency training not done
Depreciation and amortisation	718 000	100 000	818 000	698 808	(119 192)	-15%	Savings incurred
Directors' Fees & Expenses	150 000	805 000	955 000	940 849	(14 151)	-1%	
Donations & Social Responsibility	750 000	95 000	845 000	778 610	(66 390)	-8%	
Electricity, Water & Rates	233 934	20 000	253 934	247 604	(6 330)	-2%	
Employee Related Costs	19 308 170	(3 160 000)	16 148 170	15 986 709	(161 461)	-1%	
Entertainment	180 194	-	180 194	64 914	(115 280)	-64%	Savings incurred
EPWP Projects	445 670	-	445 670	274 578	(171 092)	-38%	Timing of expenditure
Operating Leases & Rentals	156 000	-	156 000	78 623	(77 377)	-50%	Savings incurred
Helenvale Resource Centre Operating Costs	1 706 787	-	1 706 787 000	1 390 820	(315 967)	-19%	Savings incurred
Helenvale SPUU Expenses	4 746 809	-	4 746 809	5 078 966	332 157	7%	
Insurance	418 000	-	418 000	97 712	(320 288)	-77%	Savings incurred
Interest Paid	215 180	(208 000)	7 180	-	(7 180)	-100%	No present valuing of retention creditors
IT Support Costs & Computer Expenses	313 687	65 000	378 687	376 294	(2 393)	-1%	
Legal Fees	637 583	(155 000)	482 583	462 375	(20 208)	-4%	
Stadium Liquor Expenditure	750 000	-	750 000	386 843	(363 157)	-48%	Refer Stadium schedule
Loss on disposal of Property, Plant and Equipment	-	140 000	140 000	131 469	(8 531)	-6%	
Motor Vehicle expenses	225 420	-	225 420	66 412	(159 008)	-71%	Lower maintenance required
National Lotteries Board Expenses	96 887	-	96 887	49 980	(46 907)	-48%	Timing of expenditure
Nelson Mandela Bay Stadium Expenditure	35 765 640	-	35 765 640	18 653 333	(17 112 307)	-48%	Refer Stadium schedule
Office Decor & Fittings	55 805	-	55 805	22 074	(33 731)	-60%	Savings incurred
Office Rentals	10 000	-	10 000	1 000	(9 000)	-90%	Nominal Tramways building rental
Postage & Courier	35 437	-	35 437	12 620	(22 817)	-64%	Savings incurred
Printing & Stationery	131 607	25 000	156 607	156 448	(159)	0%	
Professional & Consultant Fees	1 281 245	(125 000)	1 156 245	425 229	(731 016)	-63%	Savings and partly committed
Provision for Doubtful Debts	150 000	-	150 000	25 421	(124 579)	-83%	Lower provisions required
Public Relations & Marketing	4 500 000	(50 000)	4 450 000	4 317 894	(132 106)	-3%	
Recruitment Costs	300 000	-	300 000	54 655	(245 345)	-82%	Savings incurred
Refreshments	77 875	3 000	80 875	78 772	(2 103)	-3%	
Repairs & Maintenance	100 000	10 000	110 000	103 505	(6 495)	-6%	
Security Plan Project	10 253 378	-	10 253 378	7 983 129	(2 270 249)	-22%	Savings incurred
SPUU Expenses	9 867 824	-	9 867 824	2 807 444	(7 060 380)	-72%	Project delays
Staff Welfare	132 740	-	132 740	13 088	(119 653)	-90%	Savings incurred
Strategic Spatial Framework Studies	3 618 776	(500 000)	3 118 776	242 790	(2 875 986)	-92%	Delays due to strategy changes
Subscriptions	104 500	-	104 500	72 606	(31 894)	-31%	Savings incurred
Sundry Expenses	50 000	-	50 000	29 763	(20 237)	-40%	Savings incurred
Telephone & Fax	415 225	100 000	515 225	248 442	(266 783)	-52%	Lower usage
Tramways Building Security	653 683	-	653 683	526 249	(127 434)	-19%	Savings incurred
Travel & Accommodation	304 901	100 000	404 901	401 912	(2 989)	-1%	
Telkom Park Demolition	5 000 000	-	5 000 000	-	(5 000 000)	-100%	Deferred to 2017/18
TOTAL EXPENDITURE	203 982 823	4 829 585	208 812 408	111 526 204	(97 286 204)		
NET SURPLUS FOR THE YEAR	(24 586 578)	2 650 000	(21 936 578)	402 374	172 233 456		

MANDELA BAY DEVELOPMENT AGENCY NPC							
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS							
Statement of Financial Position							
	<u>Approved Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual Amounts on Comparable Basis</u>	<u>Difference Between Final Budget and Actual</u>	<u>Difference Between Final Budget and Actual</u>	<u>Explanations</u>
	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>%</u>	
Computer Equipment	200 000	-	200 000	121 984	(78 016)	-39%	
Computer Software	100 000	385 000	485 000	-	(485 000)	-100%	Lower expenditure on PPE
Office Equipment	200 000	180 000	380 000	270 372	(109 628)	-29%	
Furniture & Fittings	219 731	15 000	234 731	234 366	(365)	0%	
Motor Vehicles	203 997	-	203 997	-	(203 997)	-100%	Deferred to 2017/18
TOTAL EXPENDITURE	923 728	580 000	1 503 728	626 721	(877 007)		

MANDELA BAY DEVELOPMENT AGENCY NPC							
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS							
Budget on Cash Basis							
Statement of Financial Performance							
Stadium	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Difference Between Final Budget and Actual	Explanations
	R	R	R	R	R	%	
STADIUM EVENTS REVENUE	5 000 000	-	5 000 000	980 463	(4 019 537)	-80%	As per the SLA Revenue to the value of R 5 million is disclosed by NMBM
LESS : STADIUM EVENTS COSTS	3 804 100	-	3 804 100	2 525 908	(1 278 192)	34%	The six month period under MBDA's management had less events than anticipated, hence the under expenditure.
GROSS PROFIT	1 195 900	-	1 195 900	(1 545 445)	(5 297 729)		
OVERHEAD EXPENDITURE	36 515 640	-	36 515 640	16 514 268	(17 780 144)		
FIELD EXPENSES	312 700	249 000	561 700	494 678	67 022		
Labour Cost		2 000	2 000	1 520	480	24%	The six month period under MBDA's management had less events than anticipated, hence the under expenditure.
Maintenance costs	265 000	105 000	370 000	363 474	6 526	2%	
Fuel for mowers		44 000	44 000	26 895	17 105	39%	
Pitch tools		83 000	83 000	63 176	19 824	24%	
Equipment rentals	47 700	-	47 700	25 196	22 504	47%	
Precinct Maintenance		15 000	15 000	14 417	583	4%	
FACILITIES & TECHNICAL EXPENSES	6 454 770	(497 820)	5 956 950	4 913 358	1 043 592		
Plumbing	86 920	38 080	125 000	122 942	2 058	2%	
Electrical	223 860	101 140	325 000	306 488	18 512	6%	
Structural Engineers		10 000	10 000	7 201	2 799	28%	Less expenditure was required during the period
Membranes		70 000	70 000	68 516	1 484	2%	
Floodlights Main Field		17 000	17 000	15 480	1 520	9%	
Lifts	67 370	7 630	75 000	71 139	3 861	5%	
TVs & Signal		2 000	2 000	1 170	830	42%	Less expenditure was required during the period
Air Conditioners	78 340	-48 340	30 000	28 516	1 484	5%	
Fire Equipment Replacements & Service	156 040	13 960	170 000	163 966	6 034	4%	
Windows		20 000	20 000	17 660	2 340	12%	Less expenditure was required during the period
General Maintenance	1 058 830	-408 830	650 000	634 760	15 240	2%	
UPS Maintenance	45 000	-45 000	-	-	-	0%	
Painting		10 000	10 000	6 556	3 444	34%	Painting was only done were required
Maintenance Contracts		5 000	5 000	3 043	1 957	39%	Less maintenance was required than anticipated
Locks and Keys	7 950	-2 950	5 000	4 289	711	14%	Less locks and keys needed to be replaced
CCTV		250 000	250 000	234 550	15 450	6%	
Access Control Expenses	320 410	-320 410	-	-	-	0%	
Safety and Protective Clothing	50 000	-	50 000	11 520	38 480	77%	Safety clotng was purchased as part of uniforms
ICT SUPPORT EXPENSES							
ICT Support Service Support		170 000	170 000	152 760	17 240	10%	Less events were held during the period
ICT Support Connectivity	23 900	91 100	115 000	101 133	13 867	12%	Less events were held during the period
ICT Hardware Support		360 000	360 000	346 146	13 854	4%	
ICT PA Systems	2 055 730	-1 105 730	950 000	920 606	29 394	3%	
ICT Hardware Improvement		80 000	80 000	75 255	4 745	6%	
North End Lake maintenance	1 409 400	-	1 409 400	719 536	689 864	49%	The current contract expired and discussions is under way with the University to help with the rehabilitation of the lake
CLEANING							
General cleaning	627 470	-77 470	550 000	523 898	26 102	5%	
Waste cleaning		25 000	25 000	23 982	1 018	4%	
Hygiene & consumables expenses	60 400	-	60 400	55 072	5 328	9%	
Roof Cleaning		160 000	160 000	152 600	7 400	5%	
Rapture & Pest Control	85 860	-	85 860	77 591	8 269	10%	Savings was made in the services required
Refuse Removal	97 290	-	97 290	20 542	76 748	79%	Less events were held during the period
Diesel Rotaries		50 000	50 000	21 325	28 675	57%	Less events were held during the period
Small Tools		30 000	30 000	25 114	4 886	16%	Less tools was purchased
GENERAL EXPENSES	29 706 190	(119 200)	29 586 990	10 721 516	(18 865 474)		
MBDA Management Fee	5 000 000	-	5 000 000	-	5 000 000	100%	Discussions is still underway in determining the amount to be paid to MBDA
Chippa United Anchor Tenant Agreeeme	6 000 000	-	6 000 000	500 000	5 500 000	92%	The only payment done was for the marketing campaign, the balance was paid in the period before December 2016.
Southern Kings Anchor Tenant Agreeeme	6 000 000	-	6 000 000	-	6 000 000	100%	Payment was done in the period before December 2017.
ADVERTISING & MARKETING EXPENSES							
Marketing Expenses	1 000 000	-750 000	250 000	221 079	28 921	12%	Expnditure was curtailed while the new look of the Stadium was being developed.
Entertainment Expenses							

MANDELA BAY DEVELOPMENT AGENCY NPC							
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS							
SIGNAGE							
Permanent Signage	103 650	470 000	573 650	556 190	17 460	3%	
CONSULTING FEES							
General Consulting Fees	180 000	120 000	300 000	280 072	19 928	7%	
BANK CHARGES							
General Bank Charges	48 000	-	48 000	35 112	12 888	27%	Less cash banked due to fewer events
Breakages Function Areas		105 000	105 000	100 813	4 187	4%	
INSURANCE							
General Short Term Insurance	250 000	-	250 000	103 479	146 521	59%	The utilisation of the NMBM insurance ensured savings
Suite Insurance	150 000	-	150 000	-	150 000	100%	No expenditure was required
General Legal Fees	300 000	-	300 000	279 463	20 537	7%	
MOTOR VEHICLE EXPENSES							
Motor Vehicle Petrol & Oil	142 220	-50 000	92 220	5 741	86 479	94%	Fewer vehicles were used during the period
Motor Vehicle Repairs & Maintenance		5 000	5 000	4 875	125	3%	
ADMINISTRATIVE EXPENSES							
Printing & Stationery		150 000	150 000	134 321	15 679	10%	Less expenditure was required
Staff Welfare & Refreshments	50 000	-	50 000	4 085	45 915	92%	No major activities was performed
Computer Expenses General		5 000	5 000	4 279	721	14%	Less expenditure was required
General Consulting Fees		100 000	100 000	96 000	4 000	4%	
Accreditation Expenses		5 000	5 000	2 658	2 342	47%	Fewer events were held
First Aid Boxes		-	-	79	-79	0%	
General Expenses Other	187 000	-185 000	2 000	1 900	100	5%	
Photographs		2 000	2 000	1 725	275	14%	Fewer events were held
Small Assets		10 000	10 000	9 796	204	2%	
Conference & Meeting Expenses		3 000	3 000	2 764	236	8%	
PERSONNEL COSTS							
Employees Salaries	7 984 600	-	7 984 600	7 016 508	968 092	12%	Fewer employees were employed
Staff Training	100 000	-	100 000	76 922	23 078	23%	Training are planned to take place in the second part of the year.
SAFETY AND SECURITY							
Security 24HR	1 139 380	-239 380	900 000	850 047	49 953	6%	
OSHACT compliance	500 000	-	500 000	-	500 000	100%	Expense was paid in the period before December 2016.
SUBSCRIPTIONS & LICENSES							
DSTV		30 000	30 000	27 118	2 882	10%	
Music Licences	25 000	-	25 000	14 159	10 841	43%	Expense was paid in the period before December 2016.
TV Licences		20 000	20 000	19 314	686	3%	
Liquor Licences	105 240	-28 820	76 420	30 245	46 175	60%	Expense less than budgetted
Health Licences		-	-	80	-80	0%	
Accounting Software	25 000	-	25 000	-	25 000	100%	Expense was paid in the period before December 2016.
RECRUITMENT							
Recruitment Fees Paid	30 000	-	30 000	29 844	156	1%	
Relocation Expenses	70 000	-	70 000	-	70 000	100%	No employees were relocated
TELEPHONE & CONNECTIVITY							
Telephone Expense	100 000	50 000	150 000	145 878	4 122	3%	
Cellphone Expense	116 100	-116 100	-	-	-	0%	
Web Design		15 000	15 000	12 107	2 894	19%	Savings were made by doing more work in-house
TRAVEL & SUBSISTENCE EXPENSES							
Travel Local	100 000	-	100 000	2 619	97 381	97%	No presentations were required to out of town clients
Domestic Accomodation		30 000	30 000	26 535	3 465	12%	No presentations were required to out of town clients
Uniforms		125 000	125 000	124 682	318	0%	
Rounding Difference		5 000	5 000	225	4 775	96%	Not required for accounting entries
Discount Received for Cash		-	-	739	-739	0%	
Discount Allowed for Cash		100	100	66	34	34%	
CAPITAL EXPENDITURE							
Computer Equipment & Software	41 980	368 020	410 000	384 716	(25 284)		
Furniture & Fittings	20 980	29 020	50 000	40 393	9 607	19%	Less items were required
Pitch Equipment		140 000	140 000	137 062	2 938	2%	
Other Capital Items	21 000	-6 000	15 000	14 269	731	5%	
Functions Equipment		150 000	150 000	143 220	6 780	5%	
Corrosion Prevention		25 000	25 000	20 400	4 600	18%	Less work was required
NET DEFICIT FOR THE PERIOD	35 319 740	-	35 319 740	18 059 713	(12 482 415)		

1.1 REPORTING ENTITY

Mandela Bay Development Agency is a municipal entity (registered non-profit company) with the Nelson Mandela Bay Municipality (NMBM) as its parent municipality. The entity's registered address is The City Hall, Port Elizabeth. The entity is situated in the Nelson Mandela Bay Municipality of the Eastern Cape Province. The entity has been established by the NMBM with the assistance of the Industrial Development Corporation (IDC) to project manage urban regeneration of the inner metro precinct and emerging development nodes in Nelson Mandela Bay with a view to promoting economic and tourism development.

1.2 BASIS FOR PRESENTATION

1.2.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practices (GRAP) Financial Reporting Framework as set by the Accounting Standards Board (ASB) and prescribed by the Minister of Finance in Directive 5.

1.2.2 Basis of measurement

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention or fair value if stated as such.

1.2.3 Use of Estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 4 – Provisions & Contingencies

Provisions are recognised when the 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.

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 obligation, the provision is reversed.

Workmen's compensation provision is calculated as a percentage of total earnings for the year.

The 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.

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.4 GOING CONCERN ASSUMPTION

On 26 May 2017 NMBM Council adopted the 2017/18 to 2019/20 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), supporting the on-going delivery of MBDA projects to residents, reflected that the budget was funded over the three-year period. These annual financial statements have been prepared on a going concern basis.

1.5 Principal Agent Transactions

During the period under review was the transfer of the management of the Nelson Mandela Bay Multi-Purpose Stadium operations to the agency by the NMBM, where a principal / agent relationship exists between the parties. It was established that MBDA will function as principal on NMB Stadium related expenditure and act as agent on the income earned as a result of NMB Stadium activities. An exception is liquor income as the licence is in the name of MBDA.

1.6 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, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure 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.

1.7 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 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 on unauthorised, irregular and fruitless and wasteful expenditure in the notes to the Financial Statements.

1.8 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 note to the financial statements.

1.9 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.

1.10 RELATED PARTIES

The 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 transaction took place between the parties during the reporting period.

Where transactions occurred between the entity and one or more related parties, and these 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 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 entity's legal mandate.

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

1.11 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Changes from approved to final budget

The entity presents an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget or any other factors.

1.12 COMMITMENTS

Items are classified as commitments when the entity has committed itself to future transactions that will normally result in a outflow of cash. Disclosure is done to the extent that it has not already been recognised elsewhere in the Financial Statements.

1.13 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of financial performance as incurred. Land is not depreciated.

Items of property, plant and equipment are depreciated using the straight line basis at rates that will reduce the book values to estimated residual values over the anticipated useful lives of the assets concerned. The principal useful lives used for this purpose are:

Assets	Useful life in Years
- Computer Equipment	3 - 8
- Office Equipment	5 - 10
- Furniture and Fittings	10
- Motor Vehicles	4 - 5
- Containers	15
- Leasehold Asset	5

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Surpluses or deficits on the disposal of assets are credited or charged to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date

1.14 HERITAGE ASSETS

Heritage assets are assets that have cultural, historical, environmental, natural, scientific or technological significance that are held indefinitely for the benefit of

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

Heritage assets are initially recognised at cost on acquisition date.

Subsequent measurement

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

1.15 INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary asset without physical substance and are carried at cost less accumulated amortisation and impairments.

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. The annual amortisation rates are based on the following estimated average asset lives:

Assets	Useful life in Years
- Computer Software	3 – 5

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from 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.

The assets' residual values, amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

1.16 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 deficit 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 conditional grants. 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.

1.17 FINANCIAL INSTRUMENTS

1.17.1 Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The entity had no financial assets at fair value through profit or loss, held to maturity investments or available-for-sale financial assets.

1.17.2 Trade and other Receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

1.18 INVENTORIES

Inventories comprise assets held for sale, consumption or distribution during the ordinary course of stadium 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.

Subsequent measurement

Inventories are measured at the lower of cost and net realisable value. The basis of determining cost is first-in, first-out(FIFO) method.

1.19 Impairment of Financial Assets

The company assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

1.20 Derecognition of financial assets and liabilities

1.20.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired; or the entity retains the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the entity has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

1.20.2 Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The entity's financial liabilities include trade and other payables as well as construction contract retention creditors.

1.20.3 Construction Contract Retention Creditors

The entity received grant funding from its parent municipality to undertake certain infrastructure development projects. It accounts for costs incurred on construction of these infrastructure development projects using the percentage of completion method which is certified by the consulting engineer.

Retentions payable within 12 months after financial year end is treated as current and any retentions payable over 12 months after financial year end is treated as long term.

1.21 Loans and Borrowings

After initial recognition, trade and other payables and construction contract retention creditors are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well through the amortisation schedule.

1.22 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term, 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. Cash in the statement of financial position comprises of cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at fair value.

1.23 PROVISIONS AND CONTINGENCIES

A provision is recognised when the entity has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources 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 is the estimate of the expenditure required to settle the present obligation at the statement of financial position date.

After their initial recognition contingent liabilities recognised are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised but disclosed in the annual financial statements.

1.24 REVENUE RECOGNITION

1.24.1 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- 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.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion.

When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest

Interest is recognised on a time-apportioned basis, in surplus or deficit.

1.24.2 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.25 VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amount of Value Added Tax except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of trade and other receivables or trade and other payables in the statement of financial position.

Principle Agent Transactions

The MBDA was appointed by its parent municipality NMBM to act as its agent in the management of the NMB Stadium operations. As part of its custodial responsibilities the agency is responsible for the total operations in terms of event, financial and risk management, and to ensure that this facility becomes more cost effective over the longer term.

The agency has contracted additional staff with the relevant experience to manage this operations with oversight and control of the agency's senior management.

1.26 UNSPENT CONDITIONAL GRANTS

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

1.27 COMPARATIVE INFORMATION

1.27.1 Current year comparatives :

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

1.27.2 Prior year comparatives :

When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. (Refer to note 27 for the impact of the prior period restatement on the prior year comparatives).

1.28 TAXATION

The entity has received a tax exemption certificate from South African Revenue Services.

1.29 OPERATING LEASES

1.29.1 As Lessee

Operating leases do not transfer to the entity substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

1.29.2 As Lessor

Operating leases do not transfer to the lessee substantially all risks and benefits to ownership of the leased item. Operating lease rentals are recognised as an income in the statement of financial performance on a straight-line basis over the lease term.

1.30 RETIREMENT BENEFITS

The policy of the company is to provide retirement benefits for all its employees. The company has a defined contribution plan. Current contributions to the retirement benefit plan operated for employees are charged against the income in the period to which they relate.

1.31 STATEMENTS IN ISSUE BUT NOT YET ADOPTED

The following standards of GRAP in issue have not yet been adopted. Management has not yet had an opportunity to consider the potential impact of adoption of these standards.

Standard of GRAP	Effective Date
GRAP 20 Standard of GRAP on Related party disclosures	No effective date gazetted to date
GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor	No effective date gazetted to date
GRAP 34 Standard of GRAP on Separate Financial Statements	No effective date gazetted to date
GRAP 35 Standard of GRAP on Consolidated Financial Statements	No effective date gazetted to date
GRAP 36 Standard of GRAP on Investments in Associates and Joint Ventures	No effective date gazetted to date
GRAP 37 Standard of GRAP on Joint Arrangements	No effective date gazetted to date
GRAP 38 Standard of GRAP on Disclosure of Interest in other Entities	No effective date gazetted to date
GRAP 108 Standard of GRAP on Statutory Receivables	No effective date gazetted to date
GRAP 109 Standard of GRAP on Accounting Principles and Agents	No effective date gazetted to date
GRAP 110 Standard of GRAP on Living and Non-living Resources	No effective date gazetted to date

	2017	2016
	R	R
2 CONSTRUCTION CONTRACT RETENTION CREDITORS		
Techni Civils - Bird Street/Belmont Terrace Upgrade Phase 3	-	273 345
Techni Civils - Singapi Street Upgrade Phase 2	-	588 636
Tewo Building & Civil - Qaqawuli Community Hall	-	36 266
GVK Siyazama - Tramways Building Redevelopment Phase 2	-	620 899
Hyman Master Fence :SPUU - Upgrading of Side Walks in Helenvale	387 780	-
Techni Civils: Singaphi Street Upgrade - Phase 3	679 889	-
Masiphumelele Trading: Vuyisile Mini Square	58 956	-
	<u>1 126 624</u>	<u>1 519 146</u>
Less: Current portion transferred to Current Liabilities	(679 889)	(1 519 146)
	<u>446 735</u>	<u>-</u>

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.

3 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors - MBDA	6 605 659	4 585 508
Trade Creditors - NMBM Stadium	6 001 851	-
Leave Accrual	730 793	469 376
Performance Bonuses	-	484 300
Employee costs	274 755	232 817
Accruals	538 552	1 624 054
Receipts in Advance	-	44 117
	<u>14 151 610</u>	<u>7 440 172</u>

Trade and other payables are non-interest bearing and are settled within 30 days of receipt of invoice.

4 PROVISIONS

Workmen's Compensation

Balance at beginning of year	41 800	32 481
Current year provision	25 676	41 801
Adjustment for under/over provision	17 700	(10 440)
Expenditure incurred	(59 500)	(22 041)
Balance at end of year	<u>25 675</u>	<u>41 800</u>

The workmen's compensation calculation is based on estimates as there are no assessments available for the period.

Performance Bonuses Provision	401 742	186 530
Directors Fees	636 500	-
TOTAL	<u>1 063 917</u>	<u>228 330</u>

5.1 DEFERRED INCOME

Operating Lease	1 125 382	1 102 035
Non-Current Portion	889 232	865 885
Current Portion transferred to current liabilities	236 150	236 150

	2017 R	2016 R
5.2 UNSPENT CONDITIONAL GRANTS	65 085 778	51 051 079
National Lotteries Board (NLB)	39 668	89 648
Opening Balance	89 648	169 708
Grants for the year	-	-
Capital expenditure portion of grant recognised as Revenue	-	-
Operating expenditure portion of grant recognised as Revenue	(49 980)	(80 060)
Eastern Cape Development Corporation (ECDC)	32 054	32 054
Opening Balance	32 054	57 358
Grants for the year	-	-
Recognised as Revenue	-	(25 304)
Industrial Development Corporation (IDC)	1 959 049	1 959 049
Opening Balance	1 959 049	-
Grants for the year	-	3 500 000
Recognised as Revenue	-	(1 540 951)
HURP/SPUU (KfW Funded)	916 418	-
Opening Balance	(176 192)	(1 760 255)
Transferred from/to Accounts Receivable	-	176 192
Grants received	10 081 662	5 103 707
Capital project expenditure portion of grant recognised as Exchange Revenue	(2 640 278)	-
Operating expenditure	(6 348 775)	(3 519 644)
Nelson Mandela Bay Municipality (NMBM)	62 138 589	48 970 328
Opening Balance	48 970 328	48 767 726
Grants for the year	91 820 628	89 809 571
Capital Projects	(34 599 511)	(42 367 936)
Operating expenditure portion of grant recognised as Non-Exchange Revenue	(44 052 856)	(47 239 033)
Interest Received	2 387 959	2 769 114
Sundry Income	849 062	506 269
Lease Rental Income	166 110	-
Property Plant & Equipment (excl Heritage Assets)	-	(6 803 698)
Operating expenses	(47 455 987)	(43 710 718)
Made up as follows:	65 085 778 *	51 051 079 *
Capital Projects in progress - Contract Creditors (refer to note 14)	54 485 395	94 558 388
Other (Operating grants, interest received, sundry income etc)	8 569 612	-45 588 060
Industrial Development Corporation	1 959 049	1 959 049
National Lotteries Board Grant	39 668	89 648
Eastern Cape Development Corporation Grant	32 054	32 054

6 PROPERTY, PLANT AND EQUIPMENT

2017
R

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	
Computer Equipment	915 465	121 984	-	1 037 449	485 987	135 560	-	621 547	415 902
Office Equipment	932 988	270 372	(7 268)	1 196 091	153 561	150 652	(4 993)	299 221	896 871
Furniture & Fittings	456 689	234 366	(307 973)	383 082	331 059	22 082	(179 238)	173 903	209 179
Motor Vehicles	657 367	-	-	657 367	288 876	99 112	-	387 988	269 379
Containers	62 120	-	-	62 120	19 044	3 213	-	22 257	39 863
Land & Buildings	4 649 358	-	-	4 649 358	-	-	-	-	4 649 358
Leasehold Improvements	1 180 752	-	-	1 180 752	78 717	236 150	-	314 867	865 885
	8 854 739	626 721	(315 241)	9 166 219	1 357 245	646 769	(184 231)	1 819 783	7 346 436

2016
R

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	
Computer Equipment	837 782	192 670	(114 987)	915 465	456 642	129 526	(100 181)	485 987	429 478
Office Equipment	222 715	737 912	(27 640)	932 988	116 027	50 260	(12 726)	153 561	779 426
Furniture & Fittings	413 683	43 005	-	456 689	313 343	17 716	-	331 059	125 629
Motor Vehicles	657 367	-	-	657 367	189 944	98 932	-	288 876	368 491
Containers	62 120	-	-	62 120	15 731	3 313	-	19 044	43 076
Land & Buildings	-	4 649 358	-	4 649 358	-	-	-	-	4 649 358
Leasehold Improvements	-	1 180 752	-	1 180 752	-	78 717	-	78 717	1 102 035
	2 193 668	6 803 698	(142 627)	8 854 739	1 091 688	378 464	(112 907)	1 357 245	7 497 494

NOTE

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

7 INTANGIBLE ASSETS

2017
R

	Cost				Accumulated Amortisation				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal	Closing Balance	
Computer Software	327 018	-	-	327 018	238 440	52 586	-	291 026	35 992
	327 018	-	-	327 018	238 440	52 586	-	291 026	35 992

2016
R

	Cost				Accumulated Amortisation				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal	Closing Balance	
Computer Software	324 858	8 830	(6 670)	327 018	180 661	59 837	(2 058)	238 440	88 578
	324 858	8 830	(6 670)	327 018	180 661	59 837	(2 058)	238 440	88 578

8 HERITAGE ASSETS

2017
R

	Cost				Opening				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal	Closing Balance	
Heritage Assets	250 500	-	-	250 500	-	-	-	-	250 500
	250 500	-	-	250 500	-	-	-	-	250 500

2016
R

	Cost				Opening				Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal	Closing Balance	
Heritage Assets	250 500	-	-	250 500	-	-	-	-	250 500
	250 500	-	-	250 500	-	-	-	-	250 500

	2017 R	2016 R
9 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Trade Debtors - MBDA	7 607 858	24 142 522
Trade Debtors - NMB Stadium	957 658	-
Provision for Bad debts	(213 830)	(188 408)
Interest Receivable	213 853	224 396
HURP/SPUU (KfW Funded)	-	176 192
Prepaid Expenses	-	241 151
Sundry Debtors		112 500
Sub Lease Rental	221 480	55 370
Nelson Mandela Bay Stadium	15 679 814	-
	24 466 833	24 763 722
Trade debtors: Ageing		
Current (0 - 30 days)	5 737 173	121 160
31 - 60 days	81 434	22 015 397
61 - 90 days	4 770	16 180
91 + days	1 784 481	1 989 785
	7 607 858	24 142 522
NOTE		
<i>Interest receivable, sundry debtors and VAT are all current.</i>		
10 INVENTORIES		
Merchandise	528 442	-
	528 442	-
11 VAT		
SARS - VAT	(727 149)	2 474 487
	(727 149)	2 474 487
12 DEPOSITS		
Telkom	2 100	2 100
Hall Rental Deposits	12 110	-
	14 210	2 100
13 CASH AND CASH EQUIVALENTS		
<i>The entity has the following bank accounts</i>		
<u>Current Accounts (Primary Accounts)</u>		
NedBank, Govan Mbeki Avenue, Port Elizabeth Account Number - 1084853833/1084866064		
Current account balance at beginning of year	4 568 254	435 692
Current account balance at end of the year	7 587 201	4 568 254
Bank statement balance at beginning of the year	4 568 254	435 692
Bank statement balance at end of the year	7 587 201	4 568 254
First National Bank, Govan Mbeki Avenue, Port Elizabeth Account Number - 62244870748		
Call account balance at beginning of year	-	83 628
Call account balance at end of the year	-	-
Bank statement balance at beginning of the year	-	83 628
Bank statement balance at end of the year	-	-

Call Accounts Balances

Nedbank, Port Elizabeth
Account Number - 03/7881116285/000002

Call account balance at beginning of year	320 801	24 142 826
Call account balance at end of the year	<u>46 756 535</u>	<u>320 801</u>
Bank statement balance at beginning of the year	320 801	24 142 826
Bank statement balance at end of the year	<u>46 756 535</u>	<u>320 801</u>

Rand Merchant Bank, Port Elizabeth
Account Number - X021906134

Call account balance at beginning of year	29 211 400	28 994 607
Call account balance at end of the year	<u>4 533 256</u>	<u>29 211 400</u>
Bank statement balance at beginning of the year	29 211 400	28 994 607
Bank statement balance at end of the year	<u>4 533 256</u>	<u>29 211 400</u>

Which are disclosed in the Statement of Financial Position as follows:-

Cash and Cash Equivalents	58 876 992	34 100 454
Current Account (Primary Account)	7 587 201	4 568 254
Call Account Balances	51 289 791	29 532 201

All amounts of Cash and Cash Equivalents are available for use by the entity.

14 AMOUNTS DUE TO FUNDERS OF CONSTRUCTION CONTRACTS

Cumulative Construction costs incurred	(120 527 311)	(119 511 840)
Cumulative Advances received	175 012 706	214 070 228
Amounts due to funders of construction contracts	<u>54 485 395</u>	<u>94 558 388</u>
(Refer to note 5)		

	2017	Restated
	R	2016
		R
15 OTHER INCOME		
Request for Proposal Document Fees	77 506	61 154
Sundry income	225 030	218 919
Kiosk Rentals	76 761	66 055
Helenvale Resource Centre Income	183 551	115 247
Public Toilet Fees	27 095	19 219
Tramways Event Space Rental	259 121	25 676
	<u>849 062</u>	<u>506 269</u>

16 NELSON MANDELA BAY STADIUM

16.1 Stadium Expenditure and Grant Income

Stadium Expenditure	<u>18 653 333</u>	<u>-</u>
Stadium Recognised Grant Income	<u>18 653 333</u>	<u>-</u>

The agency was mandated by the Nelson Mandela Bay Municipality Council in December 2016 to take over the management and operations of the NMB Stadium as it's agent.

In this regard expenditure is reflected in the agency's financial statements as in terms of an agreement with the NMBM it acts as principal with regard to such expenditure, which is subject to the agency's supply chain management policy and which is aligned to the NMBM supply chain management policy.

16.2 Stadium's Liquor Income and Expenditure

Stadium Liquor Revenue	<u>980 421</u>	<u>-</u>
Stadium Liquor Expenditure	<u>386 843</u>	<u>-</u>

As the liquor licence is in the name of the MBDA, all liquor expenditure and income is accounted for in the agency's financial records as the principal.

17 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	12 724 790	10 595 281
Employee related costs - Social Contributions	2 833 844	2 513 994
Car allowances	83 000	108 000
Long Service Bonus	-	15 130
Performance bonus	345 075	670 830
Total Employee Related Costs	<u>15 986 709</u>	<u>13 903 235</u>

Remuneration of the former Chief Executive Officer (resigned January 2017)

Annual Remuneration including social contributions	946 246	1 635 727
Car allowance	35 000	60 000
Performance bonus	-	186 530
Gratuity Payment	1 374 500	-
Total	<u>2 355 746</u>	<u>1 882 257</u>

Remuneration of the Acting Chief Executive Officer (Commenced 22 May 2017)

Annual Remuneration	173 333	-
Total	<u>173 333</u>	<u>-</u>

Remuneration of Chief Financial Officer

Annual Remuneration including social contributions	993 946	920 521
Car allowance	24 000	24 000
Acting Allowance	234 010	-
Performance bonus	101 795	122 667
Total	<u>1 353 751</u>	<u>1 067 188</u>

Remuneration of Planning & Development Manager (Inner City)

Annual Remuneration including social contributions	952 500	813 531
Car allowance	24 000	24 000
Performance bonus	97 651	108 742
Total	<u>1 074 151</u>	<u>946 273</u>

Remuneration Operations Manager

Annual Remuneration including social contributions	624 639	615 948
Performance bonus	62 464	66 698
Long Service Bonus (10 years)	-	15 130
Total	<u>687 103</u>	<u>697 776</u>

Remuneration of Planning & Development Manager (Townships) (resigned June 2016)

Annual Remuneration including social contributions	-	829 025
Performance bonus	-	93 581
Total	<u>-</u>	<u>922 606</u>

	2017 R	Restated 2016 R
Remuneration of Planning & Development Manager (Townships)		
Annual Remuneration including social contributions	461 007	-
Performance bonus	56 667	-
Total (8 months)	517 673	-
Remuneration of Marketing and Communications Manager		
Annual Remuneration including social contributions	833 123	776 761
Performance bonus	83 166	92 612
Total	916 289	869 374
18 CASH (UTILISED IN)/GENERATED FROM OPERATIONS		
Surplus for the year	402 374	6 339 895
Depreciation	698 808	438 301
Loss on disposal of property, plant and equipment	131 469	37 107
Interest Received	(2 387 959)	(2 769 114)
Increase in provisions for doubtful debts	25 421	41 739
Operating (loss)/surplus before working capital changes:	(1 129 887)	4 087 928
Increase in provisions	835 587	195 849
Increase/(Decrease) in Trade and other Payables	6 711 438	(1 814 369)
Increase in Unspent Conditional Grants	14 034 699	2 000 917
Increase in Construction Contract Retention Creditors	(392 522)	(1 686 582)
Decrease / (Increase) in Trade and other Receivables	296 889	(19 377 497)
Decrease in VAT	3 201 635	-
Increase in Deposits	(11 246)	-
Increase in Inventory	(528 442)	-
Cash generated from / (utilised in) operations	23 018 151	(16 593 754)
19 INTEREST PAID		
Interest on fair valuing of Retention Creditors	-	3 743
	-	3 743

This amount relates to a book entry with respect to the valuation of retention creditors at financial year end and is reversed once the retention is paid.

	2017 R	2016 R
20 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
20.1 Audit fees		
Opening balance	-	479 888
Current year audit fee	892 786	638 517
Amount paid - current year	(892 786)	(638 517)
Previous year audit fees adjustment	-	262 104
Amount paid - previous year	-	(741 992)
Balance unpaid	-	-
20.2 PAYE and UIF		
Opening balance	(0)	191 085
Current year payroll deductions	3 403 066	2 441 801
Amount paid - current year	(3 403 066)	(2 441 801)
Amount paid - previous year	-	(191 085)
Balance unpaid	(0)	(0)
20.3 Performance Bonuses		
Opening balance	687 788	597 707
Amount paid	(687 788)	(597 707)
Amount - Current year	401 742	687 787
Balance unpaid	401 742	687 787
20.4 Provident Fund		
Opening balance	-	104 484
Amount paid	(1 471 428)	(1 397 089)
Expenditure	1 471 428	1 292 605
Balance unpaid	-	-

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.

	Number of MBDA incidents	Amount	Number of NMB Stadium incidents	Amount
20.5 Deviation from supply chain management regulations				
Reason				
In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process	29	533 148	4	112 672
In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process	19	483 006	6	346 177
In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process	5	318 481	54	6 777 624
	<u>53</u>	<u>1 334 634</u>	<u>64</u>	<u>7 236 473</u>

20.6 Non-Compliance

Management is not aware of any non-compliance with the Municipal Finance Management Act 56 of 2003.

	2017 R	Restated 2016 R
20.7 Capital Commitments		
Approved and contracted for		
Land and Buildings	462 951	26 291 812
Infrastructure	19 881 791	23 495 180
Community	2 785 866	7 901 859
Intangible	-	-
Other	-	-
	<u>23 130 609</u>	<u>57 688 851</u>
This expenditure will be financed from:		
NMBM Grants	12 082 658	14 411 749
kfW Grants	11 047 951	43 277 103
	<u>23 130 609</u>	<u>57 688 851</u>

	2017 R	2016 R
21 VALUE ADDED TAX		
As at 30 June 2017 all VAT returns have been submitted timeously to the South African Revenue Services, with the exception of NMB Stadium which will be included in the VAT return for August 2017.		
22 RELATED PARTIES		
22.1 Relations		
Parent Municipality	Nelson Mandela Bay Municipality	
Funder	Industrial Development Corporation	
Funder	National Lotteries Board	
Funder	Eastern Cape Development Corporation	
Funder	Department of Arts and Culture	
Funder	KfW Bank	
22.2 Related party balances		
(a) Amounts included in Receivables from Exchange Transactions/(Payables from Exchange Transactions) regarding related parties		
Nelson Mandela Bay Municipality	22 252 115	22 843 504
Eastern Cape Development Corporation	698 350	1 099 952
	<u>22 950 465</u>	<u>23 943 456</u>
<i>These balances have no fixed terms and conditions. Refer to note 5 relating to NMBM, IDC, ECDC, NLB and KfW unspent conditional grants.</i>		
(b) Amounts included in unspent conditional grants regarding related parties		
Nelson Mandela Bay Municipality	(62 138 589)	(48 970 328)
kfW	(916 418)	176 192
Industrial Development Corporation	(1 959 049)	(1 959 049)
Eastern Cape Development Corporation	(32 054)	(32 054)
National Lotteries Board	(39 668)	(89 648)
	<u>(65 085 778)</u>	<u>(50 874 887)</u>
22.3 Related party transactions		
Amounts Received from transactions regarding related party		
Nelson Mandela Bay Municipality	120 946 719	96 658 112
kfW	10 081 662	5 103 707
Eastern Cape Development Corporation	369 547	1 002 545
Industrial Development Corporation	-	3 500 000
	<u>131 397 928</u>	<u>106 264 364</u>
23 KEY MANAGEMENT PERSONNEL		
The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, including any director of MBDA:		
Chief Executive Officer (Acting):	Mr Ashraf Adam	
Chief Financial Officer:	Mr Ashwin Daya	
Planning and Development Manager:	Ms Dorelle Sapere	
Planning and Development Manager:	Ms Rene Uren	
Operations Manager:	Mr Mcebisi Ncalu	
Marketing and Communications Manager:	Mr Luvuyo Bangazi	
Their short term employee benefits are disclosed in note 13.		
24 CONTINGENT LIABILITY		
We are not aware of the existence of any contingent liabilities at the financial year end.		
25 CONTINGENT ASSETS		
NMBM Council resolved in December 2016 that MBDA takes over the management and operation of Nelson Mandela Bay Multi-Purpose Stadium from January 2017 and that the agency be entitled to a management fee for such services rendered. At financial year end the basis for the calculation of this fee had not been finalised with NMBM and a contingent asset of R1,7 million has thus been raised.		
26 IN-KIND DONATIONS		
No in-kind donations and/or assistance was received during the financial year that would require adjustments to the annual financial statements.		
27 POST BALANCE SHEET EVENTS		
The agency has been mandated by the NMBM to take over the management and operations of the Science & Technology Centre (STC) from July 2017 onwards. The STC is an NMBM asset situated in Uitenhage and was previously managed by the Uitenhage Despatch Development Initiative, which is in the process of being deregistered as a company. A professional fee dispute originally disclosed as a contingent liability at financial year end has since been resolved between the parties.		
28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
28.1 UNAUTHORISED EXPENDITURE		
No such expenditure was incurred by the entity.		
28.2 IRREGULAR EXPENDITURE		
No such expenditure was incurred by the entity.		

28.3 FRUITLESS AND WASTEFUL EXPENDITURE

Balance at beginning of year	3 743	55 191
Incurring during the year	866 743	3 743
Approved by the Board	(3 743)	(55 191)
Balance at end of year	866 743	3 743

Fruitless and wasteful expenditure incurred during the year related to the fraudulent payment of an Auditor General invoice of R16 743 as well as a settlement payment of R850 000 for a professional fee dispute on one of the agency's infrastructure projects.

	2017 R	2016 R
--	-----------	-----------

29 OPERATING LEASES

The following are the total minimum future lease payments

	0 - 1 year	1 - 5 years
Office Plants Rental	17 999	-
Public Toilets Rental	133 807	266 098
Copier Rentals	72 984	49 279
Building Rental	1 000	6 000
Sub letting of Office Premises	-	830 551

30 PRIOR PERIOD RESTATEMENT

The prior period restatements related to the following items:

	<u>Previously Stated</u> <u>2016</u>	<u>Change</u>	<u>Restated</u> <u>2016</u>
(1) Statement of Financial Position			
(a) Deferred Income - Long term portion	(609 071)	(256 814)	(865 885)
(b) Deferred Income - Short term portion	(166 110)	(70 040)	(236 150)
(c) Accumulated Surplus	(7 509 717)	(326 855)	(7 836 572)
(d) Unspent Conditional Grants (NMBM)	(51 345 910)	294 831	(51 051 079)
(e) Receivables from Exchange Transactions	27 182 838	(2 419 117)	24 763 722
(f) VAT	-	2 474 487	2 474 487
(g) Heritage Assets	-	250 500	250 500
(h) Property plant and Equipment	1 136 421	76 354	1 212 775
Leasehold Assets - at cost	830 551	350 201	1 180 752
Leasehold Assets - accumulated depreciation	55 370	(23 347)	32 023
Heritage Assets	250 500	(250 500)	-
Net impact on Statement of financial position		23 346	

(a) & (b) Deferred Income - Long term portion and short term portions

During 2015/16 financial year the deferred income amount was understated by R350 201.

(c) Accumulated Surplus

The change in the depreciation of leasehold asset.

(d) Unspent Conditional Grants (NMBM)

As a result of adjustments in the expenditure funded by NMBM Operating expenditure this figure has been changed.

(e) Receivables from Exchange Transactions

The VAT receivable has been reallocated out of the Receivables from exchange Transactions and shown on its own on the notes and on the statement of financial position.

(f) VAT

The VAT receivable has been reallocated out of the Receivables from exchange Transactions and shown on its own on the notes and on the statement of financial position.

(g) Property Plant and Equipment

Leasehold Assets were understated in 2015/16 financial year. Heritage Assets were moved from Property Plant and Equipment and are shown on their own.

(h) Heritage Assets

Heritage Assets were moved from Property Plant and Equipment and are shown on their own.

(2) Additional Disclosures - Notes

	<u>Previously Stated</u> <u>2016</u>	<u>Change</u>	<u>Restated</u> <u>2016</u>
--	---	---------------	--------------------------------

(a) Commitments

The entity has never disclosed commitments as note before. As a result the 2016 figure had to be restated.

The following related party items were not disclosed previously

(b) Related party balances

Amounts included in unspent conditional grants regarding related parties

(c) Related party transactions

Amounts Received from transactions regarding related party

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The entity's principal financial liabilities comprise Trade and Other Payables. The entity's financial assets comprise Trade and Other Receivables (excluding loan accounts from related parties) and cash and short-term deposits.

Classification of Financial Instruments

	R	R
Financial Assets		
Trade and Other Debtors	8 787 019	24 587 530
Cash and Cash Equivalents	58 876 992	34 100 454
Financial Liabilities		
Trade and Other Payables	14 151 610	7 440 172
Construction Contract Retentions	1 126 624	1 519 146

31.1 Interest Rate Risk

The entity's exposure to the risk of changes in market interest rates relates primarily to the entity's positive bank balance. As part of the process of managing the entity's interest rate risk, the entity's income and operating cash flows are substantially independent of changes in the market rates.

Interest Rate Risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on profit before taxation (through the impact on floating rate borrowings). There is no impact on equity.

Cash and cash equivalents	-	-
Effect of a 100 basis point movement in the interest rate	-	-

31.2 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity mainly transacts with entities who provides grants to fund operations and projects. Trade Receivables at year end consist mainly of the Nelson Mandela Bay Municipality.

31.3 Liquidity Risk

Liquidity Risk Management

The entity manages its liquidity risk by ensuring sufficient cash reserves to settle liabilities.

Liquidity Tables

The following table details the entity's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the debt can be required to pay. Tables include both interest and principal cash flows.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
30-Jun-17				
Trade and Other Payables	14 151 610	-	-	-
Construction Contract Retention Creditors	-	-	679 889	446 735
	<u>14 151 610</u>	<u>-</u>	<u>679 889</u>	<u>446 735</u>
30-Jun-16				
Trade and Other Payables	7 440 172	-	-	-
Construction Contract Retention Creditors	-	-	1 519 146	-
	<u>7 440 172</u>	<u>-</u>	<u>1 519 146</u>	<u>-</u>

31.4 Foreign Currency Risk

The entity is not exposed to foreign currency risk as all trading was done in local currency.

32 NATIONAL LOTTERIES BOARD EXPENSES

These expenses relate to an arts grant that was awarded to the entity by the National Lotteries Board (NLB).

33 STRATEGIC SPATIAL FRAMEWORK STUDIES

These expenses relate to economic feasibility and development studies and are funded by the Eastern Cape Development Corporation (ECDC), Industrial Development Corporation (IDC) and NMBM.

34 HELENSVALE SPUU EXPENSES

These expenses relate to a foreign donor funded programme between Nelson Mandela Bay Municipality and KfW Bank, Germany and where the agency has been appointed as project execution authority on behalf of the parent municipality. This programme is multi year in nature and comprises of various infrastructure and community development projects.