ANNUAL REPORT 2011/2012

mandela bay
DEVELOPMENT AGENCY
THE SPIRIT OF GROWTH

Mandela Bay Development Agency
(Association incorporated under section 21)
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14 January 2013

Dear Stakeholder

RE: ANNUAL REPORT

Attached, please find the Annual Report of the Mandela Bay Development Agency for the 2011/2012 financial period.

As a valued stakeholder I trust that you will find the report to be informative and that the Agency continues to enjoy your support in all its future developmental initiatives.

Yours faithfully

PIERRE VOGES
CHIEF EXECUTIVE OFFICER

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1. CORPORATE PROFILE AND OVERVIEW

The Mandela Bay Development Agency (**MBDA**) is a wholly owned entity of the Nelson Mandela Bay Municipality (**NMBM**), which stimulates and supports area-based urban renewal development initiatives throughout Nelson Mandela Bay, with a strong focus on the Port Elizabeth Central Business District (**CBD**) as well as Uitenhage, North End and Helenvale.

The MBDA was formed at a critical time in the history of Nelson Mandela Bay when urban decay had started to reduce the rates base of the City, and the downward trend in the CBD of Port Elizabeth had lead to decline in interest in real estate investment.

The Strategic Spatial Implementation Framework (**SSIF**) of the MBDA developed in 2006 was a point of departure to reverse the economic development fortunes in the Mandate Area of the MBDA. The SSIF established the basis of a long term vision and strategy for the MBDA, which culminated in the acceptance of the SSIF by the NMBM Council as the blueprint for economic development and urban renewal in the Mandate Area. The establishment of the MBDA provided an agency dedicated to geographic based regeneration, first in the inner city and later throughout Nelson Mandela Bay.

In May 2010 the MBDA revised its 5-year strategy, which chartered the long term strategic course for the Agency. The 5-year Strategic Plan stimulates a long term vision and development priorities and strategies and is accompanied by a set of Key Performance Indicators (KPIs)**,** which sets out the short to medium term objectives and programmes to achieve the vision as set out in the SSIF.

The Integrated Development Programme **(IDP)** of the NMBM contains sector plans related to urban renewal which correspond to the SSIF and the 5-year Strategic Plan and in terms of this process, the MBDA is located in the sector dealing with urban renewal and urban management and development planning.

As a result of these initiatives, the CBD of Port Elizabeth experienced marked shifts in perceptions and investment decisions of private sector investors who identified Nelson Mandela Bay as a positive location for real estate investment.

The increased enthusiasm of the private sector continues to present an opportunity for the MBDA as it seeks to encourage partnerships and involve the private sector, provincial and national governments in the NMBM and MBDA's capital project developments and responding private sector investment.

The MBDA was established expressly for facilitating such developments and encouraging private sector confidence and investment. Its cumulative and growing experience in the developments it conceptualises, implements and manages, represents a significant asset for the NMBM. As the development manager of these initiatives, the MBDA coordinates and manages capital investment and other initiatives such as cleansing and security as well as the regulation of informal trading, involving both public and private sector stakeholders. In particular, the MBDA has gained significant experience in the following areas:

- Inner city urban renewal;
- A "bottoms-up" approach in concept to completion in development projects;

- The rejuvenation and development of decayed areas;
- The regeneration of historically marginalised areas;
- Establishing a particular brand of urban planning and urban renewal, with an emphasis on public participation.

The MBDA continues to expand and enhance its competence and meet the urban renewal needs of the NMBM. Furthermore, the MBDA continues to deepen the economic and social impacts of its work and ensure that environmental impacts are mitigated as far as possible.

Other than as an implementation agent of the NMBM, with a particular emphasis on urban renewal, the MBDA, through a very strong social approach has also become a key transformation agent in the Nelson Mandela Bay Metropole.

2. INSTITUTIONAL ARRANGEMENTS

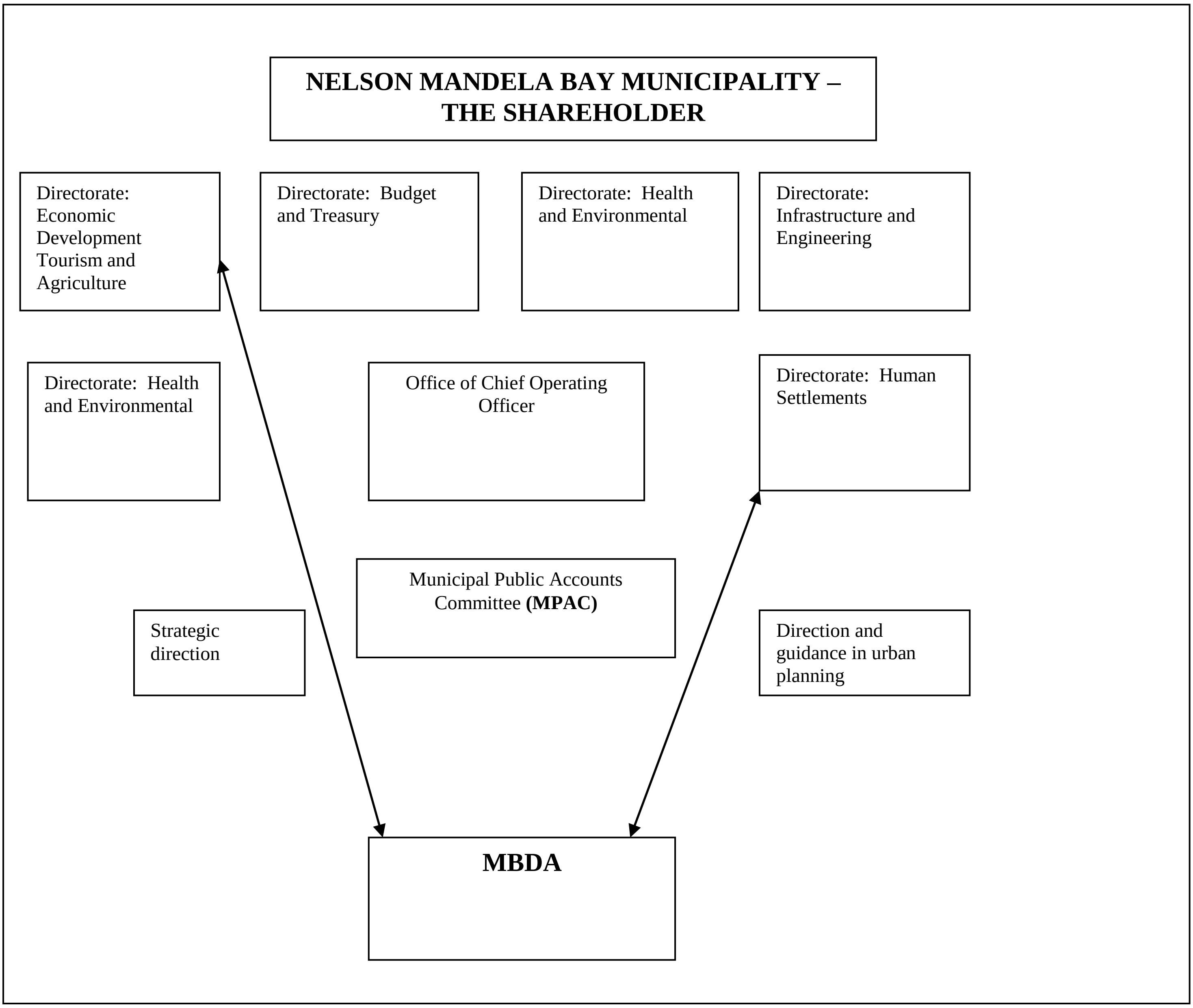
The MBDA receive its mandate from the NMBM, acting through its Board of Directors, the Executive Mayor, the Municipal Manager and NMBM Council. It is contractually accountable to the NMBM to whom it undertakes compliance reporting in respect of its KPI targets being achieved. The MBDA relies on the NMBM for service delivery direction in terms of its contractual obligations contained in the Service Delivery Agreement, and on the political dispensation for its political mandate. The controlling shareholder, the NMBM, provides corporate governance in related support such as sustainability and compliance reporting and review.

The MBDA regularly interacts with certain key NMBM directorates, namely Economic Development, Tourism and Agriculture; Human Settlements; Budget and Treasury; Environmental Health; Infrastructure and Engineering as well as Safety and Security.

The MBDA Board is responsible for providing strategic planning and guidance to management as well as ensuring oversight on corporate governance matters, while management is responsible for operational matters in line with the strategic planning and mandate documents of the Agency as well as the IDP of its parent municipality..

The MBDA coordinates it area based developments and other catalytic interventions with the NMBM. Additionally, the MBDA engages with client departments that take ownership of infrastructure and assets created by the MBDA, in particular the Infrastructure and Engineering Directorate.

Figure 1 outlines the key relationship lines between the NMBM and the MBDA.



3. ORGANISATIONAL OVERVIEW

Vision

The establishment of world-class, well managed, sustainable and vibrant urban places in Nelson Mandela Bay.

Mission

To revitalise and promote designated, sustainable urban places, in partnership with the NMBM, and to the benefit of the whole community.

Mandate

The MBDA was mandated by the NMBM to drive urban regeneration in the Nelson Mandela Bay CBD and other designated areas. The Agency was formed in 2003, when the city fathers saw an urgent need to reverse the downward trend of the CBD, which is the main contributor to the rates base of the NMBM, and the Agency idea was initiated between the NMBM, the Industrial Development Corporation (**IDC**). The overall philosophy was that cities and their CBD's are the engines of growth in the region, and that the agency's overall approach will not only be that of promoter and supporter, but also that of a doer, in getting the catalytic services implemented as well as catalytic capital projects that will be a platform for private sector investment.

As a Special Purpose Vehicle formed by the NMBM as a municipal entity, the MBDA is governed by the Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act 56 of 2000. In addition the Companies Act is also applicable to the Agency.

The MBDA operates under a specific approved Mandate Document, which outlines that a focused approach needs to be followed in respect of services provided, catalytic infrastructure projects and liaison with other parastatals and government departments in creating a conducive, investment environment in the Mandate Area. With this in mind, the NMBM also has a Service Delivery Agreement (**SDA**) with the MBDA and which comes up for renewal in December 2012.

The MBDA Board of Directors is an experienced collection of individuals that have the development of the City at heart, and who provide a wide array of political, strategic and business experience and guidance and operational oversight in obtaining the Agency's objectives.

Values

Core values that guide the way that the MBDA does its business are:

- Be an agent of social and economic determents;
- Be inclusive in understanding the needs of our stakeholders;
- Achieve value for money with our stakeholders;
- Maintain integrity, transparency and respect at all times;
- Be accountable about the way we take decisions and the way the MBDA uses its resources;

- Work as a team as part of a wider team;
- Seek excellence in the way it operates;
- Be open to innovation and contestability of ideas; and
- Embed sustainability in everything the MBDA does.

Strategic Objectives

To realise the vision, the regional economic strategy focuses on eight strategic objectives which address urban renewal in the Mandate Area:

- Engaging effectively with stakeholders and partners in order to foster understanding, buy-in and shared delivery of urban renewal;
- Promoting, facilitating and managing the basics of security, cleansing and regulatory compliance to strengthen public and investor confidence;
- Implementing catalytic capital projects in designated urban places as a stimulus for private sector investment;
- Enabling the conservation and management of heritage in order to forge a unique identity for place and its people;
- Marketing the area as a first choice destination to live, work and play;
- Being an effective, accountable, learning, creative and caring organisation, respected by staff and stakeholders;
- Managing the area for environmental sustainability; and
- Facilitating social and economic opportunities in all projects and activities in order to contribute to economic inclusion and growth.

Foundations for success

The MBDA recognises that success in achieving its objectives will depend on the following success factors -

- **People-centred mindset:** To recognise that people receive the impacts of our activities, and that their views of the future of the mandate must therefore inform its plans and actions.
- **Innovation**: Evolving urban conditions and stakeholder needs will require that it constantly look for fresh ways of doing things and better ways of achieving sustainable results.
- **Optimal resource allocation**: It recognises that effective project management will underpin accountability for resource use.
- **Skilled and motivated team:** Is committed to using the best of its skills and taking opportunities for self-development and learning.

- **Partnerships and networking:** Accept that the MBDA cannot deliver urban renewal on its own and believes in working in partnerships within and external to the City where the respective partners acknowledge their roles and individual strengths by maximising the collective impact of their efforts.
- **Strong local government support:** Acknowledge the critical importance of an on-going constructive working relationship with the NMBM.

Project Performance

- Cleansing services
- Security services
- Provision of maintenance and infrastructure
- Stakeholder initiatives
- Facilitating public capital projects
- Facilitation of private sector investment and municipal property
- Planning/spatial framework and feasibility studies
- Environmental management
- Strategic planning and integration
- Performance management
- Human resource development
- Heritage, arts and culture
- Marketing promotion brand and place management
- Preferential procurement
- Urban Development Zone (**UDZ**)
- Sound expenditure processes
- Creating supplementary funding
- Effective communication and public participation
- Public participation and projects
- Effective information and communication and technology
- Effective corporate governance
- Effective internal control and risk management

4. BOARD OF DIRECTORS AND SUB-COMMITTEES

DIRECTORS

-Saki Macozoma
Chairperson of the Board

-Phil Gutsche
Deputy Chairperson of the Board

-Hannah Sadiki

-Alfred Da Costa

-Wilhela Gie

-Danny Jordaan

-Rojie Kisten

-Lulama Prince

AUDIT COMMITTEE

-Kevin Pather - *Chairperson (independent member)*
-Lulama Prince
-Stephen Nel (independent member)

HUMAN RESOURCES AND REMUNERATION COMMITTEE

-Phil Gutsche – *Chairperson*
-Wilhela Gie

5. FOREWORD BY THE EXECUTIVE MAYOR

While the world, South Africa and Nelson Mandela Bay are in the grips in an economic recession, the MBDA should deservedly proud of its achievements for the 2011/2012 financial year, which again confirm the importance of its role in the NMBM to drive economic development through urban renewal.

The MBDA once again achieved most of its set goals, objectives and targets in an exemplary manner often under difficult circumstances, demonstrating the importance of improved cooperation and partnership amongst all the role players. The MBDA has developed a formula of working with a number of key stakeholders in its success recipe namely the NMBM, private sector, the community, the youth as well as national and international stakeholders.

As the implementing agent responsible for urban renewal, the MBDA's achievements far exceeded the expectations of the City and the general public. Progress made in the development of decayed areas in the City such as the Donkin Reserve, and Belmont Terrace is further evidence of the NMBM and MBDA's commitment to the improvement of these areas. The role of the MBDA is invaluable as the implementing agent of the NMBM and these projects are expected to change the face and feel of these areas in years to come. One can already see the change emerging in the higher rental per square meter in the Govan Mbeki Avenue precinct and the private sector response to the redevelopment of the Donkin Reserve.

The MBDA is not only an infrastructure implementing arm of the NMBM, but also acts as a transformation agent from the apartheid era of white cities to a city of multi cultural ethnic and diverse backdrop that will eventually make it a city for all to proudly live, work and play. It is "middle class" cities such as Nelson Mandela Bay and in particular Port Elizabeth that will probably see a high level real estate development in the post recession area.

It is the success of an organisation such as the MBDA that has contributed positively to the growth of Nelson Mandela Bay with the average resident of Nelson Mandela Bay now able to see the "puzzle" slowly coming together with the benefits of creating dynamic places for people to live, work and play, all of which have a positive impact on private sector investment and which is the real driver of economic development and the expansion of the rates base. It is this dynamic place-making model that creates an attractive, conducive, working, living and playing environment for all the people of Nelson Mandela Bay.

The MBDA concentrates on creating institutional capacity, infrastructure, innovation and eventually investment. The MBDA as an institution has embarked on the implementation of an organisational structure that fits its programmes, as well as the needs of the municipality, and it is this approach that supports the Metro's overall development vision, and improves governance and accountability.

The NMBM is particularly proud of the MBDA's public participation process in the project cycle of concept to completion. Not only has the MBDA created a model of a top down approach where communities feel part of the design process, but it has also created a recipe for the sustainability of projects and to create a private sector multiplier investment impact.

The MBDA has developed a purposeful institution that is driven by the needs of the Municipality and has built a competent and competitive staffing component and it is hoped that the NMBM can learn from this process and that the same formula can be applied in other parts of the City, particularly townships.

The Mayoral Committee is looking forward to the MBDA's continued and valued contribution in project management skills in promoting urban renewal and transformation in the CBD and emerging areas. I am very pleased to advise that the MBDA is now poised to work in township areas such as Helenvale, where the NMBM and MBDA will sign an agreement with a German donor, KfW Bank, who will co-fund an urban renewal process in this strife-torn township.

In conclusion I am pleased to note that the MBDA also has further plans for urban renewal upgrading initiatives in New Brighton, Veeplaas and Gqebera commencing in the 2012/13 financial period.

ZANOXOLO WAYILE
EXECUTIVE MAYOR

6. CHAIRPERSON'S REPORT

The MBDA was in 2003 registered as a company that is wholly owned by the NMBM. The primary objective of the MBDA initially was to promote economic development through urban renewal in a mandated CBD area.

In the eight years of its existence the CBD was significantly transformed. At the beginning of 2000, the historic city centre was widely regarded as a no-go area for business and tourists alike, and for an economic hub of its size, the importance of the inner city was short on facilities, attractions and events and the downward spiral of the City had a negative impact on the rates base of the NMBM. Visitors from other parts of the country and abroad went out of their way to avoid Nelson Mandela Bay. The NMBM was faced with an immense developmental challenge, further compounded by severe financial constraints and it was clearly a situation where no-one gave the Port Elizabeth CBD a chance for revival. To restore confidence in the inner city the NMBM acted proactively through the vision of its city fathers to find proactive ways to invest in the future of the CBD and urban renewal thus became an important development strategy.

While many challenges remain, the urban renewal results achieved are clearly evident and extremely positive. Investment in the inner city has blossomed and the new face of the city is beginning to make an impact on local, national and international investors. Nelson Mandela Bay, and in particular the Port Elizabeth CBD, has reasserted itself as a historic, heritage and cultural hub of South Africa, with heritage buildings playing their part in this process.

Vibrant, confident and resurrected Port Elizabeth CBD and the city at large, hosted the FIFA World Cup in 2010 and it serves as an important reminder of all that has been achieved and what the City should strive to sustain.

The MBDA has played a critical role in facilitating and investing in its transformation of the Port Elizabeth city centre. Many of the landmark initiatives and buildings that characterise the new Port Elizabeth is a stark reminder of the efforts to transform the CBD. The upgraded Govan Mbeki Avenue, the revamp of Parliament Street, the revamp of Strand and Jetty Street, the redevelopment of the Donkin Reserve and the present transformation of Kings Beach are some of the projects that have given the CBD a new lease on life. These and other projects are testament to the efforts of the MBDA team, its partners and stakeholders.

The global showdown in 2008 to 2011 showed an adverse impact on property demands across South Africa as well as in Port Elizabeth. However vacancy rates in the Govan Mbeki Avenue and Parliament Street areas rose marginally over the period which was due to the urban renewal efforts of the MBDA and not necessarily the real estate economics of the day. MBDA investments in these areas have thus proved resilient even during such times of economic crisis.

Deteriorating economic conditions in 2008 to 2011 have also increased the element of crime in the CBD and the MBDA has put measures into place, *inter alia* the employment of a private security company to reduce such crime levels.

The achievements of the MBDA over the past eight years are best seen through the increase in the level of entertainment, tourism and leisure in the upgraded areas which cannot always be measured in numeric terms, but rather in softer terms such as confidence and pride displayed by stakeholders.

There are signs that the CBD of Port Elizabeth is being transformed and that the MBDA has played a key role in enhancing the image and efficiency of key urban nodes throughout Nelson Mandela Bay.

The MBDA does not work alone though, but rather in partnership with various public and private partners as well as stakeholders of the City. It has helped to develop areas into more greener, friendlier, and historical conscience areas and which has been achieved on a relatively low budget but with a resultant high impact.

In taking Nelson Mandela Bay to its stated goal of becoming a competitive City, the achievements of the past will need to replicated, expanded and sustained and many more obstacles will need to be overcome. The NMBM is therefore fortunate to have at its disposal a team of experienced, skilled and committed development practitioners in the MBDA.

Key challenges however still remain such as the sourcing of adequate funding from both the NMBM and other sources, building a stronger network of stakeholder relationships at a local, national and international level, as well as branding the work of the Agency to further create a positive impact on private sector investment.

Thanks must go to the NMBM's political and administrative leadership, the dedicated Board members and employees of the MBDA, the committed and enthusiastic private partners that respond to the MBDA's development initiatives as well as the public development partners and funders who have all been part of the MBDA success story.

SAKI MACOZOMA

7. CHIEF EXECUTIVE OFFICER'S REPORT

The 2011/12 financial year has been an important one in the history of the MBDA. It marked a period of serious financial constraints within the NMBM, and it became clear that the MBDA needed to work more smartly within its considerably reduced budget allocation and also raise external funding for the conceptualisation and implementation of its projects.

During the period under review, the MBDA continued with its public environment upgrading projects in the Port Elizabeth inner city, which are all further contributing to the completion of the MBDA's urban renewal infrastructure "puzzle". While the MBDA is undertaking these projects in a period of recession, it is encouraging to note that the response of the private sector to the MBDA's public sector investments is positive based on market research conducted as well as reciprocal private sector investment.

Urban renewal initiatives such as cleansing and security are also making a collective impact and the man on the street can hopefully also see what the MBDA believes is a major improvement emerging from the prior years of urban decay.

Within its limited budget the MBDA has taken a giant leap towards becoming a viable, effect project management house and fulfilling key functions on behalf of the NMBM, namely being a doer, a supporter, and a promoter of various key projects and initiatives.
The present construction of the R1,0 billion Boardwalk investment is an example of a supporter and promoter through the work of the MBDA and the Eastern Cape Gambling and Betting Board.

It is also important to realise that the MBDA's work is not only about bricks and mortar, but also one of being a change and transformation agent and the Agency has explored a number of issues such as culture and heritage to use as key features in the upgrading of decayed urban areas. The upgrading of the Donkin Reserve heritage site is a case in point.

In a world of rapid change, particularly in response to the present economic recession, our strategic priorities are unyielding, which is to increase the impact of our projects through increased employment, gross domestic product and the City's rates and revenue base.

The MBDA is not without its challenges, the biggest being funding, particularly against the backdrop of the present cashflow crisis within the NMBM. The MBDA is however putting measures in place to source external funding and a consultant will be appointed in the new year to assist with this critical process.
A finance agreement will also be signed shortly with German donor KfW Bank for EUR 5 Million to be spent in Helenvale over the next four to five years as part of a Safety and Peace program though Urban Upgrading.

The MBDA has a further challenge in revising its current marketing efforts on its projects to a much more pro-active strategic branding exercise and measures are being put in place to increase the urban renewal efforts of the MBDA from a local, national and international perspective.

A third challenge that faces the MBDA is its present stakeholder networking strategy with the management and Board presently looking at a more effective stakeholder networking exercise, not only at local level, but also at national and international level. Such a stakeholder network management process will entail a number of key stakeholders and institutions and will enable the MBDA to raise its work to a much higher level.

The MBDA works well with the NMBM and is appreciative of its support, both financial and otherwise, which has culminated in key projects being implemented. These projects do not only have an innovative aesthetic component, but are also catalytic social projects, particularly through the public participation and bottoms up approach. It is also important for the MBDA that these projects make social, economic and political sense.

The urban renewal programme of the MBDA now forms a key component of economic development in the NMBM and speaks to the demands and needs of the community. It is important though that such plans remain flexible and is adapted if the demands of the community change for good reason.

In the year ahead, the MBDA is looking forward to engaging in increased levels of dialogue with the ordinary citizens of Nelson Mandela Bay in order to ensure that its projects remains in touch with the needs and demands of the community at large. It is also assumed that the mandate of the MBDA will continuously expand to include other key strategic projects in developing nodes of Nelson Mandela Bay, such as the urban renewal programme in Helenvale as well as future township upgrading projects.

PIERRE VOGES

8. AUDIT COMMITTEE REPORT

We present our report for the year ended 30 June 2012.

Audit Committee members and attendance

The Audit Committee has adopted appropriate formal terms of reference and consists of two independent and external members as well as a Board director as follows:

KD Pather	-	Independent member and Chairperson
L Prince	-	Director
S Nel	-	Independent member representing Industrial Development Corporation (IDC)

The Audit Committee met at least four times during the year as per its approved terms of reference. Additional special meetings were held with Management, the Auditor General and the Internal Auditor during the year to address specific matters.

The Internal Audit function has been outsourced to the parent municipality's internal audit department in line with relevant legislation.

During the year under review, four Audit Committee meetings were held and the attendance register records indicate:

Name	**No. of Audit Committee meetings attended**
KD Pather	**4**
L Prince	**0**
S Nel	**3**

NOTE: R. Ortlieb, a member of the NMBM's audit committee was appointed as a proxy in the place of S Nel at a committee meeting held on 09 March 2012.

During the period under review the Board's committee representative did not attend any committee meetings, whilst one of the meetings was attended by an audit committee member of the parent municipality, who was appointed as a proxy committee member.

The Agency had also requested the Acting Municipal Manager's office to advertise for a further external audit committee member to be appointed but to date this has not been actioned and will be followed up by management in the new financial period.

Audit Committee Responsibilities

The Audit Committee reports that it has complied, as far as possible, with its responsibilities set out in the approved terms of reference.

Review of the Annual Financial Statement

The Audit Committee has noted the unqualified opinion together with the emphasis of matter expressed by the Auditor-General on the annual financial statements of the Agency.

Efficiency and effectiveness of the internal controls

The matters reported by the Internal Auditor and the Auditor-General as well as matters brought to the attention of the Accounting Officer, by way of informal queries and management letters, indicate that there has been a marked improvement in the Agency's supply chain management processes from the previous financial period.

It is further also noted that the internal controls functioned satisfactorily during the period under review.

Relevant legislation

The committee's terms of reference included responsibility for monitoring:

- The Companies Act
- The Municipal Finance Management Act

- The Local Government Municipal Systems Act

The committee concentrated primarily on the financial legislation and took cognizance of the recommendations of the King III Report on Corporate Governance.

Performance Information and Management

A performance information and management system has been implemented by the Agency and which is aligned to the parent municipality's Integrated Development Plan (IDP) and Service Delivery Budget Implementation Program. The Agency reports on a quarterly basis to the parent municipality regarding its performance targets and key performance indicators and there were no material audit findings in terms of the performance information as reported during the period under review.

Conclusion

The Audit Committee reviewed the Annual Financial Statements Audited by the Audit General, and recommends to the Board its approval for adoption, the unqualified opinion of the Auditor-General on the annual financial statements for the Agency for the year ended 30 June 2012.

KD PATHER - CA(SA)
CHAIRPERSON

9. HUMAN RESOURCES COMMITTEE REPORT

The MBDA's staff component as at 30 June 2012 and as per employment equity principles is reflected as follows:

RACE

LEVEL	BLACK	WHITE	COLOURED	INDIAN
Management	**1**	**2**	**-**	**1**
Professional	**3**	**-**	**-**	**-**
Administration	**5**	**1**	**5**	**1**

GENDER

LEVEL	MALE	FEMALE
Management	**3**	**1**
Professional	**1**	**2**
Administration	**2**	**10**

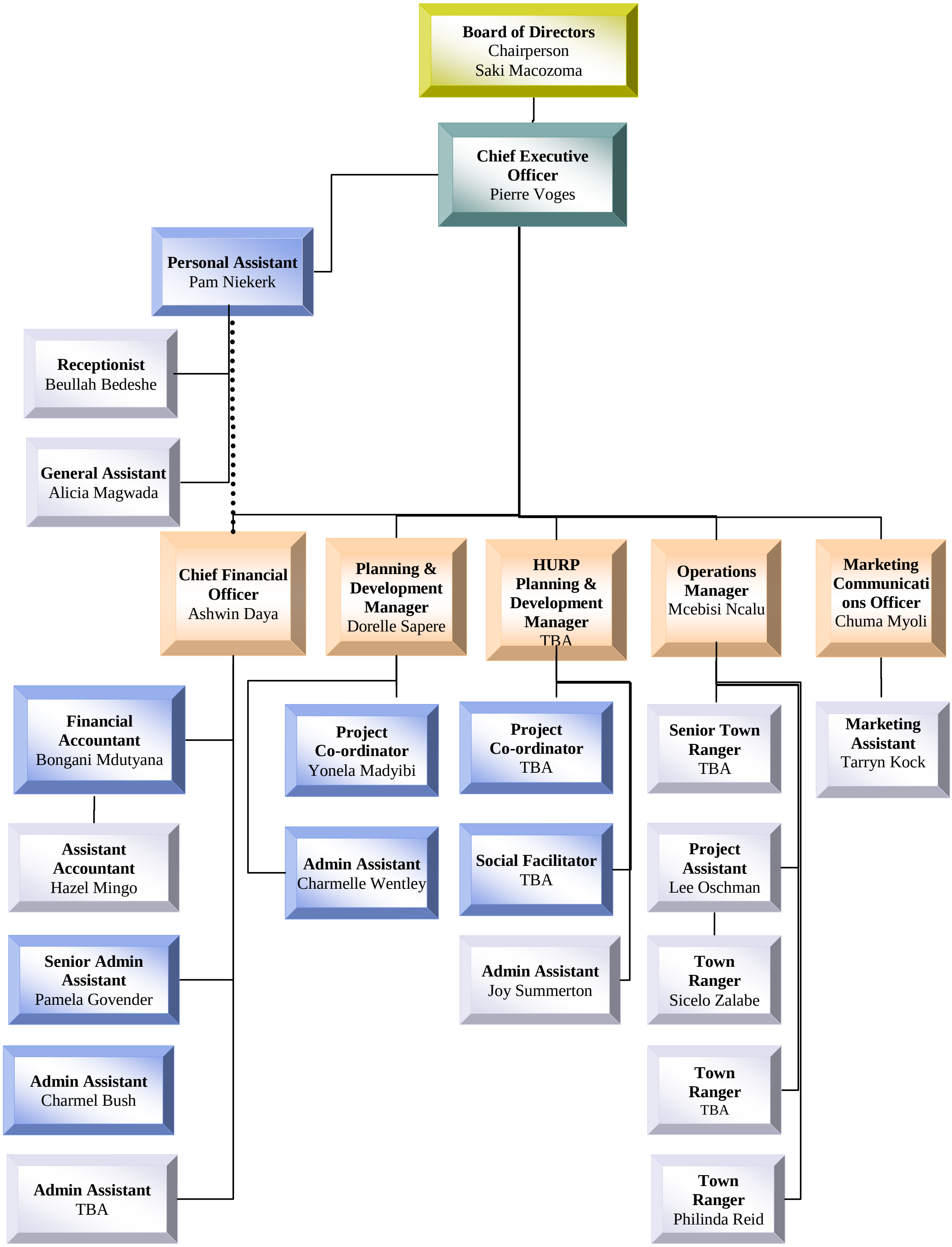
During the period under review the Agency also appointed consultants to review the Agency's remuneration and grading system in order that the existing grading system is replaced with the TASK grading system and which has to be implemented in line with a directive that all municipalities and their entities are to convert to this grading system.

This exercise has progressed well and will be finalised in time for the new TASK system to be implemented effective July 2012. In addition job descriptions are also being formulated reviewed, revised and updated and this exercise will be completed by December 2012.

The organogram for the MBDA will be revised in the 2012/13 financial period in line with the Helenvale Urban Renewal Program (HURP) unit having been relocated to the Agency by the NMBM and interviews will be conducted in the new year to staff the vacant positions within the HURP unit.

PHIL GUTSCHE

9.1 MBDA STAFF ORGANOGRAM AS AT 30 JUNE 2012



10. PERFORMANCE HIGHLIGHTS IN 2011/12

During the financial period under review, the MBDA achieved the following performance highlights:

- Completion of Phase 1 of Kings Beach Triangle Upgrade and commencement of Phase 2;
- Completion of the Govan Mbeki Avenue Sewer Rehabilitation project between Russel Road and Manchester Street;
- Completion of Phase 3 of Donkin Reserve Phase 3 and commencement of Phase 4;
- Inner City Arts project funded by National Lotteries Board is progressing well and the final tranche is expected during 2012/13;
- Refurbishment of the Athenaeum Club Building was completed;
- The Helenvale Urban Renewal Program (HURP) was transferred by the NMBM to the MBDA
- Transnet formally announced that the tank farm will be relocated in 2016 and the manganese ore facility in 2017;
- The Local Spatial Development Framework (LSDF) for the MBDA Mandate Area was completed;
- The Nelson Mandela Bay Stadium Management contract for a second 3-year period was negotiated and finalised ;
- Consultants were appointed to consider the feasibility of a mixed-use development in the old Mermaid building precinct;
- New cleansing service providers for the Port Elizabeth and Uitenhage CBDs were appointed and contracted
- Public urinals in Govan Mbeki were completed
- Professional consultants for the Tramways Building redevelopment were appointed with a view to finalising a design plan and calling for construction tenders by the latter part of 2012
- A tender was advertised calling for consultants to consider the commercial feasibility of the Apple Express Rail Line
- Voting commenced on the Richmond Hill Special Rating Area (SRA) initiative that had been initiated and facilitated by the Agency and this process is expected to be finalised by early 2013 so that an SRA can be formally launched by property owners in this precinct
- The first inner-city Urban Run event was held on the Donkin Reserve and was hailed as a huge success

11. CAPITAL PROJECTS

During the period under review the MBDA completed and signed off capital projects to the value of R77,1 million (see table below).

However it is important to note that MBDA capital projects are typically multi-year in nature and that most of these projects commenced between 12 to 24 months ago and that some projects could span over a 36-month period as well.

Projects tend to commence slowly due to the complexities around the planning, public participation, master planning, design and tender preparation phases and normally in the subsequent periods the budget is spent more rapidly due to the construction phase setting in.

THE TABLE BELOW INDICATES MBDA CAPITAL PROJECTS WHICH ARE IN PROGRESS OR COMPLETED DURING THE 2011/12 FINANCIAL YEAR:

	PROJECT	Budgeted Capital Spend	Actual Spend at 30 June 2012	Planned Completion Date
1	Public Urinals – Govan Mbeki Ave	176 750	176 000	Completed
2	Kings Beach Triangle Upgrade Phase 1	15 023 385	13 695 698	Completed
3	Kings Beach Triangle Upgrade Phase 2A	2 707 400	727 306	28-Feb-13
4	GMA Sewer Rehabilitation (Russel Road to Manchester Street)	10 564 743	9 749 779	Completed
5	Donkin Reserve Upgrade - Phase 3	18 389 435	18 145 221	Completed
6	Donkin Reserve Upgrade - Phase 4	10 000 000	2 021 892	31-Mar-13
7	Inner City Arts Project	7 957 724	6 297 170	30-Jun-13
8	Bird Street / Belmont Terrace Upgrade	15 000 000	736 830	31-Mar-13
9	Strand Street Upgrade - Phase 2	31 305 417	31 116 831	Completed
10	Athenaeum Club Building Refurbishment	4 533 366	4 214 015	Completed
11	Refurbishment of Immovable Property (Tramways)	14 955 000	318 750	March 2015
NOTE: Values indicated are from inception date of the project till 30 June 2012				

12. PERFORMANCE MANAGEMENT

The performance reporting is reflected under the respective strategic objectives set for the 2011/12 financial year as follows:

MANDELA BAY DEVELOPMENT AGENCY										
KEY PERFORMANCE INDICATOR (KPI)	**ANNUAL TARGET**	**QTR ENDING 30 SEPT 2011 - TARGET**	**QTR ENDING 30 SEPT 2011 - ACTUAL**	**QTR ENDING 31 DEC 2011 - TARGET**	**QTR ENDING 31 DEC 2011 - ACTUAL**	**QTR ENDING 31 MAR 2012 - TARGET**	**QTR ENDING 31 MAR 2012 - ACTUAL**	**QTR ENDING 30 JUNE 2012 - TARGET**	**QTR ENDING 30 JUNE 2012 - ACTUAL**	**QTR ENDING JUNE 2012 - ANALYSIS**
KPA 1: Basic Service Delivery and Infrastructure Development										
1.1 HURP										
Number of Multipurpose Community Centres constructed	1(Helenvale)	Construction commenced	In Progress	Foundation completed	In Progress	Construction completed up to window level	In Progress	1(Helenvale)		This KPI was inherited from NMBM due to Helenvale Urban Renewal Programme (HURP) being relocated to the Mandela Bay Development Agency (MBDA). The underperformance against this key performance indicator is due to the delay experienced in the implementation of the project as a result of prolonged procurement processes. The project implementation was further delayed by the resistance of the Helenvale community as a result of their dissastisfaction with the procedures followed in the employment of local labour on the project. In terms of mitigation, the contractor committed to work extra hours on Saturdays to make up for lost time. Construction is progressing well, with most of the substructure work having been completed. The construction of the Helenvale Thusong Service Centre is expected to be completed by April 2013.

KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	QTR ENDING 30 SEPT 2011 - TARGET	QTR ENDING 30 SEPT 2011 - ACTUAL	QTR ENDING 31 DEC 2011 - TARGET	QTR ENDING 31 DEC 2011 - ACTUAL	QTR ENDING 31 MAR 2012 - TARGET	QTR ENDING 31 MAR 2012 - ACTUAL	QTR ENDING 30 JUNE 2012 - TARGET	QTR ENDING 30 JUNE 2012 - ACTUAL	QTR ENDING JUNE 2012 - ANALYSIS
Number of community members trained in terms of the HURP skills development programme	225.00	55.00		110.00		165.00	147.00	225.00	61.00	This KPI was inherited from NMBM due to Helenvale Urban Renewal Programme (HURP) being relocated to the Mandela Bay Development Agency (MBDA). The underperformance against this target is due to largely the same participants being trained on various programmes. A challenge was also experienced with these community members dropping out. The KPI will be reviewed in the 2012/13 financial year.
Number of SMMEs provided with registration support and construction management training	10.00	2.00	4.00	4.00	9.00	8.00	18.00	10.00	18.00	
Value of HURP funding secured from external sources	R10 million	Funding applications sent to potential funders	Funding applications sent to potential funders	Funding applications sent to potential funders	Funding applications sent to potential funders	Funding applications sent to potential funders	Funding applications sent to potential funders	R10 million		A funding agreement between the Nelson Mandela Bay Municipality and the German Development Corporation (KFW) for EUR5,000,000 has been drafted and is awaiting signature. The target was not met due to a delay in the signing of this Agreement. A continuoud effort will be made in the 2012/2013 financial year to conclude the Agreement.
1.1 Cleansing services (CBD, Central and Uitenhage)										
% satisfaction with cleansing services in Port Elizabeth and Uitenhage Central Business Districts	80% satisfaction level achieved	Terms of reference drafted	Service provider appointed	Service provider appointed	Service provider appointed	Survey conducted	Survey conducted	80% satisfaction level achieved	0.834	83.4% of the respondents within the Metro continue to feel that the presence of permanent cleaners in Central and the CBD is having a positive impact on these areas. This is more than the targeted 80%. This indicates that the cleaners in these areas are doing in ensure cleanliness within the Metro.

KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	QTR ENDING 30 SEPT 2011 - TARGET	QTR ENDING 30 SEPT 2011 - ACTUAL	QTR ENDING 31 DEC 2011 - TARGET	QTR ENDING 31 DEC 2011 - ACTUAL	QTR ENDING 31 MAR 2012 - TARGET	QTR ENDING 31 MAR 2012 - ACTUAL	QTR ENDING 30 JUNE 2012 - TARGET	QTR ENDING 30 JUNE 2012 - ACTUAL	QTR ENDING JUNE 2012 - ANALYSIS
1.2 Facilitating public capital projects										
Number of new Special Rating Areas (SRA) operational	1 SRA by March 2012 (Richmond Hill)	SRA for Richmond Hill approved by EDTA Portfolio Committee	SRA for Richmond Hill approved by EDTA Portfolio Committee	Pub part & stakeholder meetings held & Bus Plan appr by EDTA	In Progress	1 SRA operational(Richmond Hill)				The underperformance against this key performance indicator resulted from the pre-requisite voting process in respect of the development of the Special Rating Areas (SRAs). As many of the voters (property owners) live outside Nelson Mandela Bay (countrywide or worldwide) they need to be traced to cast their votes. 258 votes out of the total of 750 have been received. 34% of the required (50%+1%) have been received. All the votes are expected to be collected by December 2012 and the Richmond Hill Special Rating is expected to be implemented in June 2013.
Number of new capital projects implemented in the MBDA mandated area (a. Strand Street Environmental upgrade Phase 2 Bus terminus upgrade and traffic management measures completed)	100% completed by Dec 2011	75.00%	78.00%	100% completed by Dec 2011	In Progress		100% completed by Dec 2011		100% completed by Dec 2011	
Number of new capital projects implemented in the MBDA mandated area (b. Kings Beach Southern Beach Front redevelopment phase 1)	100% completed	Contractor appointed	Contractor appointed	25% completed	40% completed	60% completed	80% completed	100% completed	100% completed	The King's Beach Environmental Upgrade (Phase 1) was completed on 22 May 2012.

KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	QTR ENDING 30 SEPT 2011 - TARGET	QTR ENDING 30 SEPT 2011 - ACTUAL	QTR ENDING 31 DEC 2011 - TARGET	QTR ENDING 31 DEC 2011 - ACTUAL	QTR ENDING 31 MAR 2012 - TARGET	QTR ENDING 31 MAR 2012 - ACTUAL	QTR ENDING 30 JUNE 2012 - TARGET	QTR ENDING 30 JUNE 2012 - ACTUAL	QTR ENDING JUNE 2012 - ANALYSIS
Number of new capital projects implemented in the MBDA mandate area (c. Belmont Terrace / Bird Street environmental upgrade)	50% completed	Design Study commissioned	Design Study commissioned	Design Study completed	In Progress	25% completed		50% completed		The underperformance against this key performance indicator was due to the lengthy public participation process, which extended to December 2011. The project implementation plan has been amended to speed up the implementation of the project. A contractor was appointed on 28 May 2012. The Belmont Terrace/Bird Street Environmental Upgrade is expected to be completed in March 2013.
Number of new capital projects implemented in the MBDA mandated area (d. Govan Mbeki Avenue Sewer Rehabilitation upgrade - Russel road to Manchester Street)	100% completed by March 2012	10.00%	14.00%	60% completed	*100% completed*	100% completed	100% completed		100% completed	The Govan Mbeki Avenue Sewer Rehabilitation upgrade (Russell Road to Manchester Street) was completed on 20 December 2011.
1.3 Facilitating public capital projects (continued)										
Value of investment attracted to the MBDA mandate area as a result of urban transformation (capital infrastructure urban management promotion of culture and heritage)	R50 million by June 2012	Terms of reference drafted & adopted by the Board of Direc	Service Provider appointed to conduct survey and research	Service Provider appointed to conduct survey and research	Service Provider appointed to conduct survey and research	Research report submitted to EDTA Portfolio Committee	In Progress	R50 million attracted	R 244.9 million	Approximately R98.4 million was invested by the Mandela Bay Development Agency in the Donkin Reserve, King's Beach and Uitenhage Market Square Upgrade. The investment generated approximately R244.9 million in additional production/new business sales. This rise in production led to a corresponding increase in Gross Value Added, which grew by R80,9 million as a direct result of the upgrades. During the course of these projects ,a total of 673 direct, indirect and induced employment opportunities were created.

KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	QTR ENDING 30 SEPT 2011 - TARGET	QTR ENDING 30 SEPT 2011 - ACTUAL	QTR ENDING 31 DEC 2011 - TARGET	QTR ENDING 31 DEC 2011 - ACTUAL	QTR ENDING 31 MAR 2012 - TARGET	QTR ENDING 31 MAR 2012 - ACTUAL	QTR ENDING 30 JUNE 2012 - TARGET	QTR ENDING 30 JUNE 2012 - ACTUAL	QTR ENDING JUNE 2012 - ANALYSIS
KPA 2: Municipal Transformation and Organisational Development										
2.1 Performance management										
Submission of performance reports indicating performance gaps and improvements	MBDA perf info populated & app within 10 work days after qua	2010/11 MBD Q4 perf info populated & app on IS by 14/07/2011	2010/11 MBD Q4 perf info populated & app on IS by 14/07/2011	MBDA Q1 PM info app by 14/10 and Q2 PM info app by 31/12	MBDA Q1 PM info app by 14/10 and Q2 PM info app by 31/12	All final perf info & evidence Q2 populated & app on IS	All final perf info & evidence Q2 populated & app on IS	2011/12 MBDA Q3 perf info populated & app on IS by13/04/2011	2011/12 MBDA Q3 perf info populated & app on IS by13/04/2011	
KPA 3: Local Economic Development										
3.3 Broad-based Economic Empowerment (BEE)										
% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value (a) Previously disadvantaged	50.00%	50.00%	61.73%	50.00%						BBBEE status level as per new PPPFA amended regulation Gazetted on 08 June 2011. Gazette no. 34350 % tenders Awarded Suppliers Level 1 =7.94%; Level 2 = 19.05% ; Level 3 = 23.81% ; Level 4= 23.81%; Level 5 = 1.59% % Tenders Awarded ito value Level 1 = 2.57% Level 2 = 4.74% ; Level 3 = 51.60%; Level 4 = 39.94%; Level 5 = 0.49%

KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	QTR ENDING 30 SEPT 2011 - TARGET	QTR ENDING 30 SEPT 2011 - ACTUAL	QTR ENDING 31 DEC 2011 - TARGET	QTR ENDING 31 DEC 2011 - ACTUAL	QTR ENDING 31 MAR 2012 - TARGET	QTR ENDING 31 MAR 2012 - ACTUAL	QTR ENDING 30 JUNE 2012 - TARGET	QTR ENDING 30 JUNE 2012 - ACTUAL	QTR ENDING JUNE 2012 - ANALYSIS
% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value (b) Women and youth	10.00%	10.00%	12.81%	10.00%	51.42%					BBBEE status level as per new PPPFA amended regulation Gazetted on 08 June 2011. Gazette no. 34350 % tenders Awarded Suppliers Level 1 =7.94%; Level 2 = 19.05% ; Level 3 = 23.81% ; Level 4= 23.81%; Level 5 = 1.59% % Tenders Awarded ito value Level 1 = 2.57% Level 2 = 4.74% ; Level 3 = 51.60%; Level 4 = 39.94%; Level 5 = 0.49%
% tenders awarded in adherence to the broad-based empowerment targets both in terms of number and value (c) People with disabilities	2.00%	2.00%		2.00%						BBBEE status level as per new PPPFA amended regulation Gazetted on 08 June 2011. Gazette no. 34350 % tenders Awarded Suppliers Level 1 =7.94%; Level 2 = 19.05% ; Level 3 = 23.81% ; Level 4= 23.81%; Level 5 = 1.59% % Tenders Awarded ito value Level 1 = 2.57% Level 2 = 4.74% ; Level 3 = 51.60%; Level 4 = 39.94%; Level 5 = 0.49%
3.4 Job Creation and EPWP										
Number of Full Time Equivalent (FTE) jobs created	107.00	20.00	38.00	40.00	43.00	75.00	74.60	107.00		Target has not been met due to NMBM EPWP unit not yet completed with their capturing, as this is a preliminary report received from EPWP.

KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	QTR ENDING 30 SEPT 2011 - TARGET	QTR ENDING 30 SEPT 2011 - ACTUAL	QTR ENDING 31 DEC 2011 - TARGET	QTR ENDING 31 DEC 2011 - ACTUAL	QTR ENDING 31 MAR 2012 - TARGET	QTR ENDING 31 MAR 2012 - ACTUAL	QTR ENDING 30 JUNE 2012 - TARGET	QTR ENDING 30 JUNE 2012 - ACTUAL	QTR ENDING JUNE 2012 - ANALYSIS
KPA 4 : Municipal Financial Viability and Management										
4.1 Budgeting and financial accounting										
% of the MBDA's capital budget spent on capital projects identified as per the IDP	95.00%	12.00%	17.18%	32.00%	33.48%	46.00%	47.00%	95.00%		This target has not been met primarily due to the delay in the following projects which are now in progress : Belmont Terrace/ Bird Street (R14.2M); Donkin Reserve (R8,0 M) and Tramways Buidling Redevelopment (R14.8M). New target dates have been set for 2012/13 financial period.
% of the MBDA's approved operating budget spent	95.00%	25.00%	23.94%	50.00%		75.00%	58.00%	95.00%		The under-expenditure is due to the delayed implementation of the Security Plan contract which was awarded later in the financial year, the National Lotteries Board delay on the second Tranche of funding and the under expenditure on professional fees. The implementation of the Security Plan is progressing well and further commitments have been made in terms of professional and consultants fees. The indicator will be reviewed in the 2012/13 financial year
% of MBDA's training budget spent on implementing its Directorate Workplace Skills Plan	95.00%	25.00%		50.00%		75.00%		95.00%	94.00%	This target experienced a very marginal underperformance mainly due to the Municipal Finance Management Programme (MFMP) and Recognition of prior learning (RPL) training costs incurred by senior managers being subsidised by LG Seta.

KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	QTR ENDING 30 SEPT 2011 - TARGET	QTR ENDING 30 SEPT 2011 - ACTUAL	QTR ENDING 31 DEC 2011 - TARGET	QTR ENDING 31 DEC 2011 - ACTUAL	QTR ENDING 31 MAR 2012 - TARGET	QTR ENDING 31 MAR 2012 - ACTUAL	QTR ENDING 30 JUNE 2012 - TARGET	QTR ENDING 30 JUNE 2012 - ACTUAL	QTR ENDING JUNE 2012 - ANALYSIS
KPA 5: Good Governance and Public Participation										
5.1 Internal Controls										
% reduction on MBDA recurring items by Internal Audit and Auditor General's Office (Internal Audit)	80% (Internal Audit)	80.00%	89.00%	80.00%		80.00%	80.00%	80.00%		Internal Audit Report 2011/2012 dated 07 June 2012. The scope of the audit included " Review the previous audit reports and obtain proof from management that the agreed management actions have been implemented". The "Status of Prior year findings as at 30 May 2012" indicates the following for Internal Audit findings: Total findings 2; Controls evaluated and found effective 1; Controls evaluated and found to be partially effective 1. This gives a percentage reduction of 50%. The unresolved finding relates to the Disaster Recovery Plan which was submitted to the Audit Committee for approval on 11/02/2011, 02/06/2011, and 09/03/2012 and 08/06/2012. On all of these occasions, the Audit Committee referred the Disaster Recovery Policy back to management for amendments. Quotations are being sourced from service providers to implement a disaster recovery plan for the MBDA. The indicator will be reviewed in the 2012/13 financial year.

KEY PERFORMANCE INDICATOR (KPI)	ANNUAL TARGET	QTR ENDING 30 SEPT 2011 - TARGET	QTR ENDING 30 SEPT 2011 - ACTUAL	QTR ENDING 31 DEC 2011 - TARGET	QTR ENDING 31 DEC 2011 - ACTUAL	QTR ENDING 31 MAR 2012 - TARGET	QTR ENDING 31 MAR 2012 - ACTUAL	QTR ENDING 30 JUNE 2012 - TARGET	QTR ENDING 30 JUNE 2012 - ACTUAL	QTR ENDING JUNE 2012 - ANALYSIS
% reduction on MBDA recurring items by Internal Audit and Auditor General's Office (Auditor General)	80% (Auditor General)	80.00%		80.00%		80.00%	67.00%	80.00%		67% reduction in audit findings. Three findings were reported on in the previous financial year. 2 of these findings have been resolved. The unresolved finding relates to the Disaster Recovery Plan which was submitted to the Audit Committee for approval on 11/02/2011, 02/06/2011, and 09/03/2012 and 08/06/2012. On all of these occasions, the Audit Committee referred the Disaster Recovery Policy back to management for amendments. Quotations are being sourced from service providers to implement a disaster recovery plan for the MBDA. The indicator will be reviewed in the 2012/13 financial year
Receipt of unqualified Audit Report from the Auditor-General	Unqualified Audit Report received by December 2011	Compliant performance information submitted by 31 July 2011	Compliant performance information submitted by 31 July 2011	Unqualified Audit Report received	Unqualified Audit Report received					

13. AUDIT REPORT AND ANNUAL FINANCIAL STATEMENTS

Please find the MBDA's audit report and annual financial statements for the year ending 30 June 2012 as follows:

REPORT OF THE AUDITOR-GENERAL TO THE BOARD OF DIRECTORS AND THE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF MANDELA BAY DEVELOPMENT AGENCY NPC FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Mandela Bay Development Agency NPC set out on pages 35 to 58, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act, 2008 (Act No. 71 of 2008) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mandela Bay Development Agency NPC (MBDA) as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and in the manner required by the MFMA and the Companies Act.

Additional matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act

8. As part of our audit of the financial statements for the year ended 30 June 2012, I have read the directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the preparer. After reading this report I have not identified material inconsistencies between the report and the audited financial statements. I have not audited the report and accordingly do not express an opinion on it.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report of the MBDA as set out on pages 22 to 30 of the annual report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury *Framework for managing programme performance information.*

    The reliability of the information in respect of the selected objectives was assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. There were no material findings on the annual performance report of the MBDA concerning the usefulness and reliability of the information.

Additional matter

13. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matter.

Achievement of planned targets

14. As reported in the annual performance report, only 41% of the planned targets were achieved during the year under review. The reasons for the underachievement include the lengthy public participation process for capital projects that contributed to the late start of many of the capital projects undertaken and the timing of expenditure incurred.

Compliance with laws and regulations

15. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My finding on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA is as follows:

Procurement and contract management

16. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act, 2000 (Act No. 38 of 2000) and CIDB regulation 18.

Internal control

17. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matter reported below under the fundamentals of internal control is limited to the significant deficiencies that resulted in the finding on compliance with laws and regulations included in this report.

Financial and performance management

18. Management did not properly review and monitor the entity's compliance with laws and regulations. As a result material non-compliance was identified relating to the CIDB and the Municipal Supply Chain Management Regulations, GNR868 of 30 May 2005.

Auditor General.

East London

30 November 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

The Directors have pleasure in submitting their report for the entity, which forms part of the audited financial statements of the Non Profit Company for the year ended 30 June 2012.

Establishment

The Nelson Mandela Bay Municipality (NMBM), with the assistance of the Industrial Development Corporation (IDC) established the Mandela Bay Development Agency (the entity) to project manage urban regeneration of the inner metro precinct with a view to promoting economic and tourism development. The original geographical area for which the entity was responsible for included *inter alia* , the Port Elizabeth Central Business District (CBD), Central Hill, the existing harbour, Lower Baakens River Valley and surrounding areas.

In December 2007 the NMBM council resolved that the MBDA's mandate be extended to include the renewal and revitalisation of emerging nodes within the entire Nelson Mandela Bay area with a focus on areas such as Uitenhage etc. In October 2011 Council further resolved that the Helenvale Urban Renewal program (HURP) be transferred from the Special Projects Directorate in the Municipality to the Agency in order to fulfill the program's mandate. It is envisaged that the Agency will also become more involved with other township projects in the near future.

General review

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

Funds were also received from the IDC to conduct certain development and feasibility studies in line with entity's mandate, whilst an arts grant was received from the National Lotteries Board for the purpose of promoting, facilitating and implementing art in the inner city of Port Elizabeth.

Legislation

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

Financial results

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

Key activities

Existing Projects
During the period under review the entity completed the environmental upgrades for Strand Street Phase 2 and Uitenhage Market Square Phase 2. The Athenaeum Club building renovation was also completed whilst the Kings Beach Phase 2 project was officially launched to the public by the Executive Mayor.

New Projects
During the year under review, construction on the second phase of the environmental upgrade of the Kings Beach Triangle as well as Donkin Reserve Phase 4 projects commenced with the Kings Beach project involving further asthetic and environmental upgrades whilst the Donkin project will involve the development of an amphitheatre-like area as well as a childrens garden together with further landscaping on this landmark site that is being reinvented for citizens of Nelson Mandela Bay and tourists alike.

The Route 67 public art project funded by the National Lotteries Board arts grant progressed very well with most of the 67 art pieces commisioned being completed or in the final process of completion and this important heritage site has started to become an important tourism product for Nelson Mandela Bay.

Future Projects
The southern beachfront of Kings Beach will undergo environmental upgrading which will include further landscaping and other urban renewal initiatives planned for this key tourist destination on the beachfront of Port Elizabeth.

A grant of EUR 5 million from German Development Bank KfW will be utilised for the HURP violence prevention programme in the form of various social and infrastructure projects planned in Helenvale. Funding agreements are planned to be finalised by August 2012 whereafter an international consultant will be appointed in line with the funding agreement to work with the MBDA as well as local service providers in rolling out the various initiatives making up the project.

A market asessment, project conceptualisation and development modelling exercise for the Belmont Terrace and Bird Street precinct was commisioned and a contractor has been appointed with construction commencing in the new financial period.

The entity will in the new financial period also embark upon the redevelopment of the Tramways Building in the Baakens River Valley with architects and engineers to be appointed to develop design and feasibilty studies, and construction planned to commence in early 2013 on this derelict municipal heritage property. The Agency will redevelop the property into its new office headquarters and it is envisaged that the building will be ready for occupation by 2015.

The Directors wish to also to record their concern at the current financial challenges that the Agency's parent municipality is facing in light of the capital and operating budgetary allocations having been reduced significantly for the Agency in both the period under review as well as the ensuing financial year. In this regard the future financial viability of the Agency is in question given that the majority of its funding is sourced from the NMBM and the Board and management will need to revisit this matter in the new year in respect of implementing a funding strategy for the Agency going forward.

Directors and Secretary
The non-executive directors of the company are:

Sakumzi Justice Macozoma (Chairperson)
Phillip Hugo Gutsche (Deputy Chairperson)
Daniel Alexander Jordaan
Lulama Monica Prince
Wilhela Magda Gie
Hannah Sadiki
Alfred Da Costa
Renganayagee Kisten

Preparer of annual financial statements: Bongani Mdutyana (Financial Accountant)

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

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

Business Address:
2nd Floor
Business Connexion Building
106 Park Drive
Central
Port Elizabeth
6001

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
NET ASSETS			
Accumulated Surplus		845,240	790,249
Non Current Liabilities			
Construction Contract Retention Creditors	**2**	115,633	1,037,369
Current Liabilities		60,048,142	62,969,939
Trade and Other Payables	**3**	2,594,591	8,113,361
Provisions	**4**	27,823	23,851
Unspent Conditional Grants	**5**	55,810,374	53,771,873
Short term portion of Construction Contract Retention Creditors	**2**	1,615,354	1,060,854
TOTAL NET ASSETS AND LIABILITIES		**61,009,015**	**64,797,557**
ASSETS			
Non-current Assets		845,240	790,249
Property, Plant & Equipment	**6**	805,002	721,832
Intangible Assets	**7**	40,238	68,417
Current Assets		60,163,775	64,007,308
Inventory	**8**	46,889	79,454
Trade and Other Receivables	**9**	4,022,957	5,550,032
Deposits	**10**	2,100	3,500
Cash and Cash Equivalents	**11**	56,091,829	58,374,322
TOTAL ASSETS		**61,009,015**	**64,797,557**

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	2012 R	RESTATED 2011 R
Revenue from Exchange Transactions		**48,107,066**	**80,581,646**
- NMBM Conditional Grants & Receipts		44,075,020	76,316,522
- National Lotteries Board Receipts	**28**	4,032,046	4,265,124
Revenue from non Exchange Transactions		**18,333,204**	**17,395,709**
- IDC Grants		469,655	2,378,530
- NMBM Conditional Grants & Receipts		15,190,439	11,202,352
- National Lotteries Board Receipts	**28**	506,547	1,010,570
- Interest Received		2,166,563	2,804,257
TOTAL REVENUE		**66,440,270**	**97,977,355**
OTHER INCOME			
Other Income	**13**	378,016	354,748
TOTAL INCOME		**66,818,286**	**98,332,103**
EXPENDITURE		**66,763,295**	**98,283,804**
Advertising & Media		70,483	79,082
Audit Fees		358,773	518,944
Bad Debts		10,383	9,682
Bank Charges		5,025	4,694
Capital Projects Cost	**28**	47,911,878	80,417,866
CBD Facilities		1,503,208	489,358
Cleaning, Safety & Security		27,418	13,393
Cleansing Plan Project		3,253,134	3,227,266
Computer Expenses		11,673	28,890
Consumables		11,570	16,607
Course Fees, Education & Training		94,004	83,434
Depreciation and amortisation	**6, 7**	161,755	172,175
Donations & Social Responsibility		21,900	48,540
Electricity, Water & Rates		86,689	80,380
Employee Related Costs	**14**	6,444,244	5,720,475
Entertainment		92,550	59,725
Equipment Lease & Rentals		23,274	16,374
Insurance		72,235	86,854
Interest Paid	**16**	235,660	163,780
IT Support Costs		112,452	128,529
Legal Fees		423,500	366,042
Meeting Expenses		44,355	58,069
National Lotteries Board Expenses	**28, 29**	506,547	1,010,570
Office Decor & Fittings		20,090	18,762
Office Relocation Costs		224,323	-
Office Rentals		519,255	521,990
Postage & Courier		19,194	12,052
Printing & Stationery		39,967	44,890
Professional & Consultant Fees		593,460	973,847
Public Relations & Marketing		1,392,408	810,340
Recruitment Costs		80,275	10,949
Refreshments		11,527	15,999
Repairs & Maintenance		40,355	54,040
Security Plan Project		1,250,123	-
Strategic Spatial Framework Studies	**30**	469,655	2,378,530
Subscriptions		69,749	51,768
Sundry Expenses		81,096	172,598
Telephone & Fax		155,312	126,556
Travel & Accommodation		313,796	290,754
SURPLUS/(DEFICIT) FOR THE YEAR		**54,991**	**48,299**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulated Surplus	Total
	R	R
Balance at 1 July 2010	**741,950**	**741,950**
Surplus for the year	48,299	**48,299**
Balance at 1 July 2011	**790,249**	**790,249**
Surplus for the year	54,991	**54,991**
Balance at 30 June 2012	**845,240**	**845,240**

Note: The accumulated surplus of the entity represents revenue relating to grants received for the purchase of property, plant and equipment. The accumulated surplus will increase when new assets are purchased and reduce as these assets are depreciated over their useful lives.

MANDELA BAY DEVELOPMENT AGENCY NPC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Gross cash receipts from Nelson Mandela Bay Municipality		75,087,589	111,771,314
Gross cash receipts from IDC, NLB and others		8,109,475	3,000,000
Cash paid to suppliers and employees		87,173,814	101,023,166
Cash generated from / (utilised in) operations	**15**	**(3,976,750)**	**13,748,148**
Interest received		1,928,689	2,804,257
NET CASH FROM OPERATING ACTIVITIES		**(2,048,061)**	**16,552,405**
CASH FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**6, 7**	(234,432)	(220,474)
NET CASH FROM INVESTING ACTIVITIES		(234,432)	(220,474)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,282,493)**	**16,331,931**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		58,374,322	42,042,391
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**11**	**56,091,829**	**58,374,322**

1.1 REPORTING ENTITY

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

1.2 BASIS FOR PRESENTATION

1.2.1 Statement of Compliance

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

1.2.2 Basis of measurement

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

1.2.3 Use of Estimates and judgements

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

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

Note 4 – Provisions

Performance bonus provisions are based on employment contract stipulations as well as previous performance bonus payment trends.

Note 6 – Property, Plant & Equipment

The estimated useful lives of all property, plant and equipment were revised as part of the annual assessment process and was based on latest replacement cost.

Note 12 – 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 funders of construction contracts and other capital projects.

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.4 GOING CONCERN ASSUMPTION

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

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Assets	Useful life in Years
- Computer Equipment	3 - 8
- Computer Software	2
- Office Equipment	5 - 10
- Furniture and Fittings	10
- Motor Vehicles	4 - 5
- Containers	15

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

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

Heritage assets refer to works of art that have been acquired or constructed by the entity and are not depreciated, but are assessed at each balance sheet date whether there is an impairment, in which case the entity shall estimate the recoverable amount of the heritage asset.

1.6 INVENTORY

Project Spares are measured at lower of cost and net-realisable value. In general the basis of determining cost is the first-in, first-out method.

Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

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

1.7 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 conditional grants. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.

1.8 FINANCIAL INSTRUMENTS

1.8.1 Investments and other financial assets

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

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

1.8.2 Trade and other Receivables

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

1.8.3 Impairment of Financial Assets

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

1.8.4 Derecognition of financial assets and liabilities

1.8.4.1 Financial Assets

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

The rights to receive cash flows from the asset have expired; or the entity retains the right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either

(a) the entity has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

1.8.5 Financial Liabilities

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

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

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

1.8.5.1 Construction Contract Retention Creditors

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

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

1.8.6 Loans and Borrowings

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

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

1.9 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Cash in the statement of financial position comprises of cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash anad cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at fair value.

1.10 PROVISIONS AND CONTINGENCIES

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

After their initial recognition contingent liabilities recognised are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

1.10.1 Performance Bonus

Where performance appraisals have not yet been performed at year-end, a performance bonus provision is made based on the employment contract stipulations as well as previous performance bonus payment trends.

1.11 REVENUE RECOGNITION

1.11.1 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.11 REVENUE RECOGNITION (continued)

1.11.1 Revenue from Exchange Transactions (continued)

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion.
When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.
Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest

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

1.11.2 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.
Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.12 VALUE ADDED TAX

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

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

1.13 UNSPENT CONDITIONAL GRANTS

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

1.14 COMPARATIVE INFORMATION

1.14.1 *Current year comparatives* :
Budgeted amounts have been included in the annual financial statements for the current year only.

1.14.2 *Prior year comparatives* :
When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. (Refer to note 29 for the impact of the correction of a prior period error on the prior year comparatives).

1.15 TAXATION

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

1.16 OPERATING LEASES

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

1.17 RETIREMENT BENEFITS

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

1.18 STATEMENTS IN ISSUE BUT NOT YET ADOPTED

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

Standard of GRAP	Effective Date
GRAP 18 Segment Reporting	No effective date gazetted to date
GRAP 20 Related party disclosures	No effective date gazetted to date
GRAP 25 Employee Benefits	No effective date gazetted to date
GRAP 105 Transfers of Functions Between Entities Under Common Control	No effective date gazetted to date
GRAP 106 Transfers of Functions Between Entities Not Under Common Control	No effective date gazetted to date
GRAP 107 Mergers	No effective date gazetted to date

2 CONSTRUCTION CONTRACT RETENTION CREDITORS

	2012 R	2011 R
Rand Civils - Strand Street Phase 1	-	434,631
Rand Civils - Strand Street Phase 2	513,290	928,530
Cypress - Uitenhage Market Square Phase 1	256,045	215,612
Cypress - Uitenhage Market Square Phase 2	239,321	244,522
Penny Farthing - Whites Road Cliff Stabilisation Project	-	106,016
GVK Siyazama - Atheneaum Club Refurbishment	78,169	60,073
Trenchless Technologies - GMA 2 Sewer Rehabilitaion	215,545	108,839
Mawethu Civils - Kings Beach Triangle Upgrade Phase 1	312,984	-
Mawethu Civils - Kings Beach Triangle Upgrade Phase 2A	61,319	-
Ngelethu Construction - Donkin Reserve Upgrade Phase 4	54,314	-
	1,730,987	2,098,223
Less: Short term portion transferred to Current Liabilities	(1,615,354)	(1,060,854)
	115,633	**1,037,369**

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

3 TRADE AND OTHER PAYABLES

	2012 R	2011 R
Trade Creditors	662,959	6,164,819
PAYE	86,650	79,975
UIF	4,003	3,936
Audit fees	122,045	178,978
Staff leave	196,102	201,757
Performance Bonuses	360,348	265,727
13th Cheque	75,449	73,357
Provident Fund	59,499	54,077
Accruals	1,027,536	1,090,735
	2,594,591	**8,113,361**

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

4 PROVISIONS

Performance bonuses

	2012 R	2011 R
Balance at beginning of year	-	306,547
Additions	-	-
Expenditure incurred	-	(306,547)
Balance at end of year	-	-

Performance bonuses are paid in July of each year to senior management in line with their performance agreements as concluded with the entity .

Workmen's Compensation

	2012 R	2011 R
Balance at beginning of year	23,851	40,162
Additions	27,823	23,851
Adjustment for underprovision	(6,621)	(11,931)
Expenditure incurred	(17,230)	(28,231)
Balance at end of year	**27,823**	**23,851**
TOTAL	**27,823**	**23,851**

		2012 R	2011 R
5	**UNSPENT CONDITIONAL GRANTS**	**55,810,374**	**53,771,873**
	IDC	**425,499**	**895,154**
	Opening Balance	895,154	273,684
	Amount Received	-	3,000,000
	Recognised as Revenue	(469,655)	(2,378,530)
	National Lotteries Board	**2,068,183**	**6,606,776**
	Opening Balance	6,606,776	11,882,470
	Amount Received	-	-
	Capital expenditure portion of grant recognised as Revenue	(4,032,046)	(4,265,124)
	Operating expenditure portion of grant recognised as Revenue	(506,547)	(1,010,570)
	NMBM	**53,316,692**	**46,269,943**
	Opening Balance	**46,269,943**	**67,558,688**
	Grants for the year	66,312,208	65,860,380
	Capital project expenditure portion of grant recognised as Exchange Revenue	(44,075,020)	(75,946,773)
	Operating and capital expenditure portion of grant recognised as Non-Exchange Revenue	**(15,190,439)**	**(11,202,352)**
	Interest Received	2,166,563	2,804,257
	Sundry Income	378,016	354,748
	Property Plant & Equipment	(234,432)	(220,474)
	Operating expenses	(17,500,586)	(14,140,883)

Made up as follows:

	2012	2011
	55,810,374 *	**53,771,873**
Committed Capital Projects in progress - Contract Creditors (refer to note 12)	43,693,377	42,429,224
Other (Operating grants, interest received, sundry income etc)	9,623,315	3,840,719
IDC Grant	425,499	895,154
National Lotteries Board Grant	2,068,183	6,606,776

* *The Agency's capital projects typically are multi-year in nature and span over 24 to 36 months with the first year normally starting slowly due to the complexities around planning, legislative compliance (EIA/Heritage), public participation, design, masterplanning and tender document preparation phases. The Unspent Conditional Grants total at 30 June 2012 comprised of:*

Project Name	Unspent Grants at 30 June 2012	Project Status
Redevelopment of Tramways Building	R 14,636,250	Tender to be advertised in November 2012 and construction planned to commence in January 2013.
Belmont Terrace/Bird Street Upgrade	R 14,263,170	Construction in progress and planned to be completed by March 2013.
Donkin Phases 3 & 4 Upgrade	R 8,222,321	Construction in progress and planned to be completed by June 2013.
Kings Beach Phases 1 & 2A Upgrades	R 3,307,780	Construction in progress and planned to be completed by June 2013.
Inner City Arts Project (NLB)	R 2,068,183	Project in progress and planned to be completed by June 2013.
SSIF Studies	R 1,830,345	Mermaids precinct study in progress and planned to be completed by March 2013. Savings rolled over to 2012/13.
Uitenhage Market Square/Baakens Street Circle Artpiece	R 1,000,000	Community consultations and art competition to be actioned in 2012/13.
Interest and Sundry Income	R 2,544,578	Savings rolled over into 2012/2013 financial year
Rugby Sevens Income	R 2,631,757	Accrued for and physically received in 2012/13 financial year.
Balance of HURP operating budget	R 588,361	Savings rolled over into 2012/2013 financial year
Other capital project cost savings	R 1,603,302	Savings rolled over into 2012/2013 financial year
Other operating cost savings	R 3,114,327	Savings rolled over into 2012/2013 financial year

6 PROPERTY, PLANT AND EQUIPMENT

2012
R

	Cost				Accumulated Depreciation				
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	Carrying Value
Computer Equipment	552,009	114,717	-34,782	631,944	374,226	54,240	-29,489	398,977	232,967
Office Equipment	59,504	42,153	-	101,657	36,328	6,723	-	43,051	58,606
Furniture & Fittings	447,117	14,162	-33,408	427,871	220,934	36,923	-21,015	236,842	191,029
Motor Vehicles	166,746	-	-	166,746	79,168	28,506	-	107,674	59,072
Containers	45,120	17,000	-	62,120	3,008	2,784	-	5,792	56,328
Heritage Assets	165,000	42,000	-	207,000	-	-	-	-	207,000
	1,435,496	**230,032**	**-68,190**	**1,597,338**	**713,664**	**129,176**	**-50,504**	**792,336**	**805,002**

2011
R

	Cost				Accumulated Depreciation				
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	Carrying Value
Computer Equipment	536,018	15,991	-	552,009	307,106	67,120	-	374,226	177,783
Office Equipment	59,504	-	-	59,504	28,034	8,294	-	36,328	23,176
Furniture & Fittings	444,081	3,036	-	447,117	184,417	36,517	-	220,934	226,183
Motor Vehicles	136,053	30,693	-	166,746	52,424	26,744	-	79,168	87,578
Containers	45,120	-	-	45,120	602	2,406	-	3,008	42,112
Heritage Assets	-	165,000	-	165,000	-	-	-	-	165,000
	1,220,776	**214,720**	**-**	**1,435,496**	**572,583**	**141,081**	**-**	**713,664**	**721,832**

NOTE

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

7 INTANGIBLE ASSETS

2012
R

	Cost				Accumulated Amortisation				
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal	Closing Balance	Carrying Value
Computer Software	148,969	4,400	-	153,369	80,552	32,579	-	113,131	40,238
	148,969	4,400	-	153,369	80,552	32,579	-	113,131	40,238

2011
R

	Cost				Accumulated Amortisation				
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Amortisation	Disposal	Closing Balance	Carrying Value
Computer Software	143,215	5,754	-	148,969	49,458	31,094	-	80,552	68,417
	143,215	5,754	-	148,969	49,458	31,094	-	80,552	68,417

8 INVENTORY

	2012 R	2011 R
Craft Inventory	-	11,815
Project Spares	46,889	67,639
	46,889	**79,454**

	2012	2011
	R	R

9 TRADE AND OTHER RECEIVABLES

	2012 R	2011 R
Trade Debtors	3,335,115	3,040,195
Provision for Bad debts	(17,880)	(9,690)
Interest Receivable	237,874	170,059
Sundry Debtors	41,520	13,922
VAT	426,328	2,335,546
	4,022,957	**5,550,032**

Trade debtors: Ageing

	2012 R	2011 R
Current (0 - 30 days)	3,309,090	4,125
31 - 60 days	4,170	3,825
61 - 90 days	3,975	3,030
91 + days	17,880	3,029,215
	3,335,115	**3,040,195**

NOTE

Interest receivable, sundry debtors and VAT have not been aged as they are all current.

10 DEPOSITS

	2012 R	2011 R
Telkom	2,100	2,100
Africorp Parking Bay and Remote Controls	-	1,400
	2,100	**3,500**

11 CASH AND CASH EQUIVALENTS

The entity has the following bank accounts

Current Account (Primary Account)

First National Bank, Govan Mbeki Avenue, Port Elizabeth
Account Number - 62244870748

	2012 R	2011 R
Cashbook balance at beginning of year	345,065	143,990
Cashbook balance at end of the year	**111,945**	**345,065**
Bank statement balance at beginning of the year	345,065	143,990
Bank statement balance at end of the year	**111,945**	**345,065**

Call Account Deposits

Rand Merchant Bank, Port Elizabeth
Account Number - X021906134

	2012 R	2011 R
Cashbook balance at beginning of year	58,029,257	41,898,401
Cashbook balance at end of the year	**55,979,884**	**58,029,257**
Bank statement balance at beginning of the year	58,029,257	41,898,401
Bank statement balance at end of the year	**55,979,884**	**58,029,257**

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

	2012 R	2011 R
Cash and Cash Equivalents	**56,091,829**	**58,374,322**
Current Account (Primary Account)	111,945	345,065
Call Account Deposits	55,979,884	58,029,257

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

12 AMOUNTS DUE TO FUNDERS OF CONSTRUCTION CONTRACTS

	2012 R	2011 R
Cumulative Construction costs incurred	(104,742,869)	(124,687,879)
Cumulative Advances received	148,436,246	167,117,103
Amounts due to funders of construction contracts	43,693,377	42,429,224

		2012 R	2011 R
13	**OTHER INCOME**		
	Request for Proposal Document Fees	39,583	26,162
	Sundry income	79,548	13,820
	Kiosk Rentals	56,579	56,551
	NMBM Costs re-imbursements	124,217	171,447
	Public Toilet Fees	69,894	71,430
	Administration Fees	-	15,338
	Discount Received	8,195	-
		378,016	**354,748**
14	**EMPLOYEE RELATED COSTS**		
	Employee related costs - Salaries and Wages	4,739,655	4,251,280
	Employee related costs - Social Contributions	1,236,241	1,095,469
	Car allowances	108,000	108,000
	Performance bonus provision	360,348	265,726
	Total Employee Related Costs	**6,444,244**	**5,720,475**
	Remuneration of the Chief Executive Officer		
	Annual Remuneration including social contributions	1,240,370	1,166,764
	Car allowance	60,000	60,000
	Performance bonus provision	156,044	122,676
	Total	**1,456,414**	**1,349,440**
	Remuneration of Chief Financial Officer		
	Annual Remuneration including social contributions	699,050	658,123
	Car allowance	24,000	24,000
	Performance bonus provision	101,227	68,212
	Total	**824,277**	**750,335**
	Remuneration of Planning and Development Manager		
	Annual Remuneration including social contributions	628,529	591,593
	Car allowance	24,000	24,000
	Performance bonus provision	65,253	55,403
	Total	**717,782**	**670,996**
	Remuneration Operations Manager		
	Annual Remuneration including social contributions	420,263	388,700
	Performance bonus provision	37,824	19,435
	Total	**458,087**	**408,135**
15	**CASH GENERATED FROM / (UTILISED IN) OPERATIONS**		
	Surplus / (Deficit) for the year	54,991	48,299
	Depreciation	161,755	172,175
	Loss / (Profit) on disposal of property, plant and equipment	17,686	-
	Interest Received	(1,928,689)	(2,804,257)
	Interest Paid	-	-
	Increase / (Decrease) in provisions	3,972	(322,858)
	Operating loss before working capital changes:	(1,690,285)	(2,906,641)
	(Decrease) / Increase in Trade and other Payables	(5,518,770)	(1,906,922)
	Increase / (Decrease) in Unspent Conditional Grants	2,038,501	(25,942,969)
	(Decrease) / Increase in Construction Contract Retention Creditors	(367,236)	502,987
	Decrease / (Increase) in Inventory	32,565	143,674
	Decrease / (Increase) in Trade and other Receivables	1,527,075	43,858,019
	Decrease / (Increase) in Deposits Paid	1,400	-
	Cash generated from / (utilised in) operations	**(3,976,750)**	**13,748,148**

		2012	2011
		R	R
16	**INTEREST PAID**		
	Interest on present valuing Retention Creditors	195,187	163,780
	Interest on fair valuing of Debtors	40,473	-
		235,660	**163,780**

17 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

17.1 Audit fees

	2012	2011
Opening balance	178,978	-
Current year audit fee	410,756	369,248
Amount paid - current year	(288,711)	(190,270)
Amount paid - previous year	(178,978)	-
Balance unpaid	**122,045**	**178,978**

17.2 PAYE and UIF

	2012	2011
Opening balance	83,911	62,292
Current year payroll deductions	1,235,363	1,116,165
Amount paid - current year	(1,144,710)	(1,032,254)
Amount paid - previous year	(83,911)	(62,292)
Balance unpaid	**90,653**	**83,911**

17.3 Performance Bonuses

	2012	2011
Opening balance	265,727	306,547
Amount paid	(265,727)	(306,547)
Provisions for the year	360,348	265,727
Balance unpaid	**360,348**	**265,727**

17.4 Provident Fund

	2012	2011
Opening balance	54,077	-
Amount paid	(700,159)	(549,202)
Expenditure	705,581	603,279
Balance unpaid	**59,499**	**54,077**

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

The employer makes a monthly contribution of 15% of staff members' salary in respect of members belonging to the Provident Fund. A total of 16 members belong to the fund.

17.5 Supply Chain Management Policy

In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R25 029

In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R573 375

In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R396 000

In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R2 378 448

In accordance with section 36(1)(b) of SCM policy regulations there were deviations from the normal procurement process to the value of R382 801

	2012 R	2011 R

18 VALUE ADDED TAX

As at 30 June 2012 all VAT returns have been submitted timeously to the South African Revenue Services.

19 RELATED PARTIES

19.1 Relations

Parent Municipality	Nelson Mandela Bay Municipality
Funder	Industrial Development Corporation
Funder	National Lotteries Board

19.2 Related party balances

Amounts included in Trade and Other Receivables (Trade and Other Payables) regarding related parties

	2012 R	2011 R
Nelson Mandela Bay Municipality	**3,302,489**	**3,021,000**

These balances have no fixed terms and conditions.
Refer to note 5 relating to NMBM, IDC and NLB unspent conditional grants.

20 KEY MANAGEMENT PERSONNEL

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipal entity, directly or indirectly including any director of MBDA:

Chief Executive Officer:	Pierre Voges
Chief Financial Officer:	Ashwin Badra Daya
Planning and Development Manager:	Dorelle Giuliana Esilda Sapere
Operations Manager:	Mcebisi Ncalu

Their short term employee benefits are disclosed in note 14.

21 CONTINGENT LIABILITY

The entity is being sued by Ms Xoliswa Hudson for the loss of income to the value of R156 000. She alleges that her business in Govan Mbeki Avenue lost clientele as a result of offensive odours that escaped from the sewer pipes and manholes that were exposed during the upgrade of the street. Based on the evidence at hand the entity is confident that it can defend the claim and has instructed its attorneys to notify the defendant of its intention to defend. In the event that the entity was to lose the case, total costs including legal fees are estimated to cost in the region of R350,000.

22 CONTINGENT ASSETS

We are not aware of the existence of any contingent assets at the financial year end.

23 IN-KIND DONATIONS

No in-kind donations and/or assistance was received during the financial year that would require adjustments to the annual financial statements.

24 POST BALANCE SHEET EVENTS

No events post balance sheet date occurred that would require adjustments to the annual financial statements.

	2012 R	2011 R

25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

25.1 UNAUTHORISED EXPENDITURE

No such expenditure was incurred by the entity.

25.2 IRREGULAR EXPENDITURE

	2012 R	2011 R
Balance at beginning of year	4,467,140	-
Incurred during the year	-	4,467,140
Condoned by National Treasury	-	-
Balance at end of year	4,467,140	4,467,140

The reasons for the irregular expenditure were ratified by the Board during the year and also have to be condoned by National Treasury in terms of Section 170(2) of the Municipal Finance Management Act 56 of 2003. The Agency will request such condonation in the new year.

25.3 FRUITLESS AND WASTEFUL EXPENDITURE

	2012 R	2011 R
Balance at beginning of year	26,548	26,548
Incurred during the year	-	-
Condoned by National Treasury	-	-
Balance at end of year	26,548	26,548

The reasons for the fruitless and wasteful expenditure were ratified by the Board during the year and also have to be condoned by National Treasury in terms of Section 170(2) of the Municipal Finance Management Act 56 of 2003. The Agency will request such condonation in the new year.

26 OPERATING LEASES

The following are the total minimum future lease payments

	0 - 1 year	1 - 5 years
Office plants rental	21,265	5,380
Public toilets rental	33,319	211,105
Office rental	660,388	1,363,999

NOTE:

The entity is the lessee for all these leases.

		2012	2011
		R	R

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The entity's principal financial liabilities comprise Trade and Other Payables. The entity's financial assets comprise Trade and Other Receivables deposits.

Classification of Financial Instruments

	2012	2011
Financial Assets		
Loans and Receivables*	59,688,458	61,588,808
Financial Liabilities		
At amortised cost	4,325,581	10,211,584

** Loans and receivable excludes VAT Receivable*

27.1 Interest Rate Risk

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

Interest Rate Risk table

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

	2012	2011
Cash and cash equivalents	56 091 829	58 374 322
Effect of a 100 basis point movement in the interest rate	(560 918)	(583 743)

27.2 Credit Risk Management

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

27.3 Liquidity Risk

Liquidity Risk Management

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

Liquidity Tables

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

30-Jun-12	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Trade and Other Payables	2,594,591	-	-	-
Construction Contract Retention Creditors	-	-	1,615,354	115,633
	2,594,591	-	1,615,354	115,633

30-Jun-11	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Trade and Other Payables	8,113,361	-	-	-
Construction Contract Retention Creditors	-	-	1,060,854	1,037,369
	8,113,361	-	1,060,854	1,037,369

27.4 Foreign Currency Risk

The entity is not exposed to foreign currency risk as all trading is done locally.

28 PRIOR PERIOD ERROR

During the 2011/12 financial year the entity's management discovered that an amount of R2.0 million relating to the capital portion of the National Lotteries Board expenditure was incorrectly classified as non-capital project expenditure in the 2010/11 financial year and the prior period was adjusted retrospectively.

The effect of the error on the individual line items in the financial statements is as follows:

Statement of Financial Performance	Previously Stated 2011	Change	Restated 2011
Revenue from Exchange Transactions (National Lotteries Board Receipts)	2,265,124	2,000,000	**4,265,124**
Revenue from non Exchange Transactions (National Lotteries Board Receipts)	3,010,570	-2,000,000	**1,010,570**
Capital Project Cost	78,417,866	2,000,000	**80,417,866**
National Lotteries Board expenses (non-capital)	3,010,570	-2,000,000	**1,010,570**
Net impact on Statement of financial performance		-	

29 NATIONAL LOTTERIES BOARD EXPENSES

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

30 STRATEGIC SPATIAL FRAMEWORK STUDIES

These expenses relate to feasibility and development studies and are predominantly funded by the Industrial Development Corporation (IDC).

NOTE 31 - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

	2012 ACTUAL	2012 BUDGET	VARIANCE	VARIANCE
	R	R	R	%
REVENUE	**66,818,286**	**116,966,976**	**(50,148,690)**	**(42.87)**
EXPENDITURE				
Advertising & Media	70,483	78,900	8,417	10.67
Audit Fees	358,773	497,500	138,727	27.88
Bad Debts	10,383	12,000	1,617	13.48
Bank Charges	5,025	10,600	5,575	52.59
Capital Projects Cost	47,911,878	90,860,000	42,948,122	47.27
CBD Facilities	1,503,208	1,503,500	292	0.02
Cleaning & Safety	27,418	27,960	542	1.94
Cleansing Plan Project	3,253,134	3,931,124	677,990	17.25
Computer Expenses	11,673	27,500	15,827	57.55
Consumables	11,570	11,680	110	0.94
Course Fees, Education & Training	94,004	100,000	5,996	6.00
Depreciation and amortisation	161,755	164,000	2,245	1.37
Donations & Social Responsibility	21,900	25,000	3,100	12.40
Electricity, Water & Rates	86,689	145,600	58,911	40.46
Employee Related Costs	6,444,244	6,956,712	512,468	7.37
Entertainment	92,550	137,800	45,250	32.84
Equipment Lease & Rentals	23,274	23,300	26	0.11
Insurance	72,235	106,000	33,765	31.85
Interest Paid	235,660	250,000	14,340	5.74
IT Support Costs	112,452	112,500	48	0.04
Legal Fees	423,500	550,000	126,500	23.00
Meeting Expenses	44,355	84,800	40,445	47.69
National Lottery Fund Expenses	506,547	3,382,160	2,875,613	85.02
Office Decor & Fittings	20,090	20,400	310	1.52
Office Relocation Costs	224,323	228,000	3,677	1.61
Office Rentals	519,255	550,000	30,745	5.59
Postage & Courier	19,194	19,600	406	2.07
Printing & Stationery	39,967	79,500	39,533	49.73
Professional & Consultant Fees	593,460	1,000,000	406,540	40.65
Public Relations & Marketing	1,392,408	1,500,000	107,592	7.17
Recruitment Costs	80,275	81,000	725	0.90
Refreshments	11,527	26,500	14,973	56.50
Repairs & Maintenance	40,355	50,000	9,645	19.29
Security Plan Project	1,250,123	1,380,000	129,877	9.41
Strategic Spatial Implementation Framework Studies	469,655	2,300,000	1,830,345	79.58
Subscriptions	69,749	70,040	291	0.42
Sundry Expenses	81,096	83,500	2,404	2.88
Telephone & Fax	155,312	155,800	488	0.31
Travel & Accommodation	313,796	424,000	110,204	25.99
Total Expenditure	**66,763,295**	**116,966,976**	**50,203,681**	**42.92**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**54,991**	**-**	**54,991**	

NOTE 31 - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT & EQUIPMENT)

	2012 Actual Cost R	2012 Budget Cost R	Variance R	Variance %
Computer Equipment	114,717	150,000	35,283	23.52
Computer Software	4,400	25,000	20,600	82.40
Office Equipment	42,153	50,000	7,847	15.69
Furniture & Fittings	14,162	50,000	35,838	71.68
Storage Containers	17,000	40,000	23,000	57.50
Heritage Assets	42,000	50,000	8,000	16.00
Totals	**234,432**	**365,000**	**130,568**	**35.77**

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