

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended

30 June 2018

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 112, 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.



P NEILSON

(National Higher Diploma – Electrical Engineering, Heavy current
Government Certificate of Competency for Electrical Engineers)

Acting City Manager

05 December 2018

Date

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

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NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

General Information

Legal form of entity	It is a Metropolitan Municipality established in terms of section 155 of the Constitution of the Republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	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.
Executive Mayor	Cllr A Trollip
Deputy Executive Mayor	Vacant
Speaker	Cllr J Lawack
Chief Whip	Cllr W Senekal
Members of the Mayoral Committee	Cllr M Zinto (Infrastructure and Engineering and Electricity and Energy) Cllr M Daniels (Roads and Transport) Cllr A Lovemore (Corporate Services) Cllr J Best (Safety and Security) Cllr A Whitfield (Economic Development, Tourism and Agriculture) Cllr S Sijadu (Sports, Recreation Arts and Culture) Cllr L Grootboom (Public Health) Cllr N Bhanga (Human Settlements) Cllr R Odendaal (Budget and Treasury) Cllr S Sauls (Constituency Services)
Accounting Officer (City Manager)	J Mettler
Chief Financial Officer (Acting CFO)	MJ Ngcelwane (Acting)

Chief Operating Officer (COO)	M Clay
Chief of Staff	K Adelbert
Metro Police Chief	Y Faro
Executive Directors	N Xhego (Acting - Corporate Services) A Qaba (Economic Development, Tourism and Agriculture) N Nqwazi (Sports, Recreation, Arts and Culture) T Mokonyane (Acting - Public Health) N Gqiba (Human Settlements) P Nielson (Acting - Electricity and Energy) EW Shaidi (Infrastructure and Engineering) K Meyer (Safety and Security)
Members of the Audit Committee	Mr G Billson (Chairperson) Ms T Cumming Mr YE Amod Mr J Neves Mr SG Zamisa
Registered Office	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
Business Address	1 st Floor City Hall Govan Mbeki Avenue Port Elizabeth 6001
Postal Address	P O Box 116 Port Elizabeth 6000
Bankers	ABSA
Auditors	Auditor-General (SA)
Physical Address of Auditors	69 Frere Road Vincent East London 5247
Postal Address of Auditors	P O Box 13252 East London 5217

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

ECONOMIC ENTITY

MUNICIPALITY

	Note	Actual 2018 R	Restated 2017 R	Actual 2018 R	Restated 2017 R
NET ASSETS AND LIABILITIES					
Net Assets					
Total Accumulated Funds		15,942,446,951	13,872,523,351	15,933,325,119	13,864,286,863
Non-current Liabilities					
		3,688,047,385	3,648,213,964	3,686,553,095	3,646,877,997
Long-term Liabilities	3	1,209,505,493	1,290,457,417	1,208,011,203	1,289,121,450
Non-current Provisions - Employee Benefits	4.1	2,089,611,527	1,989,244,328	2,089,611,527	1,989,244,328
Non-current Provisions - Other	4.2	388,930,365	368,512,219	388,930,365	368,512,219
Current Liabilities					
		2,752,662,281	2,230,842,216	2,713,233,721	2,210,055,852
Current Provisions - Employee Benefits	5.1	180,429,719	162,944,586	180,128,968	161,880,670
Current Provisions - Other	5.2	38,771,537	92,188,982	38,771,537	92,188,982
Consumer Deposits	6	148,636,802	131,388,122	148,636,802	131,388,122
Trade and Other Payables	7	2,303,847,163	1,719,692,658	2,265,936,004	1,700,697,359
VAT	8	1,216,650	38,218,585	0	37,491,436
Current Portion of Long-term Liabilities	3	79,760,410	86,409,283	79,760,410	86,409,283
Total Net Assets and Liabilities		<u>22,383,156,617</u>	<u>19,751,579,531</u>	<u>22,333,111,935</u>	<u>19,721,220,712</u>
ASSETS					
Non-current Assets					
		17,436,365,389	15,962,030,051	17,429,144,219	15,954,399,584
Property, Plant and Equipment (PPE)	9	16,466,028,717	15,396,723,429	16,459,109,204	15,389,379,454
Heritage Assets	10	229,700,993	224,222,631	229,450,493	223,972,131
Intangible Assets	11	442,651,355	83,393,451	442,600,198	83,357,459
Investment Property	12	220,379,727	193,631,195	220,379,727	193,631,195
Long-term Receivables - Exchange Transactions	13	50,395,448	41,109,163	50,395,448	41,109,163
Long-term Receivables - Non-exchange Transactions	13	27,209,149	22,950,182	27,209,149	22,950,182
Current Assets					
		4,946,791,228	3,789,549,480	4,903,967,716	3,766,821,128
Current Portion of Long-term Receivables - Exchange Transactions	13	0	20	0	20
Inventory	14	180,165,392	198,395,728	179,641,204	197,867,286
Trade Receivables - Exchange Transactions	15	1,316,134,451	1,215,022,383	1,316,134,451	1,215,022,383
Other Receivables - Non-exchange Transactions	16	395,170,445	329,060,406	391,717,053	329,060,406
Other Receivables - Exchange Transactions	16	397,373,740	414,045,649	397,920,948	450,722,731
VAT	8	33,334,245	0	33,334,245	0
Call Deposits and Investments	17	2,371,934,859	1,344,722,731	2,371,934,859	1,344,722,731
Call Deposits and Investments - Other	18	2,867,194	2,651,551	2,867,194	2,651,551
Bank Balances and Cash	19	249,810,902	285,651,012	210,417,762	226,774,020
Total Assets		<u>22,383,156,617</u>	<u>19,751,579,531</u>	<u>22,333,111,935</u>	<u>19,721,220,712</u>

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

Restated 2017 R		Actual 2018 R	Approved Original Budget 2018 R	Adjustments 2018 R	Approved Final Budget 2018 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
Exchange revenue								
4,909,881,819	Service Charges	21.1	5,182,065,405	5,107,448,870	311,501,039	5,418,949,909	236,884,504	4%
121,035,381	Interest earned - External Investments		155,484,447	105,174,418	16,856,302	122,030,720	(33,453,727)	-27%
113,637,286	Interest raised - Outstanding Debtors		144,492,630	119,549,034	18,626	119,567,660	(24,924,970)	-21%
13,477,195	Licences and Permits		14,453,000	26,671,035	(228,995)	26,442,040	11,989,040	45%
23,229,107	Rental of Facilities and Equipment		22,472,315	18,885,624	11,366,756	30,252,380	7,780,065	26%
2,501,266	Income for Agency Services		2,774,279	0	2,728,440	2,728,440	(45,839)	-2%
149,525,915	Other Revenue	23	128,713,185	235,218,681	(58,234,461)	176,984,220	48,271,035	27%
605,938	Gain on disposal of Property Plant and Equipment	35.9	0	31,800	(31,800)	0	0	0%
Non-exchange revenue								
1,639,537,719	Property Rates	20	2,007,605,470	1,882,347,183	58,399,997	1,940,747,180	(66,858,290)	-3%
65,111,583	Interest raised - Outstanding Debtors		80,141,319	58,794,390	0	58,794,390	(21,346,929)	-36%
289,704,157	Fines, Penalties and Forfeits	21.2	213,071,274	265,711,307	(9,405,457)	256,305,850	43,234,576	17%
2,563,943,478	Transfers and Subsidies	22	2,936,388,338	3,015,139,342	(473,758,396)	2,541,380,946	(395,007,392)	-16%
10,576,667	Other Revenue - MBDA		7,139,502	0	0	0	0	0%
6,900,321	Licences and Permits		5,003,119	0	0	(5,003,119)	0	0%
341,264	Dividends received		123,095	0	0	(123,095)	0	100%
9,910,009,096	Total Revenue		10,899,927,378	10,834,971,684	(140,787,949)	10,694,183,735	(198,604,141)	
EXPENDITURE								
3,068,996,619	Employee Related Costs	24	2,802,867,536	2,842,251,176	65,638,752	2,907,889,928	105,022,392	4%
64,283,888	Remuneration of Councillors	25	71,264,771	70,937,756	500,000	71,437,756	172,985	0%
437,819,838	Debt Impairment - Receivables	26	730,844,488	454,191,108	18,681,062	472,872,170	(257,972,318)	-55%
165,679,512	Debt Impairment - Other	26	141,837,351	165,022,170	0	165,022,170	23,184,819	14%
65,069	Debt Impairment - MBDA	26	55,340	0	0	0	(55,340)	0%
155,218,285	Finance Charges	27	144,137,627	148,169,317	281,523	148,450,840	4,313,213	3%
3,010,600,384	Bulk Purchases	28	3,014,542,934	3,005,447,393	24,055,627	3,029,503,020	14,960,086	0%
24,872,974	Transfers and Subsidies	29	31,589,318	112,165,450	(22,333,270)	89,832,180	58,242,862	65%
1,147,619,085	Contracted Services	30.1	1,041,441,709	1,183,119,736	(157,395,676)	1,025,724,060	(15,717,649)	-2%
331,144,509	Other Expenditure	30.2	439,539,517	421,653,426	267,428,156	689,081,582	249,542,065	36%
144,236,417	Other Materials		131,725,408	276,974,718	(9,498,291)	267,476,427	135,751,019	51%
301,106,568	Depreciation	31.1	636,791,365	808,877,177	700,723	809,577,900	172,786,535	21%
(6,780,802)	Amortisation	31.2	(356,696,282)	0	0	0	356,696,282	0%
1,299,011	Loss on Disposal of Property Plant and Equipment	35.8	62,696	0	0	0	(62,696)	0%
8,846,161,357	Total Expenditure		8,830,003,778	9,488,809,427	188,058,606	9,676,868,033	846,864,255	
1,063,847,739	Surplus for the year		2,069,923,600	1,346,162,257	(328,846,555)	1,017,315,702	(1,045,468,396)	

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

(Please note: The Surplus for the year as recorded above amounting to R2 069 923 600 must exclude Capital Government Grants and Subsidies amounting to R1 357 811 536 in order to get to the net surplus for the year amounting to R712 112 064. The key reason, amongst others, for this surplus resulted from the Accounting Treatment of Prior Year Depreciation Adjustment as the Useful Life of Assets was incorrectly adjusted in prior years and not recognising the correct accumulated depreciation. This responds to the 2016/17 Audit Qualification, hence a reduction of R521 993 454 in the 2017/18 financial year. Also see 2016/17 Audit Report with reference to the Qualification on Property, Plant and Equipment (PPE)).

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

Restated 2017 R		Actual 2018 R	Approved Original Budget 2018 R	Adjustments 2018 R	Approved Final Budget 2018 R	Variance between Final Budget and Actual R	%	No.
REVENUE								
Exchange revenue								
4,910,129,423	Service Charges	5,182,587,994	5,107,448,870	311,501,039	5,418,949,909	236,361,915	4%	
118,647,422	Interest earned - External Investments	153,156,363	103,374,418	16,856,302	120,230,720	(32,925,643)	-27%	1
113,637,286	Interest raised - Outstanding Debtors	144,492,630	119,549,034	18,626	119,567,660	(24,924,970)	-21%	2
13,477,195	Licences and Permits	14,453,000	26,671,035	(228,995)	26,442,040	11,989,040	45%	3
23,229,107	Rental of Facilities and Equipment	22,472,315	18,685,624	11,366,756	30,052,380	7,580,065	25%	4
2,501,266	Income for Agency Services	2,774,279	0	2,728,440	2,728,440	(45,839)	-2%	
147,530,321	Other Revenue	124,226,261	235,218,681	(58,234,461)	176,984,220	52,757,959	30%	5
605,938	Gain on disposal of Property Plant and Equipment	0	31,800	(31,800)	0	0	0%	
Non-exchange revenue								
1,639,537,719	Property Rates	2,007,605,470	1,882,347,183	58,399,997	1,940,747,180	(66,858,290)	-3%	
65,111,583	Interest raised - Outstanding Debtors	80,141,319	58,794,390	0	58,794,390	(21,346,929)	-36%	2
289,704,157	Fines, Penalties and Forfeits	213,071,274	265,711,307	(9,405,457)	256,305,850	43,234,576	17%	3
2,563,943,478	Transfers and Subsidies	2,936,388,338	3,011,239,342	(492,058,396)	2,519,180,946	(417,207,392)	-17%	6
6,900,321	Licences and Permits	5,003,119	0	0	0	(5,003,119)	0%	
341,264	Dividends received	123,095	0	0	0	(123,095)	100%	7
9,895,296,480	Total Revenue	10,886,495,457	10,829,071,684	(159,087,949)	10,669,983,735	(216,511,722)		
EXPENDITURE								
3,052,373,410	Employee Related Costs	2,782,149,905	2,820,756,176	65,209,264	2,885,965,440	103,815,535	4%	
64,283,888	Remuneration of Councillors	71,264,771	70,437,756	24	70,437,780	(826,991)	-1%	
437,819,838	Debt Impairment - Receivables	730,844,488	454,191,108	18,481,062	472,672,170	(258,172,318)	-55%	8
165,679,512	Debt Impairment - Other	141,837,351	165,022,170	0	165,022,170	23,184,819	14%	9
155,218,285	Finance Charges	144,137,627	147,941,226	509,614	148,450,840	4,313,213	3%	
3,010,600,384	Bulk Purchases	3,014,542,934	3,005,447,393	24,055,627	3,029,503,020	14,960,086	0%	
66,455,814	Transfers and Subsidies	83,924,866	112,165,450	59,392,600	171,558,050	87,633,184	51%	10
1,130,399,847	Contracted Services	1,024,322,616	1,161,192,669	(157,395,676)	1,003,796,993	(20,525,623)	-2%	
309,989,222	Other Expenditure	413,312,328	496,633,033	174,502,406	671,135,439	257,823,111	38%	11
144,236,417	Other Materials	131,725,408	276,892,170	(9,415,743)	267,476,427	135,751,019	51%	12
300,460,346	Depreciation	636,105,714	808,877,177	(60,357)	808,816,820	172,711,106	21%	13
(6,833,388)	Amortisation	(356,731,317)	0	0	0	356,731,317	0%	
1,165,081	Loss on Disposal of Property Plant and Equipment	20,510	0	0	0	(20,510)	0%	
8,831,848,656	Total Expenditure	8,817,457,201	9,519,556,328	175,278,821	9,694,835,149	877,377,948		
1,063,447,824	Surplus for the year	2,069,038,256	1,309,515,356	(334,366,770)	975,148,586	(1,093,889,670)		

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

(Please note: The Surplus for the year as recorded above amounting to R2 069 038 256 must exclude Capital Government Grants and Subsidies amounting to R1 357 811 536 in order to get to the net surplus for the year amounting to R711 226 720. The key reason, amongst others, for this surplus resulted from the Accounting Treatment of Prior Year Depreciation Adjustment as the Useful Life of Assets was incorrectly adjusted in prior years and not recognising the correct accumulated depreciation. This responds to the 2016/17 Audit Qualification, hence a reduction of R521 993 454 in the 2017/18 financial year. Also see 2016/17 Audit Report with reference to the Qualification on Property, Plant and Equipment (PPE)).

NELSON MANDELA BAY MUNICIPALITY	
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018	
	Accumulated Surplus
	R
Balance at 01 July 2016 as previously reported	12,724,929,627
Restatements (Refer note 40.2)	83,745,985
Restated Balance at 01 July 2016	12,808,675,612
Surplus for the year as previously reported	737,846,199
Increase in Surplus (Refer note 40.1.1)	326,001,540
Restated Surplus for the year	1,063,847,739
Restated Balance at 30 June 2017	13,872,523,351
Balance at 01 July 2017	13,872,523,351
Surplus for the year	2,069,923,600
Balance at 30 June 2018	15,942,446,951

NELSON MANDELA BAY MUNICIPALITY	
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018	
	Accumulated Surplus
	R
Balance at 01 July 2016 as previously reported	12,717,093,053
Restatements (Refer note 40.2)	83,745,985
Restated Balance at 01 July 2016	12,800,839,038
Surplus for the year as previously reported	737,443,830
Increase in Surplus (Refer note 40.1.1)	326,003,995
Restated Surplus for the year	1,063,447,825
Restated Balance at 30 June 2017	13,864,286,863
Balance at 01 July 2017	13,864,286,863
Surplus for the year	2,069,038,256
Balance at 30 June 2018	15,933,325,119

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	ECONOMIC ENTITY		MUNICIPALITY	
		Actual	Restated	Actual	Restated
		2018	2017	2018	2017
		R	R	R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from ratepayers, government and other		10,148,299,790	9,578,664,940	10,084,366,345	9,420,277,948
- Sale of goods and services, fines and taxes levied and Other Revenue		6,759,441,385	6,948,885,609	6,735,838,000	6,792,893,343
- Grants		3,233,085,981	2,508,577,600	3,195,248,887	2,508,577,600
- Dividends received		123,095	341,264	123,095	341,264
- Interest received		155,649,329	120,860,467	153,156,363	118,465,741
Cash paid to suppliers and employees		(7,327,539,703)	(8,083,616,476)	(7,244,475,981)	(7,950,642,362)
- Employee Costs		(2,626,460,955)	(2,399,070,419)	(2,593,000,165)	(2,391,707,539)
- Suppliers		(4,554,344,117)	(5,526,922,024)	(4,504,741,185)	(5,401,310,790)
- Finance Cost	27	(146,734,631)	(157,624,033)	(146,734,631)	(157,624,033)
CASH GENERATED FROM OPERATIONS	32	2,820,760,087	1,495,048,464	2,839,890,364	1,469,635,586
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of PPE		(1,701,463,488)	(1,345,617,326)	(1,701,137,398)	(1,344,980,987)
Proceeds on Disposal of PPE		22,715	605,938	0	605,938
Purchase of Intangible assets		(2,561,622)	(17,691,531)	(2,511,422)	(17,691,531)
Purchase of Investment Property		(33,500,000)	(2,422,240)	(33,500,000)	(2,422,240)
Purchase of Heritage Assets		(5,478,362)	(18,135,309)	(5,478,362)	(18,135,309)
NET CASH FLOW FROM INVESTING ACTIVITIES		(1,742,980,757)	(1,383,260,468)	(1,742,627,182)	(1,382,624,129)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of Non-current Liabilities (external loan funding)	33	(86,407,312)	(93,919,738)	(86,407,312)	(93,919,738)
NET CASH FLOW FROM FINANCING ACTIVITIES		(86,407,312)	(93,919,738)	(86,407,312)	(93,919,738)
NET CHANGE IN CASH AND CASH EQUIVALENTS		991,372,018	17,868,258	1,010,855,870	(6,908,281)
Cash and cash equivalents at the beginning of the year		1,630,373,743	1,612,505,485	1,571,496,751	1,578,405,032
Cash and cash equivalents at the end of the year	34	2,621,745,761	1,630,373,743	2,582,352,621	1,571,496,751

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 specified otherwise.

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, as read with Directive 5.

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 but not yet implemented:

Standard number	Standard name	Effective date from (if applicable)
GRAP 18	Segment Reporting	01 April 2016

Note: Municipalities, municipal entities, trading entities, Parliament and the Provincial Legislatures are not required to apply or early adopt GRAP 18 *Segment Reporting* as the Minister of Finance has not yet determined the effective date for application by these entities.

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 presented 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.

Standard number	Standard name	Effective date (if applicable)
GRAP 20	Related Party Disclosures	No effective date
GRAP 32	Service Concession Arrangements - Grantor	No effective date
GRAP 34	Separate Financial Statements	No effective date
GRAP 35	Consolidated Financial Statements	No effective date
GRAP 38	Disclosure of Interests in Other Entities	No effective date
GRAP 108	Statutory Receivables	No effective date
GRAP 109	Accounting by Principals and Agents	No effective date

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.

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. It is expected that adoption of this standard will not be significant.

GRAP 34 - Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

GRAP 35 – Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

GRAP 38 - Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

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. 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. It is expected that adoption of this standard will not be significant.

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.

Standard number	Standard name	Effective date (if applicable)
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 judgement, 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

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.

Revenue from Exchange transactions

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

Allowance 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 20.

Management's Going Concern Assessment:

Management considered the following matters relating to the Going Concern:

On 13 June 2018 the Council adopted the 2018/19 to 2020/21 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:

Presentation of a comparison of budget and actual amounts

The Economic Entity presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight.

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 4.6% (2017: 5.1%) and discounted to the present value:

- a) For Arlington and Koedoeskloof landfill sites, at the average short term borrowing cost of 11.25% (2017: 11.25%).
- b) The determined cost to rehabilitate IBhayi landfill site represents the present value.

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 the wetland beside the Swartkops River, which was present valued at a rate of 11.25% (2017: 11.25%). The discount rate of 11.25% represents the Economic Entity's average borrowing costs rate and is applied as a discount rate.

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.

Provision for gratuity pensions

Employees that were employed prior to the introduction of the Port Elizabeth Municipal Pension Benefit Fund and who subsequently joined the fund are eligible to be paid a standard gratuity, provided they have at least 10 years of service when they retire.

Employees that were employed prior to the introduction of the Port Elizabeth Municipal Pension Benefit Fund and who chose not to join the fund are eligible to be paid an Enhanced Gratuity for the years of service that they were not a member of the fund.

If an Employee eligible for a Gratuity Pension dies in service, half of the Gratuity Pension (including the monetary enhancement) as calculated at date of death, is paid.

Property, plant and equipment including Investment Properties and Intangible Assets

The useful life of assets is based on management's estimation. Management consider 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 determine 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 17.

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 include:

- 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.
- Government Grant 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).

10. EMPLOYEE BENEFITS

Recognition and measurement

Short term employee benefits

Remuneration to employees is recognised as an expense 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.

Short term compensated absences

The expected cost of compensated absences is recognised as follows:

Accumulating compensated absence:

When employees render services that increase their entitlement to future compensated absences;
and

Non-accumulating absences:

When absences occur.

Leave pay accrual

The liability for accumulating compensated absences is based on the total amount of leave days accumulated by employees at reporting date and on the total remuneration package of the employees.

Bonus incentive and performance related payments

The Economic Entity recognises the expected cost of performance bonus when, and only when, it has a present legal or constructive obligation to make such payments, as a result of past events and a reliable estimate of the obligation can be made.

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, or not.

Post-employment benefits

Defined benefit plans

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.

Recognition and measurement

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.

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.

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.

Defined contribution plans:

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.

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.

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 Counsel 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 Municipality 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.

The Economic Entity recognises financial assets using trade date accounting.

Distinguishing liabilities and residual interests

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.

Compound financial instruments

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 of financial assets and financial liabilities

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.

Concessionary loans

The Economic Entity first assesses whether the substance of a concessionary loan meets the definition of a financial instrument. On initial recognition, the Economic Entity analyses a concessionary loan into its component parts and accounts for each component separately. The Economic 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.

Subsequent Measurement of financial assets and financial liabilities

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.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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.

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.

Financial assets measured 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.

Financial assets measured 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.

Derecognition of financial assets:

The Economic Entity derecognises financial assets using trade date accounting.

The Economic Entity derecognises a financial asset only when:

- a) The contractual right to the cash flow from the financial asset expire, are settled or waived;
- b) The Economic Entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another party.

Derecognition of financial liabilities:

The Economic Entity derecognises a financial liability from its statement of financial position when it is extinguished, that is, when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation:

Interest, losses and gains

Interest, losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit

Offsetting a financial asset and a financial liability

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

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, using effective interest method.

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. The fair value is based on market values at valuation date.

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

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.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Measurement at recognition

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 life 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 if expectations differ from previous estimates, the changes are accounted for as a change in estimate in accordance with the standard of GRAP on accounting policies, changes in accounting estimates and errors.

The depreciation charge for each reporting period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset.

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

Land & Buildings	Useful Life Range in Years
Buildings	15 - 50
Land	Indefinite Life
Infrastructure Assets	Useful Life Range in Years
Fencing, 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

Other Assets	Useful Life Range in Years
Bins & Containers	5 – 15
Air Monitoring, 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

Community Assets	Useful Life Range in Years
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

Impairment:

Recognition and measurement of an impairment loss for an item of property, plant and equipment

An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

The carrying amount of an asset is reduced to its recoverable amount if, and only if, its recoverable amount is less than its carrying amount.

The impairment loss is recognised immediately in surplus and deficit.

Derecognition

The carrying amount of an item of property, plant and equipment is 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, does 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 at cost on acquisition date.

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 is 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

Impairment

The Economic Entity does not depreciate its heritage assets, but at each financial year end, it assesses whether there is an indication that the assets may be impaired. If such an indication exists, the Economic Entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

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.

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), its initial cost at the date of acquisition is measured at its fair value as the date of acquisition.

Intangible assets acquired through non-exchange transactions:

Internally generated intangible assets:

Research phase

The Economic Entity does not recognise any intangible asset arising from a research phase of an internal project. Expenditure on research phase of an internal project is recognised as an expense when incurred.

Development phase

An intangible asset arising from development phase is recognised if, and only if the Economic Entity can demonstrate all of the following:

- a) The technical feasibility of completing the intangible asset so it will be available for use or resale;
- b) Its intention to complete the intangible asset and use it or sell it;
- c) Its ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits or service potential;
- e) The availability of technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Exchanges of assets

The cost of an intangible asset acquired in exchange for another is measured at fair value unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent measurement

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

The cost of an intangible asset is amortised over its 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 it is available for use.

The annual amortisation rates are based on the following estimated average asset useful 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 by owner or by a lessee 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 as an asset when, and only when, it is probable that future economic benefits and or service potential will flow to the Economic Entity and the cost or fair value can be measured 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 losses.

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:

Investment Property	Useful Life Range in Years
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

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. INVENTORIES

Initial recognition and measurement

Inventories comprise 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 measured at its fair value as at the date of acquisition.

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 determine the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

18. IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Recognition

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where any such indication exists, the Economic Entity estimates the recoverable service amount of the asset. 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 are 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 estimates 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.

The reversal of an impairment loss for an asset is recognised immediately in the Statement of Financial Performance.

19. REVENUE

19.1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrues 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

The recognition criteria is usually applied separately to each transaction

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be 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:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the transaction will flow to the Economic Entity;

- (c) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

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

- (a) the Economic Entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) the Economic 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 Economic Entity; and
- (e) 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 from the use of 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; and
- 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.

19.2 Revenue from Non-Exchange Transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a 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 of revenue

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.

Recognition of assets

An inflow of resources from a non-exchange transaction that meets the definition of an asset is 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 is 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 qualify 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 qualify 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 no 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 of revenue from non-exchange transactions

Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets, recognised by the entity.

Fines

Assets arising from fines are measured at the best estimate of the inflow of resources to the Economic Entity.

Bequests

Bequests are measured at the fair value of the resources received or receivable.

Gifts and donations

On initial recognition, gifts and donations are measured at their fair value as at the date of acquisition, which may be ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession that holds a recognised and relevant professional qualification.

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 is 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.

20. 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.

21. LEASES

Leases in the financial statements of lessees

Operating leases

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. Lease payments under an operating lease are recognised as an expense in the statement of financial performance, on a straight line basis over the lease term. 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.

Measurement

The resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

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.

Derecognition

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.

Leases – Economic Entity as lessor

Operating leases

The Economic Entity presents assets subject to operating leases in its Statement of Financial Position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term. Initial direct costs incurred by the Economic Entity in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as the lease revenue.

The depreciation policy for depreciable leased assets is consistent with the Economic Entity's normal depreciation policy for similar assets, and depreciation is calculated in accordance with the Standards of GRAP on Property, Plant and Equipment and Intangible Assets.

Recognition

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

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

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.

22. REPORTING FOREIGN CURRENCY TRANSACTIONS IN THE FUNCTIONAL CURRENCY

Initial recognition

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent reporting dates

At each reporting date:

- (a) foreign currency monetary items shall be translated using the closing rate;
- (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and
- (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Recognition of exchange differences

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in surplus or deficit in the period in which they arise,

23. 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.

24. 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.

25. 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.

26. 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.

27. 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.

28. TRANSFER OF FUNCTIONS BETWEEN ENTITIES NOT UNDER COMMON CONTROL

Common Control

For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

The Economic Entity uses the acquisition method in accounting for transactions relating to transfer of functions, 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 the acquirer obtains control of the acquiree.

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.

29. 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).

Adjusting events after reporting date

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

Non-adjusting events after the reporting date

The Economic Entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. 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.

30. 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.

31. PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

Presentation of a comparison of budget and actual amounts

The Economic Entity presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP24. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- (a) the approved and final budget amounts;
- (b) the actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts.

Presentation and disclosure

The Economic Entity presents a comparison of budget and actual amounts as additional budget columns in the primary financial statements because the financial statements and the budget are prepared on a comparable basis.

Changes from approved to final budget

The Economic Entity presents an explanation of whether changes between the approved and final budget are a consequence of reallocations within the budget or of other factors:

- (b) in a report issued before, at the same time as, or in conjunction with the financial statements, and shall include a cross reference to the report in the notes to the financial statements.

Comparable basis

All comparisons of budget and actual amounts are presented on a comparable basis to the budget.

The Economic Entity is 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.

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

33. 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.

34. 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.

35. 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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
RESERVES GOVERNED BY AN ACT: Note 1 and Note 2				
1 HOUSING REVOLVING FUND				
Housing Revolving Fund	109,731,779	109,731,779	109,731,779	109,731,779
The amount for this note has been included in the Total Accumulated Funds.				
<u>Housing Revolving Fund</u>				
Balance at the beginning of the year	109,731,779	109,731,779	109,731,779	109,731,779
Balance at the end of the year	<u>109,731,779</u>	<u>109,731,779</u>	<u>109,731,779</u>	<u>109,731,779</u>

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.

2 COID RESERVE

Balance at the beginning of the year	33,033,807	28,557,560	33,033,807	28,557,560
Premiums received - transfer from accumulated surplus	6,276,491	5,949,185	6,276,491	5,949,185
Expenditure funded during the year - transfer to accumulated surplus	(2,124,795)	(1,472,938)	(2,124,795)	(1,472,938)
Balance at the end of the year	<u>37,185,503</u>	<u>33,033,807</u>	<u>37,185,503</u>	<u>33,033,807</u>

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 Compensation for Occupational Injuries and Diseases 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
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
3. LONG-TERM LIABILITIES				
Financial Liabilities:				
Development Bank of Southern Africa (DBSA)	355,901,155	370,149,250	355,901,155	370,149,250
Amalgamated Banks of South Africa (ABSA)	0	15,000,000	0	15,000,000
Rand Merchant Bank	397,658,841	411,867,095	397,658,841	411,867,095
Nedbank	515,213,923	560,763,861	515,213,923	560,763,861
Total External Loans	1,268,773,919	1,357,780,206	1,268,773,919	1,357,780,206
Long-term Liabilities - Entity	1,494,290	1,335,967	0	0
Brookes Bequest	18,997,694	17,750,527	18,997,694	17,750,527
Total Long-term Liabilities	1,289,265,903	1,376,866,700	1,287,771,613	1,375,530,733
Less : Current portion transferred to current liabilities	79,760,410	86,409,283	79,760,410	86,409,283
Development Bank of Southern Africa (DBSA)	15,512,299	13,872,609	15,512,299	13,872,609
Amalgamated Banks of South Africa (ABSA)	0	15,000,000	0	15,000,000
Rand Merchant Bank	15,569,153	14,089,689	15,569,153	14,089,689
Nedbank	48,678,958	43,446,985	48,678,958	43,446,985
	1,209,505,493	1,290,457,417	1,208,011,203	1,289,121,450

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

In line with Chapter 6 of the MFMA, 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-yearly 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 R15 000 000 and interest of R886 315 was repaid during the financial year. (2017: Capital repaid R30 000 000 and Interest paid R4 446 185)

DBSA

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 R13 872 609 and interest of R41 430 124 was repaid during the financial year. (2017: Capital repaid R12 406 679 and Interest paid R42 896 054)

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 R43 446 985 and interest of R61 321 012 was repaid during the financial year. (2017: Capital repaid R38 762 247 and Interest paid R66 005 750)

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 R14 087 718 and interest of R41 470 336 was repaid during the financial year. (2017: Capital repaid R12 750 812 and Interest paid R42 807 243)

BROOKES BEQUEST

Brookes bequest represents a long-term creditor. The capital of the fund, may not be used until 100 years after the death of the last annuitant. 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 6.81% per annum.

LONG-TERM LIABILITIES - ENTITY INCLUDES:

CONSTRUCTION CONTRACT RETENTION AND DEFERRED INCOME

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
4.1 NON CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Benefit	10,210,000	10,181,000	10,210,000	10,181,000
Post Retirement Benefits	1,441,847,218	1,341,835,835	1,441,847,218	1,341,835,835
Long Service Awards and Long Service Bonus	637,554,309	637,227,493	637,554,309	637,227,493
Total Employee Benefit Obligation	2,089,611,527	1,989,244,328	2,089,611,527	1,989,244,328

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.

Balance at beginning of year	10,181,000	30,673,874	10,181,000	30,673,874
Movement in Obligation	29,000	(20,492,874)	29,000	(20,492,874)
Balance at end of year	10,210,000	10,181,000	10,210,000	10,181,000

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 398 570 000 and R43 277 218 respectively.

Balance at beginning of year	1,341,835,835	1,324,956,140	1,341,835,835	1,324,956,140
Movement in Obligation	100,011,383	16,879,695	100,011,383	16,879,695
Balance at end of year	1,441,847,218	1,341,835,835	1,441,847,218	1,341,835,835

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.

Balance at beginning of year	637,227,493	116,613,687	637,227,493	116,613,687
Contributions to Obligation	326,816	520,613,806	326,816	520,613,806
Balance at end of year	637,554,309	637,227,493	637,554,309	637,227,493

4.2 NON-CURRENT PROVISIONS - OTHER

Rehabilitation of Landfill sites	313,248,967	291,348,345	313,248,967	291,348,345
Rehabilitation of Swartkops River	75,681,398	77,163,874	75,681,398	77,163,874
Total Non-current Provisions	388,930,365	368,512,219	388,930,365	368,512,219

Rehabilitation of landfill sites

In terms of the licensing conditions of the landfill refuse sites, Council will incur rehabilitation costs of R91 112 331 for the Arlington Landfill site, R92 913 027 for the Koedoeskloof Landfill site and R129 223 609 for the Ibhayi Landfill site determined at net present value to restore the sites at the end of their useful lives estimated to be in 2027 (Arlington) and 2020 (Koedoeskloof). Squatters are currently occupying the Ibhayi Landfill site that is already closed. 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 4.6%. The projected amounts are discounted to the present value at the average borrowing rate of 11.25%. The determined cost to rehabilitate Ibhayi landfill site represents the present value.

Balance at beginning of year	291,348,345	380,585,851	291,348,345	380,585,851
Contributions to Provision	21,900,622	(89,237,506)	21,900,622	(89,237,506)
Balance at end of year	313,248,967	291,348,345	313,248,967	291,348,345

Rehabilitation of Swartkops River

Balance at beginning of year	77,163,874	81,617,595	77,163,874	81,617,595
Contributions to Provision - unwinding of discount factor	(1,482,476)	(4,453,721)	(1,482,476)	(4,453,721)
Balance at end of year	75,681,398	77,163,874	75,681,398	77,163,874

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
5 EMPLOYEE BENEFITS AND PROVISIONS				
5.1 CURRENT PROVISIONS - EMPLOYEE BENEFITS				
Gratuity Obligation	1,122,000	5,632,000	1,122,000	5,632,000
Post Retirement Benefits	78,467,176	65,614,068	78,467,176	65,614,068
Performance Bonus Liability	2,071,133	2,715,619	1,822,279	1,677,378
Long service awards and long service bonuses	98,717,513	88,957,224	98,717,513	88,957,224
Provision for Workmen's Compensation	51,897	25,675	0	0
Total Current Employee Benefit Obligation	180,429,719	162,944,586	180,128,968	161,880,670
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.				
Balance at beginning of year	5,632,000	6,070,535	5,632,000	6,070,535
Contributions to Obligation	(731,719)	2,074,734	(731,719)	2,074,734
Expenditure incurred	(3,778,281)	(2,513,269)	(3,778,281)	(2,513,269)
Balance at end of year	1,122,000	5,632,000	1,122,000	5,632,000
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.				
Balance at beginning of year	65,614,068	50,411,574	65,614,068	50,411,574
Contributions to Obligation	79,609,070	78,552,306	79,609,070	78,552,306
Expenditure incurred	(66,755,962)	(63,349,812)	(66,755,962)	(63,349,812)
Balance at end of year	78,467,176	65,614,068	78,467,176	65,614,068
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.				
Balance at beginning of year	2,715,619	2,096,493	1,677,378	1,425,663
Contributions to Obligation	393,755	1,289,956	144,901	251,715
Expenditure incurred	(1,038,241)	(670,830)	0	0
Balance at end of year	2,071,133	2,715,619	1,822,279	1,677,378
Long service awards and long service bonuses				
The obligation is in respect of long service awards and long service bonuses				
Balance at beginning of year	88,957,224	19,343,094	88,957,224	19,343,094
Movement in Obligation	9,760,289	69,614,130	9,760,289	69,614,130
Balance at end of year	98,717,513	88,957,224	98,717,513	88,957,224
Provision for Workmen's Compensation				
Balance at beginning of year	25,675	41,800	0	0
Contributions to Obligation	176,982	43,375	0	0
Expenditure incurred	(150,760)	(59,500)	0	0
Balance at end of year	51,897	25,675	0	0
5.2 CURRENT PROVISIONS - OTHER				
Provision for Litigation and Claims	38,771,537	92,188,982	38,771,537	92,188,982
Total Current Provisions	38,771,537	92,188,982	38,771,537	92,188,982
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).				
Balance at the beginning of the year	92,188,982	47,776,422	92,188,982	47,776,422
Contribution to the provision	14,011,309	44,412,560	14,011,309	44,412,560
Provision utilised	(67,428,754)	0	(67,428,754)	0
Balance at end of year	38,771,537	92,188,982	38,771,537	92,188,982
6 CONSUMER DEPOSITS				
Electricity and Water	146,949,772	129,919,320	146,949,772	129,919,320
Interest	1,687,030	1,468,802	1,687,030	1,468,802
Refer Restatement Note no. 40.2.6	148,636,802	131,388,122	148,636,802	131,388,122
Guarantees held in lieu of Electricity and Water Deposits	15,465,278	15,465,278	15,465,278	15,465,278
Consumer deposits bear interest and are only refunded once the consumers' accounts are closed.				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018	Restated 2017	2018	Restated 2017
	R	R	R	R
7 TRADE AND OTHER PAYABLES				
Payables and Accruals	1,675,315,623	1,240,521,075	1,640,648,019	1,225,203,757
Payments Received in Advance	137,367,579	102,933,973	137,367,579	102,933,973
Staff leave	216,227,536	215,984,052	215,253,260	215,253,259
Retentions	119,306,914	112,891,609	119,306,914	112,891,609
Transfers and Subsidies (See details below)	155,629,511	47,361,949	153,360,232	44,414,761
Total Creditors	2,303,847,163	1,719,692,658	2,265,936,004	1,700,697,359

Refer Restatement Notes no. 40.2.1 and 40.2.5

Financial liabilities:

Trade creditors are non-interest bearing and are normally settled on 30-day terms, except for retention amounts of R119 306 914, which could be settled within the next 12 months.

No creditors are secured

TRANSFERS AND SUBSIDIES

7.1 Conditional Grants from other spheres of Government

Conditional Grants in terms of the Division of Revenue Act (DORA):

Public Transport Infrastructure Grant (See Note 22.7.1)	27,074,669	2,351,663	27,074,669	2,351,663
Public Transport Networks Operations Grant (See Note 22.7.2)	184,546	420,374	184,546	420,374
Integrated National Electrification Programme Grant (See Note 22.8)	5,704,926	0	5,704,926	0
Neighbourhood Partnership Development Grant (See Note 22.15)	4,325,066	562,222	4,325,066	562,222
Infrastructure Skills Development Grant (See Note 22.17)	3,646,465	4,720,444	3,646,465	4,720,444
Other Grants:				
PHB Subsidies (See Note 22.1)	1,874,751	1,874,752	1,874,751	1,874,752
Smart Grid initiative Grant (See Note 22.4)	711,836	711,836	711,836	711,836
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5.1)	1,973,952	1,973,952	1,973,952	1,973,952
EU Sector Policy Support Project (See Note 22.9)	1,865,383	1,865,383	1,865,383	1,865,383
Other Grants (See Note 22.11)	3,842,437	4,552,688	1,573,158	1,605,500
National Lotteries Grant (See Note 22.13)	1,477,861	1,660,389	1,477,861	1,660,389
CDC Walmer Intervention Funding Grant (See Note 22.14.1)	9,068,420	20,546,957	9,068,420	20,546,957
EPWP Incentive Grant (See Note 22.18)	0	290,648	0	290,648
Department of Public Service and Administration fund (See Note 22.19)	241,156	0	241,156	0
Drought Relief Grant (See Note 22.21)	89,217,785	0	89,217,785	0
LGSETA Discretionary Learnership Funding (See Note 22.24)	3,547,477	4,957,859	3,547,477	4,957,859
Provincial Department Agency: Communication Grant (See Note 22.25)	872,781	872,782	872,781	872,782
Total Transfers and Subsidies	155,629,511	47,361,949	153,360,232	44,414,761

The unspent portion of transfers and subsidies represent cash as included in note 18 below.

8 VAT				
VAT Receivable / (Net VAT payable)	33,334,245	(37,491,436)	33,334,245	(37,491,436)
VAT Payable - MBDA	(1,216,650)	(727,149)	0	0

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

Refer Restatement Note no. 40.2.3

9 PROPERTY, PLANT AND EQUIPMENT

ECONOMIC ENTITY	R		
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2018			
Land & Buildings	2,071,950,980	274,383,069	1,797,567,911
Infrastructure Assets	16,933,264,975	5,461,695,870	11,471,569,105
Community Assets	3,473,508,913	931,599,240	2,541,909,673
Other Assets	1,444,718,237	789,736,209	654,982,028
	23,923,443,105	7,457,414,388	16,466,028,717

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 2017

ECONOMIC ENTITY	R		
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2017			
Land & Buildings	2,016,108,516	240,762,698	1,775,345,818
Infrastructure Assets	15,485,484,894	5,019,282,921	10,466,201,973
Community Assets	3,385,600,252	822,927,203	2,562,673,049
Other Assets	1,337,261,304	744,758,715	592,502,589
	22,224,454,966	6,827,731,537	15,396,723,429

Refer Restatement Note no. 40.2.7

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

MUNICIPALITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2018			
Land & Buildings	2,067,301,622	274,383,069	1,792,918,553
Infrastructure Assets	16,933,264,975	5,461,695,870	11,471,569,105
Community Assets	3,473,508,913	931,599,240	2,541,909,673
Other Assets	1,440,191,355	787,479,482	652,711,873
	23,914,266,865	7,455,157,661	16,459,109,204

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 2017

MUNICIPALITY	R	R	R
	Cost	Accumulated Depreciation/ Impairment	Carrying Value
As at 30 June 2017			
Land & Buildings	2,011,459,158	240,762,698	1,770,696,460
Infrastructure Assets	15,485,484,894	5,019,282,921	10,466,201,973
Community Assets	3,385,600,252	822,927,203	2,562,673,049
Other Assets	1,332,753,043	742,945,071	589,807,972
	22,215,297,347	6,825,917,893	15,389,379,454

Refer Restatement Note no. 40.2.7

10 HERITAGE ASSETS

ECONOMIC ENTITY	R	R	R
	Cost	Accumulated Impairment	Carrying Value
As at 30 June 2018			
Heritage Assets	229,700,993	0	229,700,993
	229,700,993	0	229,700,993

Refer to Note 49 for reconciliation.

As at 30 June 2017

ECONOMIC ENTITY	R	R	R
	Cost	Accumulated Impairment	Carrying Value
As at 30 June 2017			
Heritage Assets	224,222,631	0	224,222,631
	224,222,631	0	224,222,631

MUNICIPALITY	R	R	R
	Cost	Accumulated Impairment	Carrying Value
As at 30 June 2018			
Heritage Assets	229,450,493	0	229,450,493
	229,450,493	0	229,450,493

Refer to Note 49 for reconciliation.

As at 30 June 2017

MUNICIPALITY	R	R	R
	Cost	Accumulated Impairment	Carrying Value
As at 30 June 2017			
Heritage Assets	223,972,131	0	223,972,131
	223,972,131	0	223,972,131

11 INTANGIBLE ASSETS

ECONOMIC ENTITY	R	R	R
	Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2018			
Computer Software	601,427,024	158,775,669	442,651,355
	601,427,024	158,775,669	442,651,355

No assets were pledged as security.

Refer to Note 50 for reconciliation.

As at 30 June 2017

ECONOMIC ENTITY	R	R	R
	Cost	Accumulated Amortisation/ Impairment	Carrying Value
As at 30 June 2017			
Computer Software	598,865,402	515,471,951	83,393,451
	598,865,402	515,471,951	83,393,451

Refer Restatement Note no. 40.2.8

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11 INTANGIBLE ASSETS (Continued)

MUNICIPALITY
As at 30 June 2018

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	601,049,806	158,449,608	442,600,198
	601,049,806	158,449,608	442,600,198

No assets were pledged as security.

Refer to Note 50 for reconciliation.

As at 30 June 2017

	Cost	Accumulated Amortisation/ Impairment	Carrying Value
Computer Software	598,538,384	515,180,925	83,357,459
	598,538,384	515,180,925	83,357,459

Refer Restatement Note no. 40.2.8

12 INVESTMENT PROPERTY

ECONOMIC ENTITY
As at 30 June 2018

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	289,847,527	69,467,800	220,379,727
	289,847,527	69,467,800	220,379,727

No assets were pledged as security.

Refer to Note 51 for reconciliation.

As at 30 June 2017

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	256,233,049	62,601,854	193,631,195
	256,233,049	62,601,854	193,631,195

MUNICIPALITY
As at 30 June 2018

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	289,847,527	69,467,800	220,379,727
	289,847,527	69,467,800	220,379,727

No assets were pledged as security.

Refer to Note 51 for reconciliation.

As at 30 June 2017

	Cost	Accumulated Depreciation/ Impairment	Carrying Value
Land & Buildings	256,233,049	62,601,854	193,631,195
	256,233,049	62,601,854	193,631,195

Description of Investment Property:

Nelson Mandela Bay Logistics Park
Kings Beach
Springs Resort
Teikom Park
Mc Arthur Bath
Willows Resort
Beachview Resort
Van Stadens Resort
St Georges Park Resort and Wells estate
Motherwell Depot
Africa Timbers in Korsten
Mercado centre
Fresh Produce Market
Incinerator and Gas works
Something Good
Korsten Depot
Port Elizabeth RD Steeledale Reinforcing
PE Central Shop
North End Workshop
Moselville Old Post Office

Market Value of Investment Property

ECONOMIC ENTITY AND MUNICIPALITY

	2018 R	Restated 2017 R
102,300,000		
30,400,000		
2,141,000		
45,200,000		
12,290,000		
246,430,000		
6,250,000		
5,250,000		
117,500,000		
15,010,000		
1,990,000		
22,830,000		
5,500,000		
26,730,000		
4,200,000		
1,600,000		
980,000		
490,000		
66,000		
1,250,000		
648,407,000		
648,397,000		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018 and almost all had no changes:

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 AND MUNICIPALITY	
	2018 R	Restated 2017 R
Rental revenue included in surplus for following Investment Properties:		
Beachview resort	240,000	240,000
Van Stadens Resort	240,000	240,000
Something Good	633,024	598,587
Direct Operating expenses that generated rental revenue	0	0

13 LONG-TERM RECEIVABLES

	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
Sporting and Other Bodies	0	0	0	0
Other Debtors	50,315	50,315	50,315	50,315
Consumer Debtors	77,554,282	64,009,050	77,554,282	64,009,050
Rates and General	27,158,834	22,899,867	27,158,834	22,899,867
Other Services	6,662,732	5,930,782	6,662,732	5,930,782
Electricity	10,491,916	9,605,056	10,491,916	9,605,056
Water	16,560,197	10,580,523	16,560,197	10,580,523
Refuse	6,508,922	5,955,096	6,508,922	5,955,096
Sewerage	10,171,681	8,595,355	10,171,681	8,595,355
Insurance	0	442,371	0	442,371
	77,604,597	64,059,365	77,604,597	64,059,365
Less current portion:				
Sporting and Other Bodies	0	20	0	20
Current Portion of Long-term Receivables	0	20	0	20
Long-term Receivables	77,604,597	64,059,345	77,604,597	64,059,345
Long-term Receivables - Exchange Transactions	50,395,448	41,109,163	50,395,448	41,109,163
Long-term Receivables - Non-exchange Transactions	27,209,149	22,950,182	27,209,149	22,950,182
	77,604,597	64,059,345	77,604,597	64,059,345

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:

The consumer debtors are billed a gazetted interest rate between 10.25% and 10.5% per annum on overdue accounts.

CONSUMER DEBTORS

The current portion is disclosed in note 15 - Trade Receivables - Exchange Transactions.

14 INVENTORY

	181,369,960	200,268,415	180,845,772	199,734,369
Materials and Supplies	141,653,129	147,689,690	141,653,129	147,689,690
Work in Progress - Land Stock	17,365,672	18,380,117	17,365,672	18,380,117
Work in Progress - Other	5,673	10,664	5,673	10,664
Finished Goods - Water Stock (refer to note 28 for cost of inventory purchased)	15,465,869	13,969,827	15,465,869	13,969,827
Finished Goods - Other	6,355,429	6,349,887	6,355,429	6,349,887
Consumables	524,188	13,868,230	0	13,334,184
Less: Provision for Obsolete Stock	(1,204,568)	(1,872,687)	(1,204,568)	(1,867,083)
	180,165,392	198,395,728	179,641,204	197,867,286

No inventory was pledged as security

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS

ECONOMIC ENTITY AND MUNICIPALITY

As at 30 June 2018

	R	R	R
	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	3,067,654,610	(1,761,749,954)	1,305,904,656
Electricity	1,166,950,980	(503,360,394)	663,590,586
Water	1,227,068,053	(790,591,133)	436,476,920
Refuse	254,925,150	(183,470,006)	71,455,144
Sanitation	418,710,427	(284,328,421)	134,382,006
House Rentals	35,216,826	(24,987,031)	10,229,795
Total	3,102,871,436	(1,786,736,985)	1,316,134,451

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.

As at 30 June 2017

	Gross Balances	Impairment Allowance	Carrying Amount
Service Debtors	2,481,907,349	(1,276,980,149)	1,204,927,200
Electricity	1,160,563,033	(454,517,876)	706,045,157
Water	751,755,685	(448,477,275)	303,278,410
Refuse	201,273,871	(142,825,766)	58,448,105
Sanitation	368,314,760	(231,159,232)	137,155,528
House Rentals	27,474,915	(17,379,732)	10,095,183
Total	2,509,382,264	(1,294,359,881)	1,215,022,383

Refer Restatement Note no. 40.2.4

Electricity: Ageing

	2018 R	Restated 2017 R
Current (0-30 days)	517,068,318	553,579,450
31 - 60 Days	36,918,884	67,904,094
61 - 90 Days	17,055,127	52,353,580
Over 90 Days	595,908,651	486,725,909
Total	1,166,950,980	1,160,563,033

Water: Ageing

	2018 R	Restated 2017 R
Current (0-30 days)	195,860,794	168,612,683
31 - 60 Days	88,740,502	56,987,156
61 - 90 Days	81,578,678	49,921,027
Over 90 Days	860,888,079	476,234,819
Total	1,227,068,053	751,755,685

Refuse: Ageing

	2018 R	Restated 2017 R
Current (0-30 days)	30,486,095	26,681,835
31 - 60 Days	10,271,735	4,429,491
61 - 90 Days	7,232,766	8,236,393
Over 90 Days	206,934,554	161,926,152
Total	254,925,150	201,273,871

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15 TRADE RECEIVABLES - EXCHANGE TRANSACTIONS (Continued)	2018 R	Restated 2017 R	
Sanitation: Ageing			
Current (0-30 days)	56,158,260	67,055,243	
31 - 60 Days	22,548,618	25,083,172	
61 - 90 Days	21,477,248	22,054,811	
Over 90 Days	318,526,301	254,121,534	
Total	418,710,427	368,314,760	
Housing Rentals: Ageing			
Current (0-30 days)	3,331,158	1,380,097	
31 - 60 Days	1,500,875	145,948	
61 - 90 Days	1,176,071	1,125,389	
Over 90 Days	29,208,722	24,823,481	
Total	35,216,826	27,474,915	
Summary of Debtors by Customer Classification			
	R	R	R
	Residential Consumers	Industrial / Commercial	National and Provincial Government
30 June 2018			
Current (0-30 days)	116,875,725	656,378,157	29,647,670
31 - 60 Days	94,931,552	55,759,215	9,289,839
61 - 90 Days	91,879,076	34,175,786	2,465,021
Over 90 Days	957,261,083	963,023,888	91,184,424
Gross Consumer Debtors by Customer classification	1,260,947,436	1,709,337,046	132,586,954
Gross Consumer Debtors			3,102,871,436
Less: Impairment allowance			(1,786,736,985)
Net Consumer Debtors for the period ended 30 June 2018			1,316,134,451
Summary of Debtors by Customer Classification			
	R	R	R
	Residential Consumers	Industrial / Commercial	National and Provincial Government
30 June 2017			
Current (0-30 days)	115,807,620	659,654,566	41,844,006
31 - 60 Days	76,261,700	69,872,063	8,416,099
61 - 90 Days	63,367,053	65,809,429	4,514,717
Over 90 Days	506,974,369	796,136,679	100,723,963
Gross Consumer Debtors by Customer classification	762,410,742	1,591,472,737	155,498,785
Gross Consumer Debtors			2,509,382,264
Less: Impairment allowance			(1,294,359,881)
Net Consumer Debtors for the year ended 30 June 2017			1,215,022,383
Reconciliation of the Impairment Allowance			
		2018 R	Restated 2017 R
Balance at beginning of year		1,294,359,881	1,306,088,580
Contributions to Impairment allowance		648,824,015	347,387,633
Bad debts written off against the Impairment allowance		1,943,183,896	1,653,476,213
Balance at end of year		1,786,736,985	1,294,359,881
Financial Assets have been classified as loans and receivables.			
The consumer debtors are billed a gazetted interest rate between 10.25% and 10.5% per annum on overdue accounts.			
Consumer Debtors not past due nor impaired therefore no impairment allowance raised:			
Neither past due nor impaired		1,316,134,451	1,215,022,383
Consumer Debtors for which an impairment allowance was raised			
Provision (based on the collection of outstanding debts and debtors handed over to attorneys)		1,786,736,985	1,294,359,881

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
16 OTHER RECEIVABLES - NON-EXCHANGE TRANSACTIONS				
Property Rates	1,142,417,612	949,576,612	1,142,417,612	949,576,612
Provision for Bad Debts - Property Rates	(750,700,559)	(620,516,206)	(750,700,559)	(620,516,206)
	391,717,053	329,060,406	391,717,053	329,060,406
Other Receivables: MBDA	3,453,392	0	0	0
	395,170,445	329,060,406	391,717,053	329,060,406
Reconciliation of the Impairment Allowance				
Balance at beginning of year	620,516,206	734,925,042	620,516,206	734,925,042
Contributions to Impairment allowance	160,954,356	126,194,892	160,954,356	126,194,892
Bad debts written off against the Impairment allowance	(30,770,003)	(240,603,728)	(30,770,003)	(240,603,728)
Balance at end of year	750,700,559	620,516,206	750,700,559	620,516,206
OTHER RECEIVABLES - EXCHANGE TRANSACTIONS				
Accrued Income: Transfers and Subsidies - Housing	215,173,761	220,061,067	215,173,761	220,061,067
Accrued Income: Transfers and Subsidies - Public Health	16,853,948	15,911,414	16,853,948	15,911,414
Accrued Income: Transfers and Subsidies - Coega	37,232,013	58,400,987	37,232,013	58,400,987
Accrued Income: Transfers and Subsidies - MBDA	61,263,081	66,940,346	61,263,081	66,940,346
Accrued Income: Other	146,574,799	156,012,291	146,574,799	156,012,291
Prepayments and Advances	0	12,635,000	0	12,635,000
Operating Leases - Straight Lining	1,991,536	1,929,816	1,991,536	1,929,816
	479,089,138	531,890,921	479,089,138	531,890,921
Provision for Bad Debts - Housing	(81,168,190)	(81,168,190)	(81,168,190)	(81,168,190)
	397,920,948	450,722,731	397,920,948	450,722,731
Other Receivables: MBDA	(547,208)	(36,677,082)	0	0
	397,373,740	414,045,649	397,920,948	450,722,731
Refer Restatement Note no. 40.2.2				
	789,090,793	743,106,055	789,638,001	779,783,137
Amounts due from Government and external debtors are normally settled within 30 days and bear no interest. Included in Sundry Debtors above are debit balances in creditors which are still under investigation to determine whether they should have been there or not and are being cleared and updated where necessary.				
17 CALL DEPOSITS AND INVESTMENTS				
DEPOSITS and INVESTMENTS				
ABSA Investment Account - interest receivable on monthly basis at the average annual interest rate of 2018: 7.11% and 6.25% (2017: 7.21%) during the current audit period.	559,310,000	305,000,000	559,310,000	305,000,000
First National Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2018: 7.03% (2017: 7.15%) during the current audit period.	556,000,000	305,000,000	556,000,000	305,000,000
Investec Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2018: 6.25% (2017: 6.75 %) during the current audit period.	131,665,203	123,463,075	131,665,203	123,463,075
Nedbank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2018: 7.20% and 6.10% (2017: 6.60% and 7.34%) during the current audit period.	566,500,000	303,500,000	566,500,000	303,500,000
Standard Bank Investment Account - interest receivable on monthly basis at the average annual interest rate of 2018: 7.33% (2017: 7.48%) during the current audit period.	558,200,000	307,500,000	558,200,000	307,500,000
Standard Bank Stanlib Investment Account - interest receivable on monthly basis at the average annual interest rate of 2018: 7.30% (2017: 7.79%) during the current audit period.	259,656	259,656	259,656	259,656
	2,371,934,859	1,344,722,731	2,371,934,859	1,344,722,731
18 CALL DEPOSITS AND INVESTMENTS - OTHER				
Sanlam Shares - Financial Instruments	2,867,194	2,651,551	2,867,194	2,651,551
	2,867,194	2,651,551	2,867,194	2,651,551
No Investments were pledged as security				
The Investments are committed as follows:	2,371,934,859	1,344,722,731	2,371,934,859	1,344,722,731
Transfers and Subsidies	155,629,511	47,361,949	153,360,232	44,414,761
Current Portion of Long-term Liabilities	79,760,410	86,409,283	79,760,410	86,409,283
COVID Reserve	37,185,503	33,033,807	37,185,503	33,033,807
Self Insurance Reserve	142,995,139	121,256,887	142,995,139	121,256,887
Capital Replacement Reserve	158,483,676	76,794,226	158,483,676	76,794,226
Housing Revolving Fund	109,731,779	109,731,779	109,731,779	109,731,779
	683,786,018	474,587,931	681,516,739	471,640,743
The balance is available for Trade and Other Payables	1,688,148,841	870,134,800	1,690,418,120	873,081,988

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018	Restated 2017	2018	Restated 2017
	R	R	R	R
18 CALL DEPOSITS AND INVESTMENTS - OTHER (CONTINUES)				
The Municipality's Investment Policy and Investment Regulations, require 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 867 194 (2017: R2 651 551) determined on the open market share price as at 30 June 2018. 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 R79 760 410 (2017: R86 409 283) are ring-fenced and attributable to repaying long-term loans.				
19 BANK BALANCES AND CASH				
The NMBM operates various current accounts with ABSA. The details are as follows:				
BANK: ABSA				
ACCOUNT NUMBER: 4079534961				
BRANCH: Greenacres				
BRANCH CODE: 632005				
Cash Book balance at beginning of the year	226,774,020	213,067,170	226,774,020	213,067,170
Cash Book balance at end of the year	210,417,762	226,774,020	210,417,762	226,774,020
Bank Balance at beginning of the year	193,346,792	200,857,162	193,346,792	200,857,162
Bank Balance at end of the year	138,260,400	193,346,792	138,260,400	193,346,792
Which are disclosed in the Statement of Financial Position as follows:				
Bank balances and cash	210,417,762	226,774,020	210,417,762	226,774,020
Revenue from non-exchange transactions, the following Cash and Cash equivalents relates to restrictive agreements for which no commitment exist but can only be used for the following:				
Transportation levies received: Upkeep of roads or any roads related projects.	383,688	3,107,409	383,688	3,107,409
Mandela Bay Development Agency				
Current Accounts (Primary Account)				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	7,587,201	4,567,753		
Cashbook balance at end of the year	2,301,470	7,587,201		
Bank statement balance at beginning of the year	7,587,201	4,567,753		
Bank statement balance at end of the year	2,301,470	7,587,201		
Call Account Deposits				
NedBank, Govan Mbeki Avenue, Port Elizabeth				
Account Number -				
Cashbook balance at beginning of year	46,756,535	0		
Cashbook balance at end of the year	37,091,670	46,756,535		
Bank statement balance at beginning of the year	46,756,535	0		
Bank statement balance at end of the year	37,091,670	46,756,535		
Rand Merchant Bank, Port Elizabeth				
Account Number - X021906134				
Cashbook balance at beginning of year	4,533,256	29,211,400		
Cashbook balance at end of the year	0	4,533,256		
Bank statement balance at beginning of the year	4,533,256	29,211,400		
Bank statement balance at end of the year	0	4,533,256		
Which are disclosed in the Statement of Financial Position as follows:				
Cash and cash equivalents	39,393,140	58,876,992		
Current Account (Primary Account)	2,301,470	7,587,201		
Call Account Deposits	37,091,670	51,289,791		
Consolidated Cash Book balance at end of the year	249,810,902	285,651,012		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

20	PROPERTY RATES	Economic Entity		Municipality	
		2018 R	Restated 2017 R	2018 R	Restated 2017 R
	<u>Actual</u>				
	Residential	904,206,544	761,294,619	904,206,544	761,294,619
	Commercial	862,767,677	513,107,482	862,767,677	513,107,482
	State	148,952,852	120,694,621	148,952,852	120,694,621
	Other	91,678,397	244,440,997	91,678,397	244,440,997
		2,007,605,470	1,639,537,719	2,007,605,470	1,639,537,719

Refer Restatement Note no. 40.1.14

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

The Municipality is in the process of a property valuation in line with the Municipal Property Rates Act and the results thereof has been implemented with effective of 01 July 2017.

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

	R'000	R'000	R'000	R'000
<u>Valuations</u>				
Residential	96,013,106	85,359,082	96,013,106	85,359,082
Commercial	45,569,594	31,060,395	45,569,594	31,060,395
State	8,661,448	5,701,930	8,661,448	5,701,930
Other	6,678,750	14,498,993	6,678,750	14,498,993
	156,922,898	136,620,400	156,922,898	136,620,400

21.1 SERVICE CHARGES

Sale of Electricity	3,482,486,253	3,576,228,601	3,483,008,842	3,576,476,205
Sale of Water	1,074,111,722	767,493,108	1,074,111,722	767,493,108
Service delivery - sale of inventory	4,556,597,975	4,343,721,709	4,557,120,564	4,343,969,313
Refuse Removal	168,323,249	138,802,144	168,323,249	138,802,144
Sewerage and Sanitation charges	457,144,181	427,357,966	457,144,181	427,357,966
Service delivery - sale of services	625,467,430	566,160,110	625,467,430	566,160,110
	5,182,065,405	4,909,881,819	5,182,587,994	4,910,129,423

Refer Restatement Note no. 40.1.5

21.2 FINES, PENALTIES AND FORFEITS

Fines (Library and Traffic)	213,071,274	289,704,157	213,071,274	289,704,157
Included in Fines above are Traffic fines shown as follows:				
Fines issued for the year	176,697,278	200,697,759	176,697,278	200,697,759
Impaired, based on collection rate	(141,837,351)	(165,679,512)	(141,837,351)	(165,679,512)
Net fines collected	34,859,927	35,018,247	34,859,927	35,018,247

Refer Restatement Note no. 40.1.8

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22 TRANSFERS AND SUBSIDIES	Economic Entity		Municipality	
	2018	Restated 2017	2018	Restated 2017
	R	R	R	R
PHB Subsidies (See Note 22.1)	4,795,313	58,507,300	4,795,313	58,507,300
Equitable Share Allocation (See Note 22.2)	844,287,010	798,043,000	844,287,010	798,043,000
Finance Management Grant (See Note 22.3)	1,012,141	1,030,929	1,012,141	1,030,929
Provincial Department of Human Settlements: Accreditation Grant (See Note 22.5.1)	0	6,166,805	0	6,166,805
Provincial Government Grants: Library Services (See Note 22.6)	15,000,000	15,000,000	15,000,000	15,000,000
Public Transport Networks Operations Grant (See Note 22.7.2)	68,559,829	22,413,940	68,559,829	22,413,940
EU Sector Policy Support Project (See Note 22.9)	0	1,860,539	0	1,860,539
Health Subsidies (See Note 22.10)	942,534	1,577,882	942,534	1,577,882
Other Grants (See Note 22.11)	3,832,456	57,379,103	3,832,456	57,379,103
Government Grant Revenue (See Note 22.12)	1,133,831,817	855,067,451	1,133,831,817	855,067,451
National Lotteries Grant (See Note 22.13)	182,528	0	182,528	0
CDC Coega Grant (See Note 22.14.2)	0	50,451,940.00	0	50,451,940.00
Urban Settlements Development Grant (See Note 22.16)	63,498,791	17,000,000	63,498,791	17,000,000
Infrastructure Skills Development Grant (See Note 22.17)	11,511,551	9,469,742	11,511,551	9,469,742
EPWP Incentive Grant (See Note 22.18)	5,097,649	8,205,352	5,097,649	8,205,352
Department of Public Service and Administration (See Note 22.19)	492,114	0	492,114	0
Off-Grid Electrification Grant (See Note 22.22)	0	1,211,893	0	1,211,893
Department of Roads and Public Works Grant (See Note 22.23)	9,300,603	7,881,772	9,300,603	7,881,772
LGSETA Discretionary Learnership Funding (See Note 22.24)	4,846,628	5,434,704	4,846,628	5,434,704
Fuel levy Allocation (See Note 22.26)	545,217,656	496,799,000	545,217,656	496,799,000
Other Transfers (See Note 22.27)	171,501,066	137,541,826	171,501,066	137,541,826
Public Contributions (See Note 22.28)	52,478,652	12,900,300	52,478,652	12,900,300
	2,936,388,338	2,563,943,478	2,936,388,338	2,563,943,478
Refer Restatement Note no. 40.1.20 and 40.1.21				
Total Grant Receipts	3,195,248,887	2,508,577,600	3,195,248,887	2,508,577,600
22.1 PHB Subsidies				
This Grant is received from Provincial Government and is used for the construction of low cost housing.				
Balance at beginning of year	1,874,752	8,069,417	1,874,752	8,069,417
Current year receipts	9,682,619	68,623,413	9,682,619	68,623,413
Interest received	132,081	408,070	132,081	408,070
Debtor raised	213,093,224	218,035,411	213,093,224	218,035,411
Reversal of prior year accrual	(217,980,531)	(234,346,189)	(217,980,531)	(234,346,189)
Interest paid over to Provincial Treasury	(132,081)	(408,070)	(132,081)	(408,070)
Conditions met - Transferred to revenue	(4,795,313)	(58,507,300)	(4,795,313)	(58,507,300)
Conditions still to be met - transferred to liabilities	1,874,751	1,874,752	1,874,751	1,874,752
22.2 Equitable Share				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	844,287,010	798,043,000	844,287,010	798,043,000
Transferred to revenue	(844,287,010)	(798,043,000)	(844,287,010)	(798,043,000)
Conditions met	0	0	0	0
22.3 Finance Management Grant				
This grant is used in the financial reform project under the guidance of National Treasury.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	1,050,000	1,050,000	1,050,000	1,050,000
Conditions met - Transferred to Other Income - VAT portion	(37,859)	(19,071)	(37,859)	(19,071)
Conditions met - Transferred to revenue	(1,012,141)	(1,030,929)	(1,012,141)	(1,030,929)
Conditions met	0	0	0	0
22.4 Smart Grid Initiative				
This Grant is used to develop innovative, interactive and improved technological solutions to deal with revenue enhancement.				
Balance unspent at beginning of year	711,836	711,836	711,836	711,836
Current year receipts	8,000,000	2,250,000	8,000,000	2,250,000
Conditions met - Transferred to revenue - capital	(8,000,000)	0	(8,000,000)	0
Debtor (reversed) / raised		(2,250,000)		(2,250,000)
Conditions still to be met - transferred to liabilities	711,836	711,836	711,836	711,836
22.5.1 Provincial Department of Human Settlements: Accreditation Grant				
This Grant is used for capacity building of level 3 accreditation in the preparation of NMBM in the Human Settlements matters.				
Balance unspent at beginning of year	1,973,952	8,140,757	1,973,952	8,140,757
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	(6,166,805)	0	(6,166,805)
Conditions still to be met - transferred to liabilities	1,973,952	1,973,952	1,973,952	1,973,952

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
22.5.2 Municipal Human Settlements Capacity Grant				
This Grant is used to ensure effective management of Human Settlements programmes at the local government level in line with the Accreditation framework.				
Balance unspent at beginning of year	0	5,028,404	0	5,028,404
Transfer to E-Share - Owing to NT	0	(5,028,404)	0	(5,028,404)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions met - Transferred to Other Income - VAT portion	0	0	0	0
Conditions met	0	0	0	0
22.6 Provincial Government Grants: Library Services				
This grant is received from the Provincial Government and used to subsidise Libraries.				
Balance at beginning of year	0	0	0	0
Current year receipts	15,000,000	15,000,000	15,000,000	15,000,000
Conditions met - Transferred to revenue	(15,000,000)	(15,000,000)	(15,000,000)	(15,000,000)
Conditions met	0	0	0	0
22.7.1 Public Transport Infrastructure Grant				
This Grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.				
Balance unspent at beginning of year	2,351,663	25,836,082	2,351,663	25,836,082
Transfer from Public Transport Networks Operations Grant	0	40,669,532	0	40,669,532
	<u>2,351,663</u>	<u>66,505,614</u>	<u>2,351,663</u>	<u>66,505,614</u>
Current year receipts	204,973,000	0	204,973,000	0
Conditions met - Transferred to revenue - capital	(180,249,994)	(56,275,397)	(180,249,994)	(56,275,397)
Conditions met - Transferred to Other Income - VAT portion	0	(7,878,554)	0	(7,878,554)
Transfer to E-Share	0	0	0	0
Conditions still to be met - transferred to liabilities	27,074,669	2,351,663	27,074,669	2,351,663
22.7.2 Public Transport Networks Operations Grant				
This grant is to provide supplementary operational funding to Municipalities in order to operationalise the IPTS project within NMBM.				
Balance unspent at beginning of year	420,374	123,614,211	420,374	123,614,211
Transfer to Public Transport Infrastructure Grant	0	(40,669,532)	0	(40,669,532)
Transfer to E-Share - Owing to NT	0	(56,387,144)	0	(56,387,144)
	<u>420,374</u>	<u>26,557,535</u>	<u>420,374</u>	<u>26,557,535</u>
Current year receipts	68,324,000	0	68,324,000	0
Conditions met - Transferred to Other Income - VAT portion	0	(3,723,221)	0	(3,723,221)
Conditions met - Transferred to revenue	(68,559,829)	(22,413,940)	(68,559,829)	(22,413,940)
Conditions still to be met - transferred to liabilities	184,545	420,374	184,545	420,374
22.8 Integrated National Electrification Programme Grant				
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.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	30,000,000	35,000,000	30,000,000	35,000,000
Conditions met - Transferred to revenue - capital	(21,909,349)	(30,701,760)	(21,909,349)	(30,701,760)
Conditions met - Transferred to Other Income - VAT portion	(2,385,725)	(4,298,240)	(2,385,725)	(4,298,240)
Conditions still to be met - transferred to liabilities	5,704,926	0	5,704,926	0
22.9 EU Sector Policy Support Project				
This Grant is received from the European Union to fund various authorised developmental projects within certain designated targeted areas of the NMBM (i.e Motherwell).				
Balance unspent at beginning of year	1,865,382	8,896,191	1,865,382	8,896,191
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	(1,860,539)	0	(1,860,539)
Conditions met - Transferred to revenue - capital	0	(5,170,270)	0	(5,170,270)
Conditions still to be met - transferred to liabilities	1,865,382	1,865,382	1,865,382	1,865,382
22.10 Health Subsidies				
This grant is received from the Provincial Government and used in the Health function.				
Balance unspent at beginning of year	0	0	0	0
Debtor raised	942,534	1,577,882	942,534	1,577,882
Conditions met - Transferred to revenue	(942,534)	(1,577,882)	(942,534)	(1,577,882)
Conditions met	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
22.11 Other Grants				
These are grants received by the NMBM for various purposes.				
Balance unspent at beginning of year	4,552,688	1,273,445	1,605,500	1,273,445
Current year receipts	3,962,614	487,978	3,962,614	487,978
Conditions met - Transferred to revenue - capital	0	0	0	0
Accruals raise / reversed	(162,500)	162,500	(162,500)	162,500
MBDA grants	(677,909)	2,947,188	0	0
Conditions met - Transferred to revenue	(3,832,456)	(318,423)	(3,832,456)	(318,423)
Conditions still to be met - transferred to liabilities	3,842,437	4,552,688	1,573,158	1,605,500
22.12 Government Grant Revenue				
Relates to the Funding of Capital Projects financed by Government Grants which are disclosed under Government Grants and Subsidies.				
	1,133,831,817	855,067,451	1,133,831,817	855,067,451
22.13 National Lotteries Grant				
This grant is used to fund Art and Culture programmes				
Balance unspent at beginning of year	1,660,389	1,660,389	1,660,389	1,660,389
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	(182,528)	0	(182,528)	0
Conditions still to be met - transferred to liabilities	1,477,861	1,660,389	1,477,861	1,660,389
22.14.1 CDC Walmer Intervention Funding Grant				
This grant is used to speed up service delivery intervention in Walmer Gqebera township.				
Balance unspent at beginning of year	20,546,957	5,546,957	20,546,957	5,546,957
Current year receipts	0	15,000,000	0	15,000,000
Debtor raised	0	0	0	0
Conditions met - Transferred to revenue - Capital	(11,478,537)	0	(11,478,537)	0
Conditions still to be met - transferred to liabilities	9,068,420	20,546,957	9,068,420	20,546,957
22.14.2 CDC Coega Grant				
This grant is used to speed up service delivery intervention in Walmer Gqebera township.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	0	0	0	0
Debtor raised	0	50,451,940	0	50,451,940
Conditions met - Transferred to revenue - Capital	0	(50,451,940)	0	(50,451,940)
Conditions met	0	0	0	0
22.15 Neighbourhood Partnership Development Grant				
This grant is used for the urban renewal of certain targeted / designated townships.				
Balance unspent at beginning of year	562,222	0	562,222	0
Transfer to E-share	(562,222)	0	(562,222)	0
Current year receipts	12,110,000	10,390,000	12,110,000	10,390,000
Debtor raised	0	0	0	0
Conditions met - Transferred to revenue - capital	(6,661,817)	(8,620,858)	(6,661,817)	(8,620,858)
Conditions met - Transferred to Other Income - VAT	(1,123,117)	(1,206,920)	(1,123,117)	(1,206,920)
Transfer to E-Share	0	0	0	0
Conditions still to be met - transferred to liabilities	4,325,066	562,222	4,325,066	562,222
22.16 Urban Settlements Development Grant				
This grant is used to improve urban land production to the benefit of poor households as well as improving spatial integration and densities.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	1,090,561,000	868,282,000	1,090,561,000	868,282,000
Conditions met - Transferred to revenue - capital	(892,345,994)	(744,650,877)	(892,345,994)	(744,650,877)
Conditions met - Transferred to Other Income - VAT portion	(134,716,215)	(106,631,123)	(134,716,215)	(106,631,123)
Conditions met - Transferred to revenue	(63,498,791)	(17,000,000)	(63,498,791)	(17,000,000)
Conditions met	0	0	0	0
22.17 Infrastructure Skills Development Grant				
This grant is used for skills development in certain targeted service delivery directorates.				
Balance unspent at beginning of year	4,720,444	576,932	4,720,444	576,932
Transfer to E-Share - Owing to NT	(4,720,444)	(576,932)	(4,720,444)	(576,932)
	0	0	0	0
Current year receipts	15,394,000	14,500,000	15,394,000	14,500,000
Conditions met - Transferred to revenue	(11,511,551)	(9,469,742)	(11,511,551)	(9,469,742)
Conditions met - Transferred to Other Income - VAT portion	(235,984)	(309,814)	(235,984)	(309,814)
Conditions still to be met - transferred to liabilities	3,646,465	4,720,444	3,646,465	4,720,444
22.18 EPWP Incentive Grant				
This grant is used to implement expanded public works programme.				
Balance unspent at beginning of year	290,649	0	290,649	0
Current year receipts	4,807,000	8,496,000	4,807,000	8,496,000
Conditions met - Transferred to revenue	(5,097,649)	(8,205,351)	(5,097,649)	(8,205,351)
Conditions met - Transferred to Other Income - VAT portion	0	0	0	0
Conditions met	0	290,649	0	290,649

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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22 TRANSFERS AND SUBSIDIES (Continued)	Economic Entity		Municipality	
	2017 R	Restated 2017 R	2017 R	Restated 2017 R
22.19 Department of Public Service and Administration Grant				
This grant is used for the improvement of front -line public service delivery in South Africa.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	733,270	0	733,270	0
Conditions met - Transferred to revenue	(492,114)	0	(492,114)	0
Conditions still to be met - transferred to liabilities	241,156	0	241,156	0
22.20 Intergrated City Development Grant				
This grant is used for the development of more inclusive, liveable, productive and sustainable urban built environments in the metropolitan municipalities.				
Balance unspent at beginning of year	0	1,722,774	0	1,722,774
Current year receipts	7,308,000	9,276,000	7,308,000	9,276,000
Conditions met - Transferred to revenue - capital	(6,418,983)	(9,648,290)	(6,418,983)	(9,648,290)
Conditions met - Transferred to Other Income - VAT portion	(889,017)	(1,350,484)	(889,017)	(1,350,484)
Conditions met	0	0	0	0
22.21 Drought Relief Grant				
The grant is used fro responding to the immediate communities needs with the aim to alleviate the immediate consequences of drought within the municipality.				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	97,000,000	0	97,000,000	0
Conditions met - Transferred to revenue - capital	(6,767,143)	0	(6,767,143)	0
Conditions met - Transferred to revenue - VAT	(1,015,072)		(1,015,072)	
Conditions still to be met - transferred to liabilities	89,217,785	0	89,217,785	0
22.22 Off-Grid Electrification Grant				
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.				
Balance unspent at beginning of year	0	1,211,893	0	1,211,893
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	(1,211,893)	0	(1,211,893)
Conditions met	0	0	0	0
22.23 Department of Roads and Public Works Grant				
This grant is used to fund the maintenance of Provincial roads in the Metropolitan area				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	9,422,754	7,999,999	9,422,754	7,999,999
Conditions met - Transferred to revenue	(9,300,603)	(7,881,772)	(9,300,603)	(7,881,772)
Conditions met - Transferred to Other Income	(122,151)	(118,227)	(122,151)	(118,227)
Conditions met	0	0	0	0
22.24 LGSETA Discretionary Learnership Funding				
This grant is used to facilitate access to skills development, education and training in the local government sector and community in general.				
Balance unspent at beginning of year	4,957,859	3,454,479	4,957,859	3,454,479
Current year receipts	3,436,246	6,938,084	3,436,246	6,938,084
Conditions met - Transferred to revenue	(4,846,628)	(5,434,704)	(4,846,628)	(5,434,704)
Conditions still to be met - transferred to liabilities	3,547,477	4,957,859	3,547,477	4,957,859
22.25 Provincial Department Agency: Communication Grant				
This grant is used for the roll out pf public Wi-Fi to all Muniicipl Libraries, Customer Care centres and Traffic Licensing centres.				
Balance unspent at beginning of year	872,782	872,782	872,782	872,782
Current year receipts	0	0	0	0
Conditions met - Transferred to revenue	0	0	0	0
Conditions still to be met - transferred to liabilities	872,782	872,782	872,782	872,782
22.26 Fuel Levy				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	545,217,656	496,799,000	545,217,656	496,799,000
Transferred to revenue	(545,217,656)	(496,799,000)	(545,217,656)	(496,799,000)
Conditions met	0	0	0	0
22.27 Other Transfers				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	171,501,066	137,541,826	171,501,066	137,541,826
Transferred to revenue	(171,501,066)	(137,541,826)	(171,501,066)	(137,541,826)
Conditions met	0	0	0	0
22.28 Public Contributions				
Balance unspent at beginning of year	0	0	0	0
Current year receipts	52,478,652	12,900,300	52,478,652	12,900,300
Transferred to revenue	(52,478,652)	(12,900,300)	(52,478,652)	(12,900,300)
Conditions met	0	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

23 OTHER REVENUE	Economic Entity		Municipality	
	2018	Restated 2017	2018	Restated 2017
	R	R	R	R
Interest, Dividend and Rent on Land	46,689	33,826	46,689	33,826
Operational Revenue: Administrative Handling Fees	8,438,477	15,530,474	8,438,477	15,530,474
Operational Revenue: Inspection Fees	4,652,103	4,686,123	4,652,103	4,686,123
Sales of Goods and Rendering of Services: Building Plan Approval	10,771,954	10,840,014	10,771,954	10,840,014
Sales of Goods and Rendering of Services: Academic Services	3,566,809	2,343,310	3,566,809	2,343,310
Sales of Goods and Rendering of Services: Advertisements	4,126,929	2,949,883	4,126,929	2,949,883
Sales of Goods and Rendering of Services: Cemetery and Burial	9,825,268	9,427,767	9,825,268	9,427,767
Sales of Goods and Rendering of Services: Entrance Fees	6,356,349	17,234,362	6,356,349	17,234,362
Sales of Goods and Rendering of Services: Scrap, Waste & Other Goods: Treatment Effluent	25,347,277	33,974,325	25,347,277	33,974,325
Sales of Goods and Rendering of Services: Scrap, Waste & Other Goods: Recycling of Waste	12,722,442	12,983,132	12,722,442	12,983,132
Sales of Goods and Rendering of Services: Legal Fees	12,133,569	12,172,070	12,133,569	12,172,070
Sales of Goods and Rendering of Services: Other	14,758,424	11,309,003	14,758,424	11,309,003
Operational Revenue: Other	11,479,971	14,046,032	11,479,971	14,046,032
	124,226,261	147,530,321	124,226,261	147,530,321
Other Revenue - MBDA	4,486,924	1,995,594	0	0
	128,713,185	149,525,915	124,226,261	147,530,321
Refer Restatement Note no. 40.1.15				
24 EMPLOYEE RELATED COSTS				
Employee related costs - Municipal Staff - Salaries and Wages	1,644,260,560	1,515,151,881	1,644,260,560	1,515,151,881
Employee related costs - Senior Management - Salaries and Wages	15,777,936	16,160,862	15,777,936	16,160,862
Employee related costs - MBDA - Salaries and Wages	16,389,370	13,103,658	0	0
Employee related costs - Municipal Staff - Social Contributions	633,558,631	490,864,909	633,558,631	490,864,909
Employee related costs - Senior Management - Social Contributions	12,344	12,790	12,344	12,790
Employee related costs - MBDA - Social Contributions	3,795,946	2,753,879	0	0
Employee related costs - Municipal Staff - Allowances	152,328,748	139,449,221	152,328,748	139,449,221
Employee related costs - MBDA - Allowances	92,000	87,000	0	0
Housing benefits	11,664,573	11,121,776	11,664,573	11,121,776
Overtime payouts	154,724,523	174,208,928	154,724,523	174,208,928
Performance bonus: Municipal Staff	32,687,426	34,051,115	32,687,426	34,051,115
Performance bonus: Senior Management	546,643	922,545	144,901	251,715
Long-service Awards/ Bonuses	137,028,836	671,108,055	136,990,263	671,100,213
	2,802,867,536	3,068,996,619	2,782,149,905	3,052,373,410
Refer Restatement Note no. 40.1.11				
Remuneration of the City Manager				
Annual Remuneration	2,603,160	1,412,238	2,603,160	1,412,238
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	2,603,160	1,412,238	2,603,160	1,412,238
Remuneration of the Chief Financial Officer				
Annual Remuneration	1,124,214	1,927,224	1,124,214	1,927,224
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	1,124,214	1,927,224	1,124,214	1,927,224
Remuneration of the Chief Operating Officer				
Annual Remuneration	1,915,584	1,882,224	1,915,584	1,882,224
Travel, Subsistence, UIF, Medical, Pension Funds, Other	108,000	45,000	108,000	45,000
Total	2,023,584	1,927,224	2,023,584	1,927,224
Remuneration of the Chief of Staff - Current				
Annual Remuneration	923,432	596,180	923,432	596,180
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
Total	923,432	596,180	923,432	596,180
Remuneration of the Chief of Staff - Previous				
Annual Remuneration	0	221,686	0	221,686
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	34,583	0	34,583
Total	0	256,269	0	256,269
Remuneration of the Chief of Police - Current				
Annual Remuneration	1,513,368	815,080	1,513,368	815,080
Travel, Subsistence, UIF, Medical, Pension Funds, Other	120,000	70,000	120,000	70,000
Total	1,633,368	885,080	1,633,368	885,080
Remuneration of Individual Executive Directors				
Corporate Services - Acting Executive Director				
Annual Remuneration	1,563,284	1,086,886	1,563,284	1,086,886
Travel, Subsistence, UIF, Medical, Pension Funds, Other	24,750	0	24,750	0
Total	1,588,034	1,086,886	1,588,034	1,086,886
Economic Development, Tourism and Agriculture				
Annual Remuneration	1,642,560	1,555,200	1,642,560	1,555,200
Travel, Subsistence, UIF, Medical, Pension Funds, Other	192,000	194,389	192,000	194,389
Total	1,834,560	1,749,589	1,834,560	1,749,589

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

24 EMPLOYEE RELATED COSTS (Continued)	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
Infrastructure and Engineering				
Annual Remuneration	1,834,560	1,747,200	1,834,560	1,747,200
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
	1,834,560	1,747,200	1,834,560	1,747,200
Electricity (Vacant)				
Annual Remuneration	0	0	0	0
Travel, Subsistence, UIF, Medical, Pension Funds, Other	0	0	0	0
	0	0	0	0
Safety and Security				
Remuneration for 7 months	1,031,514	1,927,224	1,031,514	1,927,224
Travel, Subsistence, UIF, Medical, Pension Funds, Other	15,750	0	15,750	0
	1,047,264	1,927,224	1,047,264	1,927,224
Human Settlements - Current				
Annual Remuneration	1,851,912	798,381	1,851,912	798,381
	1,851,912	798,381	1,851,912	798,381
Sports, Recreation, Arts and Culture				
Annual Remuneration	1,654,560	1,567,200	1,654,560	1,567,200
Travel, Subsistence, UIF, Medical, Pension Funds, Other	215,988	183,112	215,988	183,112
	1,870,548	1,750,312	1,870,548	1,750,312
Public Health (Vacant)				
Annual Remuneration	0	970,662	0	970,662
	0	970,662	0	970,662
Remuneration of the Chief Executive Officer - MBDA				
Annual Remuneration	862,661	946,246	0	0
Performance Bonuses	0	186,530	0	0
Gratuity Payment	0	1,374,500	0	0
Car allowance	20,000	35,000	0	0
Total	882,661	2,542,276	0	0
Remuneration of the Chief Financial Officer - MBDA				
Annual Remuneration	1,162,431	993,946	0	0
Performance Bonuses	101,795	122,667	0	0
Acting Allowance	0	234,010	0	0
Car allowance	26,000	24,000	0	0
Total	1,290,226	1,374,623	0	0
Remuneration of the Planning and Development Manager (Inner City) - MBDA				
Annual Remuneration	1,139,164	952,500	0	0
Performance Bonuses	97,651	108,742	0	0
Car allowance	26,000	24,000	0	0
Total	1,262,815	1,085,242	0	0
Remuneration of the Operations Manager - MBDA				
Annual Remuneration	734,192	624,639	0	0
Performance Bonuses	62,464	66,698	0	0
Total	796,656	691,337	0	0
Remuneration of the Planning and Development Manager (Townships) - MBDA				
Annual Remuneration	533,210	461,007	0	0
Performance Bonuses	56,667	93,581	0	0
Total	589,877	554,588	0	0
Remuneration of the Marketing and Communications Manager - MBDA				
Annual Remuneration	975,381	833,123	0	0
Performance Bonuses	83,166	92,612	0	0
Total	1,058,547	925,735	0	0
Remuneration of the Stadium Manager - MBDA				
Annual Remuneration	1,057,333	165,896	0	0
Car allowance	26,000	4,000	0	0
Acting Allowance	122,636	0	0	0
Total	1,205,969	169,896	0	0
Remuneration of the STC Manager - MBDA				
Annual Remuneration	51,709	0	0	0
Total	51,709	0	0	0
Remuneration of the Company Secretary - MBDA				
Annual Remuneration	764,400	0	0	0
Total	764,400	0	0	0
Remuneration of the Acting Planning and Dev Manager (Townships) - MBDA				
Acting Allowance	74,060	0	0	0
Total	74,060	0	0	0
Remuneration of the Acting STC Manager - MBDA				
Acting Allowance	36,076	0	0	0
Total	36,076	0	0	0

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018	Restated 2017	2018	Restated 2017
	R	R	R	R
25 REMUNERATION OF COUNCILLORS				
Mayor's Remuneration	1,298,317	1,266,023	1,298,317	1,266,023
Deputy Mayor's Remuneration	154,369	1,010,779	154,369	1,010,779
Speaker's Remuneration	1,048,546	972,008	1,048,546	972,008
Mayoral Committee members	12,520,293	9,945,519	12,520,293	9,945,519
Other Councillors' Remuneration	50,929,972	48,193,657	50,929,972	48,193,657
Telephone Allowances	4,883,674	2,761,092	4,883,674	2,761,092
3G Allowance	429,600	134,810	429,600	134,810
	71,264,771	64,283,888	71,264,771	64,283,888

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Mayoral Committee Members and Chief Whip 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.

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.

26 DEBT IMPAIRMENT - RECEIVABLES

Bad debts consists of the following:

Bad debts expense

ATTP and Miscellaneous fees and charges
Miscellaneous

Net Contribution to doubtful debts

Contribution to doubtful debts (inclusive of VAT) - Service Charges
Contribution to doubtful debts (inclusive of VAT) - Property Rates
Less: VAT portion
Contribution to doubtful debts (excluding VAT)
Less: Bad debts written off against the provision

DEBT IMPAIRMENT - OTHER

Impairment - Traffic Fines

Impairment - MBDA

	199,456,569	599,574,709	199,456,569	599,574,709
ATTP and Miscellaneous fees and charges	199,458,760	599,720,059	199,458,760	599,720,059
Miscellaneous	(2,191)	(145,350)	(2,191)	(145,350)
	531,387,919	(161,754,871)	531,387,919	(161,754,871)
Contribution to doubtful debts (inclusive of VAT) - Service Charges	648,824,015	347,387,633	648,824,015	347,387,633
Contribution to doubtful debts (inclusive of VAT) - Property Rates	160,954,356	126,194,892	160,954,356	126,194,892
Less: VAT portion	91,173,537	35,617,337	91,173,537	35,617,337
Contribution to doubtful debts (excluding VAT)	718,604,834	437,965,188	718,604,834	437,965,188
Less: Bad debts written off against the provision	187,216,915	599,720,059	187,216,915	599,720,059
	531,387,919	(161,754,871)	531,387,919	(161,754,871)
	730,844,488	437,819,838	730,844,488	437,819,838
Impairment - Traffic Fines	141,837,351	165,679,512	141,837,351	165,679,512
	141,837,351	165,679,512	141,837,351	165,679,512
Impairment - MBDA	55,340	65,069	0	0

The Impairment of Traffic Fines was based on the collection rate of fines. Refer Note 21.2 for more details.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
27 FINANCE CHARGES				
Interest on External Loans	142,508,812	153,812,307	142,508,812	153,812,307
Interest on Other	1,628,815	1,405,978	1,628,815	1,405,978
Finance Charges	144,137,627	155,218,285	144,137,627	155,218,285
Interest and Penalties	0	0	0	0
Total Finance Charges	144,137,627	155,218,285	144,137,627	155,218,285
Finance cost accrued / Prior year accrual reversals	(2,597,004)	(2,342,924)	(2,597,004)	(2,342,924)
Finance charges paid	146,734,631	157,561,209	146,734,631	157,561,209
28 BULK PURCHASES				
Electricity	2,893,025,688	2,913,232,138	2,893,025,688	2,913,232,138
Water	121,517,246	97,368,246	121,517,246	97,368,246
	3,014,542,934	3,010,600,384	3,014,542,934	3,010,600,384
29 TRANSFERS AND SUBSIDIES				
Grants in aid	6,653,345	7,195,130	6,653,345	7,195,130
Grants to Other Organisations	24,935,973	17,677,844	77,271,521	59,260,684
	31,589,318	24,872,974	83,924,866	66,455,814
Refer Restatement Note no. 40.1.19				
30 SIGNIFICANT ITEMS IN THE STATEMENT OF FINANCIAL PERFORMANCE				
30.1 CONTRACTED SERVICES				
Is made up as follows:				
Consultants and Professional Services:Business and Advisory	13,565,217	5,886,461	13,565,217	5,886,461
Consultants and Professional Services:Infrastructure and Planning:Town Planner	29,644,993	36,567,038	29,644,993	36,567,038
Consultants and Professional Services:Laboratory Services	95,282	120,717	95,282	120,717
Consultants and Professional Services:Legal Cost	61,951,919	67,200,888	61,951,919	67,200,888
Contractors:Building	14,513,345	66,629,416	14,513,345	66,629,416
Contractors:Other	16,458,671	19,441,530	16,458,671	19,441,530
Contractors:Maintenance of Buildings and Facilities	54,443,148	90,444,963	54,443,148	90,444,963
Contractors:Maintenance of Equipment	114,234,317	136,094,580	114,234,317	136,094,580
Contractors:Maintenance of various other Assets	37,345,013	12,306,012	37,345,013	12,306,012
Contractors:Sewerage Services	41,764,495	26,758,727	41,764,495	26,758,727
Contractors:Transportation	67,455	25,895,062	67,455	25,895,062
Contractors:Management of Informal Settlements	5,772,543	0	5,772,543	0
Contractors:Safeguard and Security	855,644	0	855,644	0
Outsourced Services:Other	9,074,074	12,054,705	9,074,074	12,054,705
Outsourced Services:Alien Vegetation Control	1,492,101	4,871,748	1,492,101	4,871,748
Outsourced Services:Business and Advisory	13,272,045	23,683,529	13,272,045	23,683,529
Outsourced Services:Business and Advisory:Project Management	290,356,577	259,880,032	290,356,577	259,880,032
Outsourced Services:Clearing and Grass Cutting Services	27,598,414	25,246,186	27,598,414	25,246,186
Outsourced Services:Electrical	32,088,383	37,253,811	32,088,383	37,253,811
Outsourced Services:Hygiene Services	56,120,003	19,632,693	56,120,003	19,632,693
Outsourced Services:Illegal Dumping	7,729,699	7,624,050	7,729,699	7,624,050
Outsourced Services:Litter Picking and Street Cleaning	24,143,424	27,673,779	24,143,424	27,673,779
Outsourced Services:Meter Management	9,020,970	6,067,362	9,020,970	6,067,362
Outsourced Services:Refuse Removal	13,168,848	6,246,627	13,168,848	6,246,627
Outsourced Services:Security Services	132,693,061	194,680,618	132,693,061	194,680,618
Outsourced Services:Traffic Fines Management	13,364,824	12,726,403	13,364,824	12,726,403
Outsourced Services:Transport Services	3,488,151	5,412,909	3,488,151	5,412,909
Contractors: MBDA	17,119,093	17,219,239	0	0
	1,041,441,709	1,147,619,085	1,024,322,616	1,130,399,846
Refer Restatement Note no. 40.1.10				
30.2 OTHER EXPENDITURE				
Is made up as follows:				
Operating Leases: Various Assets	29,711,859	36,474,470	29,711,859	36,474,470
Operational Cost:Advertising, Publicity and Marketing	6,694,446	11,250,188	6,694,446	11,250,188
Operational Cost:Other	52,135,994	29,245,846	52,135,994	29,245,846
Operational Cost:External Computer Service	64,625,531	29,527,197	64,625,531	29,527,197
Operational Cost:Hire Charges	72,914,884	40,798,800	72,914,884	40,798,800
Operational Cost:Insurance Underwriting	11,735,407	11,540,975	11,735,407	11,540,975
Operational Cost:Intercompany/Parent-subsidiary Transactions	61,517,312	38,781,826	61,517,312	38,781,826
Operational Cost:Licences	8,614,081	5,781,876	8,614,081	5,781,876
Operational Cost:Commission:Prepaid Electricity	18,358,046	16,234,794	18,358,046	16,234,794
Operational Cost:Communication	40,101,927	47,005,902	40,101,927	47,005,902
Operational Cost:Registration Fees	2,995,613	5,064,688	2,995,613	5,064,688
Operational Cost:Remuneration to Ward Committees	0	0	0	0
Operational Cost:Skills Development Fund Levy	21,994,999	20,429,439	21,994,999	20,429,439
Operational Cost:Travel and Subsistence	5,641,736	5,386,593	5,641,736	5,386,593
Operational Cost:Uniform and Protective Clothing	10,928,351	7,504,235	10,928,351	7,504,235
Operational Cost:Workmen's Compensation Fund	5,342,142	4,962,393	5,342,142	4,962,393
Operational Cost: MBDA	26,227,189	21,155,287	0	0
	439,539,517	331,144,509	413,312,328	309,989,222

The names of expenditure have been changed to align them with mSCOA.

Refer Restatement Note no. 40.1.2 and 40.1.16

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
31 DEPRECIATION AND AMORTISATION				
31.1 Depreciation - Property, Plant and Equipment	636,791,365	301,106,568	636,105,714	300,460,346
31.2 Amortisation	(356,696,282)	(6,780,802)	(356,731,317)	(6,833,388)
Refer Restatement Note no. 40.1.13.1 and 40.1.13.2				
32 CASH GENERATED FROM OPERATIONS				
Surplus for the year	2,069,923,600	1,063,847,739	2,069,038,257	1,063,447,824
Adjustment for:				
Interest accrued	(38,613,306)	(13,910,966)	(38,613,306)	(13,917,733)
Impairment of receivables	622,561,457	(126,112,113)	622,561,457	(126,137,534)
Write down to net realisable value	(662,515)	206,240	(662,515)	206,240
Property Rates adjustment	0	40,041,956	0	40,041,956
Depreciation	636,791,365	301,106,568	636,105,714	300,460,346
Amortisation	(356,696,282)	(6,780,802)	(356,731,317)	(6,833,388)
Finance cost accrued	37,148,825	40,902,842	37,148,825	40,902,842
Contribution to provisions / employee benefit obligation - non-current	120,265,664	424,144,987	120,785,345	423,309,400
Contribution to provisions / employee benefit obligation - current	(35,169,147)	129,042,364	(35,169,147)	129,042,364
Unrealised gain to Sanlam shares	(215,643)	(181,681)	(215,643)	(181,681)
Loss on Disposal of Property Plant and Equipment	62,696	1,299,011	20,510	1,165,081
Impairment of PPE / Heritage Assets/ Fines	141,837,351	165,679,512	141,837,351	165,679,512
Fines Income accrued	(139,692,931)	0	(139,692,931)	0
Operating Surplus before working capital changes	3,057,541,134	2,019,285,657	3,056,412,600	2,017,185,229
(Increase) / Decrease in Inventory	18,892,851	(52,815,864)	18,888,597	(52,287,422)
Increase in Trade Receivables	(593,489,172)	(403,122,779)	(593,489,172)	(403,122,779)
Increase in Other Receivables	(179,276,627)	16,989,446	(140,039,217)	16,692,558
Decrease / (Increase) in VAT	(70,336,180)	36,135,844	(70,825,681)	32,934,209
Decrease in Unspent conditional grants and receipts	(1,023,765)	(138,329,589)	0	(152,364,288)
(Decrease) / Increase in Trade and Other Payables	601,997,078	56,658,212	582,488,469	50,350,542
(Increase) / Decrease in Long-term Receivables	(13,545,232)	(39,752,463)	(13,545,232)	(39,752,463)
	2,820,760,087	1,495,048,464	2,839,890,364	1,469,635,586
33 MOVEMENT IN LONG-TERM LOANS (EXTERNAL)				
Loans raised	0	0	0	0
Loans repaid	(86,407,312)	(93,919,738)	(86,407,312)	(93,919,738)
	(86,407,312)	(93,919,738)	(86,407,312)	(93,919,738)
34 CASH AND CASH EQUIVALENTS				
Short-term Investment Deposits	2,371,934,859	1,344,722,731	2,371,934,859	1,344,722,731
Bank balances and cash	249,810,902	285,651,012	210,417,762	226,774,020
Total Cash and Cash Equivalents	2,621,745,761	1,630,373,743	2,582,352,621	1,571,496,751
35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
35.1 Contributions to organised local government				
Opening balance	0	0	0	0
Council subscriptions	12,635,000	11,717,000	12,635,000	11,717,000
Amount paid - current year	(12,635,000)	(11,717,000)	(12,635,000)	(11,717,000)
Balance unpaid (included in creditors)	0	0	0	0
35.2 Audit Fees				
Opening balance	80,378	37,102	80,378	37,102
Current year audit fee	20,039,616	15,049,305	19,102,534	14,156,519
Amount paid - current year	(19,842,711)	(14,968,927)	(18,905,629)	(14,076,141)
Amount paid - previous year	(80,378)	(37,102)	(80,378)	(37,102)
Balance unpaid (included in creditors)	196,905	80,378	196,905	80,378

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

35 DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	Economic Entity		Municipality	
	2018 R	Restated 2017 R	2018 R	Restated 2017 R
35.3 VAT				
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.				
35.4 PAYE and UIF				
Opening balance	30,017,608	0	30,017,608	0
Current year payroll deductions	412,512,957	370,875,356	405,984,812	367,472,290
Amount paid - current year	(378,759,331)	(340,857,748)	(372,231,186)	(337,454,682)
Amount paid - previous year	(30,017,608)	0	(30,017,608)	0
Balance unpaid (included in creditors)	33,753,626	30,017,608	33,753,626	30,017,608
35.5 PENSION AND MEDICAL DEDUCTIONS				
Opening balance	0	0	0	0
Current year payroll deductions and Council Contributions	679,750,329	627,027,747	675,807,184	624,470,883
Amount paid - current year	(679,589,121)	(627,027,747)	(675,807,184)	(624,470,883)
Balance unpaid (included in creditors)	161,208	0	0	0
35.6 SKILLS DEVELOPMENT LEVY				
Opening balance	1,687,189	0	1,687,189	0
Current year payroll deductions	21,994,999	20,429,439	21,994,999	20,429,439
Amount paid - current year	(20,115,598)	(18,742,250)	(20,115,598)	(18,742,250)
Amount paid - previous year	(1,687,189)	0	(1,687,189)	0
Balance unpaid (included in creditors)	1,879,401	1,687,189	1,879,401	1,687,189
OTHER ADDITIONAL DISCLOSURES:				
35.8 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Loss on disposal of property, plant and equipment	62,696	1,299,011	20,510	1,165,081
Mostly relates to disposal of buildings.				
35.9 GAIN ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Sale of motor vehicles	0	605,938	0	605,938
Relates to the disposal of motor vehicles which are past their useful lives.				
35.10 WATER LOSSES				
The NMBM suffered water losses of 41,189 megalitres (41.1%) amounting to R152,9 million (2017: 35,912 megalitres (35.5%) amounting to R169,7 million) during the year. The value of the water losses have been based on cost for both years. Various water demand management interventions are being implemented to curb water losses.				
The 41.1% Non-revenue water is made up of unbilled authorised consumption (2%) (technical) and water losses (39.1%) (non-technical). Water losses are made up of apparent losses (6.6%) and real (physical) losses (32.5%). Apparent losses include theft of water, illegal water drawn from fire hydrant and meter inaccuracies.				
35.11 ELECTRICITY LOSSES				
The NMBM suffered electricity losses of 13.95% amounting to total accumulative losses of R 339,5 million (2017: 13.60% amounting to R 326,2 million). Various electricity management interventions are being implemented to curb these losses are being implemented.				
The Electricity losses as defined above are separated between technical (6%), Public Lighting (1,5%) and non-technical losses (5%). Technical losses are inherent losses in a distribution system ad these includes copper losses, Iron losses and heat losses due to current flow. Public lighting includes traffic signals, Highmast and Streelights. Non-Technical Losses can be attributed to theft that is illegal connections, meter tampering and non billed revenue due to faulty meters.				
It must be further noted that the prescribed norms for electricity losses is +/- 10%.				

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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	R
	<u>Arrangements</u>	<u>Outstanding more than 90 days</u>
30 June 2018		
Councillor KK Boqwana		4
Councillor V Dyele	30,898	
Councillor AD Isaacs		36
Councillor RC Kayser		40,377
Councillor AW Lungisa		1
Councillor VM Manyati	4,440	
Councillor GG Miggels		19
Councillor M Mngcokoca	16,765	
Councillor L Mrara	3,694	
Councillor PS Ndoni	7,396	
Councillor SS Plaatjies	10,474	
Councillor LP Qukubana	1,466	
Councillor NE Sikweyiya	14,408	
Councillor L Suka		42,219
Councillor PB Vani		19
Councillor MM Zinto	11,698	
	<u>101,239</u>	<u>82,675</u>

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

	Arrangements	Outstanding more than 90 days
30 June 2017		
Councillor BM Bhanga		10
Councillor ME Bobani	3,709	
Councillor KK Boqwana		11
Councillor V Dyele	33,861	
Councillor AD Isaacs		45
Councillor RC Kayser	3,457	10,154
Councillor AW Lungisa		1
Councillor VM Manyati	33,249	
Councillor PA Mfama		173,572
Councillor GG Miggels		25
Councillor M Mngcokoca	26,114	
Councillor L Mrara	11,081	
Councillor PS Ndoni	6,923	
Councillor NQ Pink		98
Councillor SS Plaatjies	20,394	
Councillor NE Sikweyiya	25,212	
Councillor PB Vani		63
Councillor MM Zinto		2,271
	<u>164,000</u>	<u>186,250</u>

36.2 List of Entities and related transactions

1 Solely-controlled entities

The following entity is solely controlled by the NMBM and have received the following grants:

	Economic Entity		Municipality	
	2018	Restated 2017	2018	Restated 2017
	R	R	R	R
Mandela Bay Development Agency (excluding VAT)	<u>86,969,510</u>	<u>74,047,323</u>	<u>86,969,510</u>	<u>74,047,323</u>

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)	Economic Entity		Municipality	
	2018	Restated 2017	2018	Restated 2017
	R	R	R	R
36.2 List of Entities and related transactions (Continued)				
2 Section 57 Employees (See note 24)				
3 Other Organisations The Organisations have received the following grants / payments:				
1. Uitenhage Despatch Development Initiative	970,765	7,379,470	970,765	7,379,470
2. Nelson Mandela Bay Tourism	13,925,050	13,136,840	13,925,050	13,136,840
3. Surf lifesaving Club	204,000	227,622	204,000	227,622
Grants / payments to Other Organisations	15,099,815	20,743,932	15,099,815	20,743,932

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.

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

	ECONOMIC ENTITY AND MUNICIPALITY	
	2018	Restated 2017
Family of employees who have an interest in a government supplier.	56,651,499	48,316,653
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.	2,984,908	
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.	19,021,962	7,621,942

36.4 Supply Chain Management Policy

The Municipal Manager has the power to authorise deviations from the normal Procurement Process. The deviations for the 2017/18 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		2018	Restated 2017
Deviations: Supply Chain Management Policy		Award Amount	Payments made R
(i)	In an emergency;		9,402,662
(ii)	If such goods or services are produced or available from a single provider only;	64,408,982	18,978,543
(iii)	For the acquisition of special works of art, artistic services or historical objects where specifications are difficult to compile;		16,700
(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		25,097,325
	39 (1) (b) - Ratify any minor breaches of the procurement processes.		0

2. Mandela Bay Development Agency

2018 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 R112 996

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R810 671

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R5 078 581

2017 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 R398 294

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R819 365

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R7 074 514

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
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37 CAPITAL COMMITMENTS	Economic Entity		Municipality	
	2017 R	Restated 2016 R	2017 R	Restated 2016 R
Approved and contracted for	433,444,590	273,090,851	433,444,590	273,090,851
Land and Buildings	11,441,040	5,319,557	11,441,040	5,319,557
Infrastructure	398,805,826	246,752,961	398,805,826	246,752,961
Community	7,031,126	1,397,259	7,031,126	1,397,259
Intangible	16,166,598	19,621,074	16,166,598	19,621,074
Approved but not yet contracted for	69,850,763	29,626,810	69,850,763	29,626,810
Infrastructure	68,049,442	27,825,489	68,049,442	27,825,489
Community	1,735,657	1,735,657	1,735,657	1,735,657
Intangible	65,664	65,664	65,664	65,664
Total	503,295,353	302,717,661	503,295,353	302,717,661
This expenditure will be financed from:				
Fuel Levy	67,540,463	13,324,054	67,540,463	13,324,054
Equitable Share (E-Share)	0	5,319,557	0	5,319,557
Service Charges - Water Revenue	12,412,934	0	12,412,934	0
Neighbourhood Development Partnership Grant	2,155,536	0	2,155,536	0
Urban Settlements Development Grant (USDG)	412,659,096	253,822,641	412,659,096	253,822,641
Integrated Public Transport Grant	8,527,324	10,321,232	8,527,324	10,321,232
Capital Replacement Reserve	0	19,930,177	0	19,930,177
Total	503,295,353	302,717,661	503,295,353	302,717,661
38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term liabilities (See Note 3)	1,268,773,919	1,357,780,206	1,268,773,919	1,357,780,206
Used to Finance property, plant and equipment - at cost	1,268,773,919	1,357,780,206	1,268,773,919	1,357,780,206
Sub-total	0	0	0	0
Cash set aside for the repayment of long-term liabilities (See Note 3) - This is only the capital portion of the loan.	79,760,410	86,409,283	79,760,410	86,409,283
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	2,184,540,249	1,606,801,049	2,146,629,090	1,587,805,750
> 3 months	119,306,914	112,891,609	119,306,914	112,891,609
	2,303,847,163	1,719,692,658	2,265,936,004	1,700,697,359

Long term borrowings

< 12 months	79,760,410	86,409,283	79,760,410	86,409,283
> 12 months	1,209,505,493	1,290,457,417	1,208,011,203	1,289,121,450

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.

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	ECONOMIC ENTITY Restated 2017 R	MUNICIPALITY Restated 2017 R
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Prior Period Adjustments:

Net effect of changes - see details below	326,001,540	326,003,995
Net effect on surplus	326,001,540	326,003,995

Statement of Financial Performance

40.1.1 Surplus for the year

Balance as per audited financial statements (as previously reported)	737,846,199	737,443,829
Net effect on surplus	326,001,540	326,003,995
General Expenses (Refer 40.1.2)	(2,426,849)	(2,426,849)
Other Income (Refer 40.1.3.1)	14,853,059	14,853,059
Repairs and Maintenance (Refer 40.1.4)	(2,433,148)	(2,433,148)
Service Charges (Refer 40.1.5)	2,669,195	2,669,195
Interest raised - Outstanding Debtors (Refer 40.1.6)	413	413
Rental of Facilities and Equipment (Refer 40.1.7)	119,626	119,626
Fines, Penalties and Forfeits (Refer 40.1.8)	327,928	327,928
Contracted Services (Refer 40.1.10)	(2,995,077)	(2,995,077)
Employee Related Costs (Refer 40.1.11)	(2,389,605)	(2,389,605)
Licences and Permits (Refer 40.1.12)	30,000	30,000
Depreciation (Refer 40.1.13.1)	293,997,528	293,999,983
Amortisation (Refer 40.1.13.2)	24,244,478	24,244,478
Other Revenue (Refer 40.1.15)	3,992	3,992
Restated surplus for 2016/17	1,063,847,739	1,063,447,824

40.1.2 General expenses

Expense as per Audited financial statements (as previously reported)	606,008,883	547,054,862
Transfer to Creditors	2,426,849	2,426,849
Transfer to Other Income	279	279
Transfer to Contracted Services	(148,121,346)	(148,121,346)
Transfer to Employee Related Costs	(5,307,377)	(5,307,377)
Transfer to Finance Charges	62,824	62,824
Transfer to Other expenditure	(259,501,006)	(259,501,006)
Transfer to Other Materials	(128,964,513)	(128,964,513)
Transfer to Transfers and Subsidies (Expense)	(7,670,000)	(7,670,000)
Transfer to Other Revenue	19,428	19,428
MBDA Expenses - reclassified	(58,954,021)	0
	0	0

Expenses in the amount of R2 426 849, which have not been previously accrued for.

The rest of the expenditure have been transferred out to different categories, in terms of mSCOA as the General Expenses category does not exist in the framework.

40.1.3.1 Other Income

Income as per Audited financial statements (as previously reported)	269,798,855	267,969,372
Transfer from Creditors	9,041,474	9,041,474
Transfer from Other Debtors	5,811,585	5,811,585
Transfer from General Expenses	279	279
Transfer to Fines, Penalties and Forfeits	(87,068,958)	(87,068,958)
Transfer to Licences and Permits	(9,874,516)	(9,874,516)
Transfer to Other Revenue	(146,633,228)	(146,633,228)
Transfer to Rental of Facilities and Equipment	(1,149,582)	(1,149,582)
Transfer to Service Charges	(25,196,124)	(25,196,124)
Transfer to Transfers and Subsidies (Revenue)	(12,900,302)	(12,900,302)
MBDA Other Income - reclassified	(1,829,483)	0
	0	0

Debtors in the amount of R5 811 585 and Creditors in the amount of R9 041 474, previously not recognised.

The rest of the Income have been transferred out to different categories, in terms of mSCOA as the Other Income category does not exist in the framework.

40.1.3.2 Other Income - Government Grants - VAT recognised

Income as per Audited financial statements (as previously reported)	137,541,826	137,541,826
Transfer to Transfers and Subsidies (Revenue)	(137,541,826)	(137,541,826)
	0	0

Income have been moved to Transfers and Subsidies in terms of mSCOA as the above category does not exist in the framework.

40.1.3.3 Other Income - Fuel levy

Income as per Audited financial statements (as previously reported)	496,799,000	496,799,000
Transfer to Transfers and Subsidies (Revenue)	(496,799,000)	(496,799,000)
	0	0

Income have been moved to Transfers and Subsidies in terms of mSCOA as the above category does not exist in the framework.

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	ECONOMIC ENTITY Restated 2017 R	MUNICIPALITY Restated 2017 R
40.1.3.4 Other Income - Public Contributions		
Income as per Audited financial statements (as previously reported)	67,636,848	57,060,680
Transfer to Transfers and Subsidies (Revenue)	(57,060,680)	(57,060,680)
MBDA - Transfer to Other Revenue	(10,576,168)	0
	<u>0</u>	<u>0</u>
Income have been moved to Transfers and Subsidies in terms of mSCOA as the above category does not exist in the framework.		
40.1.4 Repairs and Maintenance		
Expense as per Audited financial statements (as previously reported)	342,298,119	342,194,614
Transfer to Creditors	2,433,148	2,433,148
Contracted Services	(329,272,922)	(329,272,922)
Other expenditure	(82,935)	(82,935)
Other Materials	(15,271,905)	(15,271,905)
MBDA Expenses - reclassified	(103,505)	0
	<u>0</u>	<u>0</u>
Expenses in the amount of R2 433 148, which have not been previously accrued for.		
The rest of the expenditure have been transferred out to different categories, in terms of mSCOA as the Repairs and Maintenance category does not exist in the framework.		
40.1.5 Service Charges		
Income as per Audited financial statements (as previously reported)	4,882,016,499	4,882,264,103
Transfer from Other Debtors	2,669,195	2,669,195
Transfer from Other Income	25,196,124	25,196,124
	<u>4,909,881,818</u>	<u>4,910,129,422</u>
Income in the amount of R2 669 195, relates to various income not previously recognised.		
Other Income in the amount of R25 196 124, have been transferred to Service Charges in terms of mSCOA.		
40.1.6 Interest raised - Outstanding Debtors		
Income as per Audited financial statements (as previously reported)	113,655,942	113,655,942
Transfer to Other Debtors	413	413
Transfer to Other Revenue	(19,069)	(19,069)
	<u>113,637,286</u>	<u>113,637,286</u>
Interest on overdue accounts in the amount of R413, not previously recognised.		
Income in the amount of R19 069, have been transferred to Other Revenue in terms of mSCOA.		
40.1.7 Rental of Facilities and Equipment		
Income as per Audited financial statements (as previously reported)	22,979,856	22,813,246
Transfer to Other Debtors	119,626	119,626
Transfer from Income for Agency Services	1,257	1,257
Transfer from Other Income	1,149,582	1,149,582
Transfer to Other Revenue	(854,604)	(854,604)
MBDA - Transfer to Other Revenue	(166,610)	0
	<u>23,229,107</u>	<u>23,229,107</u>
Income in the amount of R119 626, relates to various income not previously recognised.		
The rest of the Income, have been transferred to / from Rental of Facilities and Equipment in terms of mSCOA.		
40.1.8 Fines, Penalties and Forfeits		
Income as per Audited financial statements (as previously reported)	202,307,270	202,307,270
Transfer to Other Debtors	327,928	327,928
Transfer from Other Income	87,068,959	87,068,959
	<u>289,704,157</u>	<u>289,704,157</u>
Income in the amount of R327 928, relates to various income not previously recognised.		
The rest of the Income, have been transferred to / from Fines, Penalties and Forfeits in terms of mSCOA.		
40.1.9 Grants and Subsidies Paid		
Income as per Audited financial statements (as previously reported)	47,461,849	109,052,086
Transfer to Other Expenditure	(50,266,272)	(50,266,272)
Transfer to Transfers and Subsidies (Expense)	(58,785,814)	(58,785,814)
MBDA Expenses - reclassified	61,590,237	0
	<u>0</u>	<u>0</u>
The rest of the expenditure have been transferred out to different categories, in terms of mSCOA as the Grant and Subsidies category does not exist in the framework.		
40.1.10 Contracted Services		
Income as per Audited financial statements (as previously reported)	650,010,502	650,010,502
Transfer to Creditors	2,995,077	2,995,077
Transfer from General Expenses	148,121,346	148,121,346
Transfer from Repairs and maintenance	329,272,922	329,272,922
MBDA Expenses - reclassified	17,219,238	0
	<u>1,147,619,085</u>	<u>1,130,399,847</u>
Expenses in the amount of R2 995 077, which have not been previously accrued for.		
The rest of the expenditure have been transferred from different categories, in terms of mSCOA.		

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40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	ECONOMIC ENTITY Restated 2017 R	MUNICIPALITY Restated 2017 R
40.1.11 Employee Related Costs		
Income as per Audited financial statements (as previously reported)	3,060,663,137	3,044,676,428
Transfer to Creditors	2,389,605	2,389,605
Transfer from General Expenses	5,307,377	5,307,377
MBDA Expenses - reclassified	636,500	
	<u>3,068,996,619</u>	<u>3,052,373,410</u>
Expenses in the amount of R2 389 605, which have not been previously accrued for.		
The rest of the expenditure have been transferred from different categories, in terms of mSCOA.		
40.1.12 Licence and Permits		
Income as per Audited financial statements (as previously reported)	10,473,000	10,473,000
Transfer to Other Debtors	30,000	30,000
Transfer from Other income	9,874,516	9,874,516
	<u>20,377,516</u>	<u>20,377,516</u>
Income in the amount of R30 000, which have not been previously accrued for.		
The rest of the income have been transferred from different categories, in terms of mSCOA.		
40.1.13.1 Depreciation		
Expense as per Audited financial statements (as previously reported) (PPE)	595,107,097	594,460,329
Transfer to Property, Plant and Equipment	(293,999,983)	(293,999,983)
MBDA - Transfer from PPE	2,455	0
MBDA - Depreciation	(3,001)	0
	<u>301,106,568</u>	<u>300,460,346</u>
Depreciation in the amount of R293 999 983, have now been corrected.		
40.1.13.2 Amortisation		
Expense as per Audited financial statements (as previously reported) (IA)	17,463,677	17,411,090
Transfer to Intangible Assets	(24,244,478)	(24,244,478)
	<u>(6,780,801)</u>	<u>(6,833,388)</u>
Amortisation in the amount of R24 244 478, have now been corrected.		
40.1.14 Property Rates		
Income as per Audited financial statements (as previously reported)	1,639,398,711	1,639,398,711
Transfer to Other Expenditure	139,008	139,008
	<u>1,639,537,719</u>	<u>1,639,537,719</u>
The income have been transferred from different categories, in terms of mSCOA.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	ECONOMIC ENTITY Restated 2017 R	MUNICIPALITY Restated 2017 R
40.1.15 Other Revenue		
Income as per Audited financial statements (as previously reported)	0	0
Transfer from Other Debtors	3,992	3,992
Transfer from General Expenses	19,428	19,428
Transfer from Interest Earned - Outstanding Debtors	19,069	19,069
Transfer from Other Income	146,633,228	146,633,228
Transfer from Rental of Facilities and equipment	854,604	854,604
MBDA - Other Revenue	1,995,594	0
	<u>149,525,915</u>	<u>147,530,321</u>
Income in the amount of R3 992, which have not been previously accrued for.		
The rest of the income have been transferred from different categories, in terms of mSCOA.		
40.1.16 Other Expenditure		
Income as per Audited financial statements (as previously reported)	0	0
Transfer from General Expenses	259,501,006	259,501,006
Transfer fro Grants and Subsidies paid	50,266,272	50,266,272
Transfer from Property Rates	139,008	139,008
Transfer from Repairs and Maintenance	82,936	82,936
MBDA - Other Expenses	39,808,620	0
	<u>349,797,842</u>	<u>309,989,222</u>
The Expenditure have been transferred from different categories, in terms of mSCOA.		
40.1.17 Other Materials		
Income as per Audited financial statements (as previously reported)	0	0
Transfer from General Expenses	128,964,513	128,964,513
Transfer from Repairs and Maintenance	15,271,905	15,271,905
	<u>144,236,418</u>	<u>144,236,418</u>
The Expenditure have been transferred from different categories, in terms of mSCOA.		
40.1.18 Finance Charges		
Income as per Audited financial statements (as previously reported)	155,281,109	155,281,109
Transfer to General Expenses	(62,824)	(62,824)
	<u>155,218,285</u>	<u>155,218,285</u>
The Expenditure have been transferred to different categories, in terms of mSCOA.		
40.1.19 Transfers and Subsidies (Expense)		
Income as per Audited financial statements (as previously reported)	0	0
Transfer from General Expenses	7,670,000	7,670,000
Transfer from Grants and Subsidies Paid	58,785,814	58,785,814
MBDA - Expenses reclassified	(41,582,840)	0
	<u>24,872,974</u>	<u>66,455,814</u>
The Expenditure have been transferred from different categories, in terms of mSCOA.		
40.1.20 Government Grants and Subsidies		
Income as per Audited financial statements (as previously reported)	1,859,641,672	1,859,641,672
Transfer to Transfers and Subsidies (Revenue)	(935,261,259)	(935,261,259)
Transfer to Transfers and Subsidies (Revenue)	(50,452,423)	(50,452,423)
Transfer to Transfers and Subsidies (Revenue)	(873,927,990)	(873,927,990)
	<u>0</u>	<u>0</u>
The Income have been transferred to different categories, in terms of mSCOA.		
40.1.21 Transfers and Subsidies (Revenue)		
Income as per Audited financial statements (as previously reported)	0	0
Government Grants and Subsidies	935,261,258	935,261,258
Transfer from Other income	704,301,807	704,301,807
Government Grants and Subsidies	50,452,423	50,452,423
Government Grants and Subsidies	873,927,990	873,927,990
MBDA - Revenue reclassified	18,653,333	0
	<u>2,582,596,811</u>	<u>2,563,943,478</u>
The Income have been transferred from different categories, in terms of mSCOA.		
40.1.22 Income for Agency Services		
Income as per Audited financial statements (as previously reported)	2,502,524	2,502,524
Transfer to Rental of Facilities and equipment	(1,257)	(1,257)
	<u>2,501,267</u>	<u>2,501,267</u>
The Income have been transferred to different categories, in terms of mSCOA.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	ECONOMIC ENTITY Restated 2017 R	MUNICIPALITY Restated 2017 R
Statement of Financial Position		
40.2 Accumulated Surplus		
Closing Balance as per audited financial statements (as previously reported)	5,261,278,988	5,253,040,045
Increase in Surplus (Refer to Note 40.1.1)	326,001,540	326,003,995
	83,745,985	83,745,985
Transfer from Other Receivables	4,409,311	4,409,311
Transfer to VAT payable	(38,509)	(38,509)
Transfer from Vat Refund	(3,114,851)	(3,114,851)
Transfer from Creditors	82,490,034	82,490,034
Restated Closing Balance	5,671,026,513	5,662,790,025
40.2.1 Creditors - Exchange Transactions		
Balance as per Audited financial statements (as previously reported)	1,751,142,589	1,736,754,829
Transfer from Contracted Services	2,995,077	2,995,077
Transfer from Employee Related Costs	2,389,605	2,389,605
Transfer from Repairs and Maintenance	2,433,147	2,433,147
Transfer from General Expenses	2,426,849	2,426,849
Transfer to Other Income	(9,041,474)	(9,041,474)
Transfer from VAT payable	862,364	862,364
Transfer to Consumer Deposits	(47,765)	(47,765)
Transfer to Accumulated Surplus	(82,490,034)	(82,490,034)
	1,670,670,358	1,656,282,598
Transfer to Trade and Other Payables	(1,670,670,358)	(1,656,282,598)
	0	0
Trade and Other Payables		
Balance as per Audited financial statements (as previously reported)	0	0
Transfer from Creditors - Exchange Transactions	1,670,670,358	1,656,282,598
Transfer from Unspent Conditional Grants and Receipts	47,361,950	44,414,761
MBDA - Trade and Other Payables	1,660,350	-
	1,719,692,658	1,700,697,359
Expenses in the amount of R3 078 173, Relates to various expenses not previously accrued for.		
Creditors in the amount of R47 765, have been transferred to Consumer Deposits, in terms of mSCOA.		
The bulk of the R82 490 034, relates to retention creditors which have now been corrected.		
Unspent Conditional Grants and Receipts have been transferred to Trade and Other payables in terms of mSCOA.		
Creditors - Exchange Transactions have been transferred to Trade and Other Payables in terms of mSCOA.		
40.2.2 Other Debtors		
Balance as per Audited financial statements (as previously reported)	398,558,388	436,215,934
Transfer from Fines, penalties and forfeits	327,928	327,928
Transfer from Interest Earned - Outstanding Debtors	412	412
Transfer from Licences and permits	30,000	30,000
Transfer from Other Revenue	3,993	3,993
Transfer from Rental of Facilities and equipment	119,626	119,626
Transfer from Service charges	2,669,195	2,669,195
Transfer from Other Income	5,811,585	5,811,585
Transfer from Unspent Conditional Grants & Receipts	162,500	162,500
Transfer to VAT Payable	984,572	984,572
Transfer from Accumulated Surplus	4,409,311	4,409,311
Transfer to Trade Receivables	(12,325)	(12,325)
Transfer from Trade Receivables	329,060,406	329,060,406
MBDA - Other Receivables	980,464	0
	743,106,055	779,783,137
Income in the amount of R9 947 311, relates to various income not previously recognised.		
Grant receipt in the amount of R162 500, receipted in 2017/18 financial year but relates to 2016/17 financial year.		
Income in the amount of R4 409 311, whichh relates to 2015/16 financial year and prior, not previously recognised.		
The transfer to and from Trade Receivables is in terms of mSCOA. Property Rates are now Classified within Other Debtors.		
40.2.3.1 Vat Payable		
Balance as per Audited financial statements (as previously reported)	60,875,788	60,148,639
Transfer from Accumulated Surplus	38,509	38,509
Transfer from Creditors	(862,364)	(862,364)
Transfer from Other Receivables	984,572	984,572
Transfer to Vat Refund	(9,160,978)	(9,160,978)
	51,875,527	51,148,378
Transfer to VAT	(51,875,527)	(51,148,378)
	0	0
Vat in the amount of R160 717, relates to various income and expenses not previously accrued for.		
Vat in the amount of R9 160 978, related to a cash item, therefore transferred to VAT refund category		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

40 RESTATED PRIOR YEAR COMPARATIVES (Continued)	ECONOMIC ENTITY Restated 2017 R	MUNICIPALITY Restated 2017 R
40.2.3.2 Vat Refund		
Balance as per Audited financial statements (as previously reported)	25,932,771	25,932,771
Transfer from Accumulated Surplus	(3,114,851)	(3,114,851)
Transfer from Vat Payable	(9,160,978)	(9,160,978)
	<u>0</u>	<u>0</u>
	<u>13,656,942</u>	<u>13,656,942</u>
Transfer to VAT	<u>(13,656,942)</u>	<u>(13,656,942)</u>
	<u>0</u>	<u>0</u>
Vat in the amount of R3 114 851, relates to Input VAT incorrectly claimed relating to prior years, therefore now reversed, based on SARS investigation.		
Vat in the amount of R9 160 978, related to a cash item, therefore transferred to VAT refund category		
40.2.3.3 VAT		
Balance as per Audited financial statements (as previously reported)	0	0
Transfer from Vat Payable	51,875,527	51,148,378
Transfer from Vat Refund	(13,656,942)	(13,656,942)
	<u>38,218,585</u>	<u>37,491,436</u>
40.2.4 Consumer Debtors		
Balance as per Audited financial statements (as previously reported)	1,544,070,464	1,544,070,464
Transfer to Other Receivables	(329,060,406)	(329,060,406)
Transfer from Other Receivables	12,325	12,325
	<u>1,215,022,383</u>	<u>1,215,022,383</u>
The transfer to and from Other Receivables is in terms of mSCOA. Property Rates are now Classified within Other Debtors.		
40.2.5 Unspent Conditional Grants and Receipts		
Balance as per Audited financial statements (as previously reported)	47,199,450	44,252,261
Transfer from Other Receivables	162,500	162,500
	<u>47,361,950</u>	<u>44,414,761</u>
Transfer to Trade and Other Payables	<u>(47,361,950)</u>	<u>(44,414,761)</u>
	<u>0</u>	<u>0</u>
Grant receipt in the amount of R162 500, receipted in 2017/18 financial year but relates to 2016/17 financial year.		
Unspent Conditional Grants and Receipts are now Classified within Trade and Other Payables in terms of mSCOA.		
40.2.6 Consumer Deposits		
Balance as per Audited financial statements (as previously reported)	131,340,356	131,340,356
Transfer from Creditors	47,766	47,766
	<u>131,388,122</u>	<u>131,388,122</u>
The transfer from Creditors is in terms of mSCOA.		
40.2.7 Property, plant and equipment		
Balance as per Audited financial statements (as previously reported)	15,102,725,901	15,095,379,472
Transfer to Depreciation	293,999,983	293,999,983
MBDA - Transfer to Depreciation	(2,455)	0
	<u>15,396,723,429</u>	<u>15,389,379,455</u>
Depreciation in the amount of R293 999 983, have now been corrected.		
40.2.8 Intangibles Assets		
Balance as per Audited financial statements (as previously reported)	59,148,973	59,112,980
Transfer to Amortisation	24,244,478	24,244,478
	<u>83,393,451</u>	<u>83,357,458</u>
Amortisation in the amount of R24 244 478, have now been corrected.		

**NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**41 CHANGE IN ACCOUNTING ESTIMATE PROCESS
PROPERTY, PLANT AND EQUIPMENT
2018 Financial year**

A conditional 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.

2017 Financial year

A conditional 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.

42 CHANGE IN ACCOUNTING ESTIMATE CALCULATION

2018 Financial year

Of the R805 541 321 depreciation processed, an amount of R521 993 454, relates to a change in useful lives.

43 OPERATING LEASE COMMITMENTS Municipality as Lessee	Economic Entity		Municipality	
	2017 R	Restated 2016 R	2017 R	Restated 2016 R
The Municipality normally enters into a lease agreement over 3 years for most of the Operating leases.				
Some leases have escalations ranging between 7 and 10% and an option to renew.				
Some leases have restrictions, such as not to sub-let or not to sub-let without consent.				
Future minimum lease payments under non-cancellable operating leases:				
Buildings	7,955,960	19,952,587	7,955,960	19,952,587
Payable within one year	6,695,574	12,583,750	6,695,574	12,583,750
Payable within two to five years	1,260,386	7,368,837	1,260,386	7,368,837
Payable above five years	0	0	0	0
Photocopier, fax machines and other equipment	20,026,532	19,074,153	19,855,203	18,808,821
Payable within one year	10,864,757	8,919,095	10,763,621	8,825,092
Payable within two to five years	9,160,775	10,153,058	9,091,582	9,983,729
Payable above five years	1,000	2,000	0	0
	27,982,492	39,026,740	27,811,163	38,761,408
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:

Land	12,560,000	13,280,000	12,560,000	13,280,000
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	10,160,000	10,880,000	10,160,000	10,880,000
Buildings	35,382,523	29,070,710	34,939,563	28,461,639
Receivable within one year	3,254,087	1,207,101	3,087,977	1,040,991
Receivable within two to five years	6,868,487	2,176,503	6,591,637	1,733,542
Receivable after 5 years	25,259,949	25,687,106	25,259,949	25,687,106
	47,942,523	42,350,710	47,499,563	41,741,639

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		Economic Entity and Municipality	
		2018	Restated 2017
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
	Incident / Disciplinary steps / Criminal Proceedings		
44.1	Unauthorised Expenditure		
	Opening Balance	555,766,503	123,836,961
	Incurred - Current year	260,174,267	431,929,542
	Approved by Council	(553,394,614)	0
	Recoveries - Current year	0	0
		262,546,156	555,766,503
1	Actual expenditure in excess of approved budget votes		
	The total actual expenditure, including non-cash flow items amounted to R10 473 460 748 , compared to the approved adjustments budget of R11 346 776 640 . The actual expenditure was thus R873 315 892 below the approved adjustments budget and does not constitute unauthorised expenditure.	260,174,267	431,929,542
	The total actual expenditure per budget vote exceeded the approved adjustments budget for certain Directorates by R260 174 267 which includes non-cash items.		
	Total	260,174,267	431,929,542
	Approved by Council	(553,394,614)	0
44.2	Irregular Expenditure		
	Opening Balance - previously stated	11,621,730,230	3,350,464,692
	Restatement		(232,709,241)
	Restated Opening Balance	11,621,730,230	3,117,755,451
	Incurred - Current year - Relating to current year (awards)	132,649,444	97,041,085
	Incurred - Current year - Relating to prior year (awards / other)	2,582,861,835	8,442,985,939
	Approved by Council - Other	(1,955,225,917)	(36,052,245)
		12,382,015,592	11,621,730,230
1	Breach of the Supply Chain Management policy		
	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.	327,699,219	255,765,669
2	Breach of the Supply Chain Management policy		
	A breach occurred as certain contracts were awarded to persons in the service of the state (certain officials and family of officials) where he/she may have a significant influence over the financial or operating policies of the entity.	59,727,941	52,374,893
3	SCM Deviations		
	Some of the deviations relating to the 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.		
	- Relating to current year	53,374,647	0
	- Relating to prior year	390,485,087	185,771,424
4	Irregular appointments		
	Four mayoral satellite office coordinators were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	0	278,038
	One mayoral satellite office coordinator were appointed in contravention of section 66 of the Local Government: Municipal Systems Amendment Act, 2011.	0	88,072
5	Payments made without a proper organogram in place		
	Payments were made for acting, but no formal position exist	0	28,561
6	Breach of the Supply Chain Management policy		
	Payments made which was in contravention of the scm policy.	0	79,075,923
7	Breach of the Supply Chain Management policy		
	Payments made which was in contravention of the scm policy which was not previously disclosed.	27,337,713	20,350,042

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		Economic Entity and Municipality	
		2018	Restated 2017
		R	R
44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)		
44.2	<u>Irregular Expenditure (Continued)</u>		
8	Irregular Expenditure review by Internal Audit		
	NB: This section of the Irregular Expenditure represents the "historic" irregular expenditure incurred as reported by Internal Audit Unit in terms of the two reports that were issued in 2014/15 and 2015/16 relating to a number of financial years dating back from around 2003. The irregularity in these instances continued to 2016/17 financial year as some of the tender / SCM Files were still in use (or work proceeding). This figure therefore does not relate to any irregularity that may have occurred during the year under review (i.e. 2016/17). Important to note is the fact that there are reports that have been taken to Council structures in order to deal with these matters and the first reports are to be discussed at MPAC Sub Committee on the 31 August 2017.		
	Non-compliance with regards to the Formal Bid and Deviation process		
	Incurred - Current year - Relating to current year Tenders - missing documents	79,274,797	97,041,085
	Incurred - Current year - Relating to prior year Tenders	1,773,838,060	802,946,537
	Add: Transferred from Limitation of scope - prior year awards (Note 14)	0	7,089,920,558
	Deduct: Expenditure previously disclosed		
	Irregular Expenditure		
	2017/18	0	(43,819,570)
9	MBDA - Irregular Expenditure	3,773,815	205,792
	Total	2,715,511,279	8,540,027,024
	Total amount approved by Council in respect of ALL cases / Condoned by MBDA Board	(1,955,225,917)	(36,052,245)
10	Information not available (Limitation of Scope)		
	Opening Balance - previously stated	7,929,006,233	13,081,135,054
	Restatement	0	787,877,585
	Restate Opening Balance	7,929,006,233	13,869,012,639
	Incurred - Current year - Relating to prior year Tenders	774,557,277	1,266,065,718
	Less: Transferred to Irregular Expenditure - prior year awards (Note 14)	0	(7,089,920,558)
	Approved by Council - Other	(6,109,656,908)	0
		2,593,906,602	8,045,157,799
	Less: Deviations - disclosed above	0	48,748,536
	Less: Contracts awarded in the Service of state - disclosed above	0	67,403,030
		2,593,906,602	7,929,006,233
	Total amount approved by Council in respect of ALL cases	(6,109,656,908)	0
	This section of the note 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:		
	Section 44.2.14 of this disclosure note represents expenditure incurred on SCM / Tender files that were declared by Internal Audit Unit in around 2014/15 and 2015/16 to be a LIMITATION OF SCOPE as the AG could not be provided with the said files. The expenditure referred to dates back to around 2003 financial year. As the expenditure on the affected SCM / Tender Files continued to the 2016/17 financial year the actuals have been extended to include the reported financial year. Detailed reports dealing with these files are to be submitted to Council structures starting from the MPAC Sub Committee dated 31 August 2017, whereafter the note will be amended only after Council approves the recommendation/s on how to deal with these matters. This effectively means that this expenditure is historic or relates to historic financial years.		
44.3	<u>Fruitless and Wasteful Expenditure</u>		
	Opening Balance	656,473,879	607,333,317
	Restatement - Incurred	0	31,044,946
	Restatement - Approved by Council previous year	0	0
	Restated Opening Balance	656,473,879	638,378,263
	Incurred - Current year	2,850,376	22,342,271
	Approved by Council - Other reversed	(84,180)	(4,246,655)
		659,240,075	656,473,879
1	Suspended Officials		
	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. Matter to be referred to Labour Relations.	2,183,815	4,303,958
2	Interest accrued due to late payment of Eskom account	0	14,506
3	Paying another supplier to rectify faulty work		
	Supplier was paid to rectify incomplete and faulty plumbing of the Missionvale Housing project	0	5,580,000
4	Payment of damages in High Court award		
	Damages awarded to a service provider in a High court matter due to early termination of a contract	0	7,412,677
5	Fruitless and Wasteful expenditure incurred by certain Directorates	530,370	4,164,387
6	MBDA - Fruitless and Wasteful Expenditure	136,191	866,743
	Total	2,850,376	22,342,271
	Total amount approved by Council for in respect of ALL cases / Condoned by MBDA Board	(84,180)	(4,246,655)

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		Economic Entity and Municipality	
		2018	Restated 2017
		R	R
45(a) 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.	102,380,358	103,433,289
2	Various claims due to municipal administrative matters that are under dispute or investigation.	788,305	816,055
3	Various claims by current or terminated employees due to alleged unfair labour practices.	18,715,902	17,612,598
4	Various claims due to supply chain related issues or creditor payment related matters.	215,602,183	71,333,943
		337,486,748	193,195,885
Contingent Liability - MBDA		100,000	0
Total Consolidated Amount		337,586,748	193,195,885
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.	11,218,744	4,646,390
2	Various claims due to municipal administrative matters that are under dispute or investigation.	20,920,000	20,920,000
3	Various claims by current or terminated employees due to alleged unfair labour practices.	1,032,793	1,482,793
4	Various claims due to supply chain related issues or creditor payment related matters.	5,600,000	65,139,799
TOTAL PROVISION REFER NOTE 5.2		38,771,537	92,188,982
46 SUBSEQUENT EVENTS			
46.1	At a council meeting on 27 August 2018 convened by a representative of the MEC COGTA EC, the following Councillors were elected to executive positions:		
Councillor	Position		
Cllr Mafaya	Speaker of Council		
Cllr Bobani	Executive Mayor		
Cllr Buyeye	Deputy Executive Mayor		
Cllr Ndoni	Chief Whip of Council		
Cllr Lungisa	MMC: Infrastructure, Engineering, Electricity and Energy		
Cllr Mtsila	MMC: Budget & Treasury		
Cllr Frolik	MMC: Roads & Transport		
Cllr Pink	MMC: Economic Development, Tourism, Agriculture		
Cllr Mfunda	MMC: Human Settlements		
Cllr Pali	MMC: Public Health		
Cllr Feni	MMC: Corporate Services		
Cllr Ranyele	MMC: Constituency Services		
Cllr Yako	MMC: Chairperson		
Cllr Suka	MMC: Safety & Security		
Cllr Mfana	MMC: Sport, Recreation, Arts and Culture		
46.2	Following an organisational review commissioned by the Board of Directors of MBDA, a revised organisational structure has been approved with effective from 01 July 2018.		
	Subsequent to year end R127 192 of the Fruitless and Wasteful Expenditure balance was written-off and R1 232 648 of the Irregular Expenditure was condoned by the Board of		
46.3	Directors of MBDA.		

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 R269.312 million (2017: R247.875 million) to the defined benefit and defined contribution structures are expensed as incurred during the financial year ended 30 June 2018.

DEFINED CONTRIBUTION SCHEMES

CONSOLIDATED 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%

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 employees 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 2017. The unfunded liability in respect of past service has been estimated at R46.948million, of which R43.277 million relates to the non-current portion. The unfunded liability balance at 30 June 2018 is based on projected figures as determined by the Actuaries in their 2016/17 Valuation Report.

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 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019
Opening Accrued Liability	42,827,090	46,786,903	46,948,394
Current service cost	0	0	0
Interest cost	3,490,206	3,825,559	3,838,995
Benefits paid	-3,113,490	-3,664,068	-3,671,176
Total Annual Expense	376,716	161,491	167,819
Actuarial Loss / (Gain)	3,583,097		
Closing Accrued Liability	46,786,903	46,948,394	47,116,213

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

47 Information on Post Retirement Benefits (Continued)

Balance Sheet Figures

Unfunded Accrued Liability

Balance Sheet	Year ending 30/06/2017	Year ending 30/06/2018
Fair Value of Plan Assets		
Accrued Liability	46,786,903	46,948,394
Unfunded Accrued Liability	46,786,903	46,948,394
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous Item	0	0
Closing Balance	46,786,903	46,948,394

Reconciling and Projecting the Unfunded Accrued Liability

Unfunded Accrued Liability	Year ending 30/06/2017	Year ending 30/06/2018
Opening Balance	42,827,090	46,786,903
Current Service Cost	0	0
Interest Cost	3,490,206	3,825,559
Expected Return on Plan Assets	0	0
Actuarial (Gain) /Loss	3,583,097	0
Past Service Cost		
Effect of Curtailment / Settlement		
Expected Employer Benefit Payments	-3,113,490	-3,664,068
Employer Prefunding Contributions	0	0
Closing Balance	46,786,903	46,948,394
Projected Accrued Liability	43,203,806	46,948,394

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

Category	Year ending 30/06/2017	Year ending 30/06/2018
Current Service Cost (In-Service members only)	0	0
Interest Cost	3,490,206	3,825,559
Actuarial (Gain)/Loss	3,583,097	0
Total employee benefits expense	7,073,303	3,825,559

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Previous Valuation 30 June 2015	Current Valuation 30 June 2017
Discount rate	8.94% pa	8.50% pa
Future Inflation	6.57% pa	6.37% pa
Medical Inflation	8.07% pa	2.68% pa
Subsidy Inflation	0.98% pa	2.01% pa
Post Retirement Interest Rate	0.81% pa	5.67% pa

Discount Rate:

A discount rate of 8.50% per annum has been used. The corresponding index-linked yield at this term is 2.50%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Securities Exchange after the market close on 30 June 2017.

CPI Inflation:

This assumption is used to calculate the estimated growth in pensions of the eligible retirees. An expected inflation assumption of 5.37% was obtained from the differential between market yields on index-linked bonds (2.50%) consistent with the estimated term of the liability and those of fixed-interest bonds (8.50%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1+8.50\% - 0.50\%) / (1+2.50\%)$.

Thus, a pension increase rate of 2.68% 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 net discount rate of 5.67% post-employment.

Salary Inflation Rate:

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. A general inflation rate of 6.37% 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 2.01%.

Demographic Assumptions:

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

average Retirement Age:

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

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%

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:

Sensitivity Analysis on the Accrued Liability

Assumption	Change	Employees	Pensioners	Total Liability	% Change
Central Assumptions:		18,746,498	28,040,405	46,786,903	
Benefit increase rate	+1%	20,494,279	29,859,583	50,353,862	8%
	-1%	17,219,283	26,401,222	43,620,505	-7%
Discount Rate	+1%	16,415,494	26,498,482	42,913,975	-8%
	-1%	21,576,872	29,773,833	51,350,705	10%
Post retirement mortality	-1 yr	19,135,227	28,911,437	48,046,664	3%
Average retirement age	-1 yr	20,720,039	28,040,405	48,760,443	4%
Withdrawal Rate	-50%	19,459,236	28,040,405	47,499,640	2%

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.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

47 Information on Post Retirement Benefits (Continued)

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 R3,942.22 (per month, per member) for the period from 1 July 2017 to 30 June 2018. The subsidy for LA Health members is 70%, while members of other schemes only qualify for a 60% subsidy. The maximum (CAP) amount was R3,871.00 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 liability in respect of active employees is determined by discounting the projected future benefit payments in respect of these members using assumptions regarding the possible future experience. The liability has been proportioned between past service and future service.

The liability in respect of current pensioners is fully accounted for.

The current service cost is the cost of providing the benefits over the year following the valuation date.

All actuarial gains and losses are recognised immediately and we have not allowed for any disclosure under the corridor method.

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 R1,473,368 million as at 30 June 2018 (2017: R1,360,663 million). Provision for R1,473,368 million has been made (non-current R1,398.57million, current R74.796 million). It is expected that approximately 5.08% 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 depicts the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the next 3 periods following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2016 R	Year ending 30/06/2017 R'000	Year ending 30/06/2018 R'000	Year ending 30/06/2019 R'000	Year ending 30/06/2020 R'000
Opening Accrued Liability	1,228,072,012	1,332,541	1,360,663	1,473,368	1,586,896
Service cost	40,399,544	44,010	44,099	47,337	53,006
Interest cost	107,833,956	118,774	130,556	140,987	151,770
Benefits paid	-43,764,888	-52,123	-61,950	-74,796	-84,279
Total Annual Expense	104,468,612	110,661	112,705	113,528	120,497
Actuarial Loss / (Gain)		-82,539			
Closing Accrued Liability	1,332,540,624	1,360,663	1,473,368	1,586,896	1,707,393

Balance Sheet Figures

Unfunded Accrued Liability

	Year ending 30/06/2018 R'000	Year ending 30/06/2017 R'000
Balance Sheet		
Fair Value of Plan Assets		
Accrued Liability	1,473,368	1,360,663
Unfunded Accrued Liability	1,473,368	1,360,663
Unrecognised Transitional Liability	0	0
Unrecognised Actuarial Gains/(Losses)	0	0
Unrecognised Past Service Cost	0	0
Miscellaneous item	0	0
Closing Balance	1,473,368	1,360,663

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

Category	Year ending 30/06/2018	Year ending 30/06/2017
Service Cost (In-Service members only)	44,099	44,010
Interest Cost	130,556	118,774
Actuarial (Gain)/Loss [2017: Gain on Financial Basis]		
Actuarial (Gain)/Loss [2017: Loss on Experience]		
Total employee benefits expense	174,655	162,784

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

47 Information on Post Retirement Benefits (Continued)

KEY ASSUMPTIONS

Summary of economic assumptions that were used in the valuation:

Assumption	Previous Valuation 30 June 2015	Current Valuation 30 June 2017
Discount rate	8.94% pa	9.66% pa
Future Inflation	6.57% pa	6.53% pa
Medical Inflation	8.07% pa	8.03% pa
Subsidy Inflation	0.98% pa	3.27% pa
Post Retirement Interest Rate	0.81% pa	1.5% pa

Discount Rate:

The discount rate that reflects the time value of money is best approximated by reference to market yields on Government Bonds. The average nominal yield curve produced by the Johannesburg Securities Exchange for SA Government bonds with duration between 15 and 20 years, has been used. The resultant discount rate is 9.66%

Future Inflation Assumptions:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase. The difference between the above nominal and real bonds with duration of between 15 and 20 years has been used and allowed for a 0.5% inflation risk premium. The implied inflation assumption is therefore 6.53% per annum.

Future medical Inflation Assumption:

The general inflation assumption is used to estimate the base rate for determining the rate at which the future medical subsidies will increase.

It is assumed that medical cost will outstrip general inflation by about 1.5% per annum, as South Africa has experienced high medical cost inflation in recent years.

The medical cost inflation was therefore set at 8.03% per annum.

In line with the previous valuation it has been assumed that the maximum subsidy will increase at a rate of 50% of inflation. It is also noted that there has not been any increase in the maximum since 2015.

Net Discount Rate:

The net discount rate is the gap between the values used for the discount rate and the expected increase in salaries. The net discount rate is 1.50% per annum (derived from the discount rate of 9.66% and the expected medical inflation rate of 8.03%).

Demographic Valuation Assumptions:

Pre-Retirement Mortality-

The SA85/90 light mortality table, rated down by 3 years for female members, was used in the valuation for the mortality of in-service members.

Post-Retirement Mortality-

The PA90 ultimate mortality table was used in the valuation for the mortality of Continuation Members.

Withdrawal Rates:

Age	Withdrawal Rate Males	Withdrawal Rate Females
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age:

The normal retirement age is 65 years. Consistent with the previous years' assumptions, it has been assumed that male employees will retire at age 63 and female employees at age 58, which implicitly allows for the expected rates of early retirement.

Family Profile:

It is assumed that 90% of In-Service Members on a medical arrangement will be married at retirement. Males are assumed to be five years older than their female spouses. Where the data provided in respect of the Continuation Members, indicated that the spouse was married we have used the actual spouses date of birth. Members have been assumed to have no dependent children after retirement.

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. No provision has been made for employees currently not on Municipality-sponsored scheme to join prior to retirement. This is consistent with previous years' assumptions.

It was assumed that employees retiring will remain on the current plan and option at retirement and it was assumed they will remain in the same income category after retirement.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

47 Information on Post Retirement Benefits (Continued)

Changes since the previous valuation:

There were no changes to the rules governing payment and eligibility for the medical subsidy since the previous valuation. As far as the assumptions are concerned, the discount rate and general inflation, which are dependent on the market at the time of valuation, are different from the previous valuation.

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 analysis is based on the following changes:

- (a) A 1% increase/decrease in the net discount rate; and
(b) A 1-year increase/decrease in the normal retirement age.

Sensitivity Analysis on the Accrued Liability (R millions)

Assumption	Current Assumption	1% Decrease	1% Increase
	9.66%	8.66%	10.66%
Discount Rate			
Liability (R'000)	1,360,633	1,544,019	1,209,720
Cost / (Saving) (R'000)		183,356	-150,943
Post retirement mortality	Current Assumption	All Members	All Members
	Males 63, Females 58	63	65
Liability (R'000)	1,360,633	1,257,798	1,122,878
Cost / (Saving) (R'000)		-102,865	-237,785

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.

The LSB benefits have improved significantly from 01 July 2017. The Municipality now offers employees LSB as outlined below.

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 accruing to those employed under the SALGBC LSB Agreement. The policy applicable to the subgroups appointed prior to 01 July 2017 will change to the policy outlined in tables 3.2 to 3.4, once they reach twelve years of service.

Table 3.1: Long Service Bonus for levels of past service:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	4%	$(5/250+2\%) \times$ annual salary
10	7%	$(10/250+3\%) \times$ annual salary
15	10%	$(15/250+4\%) \times$ annual salary
20	11%	$(15/250+5\%) \times$ annual salary
25, 30, 35, 40 and 45	12%	$(15/250+6\%) \times$ annual salary

Tables 3.2 to 3.4 describe the policy that the Municipality is phasing-in over a four-year period, for the balance of the employees. This includes all employees from the former Municipalities of Port Elizabeth, Uitenhage, Despatch and Western District Council. However, the Uitenhage employees are already on the highest level, since this was their LSB policy prior to their transfer.

The purpose of the amendment of the SALGBC LSB policy is to harmonise the conditions of employment, as it relates to the LSB, across all of the Metro employees.

The bonuses are paid on a monthly basis and also apply to an employee's 13th cheque.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

47 Information on Post Retirement Benefits (Continued)

Table 3.2: Long Service Bonus for levels of past service (phase-in, year two: 01 July 2017 to 30 June 2018)

Completed Service (in years)	Long Service Bonuses (% of Annual Salary plus 13th cheque)	Description
12 to 17	4.0%	4.0% x monthly salary
18 to 23	8.5%	8.5% x monthly salary x 13
24 and above	13.0%	13.0% x monthly salary x 13

Table 3.3: Long Service Bonus for levels of past service (phase-in, year three: 01 July 2018 to 30 June 2019)

Completed Service (in years)	Long Service	Description
12 to 17	4.5%	4.5% x monthly salary
18 to 23	9.0%	9% x monthly salary x
24 and above	14.0%	14.0% x monthly

Table 3.4: Long Service Bonus for levels of past service (phase-in, year four: 01 July 2019 to 30 June 2020)

Completed Service (in years)	Long Service	Description
12 to 17	5.0%	5.0% x monthly salary
18 to 23	10.0%	10.0% x monthly
24 and above	15.0%	15.0% x monthly

Reconciliation of opening and closing accrued liability values

Past year and future projected liability

	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening Accrued Liability	135,956,781	726,184,717	736,271,822	740,582,510
Current service cost	12,314,334	45,223,085	48,789,070	52,636,244
Interest cost	9,947,246	53,821,244	54,239,131	54,660,263
Expected benefit vestings	-19,343,094	-88,957,224	-98,717,513	-109,548,690
Total Annual Expense	2,918,486	10,087,105	4,310,688	-2,252,183
Past Service Cost	577,822,395			
Actuarial Loss / (Gain)	9,487,055			
Accrued Liability	726,184,717	736,271,822	740,582,510	738,330,327

Net Liability to reflect in the Balance Sheet

Net Liability in Balance Sheet	Year ending 30/06/2017	Year ending 30/06/2018
Opening Balance	135,956,781	726,184,717
Current service cost	12,314,334	45,223,085
Interest cost	9,947,246	53,821,244
Expected return on plan assets	0	0
Transitional Liability Recognised	0	0
Actuarial (Gain) / Loss Recognised in P&L	9,487,055	
Past service cost Recognised	577,822,395	0
Effect of curtailment / Settlement	0	0
Miscellaneous Item	0	0
Net Periodic Cost Recognised in P&L	609,571,030	99,044,329
Expected benefit vestings	-19,343,094	-88,957,224
Transitional Liability Recognised outside P&L	0	0
Actuarial (Gain) / Loss Recognised outside P&L	0	0
Closing Balance	726,184,717	736,271,822
Current Portion of Liability	88,957,224	98,717,513
Non-Current Portion of Liability	637,227,493	637,554,309

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 2017/18 financial year.

Assumption	Value p.a.
Discount Rate	7.89%
General Salary Inflation (Long Term)	5.85%
Net Effective Discount Rate	1.92%

The salaries used in the valuation include an assumed increase on 1 July 2017 of 7.63% as per the SALGBC Circular No. 02/2017. The next salary increase was assumed to take place on 1 July 2018.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

47 Information on Post Retirement Benefits (Continued)

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 7.89% 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 2.41%. 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 2017.

The average duration of the total liability is 5.74 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.

General Salary Inflation:

The expected inflation of 4.85% was obtained from the differential between market yields and index-linked bonds (2.41%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.89%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1 + 7.89\% - 0.50\%) / (1 + 2.41\%)) - 1$.

Thus a general salary inflation rate of 5.85% 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 1.92%.

Demographic Assumptions

Promotional Salary Scale:

The annual inflation rates below are in addition to the General Salary Inflation assumption of 5.85% per annum for all employees.

Age Band	Additional promotional scale
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
>44	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.

LSB Arrangement Assumptions

It was assumed that the employer's LSB 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:

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

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

47 Information on Post Retirement Benefits (Continued)

Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

Assumption	Change	Liability	% Change
Central Assumptions		726.185	
General salary inflation	+1%	767.599	6%
	-1%	688.181	-5%
Discount Rate	+1%	686.378	-5%
	-1%	770.388	6%
Average retirement age	-2 yrs	610.919	-16%
	+2 yrs	843.482	16%
Withdrawal rates	-50%	805.318	11%

Sensitivity analysis on current service cost and interest costs for the year ending 30 June 2016

Assumption	Change	Current service cost	Interest cost	Total	% Change
Central Assumptions		11,416,400	9,728,900	21,145,300	
General salary inflation	+1%	12,215,400	10,304,400	22,519,800	7%
	-1%	10,692,900	9,200,600	19,893,500	-6%
Discount rate	+1%	10,753,900	10,331,000	21,084,900	0%
	-1%	12,160,000	9,037,800	21,197,800	0%
Average retirement age	-2 yrs	10,237,100	8,384,100	18,621,200	-12%
	+2 yrs	12,488,200	11,064,100	23,552,300	11%
Withdrawal rates	-50%	13,902,700	11,043,300	24,946,000	18%

GRATUITY BENEFITS

Benefit Structure

Employees who commenced employment prior to 01 September 1988 are eligible for Standard or Enhanced Gratuity Pensions, as follows:

Employees that were employed prior to the introduction of the PEM Pension Benefit Fund and who subsequently joined the Fund are eligible to be paid a Standard Gratuity, provided they have at least 10 years of service when they retire:

Employees that were employed prior to the introduction of the PEM Pension Benefit Fund and who chose not to join the Fund are eligible to be paid an Enhanced Gratuity for their years of service that they were not members of the Fund.

When an employee eligible for a Gratuity Pension dies in-service, half of the Gratuity Pension (including the monetary enhancement) as calculated at date of death, is paid.

Financial Valuation Assumptions

A summary of the economic assumptions that were used is given below:

Assumption	Current Valuation 30 June 2017
Discount Rate	9.09% p.a.
Future Inflation	6.00% p.a.
Wage Inflation	7.00% p.a.
Net Gap Enhanced Gratuities	1.95% p.a.
Net Gap Standard Gratuities	0% p.a.

Demographic Valuation Assumptions

Pre-Retirement Mortality

The SA85/90 light mortality table, rated down by 3 years for female members, was used in the valuation for the mortality of in-service members.

Withdrawal Rates

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55+	0%	0%

Assumed Retirement Age

The normal retirement age is 65 years. We have assumed that male employees will retire at age 63 and female employees will retire at age 58, which allows for the expected rates of early retirement.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

47 Information on Post Retirement Benefits (Continued)

Valuation Results

The Actuarial Liability was as follows at 30 June 2017:

	30 June 2017 R'000
Standard Gratuity Pension Liability	10,234
Enhanced Gratuity Pension Liability	4,810
Monetary Enhancement	769
Total Accrued Liability	15,813
Balance Sheet Provision	15,813

Actuarial Gains and Losses

Disclosure of additional information relating to the costs and benefits that were paid or accrued in respect of employees during the 2016/17 financial year, could not be calculated since no prior year valuation of the gratuity benefits has been carried out.

Projections

The projections of the expected change in the obligation over the period 30 June 2017 to 30 June 2020, is as follows:

Benefit Projection	Year Ending 30 June 2018 R'000	Year Ending 30 June 2019 R'000	Year Ending 30 June 2020 R'000
PBO at start of the period	15,813	11,332	11,523
Interest Cost	944	960	999
Service Cost	207	354	389
Expected Benefit Payments	-5,632	-1,123	-928
PBO at end of period	11,332	11,523	11,983

Sensitivity Analysis

The following changes were made:

(a) A 1% increase/decrease in the net discount rate.

	Current Assumption 8.66%	1% decrease 8.66%	1% increase 10.66%
Inflation			
Liability (R'000)	15,813	16,113	15,541
Cost / (Saving) (R'000)		300	-572

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION

ECONOMIC ENTITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2017					
Cost	2,016,108,516	15,485,484,894	3,385,600,252	1,337,261,304	22,224,454,966
Transfers/Adjustments - Costs					-
Restatement - Cost	-	-		-	-
Disposal/Impairment					-
Transfers/Adjustments - Depreciation					-
Accumulated Depreciation	(240,762,698)	(5,019,282,921)	(822,927,203)	(744,758,715)	(6,827,731,537)
	1,775,345,818	10,466,201,973	2,562,673,049	592,502,589	15,396,723,429
Movement during the year ended 30 June 2018					
Acquisitions	54,203,372	1,424,551,479	78,301,763	91,112,332	1,648,168,946
Transfers / Adjustments - Cost	1,639,092	23,228,602	9,647,792	18,779,054	53,294,540
Useful lives Adjustment - Depreciation	-	6,075,398	-	50,373,584	56,448,982
Depreciation	(33,620,371)	(448,488,347)	(108,672,037)	(97,527,510)	(688,308,265)
	22,222,093	1,005,367,132	(20,722,482)	62,737,460	1,069,604,203
Carry Value of Disposals/Impairments during the year ended 30 June 2017					
Cost	-	-	(40,894)	(2,434,453)	(2,475,347)
Depreciation	-	-	-	2,176,432	2,176,432
	-	-	(40,894)	(258,021)	(298,915)
Carrying Values at 30 June 2018	1,797,567,911	11,471,569,105	2,541,909,673	654,982,028	16,466,028,717
Summary - Carrying Values at 30 June 2018					
Summary - Cost	2,071,950,980	16,933,264,975	3,473,508,913	1,444,718,237	23,923,443,105
Summary - Accumulated Depreciation	(274,383,069)	(5,461,695,870)	(931,599,240)	(789,736,209)	(7,457,414,388)
	1,797,567,911	11,471,569,105	2,541,909,673	654,982,028	16,466,028,717

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2016					
Cost	1,940,549,400	14,289,229,291	3,295,524,297	1,352,731,269	20,878,034,257
Transfers/Adjustments - Costs					-
Restatement - Cost	-	-		-	-
Disposal/Impairment					-
Transfers/Adjustments - Depreciation			56,900		56,900
Accumulated Depreciation	(212,100,796)	(4,908,030,572)	(721,353,602)	(701,900,029)	(6,543,384,999)
	1,728,448,604	9,381,198,719	2,574,227,595	650,831,240	14,334,706,158
Movement during the year ended 30 June 2017					
Acquisitions	78,319,569	1,183,996,847	93,878,647	(10,587,355)	1,345,607,708
Transfers / Adjustments - Cost	(1,780,453)	12,258,756	(3,393,128)	(1,038,549)	6,046,626
Transfers / Adjustment - Depreciation	855,677	4,681,489	896,617	263,510	6,697,293
Depreciation	(29,517,579)	(115,933,838)	(102,751,602)	(46,832,786)	(295,035,805)
	47,877,214	1,085,003,254	(11,369,466)	(58,195,180)	1,063,315,822
Carry Value of Disposals/Impairments during the year ended 30 June 2017					
Cost	(980,000)	-	(409,564)	(3,844,061)	(5,233,625)
Depreciation	-	-	224,484	3,710,590	3,935,074
	(980,000)	-	(185,080)	(133,471)	(1,298,551)
Carrying Values at 30 June 2017	1,775,345,818	10,466,201,973	2,562,673,049	592,502,589	15,396,723,429
Summary - Carrying Values at 30 June 2017					
Summary - Cost	2,016,108,516	15,485,484,894	3,385,600,252	1,337,261,304	22,224,454,966
Summary - Accumulated Depreciation	(240,762,698)	(5,019,282,921)	(822,927,203)	(744,758,715)	(6,827,731,537)
	1,775,345,818	10,466,201,973	2,562,673,049	592,502,589	15,396,723,429

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

48 PROPERTY, PLANT AND EQUIPMENT RECONCILIATION (Continued)

MUNICIPALITY					
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2017					
Cost	2,011,459,158	15,485,484,894	3,385,600,252	1,332,753,043	22,215,297,347
Transfers/Adjustments - Costs	-	-	-	-	-
Restatement - Cost	-	-	-	-	-
Disposal/Impairment	-	-	-	-	-
Transfers/Adjustments - Depreciation	-	-	-	-	-
Accumulated Depreciation	(240,762,698)	(5,019,282,921)	(822,927,203)	(742,945,071)	(6,825,917,893)
	1,770,696,460	10,466,201,973	2,562,673,049	589,807,972	15,389,379,454
Movement during the year ended 30 June 2018					
Acquisitions	54,203,372	1,424,551,479	78,301,763	90,786,243	1,647,842,857
Transfers / Adjustments - Cost	1,639,092	23,228,602	9,647,792	18,779,054	53,294,540
Useful lives Adjustment - Depreciation	-	6,075,398	-	50,373,584	56,448,982
Depreciation	(33,620,371)	(448,488,347)	(108,672,037)	(96,841,859)	(687,622,614)
	22,222,093	1,005,367,132	(20,722,482)	63,097,022	1,069,963,765
Carry Value of Disposals/Impairments during the year ended 30 June 2017					
Cost	-	-	(40,894)	(2,126,985)	(2,167,879)
Depreciation	-	-	-	1,933,864	1,933,864
	-	-	(40,894)	(193,121)	(234,015)
Carrying Values at 30 June 2018	1,792,918,553	11,471,569,105	2,541,909,673	652,711,873	16,459,109,204
Summary - Carrying Values at 30 June 2018					
Summary - Cost	2,067,301,622	16,933,264,975	3,473,508,913	1,440,191,355	23,914,266,865
Summary - Accumulated Depreciation	(274,383,069)	(5,461,695,870)	(931,599,240)	(787,479,482)	(7,455,157,681)
	1,792,918,553	11,471,569,105	2,541,909,673	652,711,873	16,459,109,204

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Other	Total
Restated Carry Value 1 July 2016					
Cost	1,935,900,042	14,289,229,291	3,295,524,297	1,348,525,888	20,869,179,518
Transfers/Adjustments - Costs	-	-	-	-	-
Restatement - Cost	-	-	-	-	-
Disposal/Impairment	-	-	56,900	-	56,900
Transfers/Adjustments - Depreciation	-	-	-	-	-
Accumulated Depreciation	(212,100,796)	(4,908,030,572)	(721,353,602)	(700,542,784)	(6,542,027,754)
	1,723,799,246	9,381,198,719	2,574,227,595	647,983,104	14,327,208,664
Movement during the year ended 30 June 2017					
Acquisitions	78,319,569	1,183,996,847	93,878,647	(11,214,076)	1,344,980,987
Transfers / Adjustments - Cost	(1,780,453)	12,258,756	(3,393,128)	(1,038,549)	6,046,626
Transfers / Adjustment - Depreciation	855,677	4,681,489	896,617	263,510	6,697,293
Depreciation	(29,517,579)	(115,933,838)	(102,751,602)	(46,186,017)	(294,389,036)
	47,877,214	1,085,003,254	(11,369,466)	(58,175,132)	1,063,335,870
Carry Value of Disposals/Impairments during the year ended 30 June 2017					
Cost	(980,000)	-	(409,564)	(3,520,220)	(4,909,784)
Depreciation	-	-	224,484	3,520,220	3,744,704
	(980,000)	-	(185,080)	-	(1,165,080)
Carrying Values at 30 June 2017	1,770,696,460	10,466,201,973	2,562,673,049	589,807,972	15,389,379,454
Summary - Carrying Values at 30 June 2017					
Summary - Cost	2,011,459,158	15,485,484,894	3,385,600,252	1,332,753,043	22,215,297,347
Summary - Accumulated Depreciation	(240,762,698)	(5,019,282,921)	(822,927,203)	(742,945,071)	(6,825,917,893)
	1,770,696,460	10,466,201,973	2,562,673,049	589,807,972	15,389,379,454

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
 NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

49 HERITAGE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2017	
Cost	223,972,131
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	223,972,131
Movement during the year ended 30 June 2018	
Acquisition	-
Transfers / Adjustment	5,478,362
Impairment	-
	5,478,362
Impairment value during the year ended 30 June 2018	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2018	229,450,493
Summary - Carrying Values at 30 June 2018	
Summary - Cost	229,450,493
Summary - Accumulated Impairment	-
	229,450,493

Reconciliation of Carrying Value	Heritage Assets
Restated Carry Value 1 July 2016	
Cost	205,836,822
Transfers/Adjustments	-
Restatement - Cost	-
Disposal	-
Accumulated Depreciation	-
	205,836,822
Movement during the year ended 30 June 2017	
Acquisition	1,913,685
Transfers / Adjustment	16,221,624
Impairment	-
	18,135,309
Impairment value during the year ended 30 June 2017	
Cost	-
Amortisation	-
	-
Carrying Values at 30 June 2017	223,972,131
Summary - Carrying Values at 30 June 2017	
Summary - Cost	223,972,131
Summary - Accumulated Impairment	-
	223,972,131

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

50 INTANGIBLE ASSETS RECONCILIATION

ECONOMIC ENTITY	
Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2017	
Cost	598,865,402
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(515,471,951)
	83,393,451
Movement during the year ended 30 June 2017	
Acquisition	2,561,622
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	467,784,078
Amortisation	(111,087,796)
	359,257,904
Impairment/ Disposal value during the year ended 30 June 2018	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2018	442,651,355
Summary - Carrying Values at 30 June 2018	
Summary - Cost	601,427,024
Summary - Accumulated Amortisation	(158,775,669)
	442,651,355

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2016	
Cost	576,977,822
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(522,797,451)
	54,180,371
Movement during the year ended 30 June 2017	
Acquisition	17,691,531
Transfers/Adjustments	4,196,049
Transfers/Adjustments	544,698
Amortisation	6,780,802
	29,213,080
Impairment/ Disposal value during the year ended 30 June 2017	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2017	83,393,451
Summary - Carrying Values at 30 June 2017	
Summary - Cost	598,865,402
Summary - Accumulated Amortisation	(515,471,951)
	83,393,451

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

50 INTANGIBLE ASSETS RECONCILIATION (Continued)

MUNICIPALITY	
Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2017	
Cost	598,538,384
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(515,180,925)
	83,357,459
Movement during the year ended 30 June 2017	
Acquisition	2,511,422
Transfers/Adjustments	-
Useful lives adjustment - Amortisation	467,784,078
Amortisation	(111,052,761)
	359,242,739
Impairment/ Disposal value during the year ended 30 June 2018	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2018	442,600,198
Summary - Carrying Values at 30 June 2018	
Summary - Cost	601,049,806
Summary - Accumulated Amortisation	(158,449,608)
	442,600,198

Reconciliation of Carrying Value	Intangible Assets
Restated Carry Value 1 July 2016	
Cost	576,650,804
Transfers/Adjustments	-
Restatement - Amortisation	-
Impairment	-
Accumulated Amortisation	(522,559,011)
	54,091,793
Movement during the year ended 30 June 2017	
Acquisition	17,691,531
Transfers/Adjustments	4,196,049
Transfers/Adjustments	544,698
Amortisation	6,833,388
	29,265,666
Impairment/ Disposal value during the year ended 30 June 2017	
Cost	-
Amortisation	0
	-
Carrying Values at 30 June 2017	83,357,459
Summary - Carrying Values at 30 June 2017	
Summary - Cost	598,538,384
Summary - Accumulated Amortisation	(515,180,925)
	83,357,459

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

51 INVESTMENT PROPERTY RECONCILIATION

ECONOMIC ENTITY AND MUNICIPALITY

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2017	
Cost	256,233,049
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(62,601,854)
	193,631,195
Movement during the year ended 30 June 2018	
Acquisition / Take-on	33,614,478
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(6,865,946)
	26,748,532
Carry Value of Disposals for the year ended 30 June 2018	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2018	220,379,727
Summary - Carrying Values at 30 June 2018	
Summary - Cost	289,847,527
Summary - Accumulated Depreciation	(69,467,800)
	220,379,727

Reconciliation of Carrying Value	Investment Property
Restated Carry Value 1 July 2016	
Cost	253,810,809
Restatement - Cost	-
Transfers/Adjustments	-
Disposal	-
Restatement - Depreciation	-
Accumulated Depreciation	(56,530,544)
	197,280,265
Movement during the year ended 30 June 2017	
Acquisition	2,422,240
Transfers/Adjustments	-
Transfers/Adjustments	-
Depreciation	(6,071,310)
	(3,649,070)
Carry Value of Disposals for the year ended 30 June 2017	
Cost	-
Depreciation	-
	-
Carrying Values at 30 June 2017	193,631,195
Summary - Carrying Values at 30 June 2017	
Summary - Cost	256,233,049
Summary - Accumulated Depreciation	(62,601,854)
	193,631,195

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2017 as approved by National Treasury.

The Original Budget was approved on 26 May 2017 for the 2017/18 financial year (01 July 2017 to 30 June 2018), and the Final Adjustment Budget was approved on 29 March 2018.

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment 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 ADJUSTMENT 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 **Interest raised - Outstanding Debtors**

Interest increased due to non payment of outstanding debt by consumers and the implementation of punitive tariff for water usage due to drought conditions.

3 **Licences and Permits**

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

4 **Rental of facilities and equipment**

Due to under utilisation of the facilities during the financial year.

5 **Other Revenue**

Due to the ad hoc nature of this income source, accurate income projections are not possible. The main decrease is due to income on trade effluent and entrance fees to events at the stadium.

6 **Transfers and Subsidies**

Due to the increase in grant revenue received at a later date, more funding was availed to NMBM, such as Drought Relief and additional USDG.

7 **Dividends received**

The dividend income relates to the Sanlam shares.

8 **Impairment - Receivables**

Due to the increase in tariffs as a result of water restrictions caused debt to increase resulting in non-payment of outstanding debt by consumers.

9 **Impairment - Other**

Less Traffic Fines was impaired than initially anticipated.

10 **Transfers and Subsidies**

Due to the underspending on the allocations given to the entity - MBDA.

11 **Other Expenditure**

Due to National Government Policy change relating to the housing top structure allocation from National Government directly to HDA (Housing Development)

12 **Other Materials**

Due to under utilisation of consumables by Directorates.

13 **Depreciation**

The underspending is due to change in useful lives of the assets.

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

54 EXPLANATION FOR CAPITAL 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 2017 as approved by National Treasury.

The Original Budget was approved on 26 May 2017 for the 2017/18 financial year (01 July 2017 to 30 June 2018), and the Final Budget was approved on 29 March 2018.

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)	2018 Adjustments Budget	Additions / Under Construction	Variance	% Variance with Adjustments Budget	Explanation of Variances greater than 10 %
Infrastructure & Engineering - Roads & Storm water	455,012,180	458,531,956	(3,519,776)	-1	
Human Settlements	258,326,240	220,988,716	37,337,524	14	
Economic Development, Tourism & Agriculture	36,760,172	999,999	35,760,173	97	
Recreational and Cultural Service	42,386,590	20,801,977	21,584,613	51	The variance is attributable to the Capital Sportsfields Projects. The Contractor lacked capacity and capability to perform the contract. Several meetings were held with the Contractor where turn-around strategies and revised construction programme were presented and agreed. By mid-March 2018 the contractor was 6 weeks behind scheduled programme. On 7 May 2018 the Contractor submitted confirmation of a proposed cession in terms of Clause 13.0 of the JBCC Principal Building Agreement to avoid termination of the contract. Work effectively ceased on site and funds were unable to be spent
Safety & Security	16,700,000	15,635,844	1,064,156	6	
Budget & Treasury	23,574,580	4,156,188	19,418,392	82	The variance is mainly attributable to the Systems Enhancements (EMS) Capital Project. A decision was taken by the Project Manager to change the payment structure on this project. This means that instead of monthly payments, the Service Provider would be paid based on milestones achieved. The expenditure position as at 30 June 2018 is directly attributable to milestones not achieved.
Public Health	55,287,790	87,738,195	(32,450,405)	-59	
Corporate Services	53,220,000	41,446,499	11,773,501	22	The variance can be attributed to the following: Acquisition of computer hardware to facilitate the migration to a Microsoft platform, as well as the purchase of servers and other IT related Infrastructure. Delays in negotiations with regards to utilising SITA's contract resulted in funds not being spent by 30 June 2018.
Sanitation Service	231,764,040	209,646,827	22,117,213	10	
Water Service	200,200,000	256,305,702	(56,105,702)	-28	The NMBM received R 84, 3 million during April 2018 from National Treasury in support of Groundwater projects to be implemented within NMBM. Due to the late receipt of funds, a only a small portion has been spent. Infrastructure and Engineering Directorate has applied for a Roll-over of funds to National Treasury.
Strategic Programmes	7,894,740	6,661,817	1,232,923	16	NMBM Customer Care moved into the M/well Traffic and Licencing Centre with limited services to the public. Customer Care wanted to spend the balance of the funds towards finishes to the interior and exterior, but encountered SCM challenges with the Minor Works tender which had expired, therefore the balance of the funds could not be spent.
Executive and Council	6,410,526	6,418,983	(8,457)	-0	
Electricity & Energy	282,371,749	313,747,977	(31,376,228)	-11	
NMBM Stadium	-	-	-	-	
	1,669,908,607	1,643,080,680	26,827,927	2	
CONTROLLED ENTITIES					
Mandela Bay Development Agency	376,290	376,290	0	0	
ECONOMIC ENTITY	1,670,284,897	1,643,456,970	26,827,927	2	

NOTE 55.1
ECONOMIC ENTITY'S: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

	COST								ACCUMULATED DEPRECIATION							Carrying Value	
	Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Useful lives adjustment	Additions	Disposals	Impairment		Closing Balance
Land & Buildings																	
Buildings	903,468,861	-	-	51,692,630	2,510,742	-	-	957,672,233	242,034,655	-1,271,956	240,762,698	-	33,620,371	-	-	274,383,069	683,288,164
Land	1,107,990,298	-	1,639,092	-	-	-	-	1,109,629,390	-	-	-	-	-	-	-	-	1,109,629,390
	2,011,459,159	-	1,639,092	51,692,630	2,510,742	-	-	2,067,301,623	242,034,655	-1,271,956	240,762,698	-	33,620,371	-	-	274,383,069	1,792,916,554
Infrastructure Assets																	
Roads, Sidewalks & Stormwater Network	6,178,205,180	-	23,228,602	376,049,443	215,489,923	-	-	6,792,973,149	2,336,945,727	-228,035,595	2,108,910,131	-1,606,231	203,717,491	-	-	2,311,021,391	4,481,951,758
Beach Developments	65,361,256	-	-	1,541,288	2,636,888	-	-	69,539,432	14,149,981	-125,256	14,024,726	-	1,475,526	-	-	15,500,252	54,039,180
Electricity Reticulation & Supply	2,939,652,736	-	-	259,823,739	300,042	-	-	3,199,776,517	1,012,272,217	-20,274,618	991,997,598	-4,469,167	64,454,525	-	-	1,051,982,957	2,147,793,560
Fencing	87,451,934	-	-	354,119	34,923,213	-	-	122,729,265	27,285,074	-3,756,459	23,528,615	-	6,252,355	-	-	29,780,970	92,948,295
Sewerage Mains & Purification Works	2,619,385,475	-	-	64,449,765	169,986,658	-	-	2,853,821,898	958,070,942	-4,887,879	953,183,064	-	75,845,526	-	-	1,029,028,590	1,824,793,308
Waste Disposal Facilities	42,522,777	-	-	-	2,488,770	-	-	45,011,547	1,677,712	-37,765	1,639,947	-	352,523	-	-	1,992,470	43,019,077
Water Supply & Reticulation	2,232,089,706	-	-	157,527,097	61,823,970	-	-	2,451,440,773	745,552,765	-29,389,096	716,163,669	-	66,344,736	-	-	782,508,405	1,668,932,368
Dams & Treatment Works	1,314,210,881	-	-	55,262,513	21,894,052	-	-	1,391,367,446	208,608,199	-337,621	209,270,579	-	29,481,074	-	-	238,751,652	1,152,615,794
Wi-Fi Infrastructure	6,604,949	-	-	-	-	-	-	6,604,949	564,590	-	564,590	0.00	564,590	-	-	1,129,181	6,475,769
	15,485,484,894	-	23,228,602	915,007,965	509,543,515	-	-	16,933,264,976	5,306,127,207	-286,844,288	5,019,282,919	(6,075,398)	448,468,347	-	-	5,461,695,868	11,471,569,109
Community Assets																	
Libraries	31,510,665	-	-	-	3,233,851	-	-	34,744,516	12,276,368	-	12,276,368	-	1,159,041	-	-	13,435,409	21,309,107
Library Books	82,580,335	-	7,321,227	-	-	-	-	89,901,561	27,133,123	-	27,133,123	-	4,400,915	-	-	31,534,038	58,367,523
Fire Stations	71,720,665	-	-	1,946,944	-	-	-	73,667,610	19,823,115	-122,498	19,700,617	-	2,568,926	-	-	22,269,544	51,398,066
Cemeteries	86,356,526	-	-	-	6,252,370	-	-	92,608,896	14,411,777	-177,823	14,233,954	-	2,437,631	-	-	16,671,585	75,937,310
Clinics	5,330,556	-	-	152,393	-	-	-	5,482,948	940,721	-3,961	936,760	-	211,694	-	-	1,148,454	4,334,494
Community Centres	257,805,009	-	-	-	2,856,720	-	-	260,661,730	69,854,546	(960,607)	68,893,939	-	8,072,554	-	-	76,966,493	183,695,236
Public Conveniences	6,446,516	-	-	-	3,084,318	-	-	9,530,834	2,935,641	-20,965	2,914,676	-	224,602	-	-	3,139,278	6,391,556
Swimming Pools	86,685,903	-	-	-	86,685,903	-	-	173,371,806	23,855,315	-21,682	23,833,633	-	2,484,307	-	-	26,317,941	60,367,962
Recreational Facilities	2,692,521,010	-	2,326,566	6,097,000	54,678,167	-	-	2,755,622,743	616,403,169	-1,461,821	614,941,348	-	85,181,709	-	-	700,123,057	2,055,498,696
Selling & Letting Schemes	64,643,067	-	-	-	-	40,895	-	64,602,172	38,296,610	-233,823	38,062,787	-	1,930,655	-	-	39,993,443	24,608,730
	3,385,600,253	-	9,647,792	8,196,337	70,105,426	40,895	-	3,473,508,913	825,930,385	(3,003,160)	822,927,205	-	106,672,037	-	-	931,599,242	2,541,909,671
Other Assets																	
Bins & Containers	15,377,586	-	-	11,028,560	168,793	-	-	26,574,939	5,505,802	-412,726	5,093,076	-	1,566,509	-	-	6,659,585	19,915,354
Vehicles & Plant	569,860,409	-	-	48,995,322	-	-	24,835	618,830,896	386,661,100	-2,467,134	384,193,967	(50,373,584)	39,438,308	-	-	373,258,691	245,572,205
Office Furniture & Fittings	215,243,932	-	-	5,911,824	-	1,692,350	-	219,463,406	167,512,768	-	167,512,768	-	16,044,213	1,567,081	-	181,989,900	37,473,506
Air Monitoring Facilities	24,511	-	-	-	-	-	-	24,511	8,884	-	8,884	-	1,634	-	-	10,518	13,992
Security Systems	10,169,715	-	-	225,823	-	-	-	10,395,538	10,169,714	-	10,169,714	-	-	-	-	10,169,714	225,824
Tip Sites	371,341,513	-	18,779,054	-	3,893,117	-	-	394,013,684	85,845,759	-699	85,845,060	-	12,621,401	-	-	98,466,461	295,547,223
MBDA Assets	9,157,621	-	-	326,090	-	307,468	-	9,176,243	1,813,645	-	1,813,645	-	685,651	242,568	-	2,256,728	6,919,515
Computer Hardware	150,735,376	-	-	20,562,802	-	409,800	-	170,888,378	90,121,599	-	90,121,599	-	27,169,795	366,783	-	116,924,612	53,963,766
	1,341,910,662	-	18,779,054	87,050,422	4,061,910	2,409,618	24,835	1,449,367,594	747,639,272	-2,880,558	744,758,714	(50,373,584)	97,527,510	2,176,432	-	789,736,208	659,631,386
	22,224,454,967	-	53,294,540	1,061,947,354	586,221,593	2,450,513	24,835	23,923,443,107	7,121,731,519	(293,999,983)	6,827,731,537	(56,448,982)	688,308,265	2,176,432	-	7,457,414,388	16,466,028,719

NOTE 55.1 (CONTINUED)
ECONOMIC ENTITY'S: ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2018

	COST							ACCUMULATED AMORTISATION							Carrying Value		
	Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Useful lives adjustment	Additions	Disposals		Impairment	Closing Balance
Intangible																	
Computer Software	598,865,403	-		2,561,622	-			601,427,025	539,716,430	-24,244,478	515,471,952	(467,784,078)	111,087,796			158,775,670	442,651,355
	ECONOMIC ENTITY'S: ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2018																
	COST							ACCUMULATED DEPRECIATION							Carrying Value		
	Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Useful lives adjustment	Additions	Disposals		Impairment	Closing Balance
Investment Property																	
Land & Buildings	256,233,049		33,500,000	-	114,478			289,847,528	62,601,854	-	62,601,854		6,865,946			69,467,801	220,379,727
	ECONOMIC ENTITY'S: ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2018																
	COST							ACCUMULATED DEPRECIATION							Carrying Value		
	Opening Balance	Transfers / Adjustments/	Take-On	Acquisitions	WIP Acquisition	Disposals	Impairment	Closing Balance	Opening Balance	Re-statement	Re-stated Opening Balance	Useful lives adjustment	Additions	Disposals		Impairment	Closing Balance
Heritage Assets																	
Heritage Buildings	153,726,596	5,478,362		-	-			159,204,958	-	-	-	-	-	-	-	-	159,204,958
Memorials & Statues	46,000,773			-	-			46,000,773	-	-	-	-	-	-	-	-	46,000,773
Land	6,655,783			-	-			6,655,783	-	-	-	-	-	-	-	-	6,655,783
MBDA Assets	250,500			-	-			250,500	-	-	-	-	-	-	-	-	250,500
Art Works	17,588,979			-	-			17,588,979	-	-	-	-	-	-	-	-	17,588,979
	224,222,631	5,478,362						229,700,993									229,700,993
Grant Totals Assets	23,303,776,050	5,478,362	86,794,540	1,064,508,976	586,336,071	2,450,513	24,835	25,044,418,652	7,724,049,804	(318,244,460)	7,405,805,343	(524,233,060)	806,262,007	2,176,432	-	7,685,657,858	17,358,760,794

**NOTE 55.2
ECONOMIC ENTITY'S**

**WORK IN PROGRESS (WIP) / UNDER-CONSTRUCTION included in the
acquisitions as per note 55.1**

PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2018

Details	Amount
Land & Buildings	
Buildings	2,510,742
	2,510,742
Infrastructure Assets	
Roads, Sidewalks & Stormwater Network	215,489,923
Beach Developments	2,636,888
Electricity Reticulation & Supply	300,042
Fencing	34,923,213
Sewerage Mains & Purification Works	169,986,658
Waste Disposal Facilities	2,488,770
Water Supply & Reticulation	61,823,970
Dams & Treatment Works	21,894,052
	509,543,515
Community Assets	
Libraries	3,233,851
Cemeteries	6,252,370
Community Centres	2,856,720
Public Conveniences	3,084,318
Recreational Facilities	54,678,167
	70,105,426
Other Assets	
Tip Sites	3,893,117
Bins & Containers	168,793
Office Furniture & Fittings	-
	4,061,910
	586,221,593
INTANGIBLE ASSETS AS AT 30 JUNE 2018	
Details	Amount
Intangible	
Computer Software	-
INVESTMENT PROPERTY AS AT 30 JUNE 2018	
Details	Amount
Investment Property	
Land & Buildings	114,478
HERITAGE ASSETS AS AT 30 JUNE 2018	
Details	Amount
Heritage Assets	
	-
Grand Total	586,336,071

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ECONOMIC ENTITY	Actual 2018 R	Approved Original Budget 2018 R	Adjustments 2018 R	Approved Final Budget 2018 R	Variance between Final Budget and Actual R	%	No.
NET ASSETS AND LIABILITIES							
Net Assets							
Total Accumulated Funds	15,942,446,951	14,694,169,620	(251,010,371)	14,443,159,249	(1,499,287,702)	-10%	1
Non-current Liabilities	3,688,047,385	3,396,526,712	(120,785,345)	3,509,619,259			
Long-term Liabilities	1,209,505,493	1,151,862,712	0	1,151,862,712	(57,642,781)	-5%	
Non-current Provisions - Employee Benefits	2,089,611,527	2,089,611,527	0	2,089,611,527	0	0%	
Non-current Provisions - Other	388,930,365	155,052,473	(120,785,345)	268,145,020	(120,785,345)	-45%	2
Current Liabilities	2,752,662,281	2,404,381,490	104,757,008	2,509,138,498			
Current Provisions - Employee Benefits	180,429,719	52,443,018	127,985,950	180,428,968	(751)	0%	
Current Provisions - Other	38,771,537	92,188,982	(18,248,298)	73,940,684	35,169,147	48%	3
Consumer Deposits	148,636,802	128,872,000	2,468,356	131,340,356	(17,296,446)	-13%	4
Trade and Other Payables	2,303,847,163	2,051,117,080	(7,449,000)	2,043,668,080	(260,179,083)	-13%	5
VAT	1,216,650	0	0	0	(1,216,650)	100%	5
Current Portion of Long-term Liabilities	79,760,410	79,760,410	0	79,760,410	0	0%	
Total Net Assets and Liabilities	22,383,156,617	20,495,077,822	(267,038,708)	20,461,917,006			
ASSETS							
Non-current Assets	17,436,365,389	16,217,571,808	-356,172,897	16,320,800,897			
Property, Plant and Equipment (PPE)	16,466,028,717	15,702,253,438	57,816,745	15,760,070,183	(705,958,534)	-4%	
Heritage Assets	229,700,993	229,700,993	-459,401,986	229,700,993	0	0%	
Intangible Assets	442,651,355	60,190,112	9,500,000	69,690,112	(372,961,243)	-535%	6
Investment Property	220,379,727	197,280,265	0	197,280,265	(23,099,462)	-12%	7
Long-term Receivables - Exchange Transactions	50,395,448	28,147,000	8,703,195	36,850,195	(13,545,253)	-37%	8
Long-term Receivables - Non-exchange Transactions	27,209,149	0	27,209,149	27,209,149	0	0%	
Current Assets	4,946,791,228	4,277,506,014	(136,389,905)	4,141,116,109			
Current Portion of Long-term Receivables - Exchange Transactions	0	80	0	80	80	100%	9
Inventory	180,165,392	200,000,000	0	200,000,000	19,834,608	10%	
Trade Receivables - Exchange Transactions	1,316,134,451	936,029,555	200,000,000	1,136,029,555	(180,104,896)	-16%	10
Other Receivables - Non-exchange Transactions	395,170,445	395,170,445	0	395,170,445	0	0%	
Other Receivables - Exchange Transactions	397,373,740	485,136,755	(110,000,000)	375,136,755	(22,236,985)	-6%	
VAT	33,334,245	33,334,245	0	33,334,245	0	0%	
Call Deposits and Investments	2,371,934,859	2,024,567,740	(226,389,905)	1,798,177,835	(573,757,024)	-32%	11
Call Deposits and Investments - Other	2,867,194	2,867,194	0	2,867,194	0	0%	
Bank Balances and Cash	249,810,902	200,400,000	0	200,400,000	(49,410,902)	-25%	12
Total Assets	22,383,156,617	20,495,077,822	(492,562,802)	20,461,917,006			

Refer to Note 57 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)

ECONOMIC ENTITY	Actual 2018 R	Approved Original Budget 2018 R	Adjustments 2018 R	Approved Final Budget 2018 R	Variance between Final Budget and Actual R	%	No.
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	10,148,299,790	10,006,608,895	343,783,608	10,350,392,503			
- Sale of goods and services, fines and taxes levied	6,759,441,385	6,895,475,948	285,969,001	7,181,444,949	422,003,564	6%	
- Grants	3,233,085,981	3,005,958,529	40,958,305	3,046,916,834	(186,169,147)	-6%	
- Dividends received	123,095	0	0	0	(123,095)	100%	1
- Interest received	155,649,329	105,174,418	16,856,302	122,030,720	(33,618,609)	-28%	2
Cash paid to suppliers and employees	(7,327,539,703)	(8,048,788,967)	(174,245,576)	(8,223,034,543)			
- Employee Costs	(2,626,460,955)	(2,626,460,955)	0	(2,626,460,955)	0	0%	
- Suppliers	(4,554,344,117)	(5,274,386,786)	(173,735,962)	(5,448,122,748)	(893,778,631)	16%	3
- Finance Cost	(146,734,631)	(147,941,226)	(509,614)	(148,450,840)	(1,716,209)	1%	
CASH GENERATED FROM OPERATIONS	2,820,760,087	1,957,819,928	169,538,032	2,127,357,960			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1,701,463,488)	(1,468,793,192)	(170,237,137)	(1,639,030,329)	62,433,159	-4%	
Proceeds on Disposal of PPE	22,715	149,469,077	(149,469,077)	0	(22,715)	100%	4
Purchase of Intangible assets	(2,561,622)				2,561,622	100%	4
Purchase of Investment Property	(33,500,000)				33,500,000	100%	4
Purchase of Heritage Assets	(5,478,362)				5,478,362	100%	4
Increase in Non-Current Receivables	0	(1,340,074)	1,340,074	0	0	0%	
Increase in Other Non-Current Receivables	0	0	(37,252,418)	(37,252,418)	(37,252,418)	100%	5
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,742,980,757)	(1,320,664,189)	(355,618,558)	(1,676,282,747)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	3,937,000	2,468,356	6,405,356	6,405,356	100%	6
Repayment of Non-current Liabilities (external loan funding)	(86,407,312)	(86,409,283)	0	(86,409,283)	(1,971)	0%	
NET CASH FLOW FROM FINANCING ACTIVITIES	(86,407,312)	(82,472,283)	2,468,356	(80,003,927)			
NET CHANGE IN CASH AND CASH EQUIVALENTS	991,372,018	554,683,456	(183,612,170)	371,071,286			
Cash and cash equivalents at the beginning of the year	1,630,373,743	1,673,151,478	(42,777,735)	1,630,373,743	0	0%	
Cash and cash equivalents at the end of the year	2,621,745,761	2,227,834,934	(226,389,905)	2,001,445,029			

Refer to Note 57 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)

MUNICIPALITY	Actual 2018 R	Approved Original Budget 2018 R	Adjustments 2018 R	Approved Final Budget 2018 R	Variance between Final Budget and Actual R	%	No.
NET ASSETS AND LIABILITIES							
Net Assets							
Total Accumulated Funds	15,933,325,120	14,666,975,070	(327,846,573)	14,339,128,497	(1,594,196,623)	-11%	1
Non-current Liabilities	3,686,553,095	3,396,526,712	(176,933,836)	3,509,619,259			
Long-term Liabilities	1,208,011,203	1,151,862,712	(56,148,491)	1,151,862,712	(56,148,491)	-5%	
Non-current Provisions - Employee Benefits	2,089,611,527	2,089,611,527	0	2,089,611,527	0	0%	
Non-current Provisions - Other	388,930,365	155,052,473	(120,785,345)	268,145,020	(120,785,345)	-45%	2
Current Liabilities	2,713,233,721	2,383,487,410	112,056,008	2,495,543,418			
Current Provisions - Employee Benefits	180,128,968	52,293,018	127,835,950	180,128,968	0	0%	
Current Provisions - Other	38,771,537	92,188,982	(18,248,298)	73,940,684	35,169,147	48%	3
Consumer Deposits	148,636,802	128,872,000	2,468,356	131,340,356	(17,296,446)	-13%	4
Trade and Other Payables	2,265,936,004	2,030,373,000	0	2,030,373,000	(235,563,004)	-12%	5
VAT	0	0	0	0	0	0%	
Current Portion of Long-term Liabilities	79,760,410	79,760,410	0	79,760,410	0	0%	
Total Net Assets and Liabilities	22,333,111,936	20,446,989,192	(392,724,401)	20,344,291,174			
ASSETS							
Non-current Assets	17,429,144,220	16,180,921,888	68,229,993	16,249,151,881			
Property, Plant and Equipment (PPE)	16,459,109,205	15,665,854,018	23,317,649	15,689,171,667	(769,937,538)	-5%	
Heritage Assets	229,450,493	229,450,493	0	229,450,493	0	0%	
Intangible Assets	442,600,198	60,190,112	9,000,000	69,190,112	(373,410,086)	-540%	6
Investment Property	220,379,727	197,280,265	0	197,280,265	(23,099,462)	-12%	7
Long-term Receivables - Exchange Transactions	50,395,448	28,147,000	8,703,195	36,850,195	(13,545,253)	-37%	8
Long-term Receivables - Non-exchange Transactions	27,209,149	0	27,209,149	27,209,149	0	0%	
Current Assets	4,903,967,716	4,266,067,304	(170,928,011)	4,095,139,293			
Current Portion of Long-term Receivables - Exchange Transactions	0	80	0	80	80	100%	9
Inventory	179,641,204	200,000,000	0	200,000,000	20,358,796	10%	
Trade Receivables - Exchange Transactions	1,316,134,451	939,482,947	200,000,000	1,139,482,947	(176,651,504)	-16%	10
Other Receivables - Non-exchange Transactions	391,717,053	391,717,053	0	391,717,053	0	0%	
Other Receivables - Exchange Transactions	397,920,948	485,136,755	(120,000,000)	365,136,755	(32,784,193)	-9%	
VAT	33,334,245	33,334,245	0	33,334,245	0	0%	
Call Deposits and Investments	2,371,934,859	2,013,529,030	(250,928,011)	1,762,601,019	(609,333,840)	-35%	11
Call Deposits and Investments - Other	2,867,194	2,867,194	0	2,867,194	0	0%	
Bank Balances and Cash	210,417,762	200,000,000	0	200,000,000	(10,417,762)	-5%	
Total Assets	22,333,111,936	20,446,989,192	(102,698,018)	20,344,291,174			

Refer to Note 57 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

56 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUES)

MUNICIPALITY	Actual 2018 R	Approved Original Budget 2018 R	Adjustments 2018 R	Approved Final Budget 2018 R	Variance between Final Budget and Actual R	%	No.
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash receipts from ratepayers, government and other	10,084,366,345	10,000,743,895	335,444,108	10,336,188,003			
- Sale of goods and services, fines and taxes levied	6,735,837,999	6,895,310,948	295,929,501	7,191,240,449	455,402,450	6%	
- Grants	3,195,248,888	3,002,058,529	22,658,305	3,024,716,834	(170,532,054)	-6%	
- Dividends received	123,095	0	0	0	(123,095)	100%	1
- Interest received	153,156,363	103,374,418	16,856,302	120,230,720	(32,925,643)	-27%	2
Cash paid to suppliers and employees	(7,244,475,981)	(8,092,930,327)	(152,543,032)	(8,245,473,359)			
- Employee Costs	(2,593,000,165)	(2,593,000,165)	0	(2,593,000,165)	0	0%	
- Suppliers	(4,504,741,185)	(5,351,988,936)	(152,033,418)	(5,504,022,354)	(999,281,169)	18%	3
- Finance Cost	(146,734,631)	(147,941,226)	(509,614)	(148,450,840)	(1,716,209)	1%	
CASH GENERATED FROM OPERATIONS	2,839,890,364	1,907,813,568	182,901,076	2,090,714,644			
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of PPE	(1,701,137,398)	(1,427,984,491)	(151,502,758)	(1,579,487,249)	121,650,149	-8%	
Proceeds on Disposal of PPE	0	149,469,077	(149,469,077)	0	0	0%	
Purchase of Intangible assets	(2,511,422)	0	0	0	2,511,422	100%	4
Purchase of Investment Property	(33,500,000)	0	0	0	33,500,000	100%	4
Purchase of Heritage Assets	(5,478,362)	0	0	0	5,478,362	100%	4
Increase in Non-Current Receivables	0	(1,340,074)	1,340,074	0	0	0%	
Increase in Other Non-Current Receivables	0	0	(37,252,418)	(37,252,418)	(37,252,418)	100%	5
NET CASH FLOW FROM INVESTING ACTIVITIES	(1,742,627,182)	(1,279,855,488)	(336,884,179)	(1,616,739,667)			
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase in Consumer Deposits	0	3,937,000	2,468,356	6,405,356	6,405,356	100%	6
Repayment of Non-current Liabilities (external loan funding)	(86,407,312)	(86,409,283)	0	(86,409,283)	(1,971)	0%	
NET CASH FLOW FROM FINANCING ACTIVITIES	(86,407,312)	(82,472,283)	2,468,356	(80,003,927)			
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,010,855,870	545,485,798	(151,514,746)	393,971,051			
Cash and cash equivalents at the beginning of the year	1,571,496,751	1,670,910,425	(99,413,675)	1,571,496,751	0	0%	
Cash and cash equivalents at the end of the year	2,582,352,621	2,216,396,223	(250,928,421)	1,965,467,802			

Refer to Note 57 of the Financial Statements for explanation of variances

NELSON MANDELA BAY METROPOLITAN MUNICIPALITY
NOTES TO THE ECONOMIC ENTITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

57 EXPLANATION FOR 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

The Original Budget was approved on 26 May 2017 for the 2017/18 financial year (01 July 2017 to 30 June 2018), and the Final Adjustment Budget was approved on 29

NMBM uses the accrual basis of accounting for its Budget.

The reconciliation of the Original approved Budget and Final Adjustment Budget and Actual amounts are shown on the face of the Statement of

57.1 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF FINANCIAL POSITION)

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

1 Total Accumulated Funds

The accumulated funds variance is affected by all the other variances and their explanations given below.

2 Non-current Provisions - Other

The provision is calculated by an expert, which takes various indicators into account at the time of the calculation of the provision, which makes it difficult to budget at any given time.

3 Current Provisions - Other

The decrease is due to, the the timing and outcome of various cases which are unpredictable as well as payments made for certain litigation cases.

4 Consumer Deposits

Increase in outstanding debt and non-payment there-off results in an increase of consumer deposits for security purposes.

5 Trade and Other Payables / VAT

The increase is a combination of Unpent Grants due to late funding received from NT and accruals raised at year end. VAT relates to MBDA.

6 Intangible Assets

The variance is due to a restatement to the useful lives which affected the accumulated amortisation of Intangibles Assets, resulting in an increase in Net Book Value.

7 Investment Property

The variance is as a result of the additions, which have been budgeted with the Property, Plant and Equipment budget.

8 Long-term Receivables

The variance is as a result of an Increase in consumer debt, resulting in consumers requesting debt to be paid off over longer period.

9 Current portion of Long-term Receivables

The variance is due to a contract which has come to an end.

10 Trade Receivables

Due to the increase in tariffs as a result of water restrictions caused debt to increase resulting in non-payment of outstanding debt by consumers.

11 Call deposits and Investments

There is a significant increase in that due to additional funding received for Drought relief and USDG.

12 Bank Balances and Cash

The increase is due to an increase in MBDA's bank account.

57.2 ACTUAL VERSUS APPROVED FINAL ADJUSTMENT BUDGET (STATEMENT OF CASH FLOWS)

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

1 Dividends received

The dividend income relates to the Sanlam shares, which is adhoc in nature.

2 Interest received

Interest increased due to strict cashflow management.

3 Cash paid to Suppliers

Comparing to the prior year's actual, it was anticipated that payments will be more, hence the increase in the budget.

4 Proceeds on Disposal of PPE, Purchase of Intangibles Assets, Investment Property, Heritage Assets

These cash flows were shown under Other Non-current Receivables.

5 Increase in Other Non-Current Receivables

These cash flows relates to Intangible assets, Investment property and Heritage Assets.

6 Increase in Consumer Deposits

These cash flows were shown under Trade payables.

Appendix A - Unaudited ECONOMIC ENTITY'S SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018						
2017 Actual Income	2017 Actual Expenditure	2017 Surplus/ (Deficit)		2018 Actual Income	2018 Actual Expenditure	2018 Surplus/ (Deficit)
25,186,115	238,688,899	(213,502,784)	Executive and Council	30,958,217	239,322,775	(208,364,558)
2,697,730,604	891,932,855	1,805,797,749	Budget and Treasury	2,855,977,019	667,581,031	2,188,395,988
15,709,294	309,698,944	(293,989,650)	Corporate Services	48,811,673	349,671,475	(300,859,802)
318,470,205	563,810,776	(245,340,571)	Public Health	358,656,235	573,188,216	(214,531,981)
312,967,822	261,652,166	51,315,656	Human Settlements	264,905,329	220,277,797	44,627,532
226,617,062	661,479,981	(434,862,919)	Safety and Security	567,254,939	818,459,052	(251,204,113)
179,070,675	562,584,268	(383,513,593)	Infrastructure and Engineering - R & G	384,468,635	393,794,101	(9,325,466)
1,163,663,414	728,719,299	434,944,115	Water	1,520,348,502	1,050,694,310	469,654,192
3,793,453,830	3,600,926,750	192,527,080	Electricity and Energy	3,732,739,811	3,469,978,041	262,761,770
134,435,146	110,439,138	23,996,008	Economic Development, Tourism and Agriculture	112,820,216	134,620,967	(21,800,751)
45,693,743	304,398,855	(258,705,112)	Sports, Recreation, Arts and Culture	28,367,733	377,764,409	(349,396,676)
951,053,792	455,683,462	495,370,330	Sanitation	955,681,745	476,041,910	479,639,835
14,192,869	128,696,796	(114,503,927)	NMBM Stadium	4,461,935	38,559,080	(34,097,145)
17,051,909	13,136,466	3,915,443	Special Projects	21,043,469	7,504,037	13,539,432
<u>9,895,296,480</u>	<u>8,831,848,655</u>	<u>1,063,447,825</u>	Total	<u>10,886,495,458</u>	<u>8,817,457,201</u>	<u>2,069,038,257</u>
Controlled Entities						
111,928,578	111,528,664	399,914	Mandela Bay Development Agency	137,323,761	136,438,418	885,343
<u>111,928,578</u>	<u>111,528,664</u>	<u>399,914</u>	Total Controlled Entities	<u>137,323,761</u>	<u>136,438,418</u>	<u>885,343</u>
(97,215,962)	(97,215,962)	-	Less: Intercompany charges	(123,891,841)	(123,891,841)	-
<u>9,910,009,096</u>	<u>8,846,161,357</u>	<u>1,063,847,739</u>	Total: Economic Entity before taxation	<u>10,899,927,378</u>	<u>8,830,003,778</u>	<u>2,069,923,600</u>
-	-	-	Taxation	-	-	-
<u>9,910,009,096</u>	<u>8,846,161,357</u>	<u>1,063,847,739</u>	Total	<u>10,899,927,378</u>	<u>8,830,003,778</u>	<u>2,069,923,600</u>

**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 2018

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	1,050,000			-	1,050,000	100,715	65,170	382,038	502,077	1,050,000	N / A	Yes
National Electrification Programme	DME	2,000,000	19,000,000	9,000,000		30,000,000	3,534,794	5,665,709	708,835	9,055,351	18,964,690	N / A	Yes
Urban Settlement Development Grant	DPLG	235,000,000	244,000,000	432,761,000	-	911,761,000	148,593,219	186,378,365	52,371,244	432,825,049	820,167,876	N / A	Yes
Transport or PTIS	NT	68,324,000	68,324,000	136,649,000		273,297,000	20,628,422	26,558,421	13,264,302	91,770,619	152,221,763	N / A	Yes
Neighbourhood Development Partnership Grant	NT	8,610,000	3,500,000	2,890,000	-	15,000,000	586,452	3,662,789	1,139,560	999,090	6,387,891	N / A	Yes
Expanded Public Works Programme Intergrated Grant	NT	1,202,000	2,163,000	1,442,000	-	4,807,000	255,202	546,546	2,101,469	1,967,348	4,870,565	N / A	Yes
Infrastructure Skill Development Grant	NT	5,500,000	-	9,894,000	-	15,394,000	2,923,156	2,127,661	3,193,377	8,318,725	16,562,920	N / A	Yes
Intergrated City Development Grant	NT	3,654,000	3,654,000			7,308,000	-	-	2,532,472	-846,298	1,686,174	N / A	Yes
Disaster Relief Grant	NT			97,000,000		97,000,000	-	-	-	1,613,646	1,613,646	N / A	Yes

**Appendix C - Unaudited
ECONOMIC ENTITY
TOTAL ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2018**

TOTAL ACCUMULATED FUNDS	2018	Restated 2017
	R	R
Made up as follows:		
Housing Development Fund	109,731,779	109,731,779
Capital Replacement Reserve	158,483,676	76,794,226
Government Grant Reserve	8,643,493,955	7,509,672,628
Capitalisation Reserve	0	-21,706,316
Donations and Public Contributions Reserves	425,192,942	372,713,827
Self-Insurance Reserve	142,995,139	121,256,887
COID Reserve	37,185,503	33,033,807
Accumulated Surplus	6,425,363,957	5,671,026,513
	<u>15,942,446,951</u>	<u>13,872,523,351</u>

Eastern Cape: Nelson Mandela Bay(NMA) - Reconciliation of Budget Summary for 2018

Description	2017/18						2016/17
	Original Budget	Adjusted Budget	Audited Outcome	Variance of Audited Outcome vs Adj Budget	Audited Outcome as % of Adj Budget	Audited Outcome as % of Orig Budget	Audited Outcome
R thousands							
Financial Performance							
Property rates	1,882,347	1,940,747	2,007,605	66,858	103.44	106.65	1,639,538
Service charges	5,107,449	5,418,950	5,182,065	(236,885)	380.94	436.68	4,909,882
Investment revenue	105,174	122,031	155,484	33,454	127.41	147.83	121,035
Transfers and subsidies	1,543,704	1,499,041	1,578,577	79,535	105.31	102.26	1,450,617
Other own revenue	724,862	671,075	618,261	(52,814)	535.38	455.86	675,611
Total Revenue (excluding capital transfers and contributions)	9,363,536	9,651,844	9,541,993	(109,851)	98.86	101.91	8,796,682
Employee costs	2,842,251	2,907,890	2,802,868	(105,022)	96.39	98.61	3,068,997
Remuneration of councillors	70,938	71,438	71,265	(173)	99.76	100.46	64,284
Depreciation & asset impairment	808,877	809,578	280,095	(529,483)	34.60	34.63	294,326
Finance charges	148,169	148,451	144,138	(4,313)	97.09	97.28	155,218
Materials and bulk purchases	3,282,422	3,296,979	3,146,268	(150,711)	148.75	147.86	3,154,837
Transfers and subsidies	112,165	89,832	31,589	(58,243)	35.16	28.16	24,873
Other expenditure	2,223,986	2,352,763	2,353,781	1,018	302.13	1,299,344.21	2,083,627
Total Expenditure	9,488,809	9,676,931	8,830,004	(846,927)	91.25	93.06	8,846,161
Surplus/(Deficit)	(125,274)	(25,087)	711,989	737,076	(2,838.13)	(568.35)	(49,479)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1,321,667	1,042,340	1,357,812	315,472	130.27	102.73	1,113,327
Contributions recognised - capital and contributed assets	149,769	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	1,346,162	1,017,253	2,069,801	1,052,547	203.47	153.76	1,063,848
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1,346,162	1,017,253	2,069,801	1,052,547	203.47	153.76	1,063,848
Capital expenditure & funds sources							
Capital expenditure	1,601,891	1,598,954	-	(1,598,954)	-	-	-
Transfers recognised - capital	1,394,136	1,042,340	1,357,812	315,472	130.27	97.39	1,113,327
Public contributions & donations	77,300	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-
Internally generated funds	130,455	627,569	285,645	(341,924)	45.52	218.96	317,586
Total sources of capital funds	1,601,891	1,669,909	1,643,457	(26,452)	98.42	102.59	1,430,912
Financial position							
Total current assets	4,277,506	4,141,116	4,946,791	805,675	119.46	115.65	3,789,549
Total non current assets	16,217,572	16,320,801	17,436,365	1,115,564	106.84	107.52	15,962,030
Total current liabilities	2,404,381	2,509,138	2,752,662	243,524	109.71	114.49	2,230,842
Total non current liabilities	3,396,527	3,509,619	3,688,047	178,428	105.08	108.58	3,648,214
Community wealth/Equity	14,694,170	14,448,679	15,942,447	1,493,767	110.34	108.50	13,872,523
Cash flows							
Net cash from (used) operating	1,957,820	2,127,358	2,820,760	693,279	132.59	144.08	1,495,048
Net cash from (used) investing	(1,320,664)	(1,676,283)	(1,742,981)	(66,698)	103.98	131.98	(1,383,260)
Net cash from (used) financing	(82,472)	(80,004)	(86,407)	(6,403)	108.00	104.77	(93,920)
Cash/cash equivalents at the year end	2,227,835	2,001,445	2,621,746	620,301	-	-	1,630,374
	-	-	-	-	-	-	-

Eastern Cape: Nelson Mandela Bay(NMA) - Reconciliation of Budgeted Financial Performance by Functional Classification for 2018

Description	Ref	2017/18						2016/17
		Original Budget	Adjusted Budget	Audited Outcome	Variance of Audited Outcome vs Adj Budget	Audited Outcome as % of Adj Budget	Audited Outcome as % of Orig Budget	Audited Outcome
Revenue - Functional								
<i>Municipal governance and administration</i>		2,559,903	2,635,472	3,030,614	395,142	114.99	118.39	2,812,502
Executive and council		35	33	399	366	1,221.71	1,151.17	154
Finance and administration		2,559,866	2,635,438	2,982,712	347,275	113.18	116.52	2,812,348
Internal audit		2	2	47,503	47,501	2,375	2,375	0
<i>Community and public safety</i>		629,246	386,485	292,774	(93,711)	75.75	46.53	338,552
Community and social services		63,885	49,732	39,409	(10,323)	79.24	61.69	30,441
Sport and recreation		51,938	4,784	8,946	4,162	187.00	17.22	31,476
Public safety		5,800	191,906	207	(191,699)	0.11	3.57	2,290
Housing		505,678	138,409	242,167	103,758	174.96	47.89	271,900
Health		1,944	1,654	2,044	390	123.61	105.13	2,445
<i>Economic and environmental services</i>		1,031,352	809,881	823,983	14,102	101.74	79.89	579,141
Planning and development		311,535	158,044	147,252	(10,791)	93.17	47.27	173,257
Road transport		715,157	650,377	675,404	25,027	103.85	94.44	404,809
Environmental protection		4,660	1,460	1,327	(134)	90.83	28.46	1,075
<i>Trading services</i>		6,594,204	6,841,909	6,725,897	(116,012)	98.30	102.00	6,162,114
Energy sources		4,054,525	3,953,963	3,680,025	(273,938)	93.07	90.76	3,737,498
Water management		1,099,105	1,411,415	1,757,587	346,172	124.53	159.91	1,162,037
Waste water management		1,083,260	1,088,555	984,262	(104,293)	90.42	90.86	957,736
Waste management		357,313	387,976	304,023	(83,953)	78.36	85.09	304,843
<i>Other</i>	4	20,267	20,437	26,659	6,222	130.45	131.54	17,700
Total Revenue - Functional	2	10,834,972	10,694,184	10,899,927	205,744	101.92	100.60	9,910,009
Expenditure - Functional								
<i>Municipal governance and administration</i>		1,655,089	1,753,010	1,843,612	90,602	105.17	111.39	1,609,373
Executive and council		262,512	249,252	170,278	(78,973)	68.32	64.86	236,493
Finance and administration		1,350,942	1,447,251	1,625,831	178,580	112.34	120.35	1,329,224
Internal audit		41,635	56,508	47,503	(9,005)	84.06	114.09	43,656
<i>Community and public safety</i>		1,273,137	1,161,389	872,713	(288,676)	75.14	68.55	1,095,270
Community and social services		237,565	254,485	172,919	(81,566)	67.95	72.79	243,590
Sport and recreation		397,184	368,967	308,018	(60,949)	83.48	77.55	349,762
Public safety		179,462	191,906	189,838	(2,068)	98.92	105.78	178,408
Housing		395,707	270,411	146,140	(124,272)	54.04	36.93	269,498
Health		63,219	75,620	55,799	(19,821)	73.79	88.26	54,011
<i>Economic and environmental services</i>		1,145,042	1,029,467	934,005	(95,462)	90.73	81.57	950,158
Planning and development		288,411	196,343	292,230	95,887	148.84	101.32	165,810
Road transport		809,650	788,247	602,798	(185,449)	76.47	74.45	746,831
Environmental protection		46,980	44,878	38,978	(5,899)	86.85	82.97	37,517
<i>Trading services</i>		5,374,654	5,690,858	5,144,284	(546,574)	(10.62)	0.00	5,151,053
Energy sources		3,712,787	3,620,633	3,425,170	(195,463)	94.60	92.25	3,603,958
Water management		772,686	895,629	950,540	54,910	106.13	123.02	714,359
Waste water management		511,934	705,077	448,167	(256,910)	63.56	87.54	500,285
Waste management		377,247	469,519	320,407	(149,112)	68.24	84.93	332,450
<i>Other</i>	4	40,888	42,144	35,390	(6,755)	83.97	86.55	40,308
Total Expenditure - Functional	3	9,488,809	9,676,868	8,830,004	(846,864)	91.25	93.06	8,846,161
		1,346,162	1,017,316	2,069,924	1,052,608	203.47	153.76	1,063,848

References

1. Government Finance Statistics Functions and Sub-functions are standardised to assist the compilation of national and international accounts for comparison purposes
2. Total Revenue by standard classification must reconcile to Total Operating Revenue shown in Budgeted Financial Performance (revenue and expenditure)
3. Total Expenditure by Standard Classification must reconcile to Total Operating Expenditure shown in Budgeted Financial Performance (revenue and expenditure)
4. All amounts must be classified under a standard classification (modified GFS). The GFS function 'Other' is only for Abattoirs, Air Transport, Markets and Tourism - and if used must be supported by footnotes. Nothing else may be placed under 'Other'. Assign associate share to relevant classification

Eastern Cape: Nelson Mandela Bay(NMA) - Reconciliation of Budgeted Financial Performance for 2018

Description	Ref	2017/18					2016/17	
		Original Budget	Adjusted Budget	Audited Outcome	Variance of Audited Outcome vs Adj Budget	Audited Outcome as % of Adj Budget	Audited Outcome as % of Orig Budget	Audited Outcome
Revenue By Source								
Property rates		1,882,347	1,940,747	2,007,605	66,858	103.44	106.65	1,639,538
Service charges - electricity revenue		3,748,825	3,723,756	3,483,009	(240,747)	93.53	92.91	3,576,476
Service charges - water revenue		714,594	1,003,890	1,074,112	70,222	107.00	150.31	767,493
Service charges - sanitation revenue		469,359	504,406	457,144	(47,262)	90.63	97.40	427,358
Service charges - refuse revenue		174,671	186,898	167,801	(19,098)	89.78	96.07	138,555
Service charges - other					-			
Rental of facilities and equipment		18,886	30,252	22,472	(7,780)	74.28	118.99	23,229
Interest earned - external investments		105,174	122,031	155,484	33,454	127.41	147.83	121,035
Interest earned - outstanding debtors		178,312	178,362	224,634	46,272	125.94	125.98	178,749
Dividends received				123	123			341
Fines, penalties and forfeits		265,711	256,306	213,071	(43,235)	83.13	80.19	289,704
Licences and permits		26,671	26,442	19,456	(6,986)	73.58	72.95	20,378
Agency services			2,728	2,774	46	101.68		2,501
Transfers and subsidies		1,543,704	1,499,041	1,578,577	79,535	105.31	102.26	1,450,617
Other revenue		235,250	176,984	135,853	(41,132)	76.76	57.75	160,103
Gains on disposal of PPE		32			-			606
Total Revenue (excluding capital transfers and contributions)		9,363,536	9,651,844	9,542,116	(109,728)	98.86	101.91	8,796,682
Expenditure By Type								
Employee related costs		2,842,251	2,907,890	2,802,868	(105,022)	96.39	98.61	3,068,997
Remuneration of councillors		70,938	71,438	71,265	(173)	99.76	100.46	64,284
Debt impairment		619,213	637,894	872,737	234,843	136.82	140.94	603,564
Depreciation and asset impairment		808,877	809,578	280,095	(529,483)	34.60	34.63	294,326
Finance charges		148,169	148,451	144,138	(4,313)	97.09	97.28	155,218
Bulk purchases		3,005,447	3,029,503	3,014,543	(14,960)	99.51	100.30	3,010,600
Other materials		276,975	267,476	131,725	(135,751)	49.25	47.56	144,236
Contracted services		1,183,120	1,025,724	1,041,442	15,718	101.53	88.03	1,147,619
Transfers and subsidies		112,165	89,832	31,589	(58,243)	35.16	28.16	24,873
Other expenditure		421,653	689,082	439,540	(249,542)	63.79	104.24	331,145
Loss on disposal of PPE				63	63			1,299
Total Expenditure		9,488,809	9,676,868	8,830,004	(846,864)	91.25	93.06	8,846,161
Surplus/(Deficit)								
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		(125,274)	(25,024)	712,112	737,136	(2,845.73)	(568.45)	(49,479)
Transfers and subsidies - capital (monetary allocations) (Nat/ Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		1,321,667	1,042,340	1,357,812	315,472	130.27	102.73	1,113,327
Transfers and subsidies - capital (in-kind - all)		149,769			-		-	
Surplus/(Deficit) after capital transfers and contributions		1,346,162	1,017,316	2,069,924	1,052,608	203.47	153.76	1,063,848
Taxation								
Surplus/(Deficit) after taxation		1,346,162	1,017,316	2,069,924	1,052,608	203.47	153.76	1,063,848
Attributable to minorities								
Surplus/(Deficit) attributable to municipality		1,346,162	1,017,316	2,069,924	1,052,608	203.47	153.76	1,063,848
Share of surplus/ (deficit) of associate								
Surplus/(Deficit) for the year		1,346,162	1,017,316	2,069,924	1,052,608	203.47	153.76	1,063,848

Eastern Cape: Nelson Mandela Bay(NMA) - Reconciliation of Budgeted Capital Expenditure by Functional Classification and Funding for 2018

Description	Ref	2017/18						2016/17
		Original Budget	Adjusted Budget	Audited Outcome	Variance of Audited Outcome vs Adj Budget	Audited Outcome as % of Adj Budget	Audited Outcome as % of Orig Budget	Audited Outcome
R thousands								
Capital Expenditure - Functional								
<i>Municipal governance and administration</i>		58,535	105,395	52,022	(53,373)	49.36	88.87	62,437
Executive and council		-	-	-	-	-	-	9,648
Finance and administration		58,535	105,395	52,022	(53,373)	49.36	88.87	29,784
Internal audit		-	-	-	-	-	-	23,006
<i>Community and public safety</i>		333,296	133,961	258,318	124,356	192.83	77.50	275,228
Community and social services		57,000	51,095	6,906	(44,189)	13.52	12.12	20,794
Sport and recreation		34,720	43,667	13,896	(29,770)	31.82	40.02	30,154
Public safety		12,400	25,500	15,636	(9,864)	61.32	126.10	16,495
Housing		229,176	12,500	220,989	208,489	1,767.91	96.43	205,227
Health		-	1,200	891	(309)	74.27	-	2,558
<i>Economic and environmental services</i>		408,211	541,263	534,337	(6,926)	98.72	130.90	320,930
Planning and development		-	36,760	8,038	(28,722)	21.87	-	26,794
Road transport		405,011	503,003	458,532	(44,471)	91.16	113.21	254,428
Environmental protection		3,200	1,500	67,767	66,267	4,517.80	2,117.72	39,708
<i>Trading services</i>		801,850	889,289	798,780	(90,509)	89.82	99.62	772,317
Energy sources		282,486	287,608	313,748	26,140	109.09	111.07	301,576
Water management		193,000	232,355	256,306	23,950	110.31	132.80	202,103
Waste water management		314,364	346,488	209,647	(136,841)	60.51	66.69	243,900
Waste management		12,000	22,838	19,080	(3,758)	83.55	159.00	24,737
<i>Other</i>		-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	1,601,891	1,669,909	1,643,457	(26,452)	98.42	102.59	1,430,912
Funded by								
National Government		999,317	956,740	1,114,353	157,614	116.47	111.51	849,897
Provincial Government		-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-
Other transfers and grants		394,819	85,600	243,458	157,858	284.41	61.66	263,430
Transfers recognised - capital		1,394,136	1,042,340	1,357,812	315,472	130.27	97.39	1,113,327
Public contributions and donations	5	77,300	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-
Internally generated funds		130,455	627,569	285,645	(341,924)	45.52	218.96	317,586
Total Capital Funding		1,601,891	1,669,909	1,643,457	(26,452)	98.42	102.59	1,430,912

References

3. Capital expenditure by functional classification must reconcile to the total of multi-year and single year appropriations
5. Must reconcile to Monthly Budget Statement Financial Performance (revenue and expenditure)
6. Include finance leases and PPP capital funding component of unitary payment - total borrowing/repayments to reconcile to changes in Table SA17

Eastern Cape: Nelson Mandela Bay(NMA) - Reconciliation of Budget Statement - Financial Position for 2018

Description	Ref	2017/18						2016/17
		Original Budget	Adjusted Budget	Audited Outcome	Variance of Audited Outcome vs Adj Budget	Audited Outcome as % of Adj Budget	Audited Outcome as % of Orig Budget	Audited Outcome
R thousands	1							
ASSETS								
Current assets								
Cash		200,400	200,400	249,811	49,411	124.66	124.66	285,651
Call investment deposits		2,027,435	1,801,045	2,374,802	573,757	131.86	117.13	1,347,374
Consumer debtors		1,331,200	1,531,200	1,316,134	(215,066)	85.95	98.87	1,215,022
Other debtors		518,471	408,471	825,878	417,407	202.19	159.29	743,106
Current portion of long-term receivables		0						0
Inventory		200,000	200,000	180,165	(19,835)	90.08	90.08	198,396
Total current assets		4,277,506	4,141,116	4,946,791	805,675	119.46	115.65	3,789,549
Non current assets								
Long-term receivables		28,147	64,059	77,605	13,545	121.14	275.71	64,059
Investments								
Investment property		197,280	197,280	220,380	23,099	111.71	111.71	193,631
Investment in Associate								
Property, plant and equipment		15,931,954	15,989,771	16,695,730	705,959	104.42	104.79	15,620,946
Agricultural								
Biological								
Intangible		60,190	69,690	442,651	372,961	635.17	735.42	83,393
Other non-current assets								
Total non current assets		16,217,572	16,320,801	17,436,365	1,115,564	106.84	107.52	15,962,030
TOTAL ASSETS		20,495,078	20,461,917	22,383,157	1,921,240	109.39	109.21	19,751,580
LIABILITIES								
Current liabilities								
Bank overdraft								
Borrowing		79,760	79,760	79,760	-	100.00	100.00	86,409
Consumer deposits		128,872	131,340	148,637	17,296	113.17	115.34	131,388
Trade and other payables		2,051,117	2,043,668	2,305,064	261,396	112.79	112.38	1,757,911
Provisions		144,632	254,370	219,201	(35,168)	86.17	151.56	255,134
Total current liabilities		2,404,381	2,509,138	2,752,662	243,524	109.71	114.49	2,230,842
Non current liabilities								
Borrowing		1,151,863	1,151,863	1,209,505	57,643	105.00	105.00	1,290,457
Provisions		2,244,664	2,357,757	2,478,542	120,785	105.12	110.42	2,357,757
Total non current liabilities		3,396,527	3,509,619	3,688,047	178,428	105.08	108.58	3,648,214
TOTAL LIABILITIES		5,800,908	6,018,758	6,440,710	421,952	107.01	111.03	5,879,056
NET ASSETS	2	14,694,170	14,443,159	15,942,447	1,499,288	110.38	108.50	13,872,523
COMMUNITY WEALTH/EQUITY								
Accumulated Surplus/(Deficit)		14,134,366	13,883,764	15,603,783	1,720,018	112.39	110.40	13,641,438
Reserves		559,804	564,915	338,664	(226,251)	59.95	60.50	231,085
TOTAL COMMUNITY WEALTH/EQUITY	2	14,694,170	14,448,679	15,942,447	1,493,767	110.34	108.50	13,872,523

References

1. Material variances to be explained in Table SC1

2. Net assets must balance with Total Community Wealth/Equity

Eastern Cape: Nelson Mandela Bay(NMA) - Reconciliation of Budgeted Cash Flows for 2018

Description	Ref	2017/18						2016/17
		Original Budget	Adjusted Budget	Audited Outcome	Variance of Audited Outcome vs Adj Budget	Audited Outcome as % of Adj Budget	Audited Outcome as % of Orig Budget	Audited Outcome
R thousands	1							
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates		1,769,406	1,824,302	1,763,236	(61,066)	96.65	99.65	1,599,357
Service charges		4,801,002	5,093,813	4,797,236	(296,577)	94.18	99.92	4,350,795
Other revenue		325,068	263,330	198,969	(64,361)	75.56	61.21	998,734
Government - operating	1	1,543,704	1,481,005	1,578,577	97,572	106.59	102.26	1,450,617
Government - capital	1	1,462,255	1,565,912	1,654,509	88,597	105.66	113.15	1,057,961
Interest		105,174	122,031	155,649	33,619	127.55	147.99	120,860
Dividends				123				341
Payments								
Suppliers and employees		(7,788,682)	(7,983,561)	(7,097,505)	886,056	88.90	91.13	(7,867,407)
Finance charges		(147,941)	(148,451)	(146,735)	1,716	98.84	99.18	(157,624)
Transfers and Grants	1	(112,165)	(91,023)	(83,300)	7,723	91.52	74.27	(58,585)
NET CASH FROM/(USED) OPERATING ACTIVITIES		1,957,820	2,127,358	2,820,760	693,279	132.59	144.08	1,495,048
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE		149,469			-			
Decrease (Increase) in non-current debtors		(1,340)	(37,252)		37,252	-	-	
Decrease (increase) other non-current receivables		-						
Decrease (increase) in non-current investments								
Payments								
Capital assets		(1,468,793)	(1,639,030)	(1,742,981)	(103,950)	106.34	118.67	(1,383,260)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(1,320,664)	(1,676,283)	(1,742,981)	(66,698)	103.98	131.98	(1,383,260)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans								
Borrowing long term/refinancing								
Increase (decrease) in consumer deposits		3,937	6,405		(6,405)	-	-	
Payments								
Repayment of borrowing		(86,409)	(86,409)	(86,407)	2	100.00	100.00	(93,920)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(82,472)	(80,004)	(86,407)	(6,403)	108.00	104.77	(93,920)
NET INCREASE/ (DECREASE) IN CASH HELD		554,683	371,071	991,372	620,178	267.16	178.73	17,868
Cash/cash equivalents at the year begin:		1,673,151	1,630,374	1,630,374	(0)			1,612,505
Cash/cash equivalents at the year end:	2	2,227,835	2,001,445	2,621,746	620,301			1,630,374

References

1. Material variances to be explained in Table SC1