



mandela bay
DEVELOPMENT AGENCY
THE SPIRIT OF GROWTH



Annual Report 2009/10



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 Nelson Mandela Bay Municipality, and to the benefit of the whole community.

The Mandela Bay Development Agency (MBDA) is the driving force behind urban regeneration in Nelson Mandela Bay's inner city. The organisation was formed in 2003 as an effort of the Nelson Mandela Bay Municipality (NMBM) and the Industrial Development Corporation (IDC) to address the serious urban decay in the inner city and to facilitate the development of the southern part of the harbour for non industrial purposes.

As a special purpose company, formed by the NMBM as a municipal entity, the MBDA is governed by the Municipal Systems Act (Act no. 32 of 2000) and the Municipal Finance Management Act (Act no. 56 of 2003). The MBDA operates under a mandate determined and approved by the NMBM and also has a Service Delivery Agreement (SDA) with the NMBM. Our Board of Directors represents various interest groups from the private, public and community sectors and provides the organisation with the necessary strategic guidance and operational oversight in obtaining our objectives.



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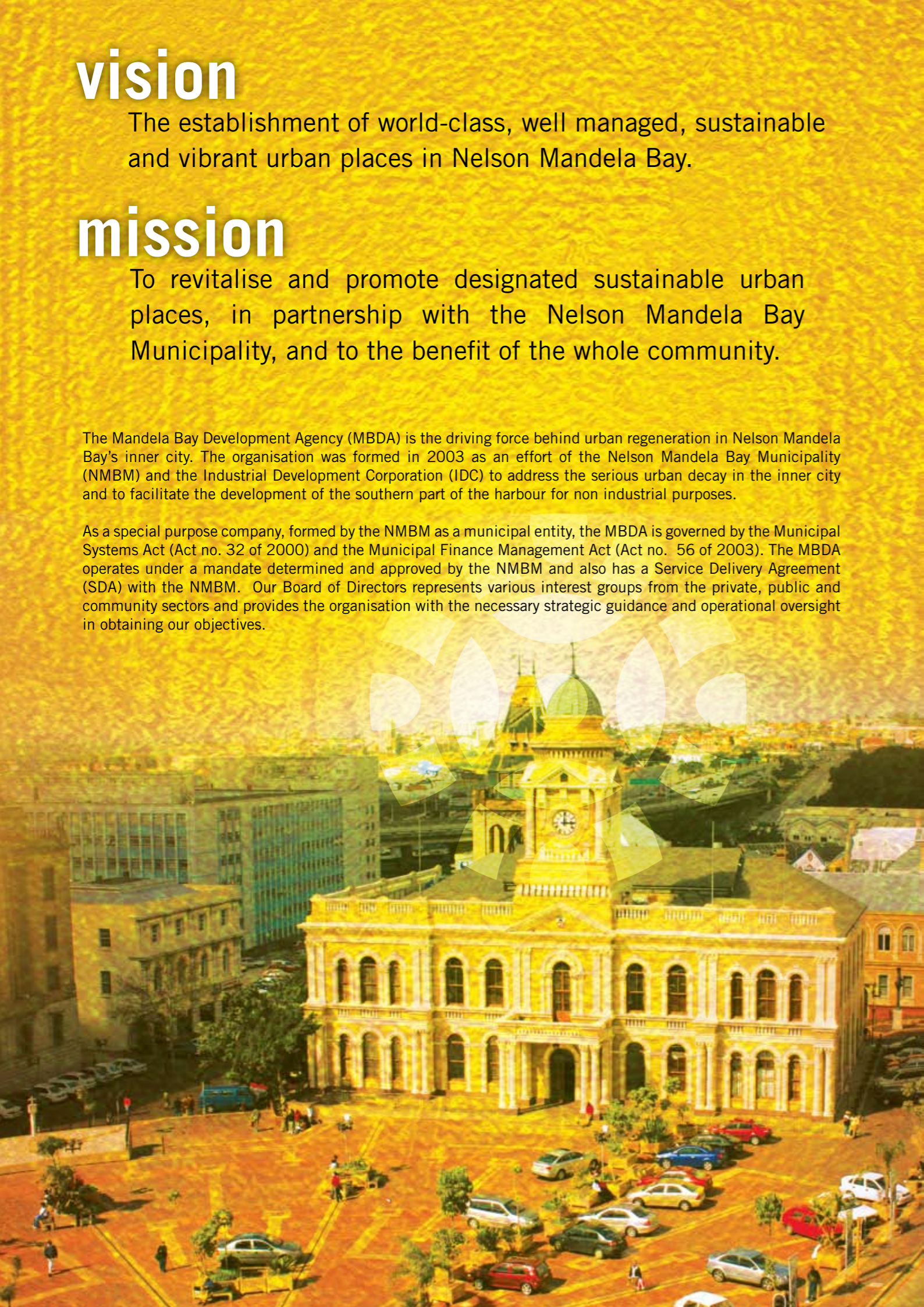
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The MBDA is a Special Purpose Vehicle (SPV), economic development and urban transformation arm of its parent municipality the Nelson Mandela Bay Municipality (NMBM). Against this backdrop the MBDA works closely with the executive management team of the NMBM and other key stakeholders, such as business sectors as well as relevant public entities to facilitate and support urban renewal and transformation through infrastructure projects and the delivery of services.

The projects and programmes implemented by the MBDA are therefore complementary and in line with the Integrated Development Plan (IDP) of the NMBM and is a further reinforcement of the overall objectives of the IDP.

Although the Mandate Document, approved by the NMBM Council in 2003, serves as a basis for the urban renewal and transformation work of the MBDA, the key objectives of the MBDA has grown and proliferated over time within the Mandate Area and other mandates as approved by Council in December 2007. These key objectives are as follows:

- Promoting, facilitating and managing the basics of security, cleansing and regulatory compliance to strengthen public confidence;
- Implementing catalytic capital projects and testing it in urban places as a stimulus for development;
- Enabling the conservation management and showcasing of heritages in order to forge a unique identity for the place and its people;
- Marketing the area as a first-class choice destination to “live, work and play”;
- Managing the area for environmental sustainability;
- Facilitating social and economic opportunities in all projects and activities in order to contribute to economic inclusion and growth;
- Engaging effectively with stakeholders and partners in order to foster understanding, buy-in and shared delivery of urban renewal;

Through the implementation of the above strategic objectives, the key rationale is to ensure a complete turnaround in respect of urban decay in the target areas of the Agency. Through the turnaround strategy economic growth is promoted through the response of private sector investment to the catalytic infrastructure projects and services initiated and implemented by the MBDA. Through these efforts the MBDA enhances decayed areas through the creation of sustainable urban places to contribute to the economic development of the City and the quality of life of all its residents.

The overall approach of the MBDA remains “to get the basics right” before other layers of economic development takes place. It is continuously building strong relationships with the relevant directorates in the NMBM and through these efforts the MBDA is continuously recognised as a key urban renewal and transformation vehicle.

The selection of key services and catalytic infrastructure projects are against the backdrop of extensive market research based on the need of key stakeholders. The MBDA has reached a point after six years of operating where it has created the required confidence to market and brand Nelson Mandela Bay as a city with strong, sustainable, urban places that is increasingly recognised locally, nationally and internationally. The MBDA also follows a creative and innovative way of conceptualising and implementing and fulfil its role as a change agent, “thinking out of the box”, but at the same time respecting the municipal regulatory and compliance environment.

The approach of the MBDA endeavours to coordinate and manage public sector capital investment and other programmes in order to deliver a range of development projects and programmes aimed at not only achieving the IDP, but bringing the IDP down to an implementation level in order to create a higher level of Gross Domestic Product (GDP) and employment opportunities and in the process growing the pool of rates and taxes that can be applied in critical areas of need such as the townships and other emerging nodes.

The overall development involves mechanisms to ensure that development is implemented as planned. The MBDA believes “a good plan is plan that works and to achieve a plan that works, it must be implemented on budget, on time and within the acceptable quality standards”. In this regard, the MBDA may outsource specific project management functions with planning, engineering, architecture, quantity surveying and social profile emphasis, but it is an innovative and creative approach that manages the output of consultants to the satisfaction of the strategic objectives of the MBDA.

The MBDA uses the “consulting model” approach i.e. employing small, experienced and skilled staffing that drives a large consulting base to the desired output and an environment with the MBDA’s objectives of delivering on time, on quality and on budget.

1.1 CONTEXT

The MBDA believes that the provision of services and the implementation of catalytic capital infrastructure projects will only be successful if it is eventually responded to by private sector investment that will instigate the economic multiplier impact. As services are increased and catalytic capital infrastructure projects implemented, the private sector is slowly responding to initiate the economic multiplier impact that makes the inner city a very different place compared to what it was five years ago.

The creation of sustainable urban places include the areas of the inner city of Port Elizabeth and Uitenhage that are either in decay or declining into decay, as well as other developing nodes that could be developed from its original industrial base to a more non-industrial base (retail, residential, office and tourism/leisure/entertainment).

These efforts could include areas such as the southern part of the port and the Eastern Province Rugby Union Stadium, which was originally used as a sporting venue, but will probably be demolished and the precinct developed into a mixed use development.

The MBDA’s engagement with Transnet and national departments of Public Enterprises, Economic Development and the National Planning Commission has resulted in decisions by Transnet to relocate the oil tank farm by 2014 and the manganese ore facility by 2017 to allow the possibility of the City extending into the southern part of the port which will then be used for non port activities. Although these are medium to long-term projects, the past five years has already resulted in relocation decisions made by Transnet and the process will incrementally be taken forward for the City to eventually extend into the southern part of the port.

1.2 ACCOUNTABILITY

The MBDA received its mandate from its parent company, the NMBM, and is contractually accountable to the NMBM through a detailed service delivery agreement and it therefore needs to continuously work against the backdrop of key performance areas, using the NMBM systems of compliance and accountability.

1.3 WORKING WITH OTHER ENTITIES

The MBDA has a strong public participation profile which was particularly evident in the redevelopment of the Donkin Reserve. It involves key agencies at local, provincial and national level and stakeholders that are key participants in the implementation of the strategic objectives of the MBDA. As an agent of the NMBM, the MBDA interacts closely and regularly with the NMBM’s directorates as well as other local entities such as PERCCI, NAFCOC, Nelson Mandela Bay Tourism (NMBT), Uitenhage Despatch Development Initiative (UDDI), provincial agencies such as Eastern Cape Socio Economic Consultative Council (ECSECC), the Eastern Cape Development Corporation (ECDC), and nationally, through its cooperation with Transnet, the Department of Public Enterprises, the Department of Economic Development, the National Planning Commission, and institutions such as the Nelson Mandela Foundation.

Other key national stakeholders are one of the MBDA’s funders; the Industrial Development Corporation (IDC), the Development Bank of Southern Africa (DBSA) as well as National Treasury.

1.4 THE BUSINESS MODEL UTILISED

The MBDA is a section 21 Company with an independent Board of Directors appointed by the NMBM. The Board of Directors provide a wealth of experience which includes financial, business, political, social and property development skills.

The MBDA is not only about bricks and mortar, but is also implementing strategies and projects around the creative industry which comprises of heritage management, arts, music and film promotion initiatives and projects with a view to uplifting urban and social transformation. Furthermore social housing, women and youth involvement as key participants in such initiatives are also being pursued as part of the delivery outcome.

The key ingredients of the MBDA's approach are:

- “Getting the basics right”, cleansing, security, the regulation of informal trading and the maintenance of its completed infrastructure projects.
- Research in the areas of retail, residential, office and tourism/leisure/entertainment, to ensure that the programmes and projects of the MBDA respond to market indicators.
- Identify dormant municipal properties that are not contributing to the pool of rates and taxes and that could be further developed either through an offering to the market place to be taken forward by developers, or to be renovated by the MBDA itself, selecting appropriate tenants and ensuring that these buildings once again “sweat” to the benefit of the NMBM and its residents.
- Identify key infrastructure projects, conceptualise and implement such projects according to market demand and with the sole purpose of being a catalyst for private sector investment and confidence amongst private sector investors and the public.
- Continuously profiling the City as “a place to be”, particularly from a development point of view.

To test the outcome of the infrastructure projects implemented and the services provided, the MBDA has also developed an economic barometer which tests the impact of the projects through its contribution through GDP, employment, rates and taxes, measuring the stress levels and the impact of its services to ensure that it can be continuously proven that the impact of these services and projects are positive and results in a positive response from the private sector.

1.5 BOARD OF DIRECTORS



Saki Macozoma
Chairperson of the Board



Phil Gutsche
Deputy Chairperson of the Board



Hannah Sadiki



Pepi Silinga



Wilhela Gie



Danny Jordaan



Lulama Prince



Alfred Da Costa



Rojje Kisten

1.6 AUDIT COMMITTEE

Kevin Pather - Chairperson
Lulama Prince
Stephen Nel

1.7 HUMAN RESOURCES AND REMUNERATION COMMITTEE

Phil Gutsche – Chairperson
Wilhela Gie
Pepi Silinga

1.8 FOREWORD BY THE EXECUTIVE MAYOR

The 2009/10 financial year has proven that the MBDA, as the development arm of the NMBM, has the ability to deliver on infrastructure projects and the implementation of services, and its ability in keeping these projects within the expected levels of quality, budget and set timeframes has played a significant role in the urban transformation of Nelson Mandela Bay.

It is clear that the impact of the urban renewal projects is collectively making its impact and is now being seen as a ‘puzzle’ of the respective projects and services that are coming together and that will continuously improve on the quality of life of the residents and the creation of sustainable urban places.

It is not only the residents of the inner-city areas of Port Elizabeth and Uitenhage that are benefiting from such projects, as the majority of people coming to these urban areas every day come from the townships and have therefore also had an impact on township dwellers.

The NMBM is extremely pleased with the professional approach of the MBDA and in the delivery of its projects as set out in its annual Business Plan. It is believed that these efforts will help to bring investment flows into a city that has not seen the desired levels of investment over many years now. It is clear that the City is increasing its profile as an attractive destination for tourists and potential investors.

It is the success of an organisation such as the MBDA that have contributed positively to the management of Nelson Mandela Bay and arresting the economic ills of the past. The MBDA must be congratulated with its creative thinking and its innovative approach to find solutions for problems.

The average resident of Nelson Mandela Bay and the ward councillors are beginning to see the benefits of “place making” in creating sustainable urban places for people to “live work and play”. It is this “place making” that creates an attractive, conducive, working, living and playing environment for all the people of Nelson Mandela Bay.

It is clear that a municipality as an institution, must build service delivery more and more around the four “I’s”, which are institutions, infrastructure, innovation and investment. It is this approach that makes the NMBM proud of the MBDA as it has clearly shown that striving towards the four “I’s” is what ultimately develops an economy and growing it to the benefit of all the people. The MBDA as an institution has embarked on the implementation of an organisation structure that fits its programmes, as well as the needs of the Municipality, and it is this approach that supports the Municipality’s overall developmental vision, and improves on governance and accountability.

The MBDA has developed a purposeful institution that employs the right people who will create the correct recipes to address specific problems in urban transformation. It now has an extended mandate and it is clear that its success recipe in the original mandate area is slowly beginning to work in other areas such as Uitenhage. It is further foreseen that the MBDA will be continuously tasked with the implementation of strategic projects that will become the pillars of economic growth in Nelson Mandela Bay.

The Agency will in the future play a critical role in the NMBM’s priorities in respect of:

- Increasing the GDP, employment opportunities in marginalised areas and ensuring through the response of the private sector investment, that the pool of rates and taxes are grown to increasingly implement key projects in township areas; and
- The upgrading of decaying areas in the CBD to become a catalyst for further private sector downstream investment.
- Social housing projects in the inner city

The Mayoral Committee is looking forward to the MBDA’s continued valuable contribution and project management skills in promoting urban renewal and transformation in the CBD as well as in other emerging areas, as well as continuing to contribute to the economic growth of Nelson Mandela Bay.

The political leadership is pleased and proud of the contribution that the MBDA is making and hopes that this effort will not only be sustained in the future, but will be increased in the NMBM’s effort in service delivery.



CLLR ZANOXOLO WAYILE
EXECUTIVE MAYOR
NELSON MANDELA BAY MUNICIPALITY

1.9 CHAIRPERSON'S REPORT

Serious questions over the future of the inner city of Port Elizabeth were characterised by a capital flight, lack of security and cleansing and an outflow of activity towards the peripheral areas of Port Elizabeth. Today, as this Annual Report reflects, I am proud to say that the MBDA has increasingly been successful in conceptualising, implementing and managing the significant turnaround in the fortunes of the inner city of Port Elizabeth.

In essence, the MBDA is now reaching a point where projects are coming together and giving the City much required infrastructure and investor confidence. The ultimate success will be in the creation of inner city housing where people can truly live, work and play.

Over the past five years, the MBDA has filled a vacuum in respect of project management skills and has built reputable systems and processes. The MBDA has created trust, confidence and credibility which are the main pillars of its efforts in conceptualising, implementing and managing projects. It has established good governance and is meeting its development mandate with programmes and projects building on the existing strengths of the City whilst stimulating growth in sectors and regions where economic activity had been minimal. Against the backdrop of its history over the past five years, these achievements are nothing short of extraordinary.

We are living in a world where it is easy to do nothing and still be compliant in terms of the various statutory regulations. It is difficult though to be proactive against the backdrop of urgency in the conceptualisation, implementation and management of projects. I am proud to say that the MBDA has played an extremely proactive role in its creative and innovative thinking.

The MBDA's development of critical mass in terms of project management skills goes further, in that the MBDA is positioning itself as an Agency for urban transformation including the promotion of heritage and the creative industries.

These successes, and the MBDA's now decidedly promising future, is entirely due to the dedication of the executive management and staff members within the Agency. I continuously get the impression that each staff member is purposefully selected to fulfil a specific role and is proud of that role and delivering a service to the people of Nelson Mandela Bay. For this the Board thanks them.

This Annual Report also reflects the continuing challenges of the MBDA. It is enshrined in its core strategic goals, i.e. to increase its development impact while enhancing organisational efficiency and viability. We have also learnt though that with success comes the unavoidable spotlight of public scrutiny and criticism. We are also learning to see an opportunity for self evaluation from such criticism and are learning from our mistakes. The Board of Directors has no doubt that the MBDA will continue to meet these challenges in a proactive, innovative, creative and passionate manner.

SAKI MACOZOMA
CHAIRPERSON OF THE BOARD



1.10 CHIEF EXECUTIVE OFFICER'S REPORT

We are still in recessionary times and we are continuously confronted with uncertainties and problems around public owned entities. One thing we cannot hold back on though is our continuous need to change, understanding our market and customer and delivering a service that they require. The MBDA models itself on successful international development agencies, but has also adapted its mandate and projects to the needs of Nelson Mandela Bay.

It is now common cause that the MBDA has adapted certain aspects of other successful development agencies, but its key success lays in developing a home brewed plan for the City. After entering a vacuum in respect of urban renewal and transformation, at the end of 2004, the MBDA has now reached a critical mass to consolidate and build on its successes. Politicians and the public can now see that the "puzzle" is taking shape and is bearing fruit in the response from the private sector, even in recessionary times.

In essence, the MBDA took a giant leap towards a viable, effective project management house and support agency that focus on attracting new investment to the CBD and the wider Nelson Mandela Bay. The MBDA follows a business model that is based on key success factors of international development agencies, but has built its objectives and implementation plan on the demand and challenges of the city and its people. The Agency is moving steadily away from its previous role as only a promoter of urban renewal and transformation, towards becoming the hub for managing small and large infrastructure projects in Nelson Mandela Bay.

In the world of rapid change, which is also evident in the City of Port Elizabeth, as seen over the past five years, our strategic priorities are unyielding, to increase the development impact of our projects to build on internal structural and functional gains we have made for years, to address challenges of corporate financial viability and to enhance strategic and operational alliances, particularly with the private sector. The MBDA has embarked on various urban renewal projects and has diligently followed the vision set out in the original 5-year corporate plan and in the formation of its second 5-year Strategic Plan.

The annual Business Plans of the MBDA is purpose driven and intended to be measured in terms of levels of success.

CHALLENGES

The main challenge of the MBDA still remains to secure the required capital funding from the NMBM and other sources. A further constraint exist in municipal legislation and the restraining impact it has on initiative, innovation and creativity.

The MBDA follows a strong management by objective approach and is also continuously involved in training its staff in the philosophy of urban renewal and the overall approach of getting things done within the constraints of limited funding.

A further challenge for the MBDA is to project itself as the development arm of the NMBM. It therefore follows the approach of being "separate but together", reducing bureaucracy, and increasing the levels of urgency without neglecting the relevant legislative compliance.

STRATEGIC DIRECTION

Over the past number of years it has increasingly become evident that the MBDA has established itself as a credible, trusted change agent in urban renewal and transformation. It has already built critical mass in terms of service delivery through services such as cleansing and security, as well as its infrastructure projects and is also recognised as a well administered entity to deliver on implementation of the projects identified in its annual business plan and strategic plan.

The Agency is appreciative of the NMBM's financial support which has culminated in key projects such as the redevelopment of the Donkin Reserve and the environmental upgrade of Strand Street in the past financial period. These projects do not only have an innovative aesthetic component, but its main contribution lies in the promotion of functionality and the improved movement of people within the City.

The MBDA's core still remains "getting the basics right" and ensuring that urban renewal and transformation related capital investment is taking place to increase the potential for downstream private sector investment.

THE WAY FORWARD

What this challenging and changing environment demands from the MBDA is flexibility in its approach. The market place is ever changing and the MBDA is always directed to what the market needs are. In the year ahead the MBDA is looking forward to working with the NMBM and other key stakeholders in meeting the challenges of its overall objectives, as well as the IDP of the NMBM. It is clear that the mandate of the MBDA will continuously expand to include other strategic projects and the MBDA will continue to follow its successful recipe in other areas of Nelson Mandela Bay.

PIERRE VOGES
CHIEF EXECUTIVE OFFICER



1.11 AUDIT COMMITTEE REPORT

We present our report for the year ended 30 June 2010.

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 (appointed on 23/03/2009)
S Nel	- Independent member representing Industrial Development Corporation

The Audit Committee meets at least four times per annum as per its approved terms of reference, although additional special meetings with the Auditor General and the Internal Auditor were held as the need arose during the year under review.

The Internal Audit function has been outsourced to the parent municipality's internal audit department in line with relevant legislation. As the parent municipality internal audit did not have the capacity to perform the internal audit function, they have outsourced a large proportion of their work load to Ernest and Young. During the year under review, four Audit Committee meetings were held.

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

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 Statements

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

Efficiency and effectiveness of the internal controls

The matters reported in the report of 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 whilst there is always room for improvement, the internal controls generally functioned adequately during the year under review.



Relevant legislation

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

- The Company's 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 II Report on Corporate Governance.

Performance measurement

A performance management system has been implemented for all staff members of the Agency. The performance management system is a work in progress and management will be working closely with the external auditors and external consultants in refining and improving the implementation and operation of the performance management system.

Conclusion

The Audit Committee accepts the unqualified opinion of the Auditor-General on the annual financial statements for the Agency for the year ended 30 June 2010 and recommends that the audited annual financial statements be adopted by the Board.

**KD PATHER – CA (SA)
CHAIRPERSON**



2 THE PERFORMANCE HIGHLIGHTS IN 2009/10

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

- The completion of Phase 1 of the Donkin Reserve upgrade. This upgrade was accelerated to get certain elements ready for the 2010 World Cup tournament. It included the complete restoration of the Donkin pyramid and the tourist information office, as well as the erection of a 45 metre flagmast and the great flag;
- Commencing with the reconstruction of Jetty/Strand Street, which is part of the bigger plan to connect Govan Mbeki Avenue with Strand Street;
- The upgrade of the Athenaeum Club, a historic heritage building handed over to the MBDA by the NMBM for project management purposes;
- Finalising the local Spatial Development Framework (LSDF) for Happy Valley, which includes Telkom Park, which may become a further project for the MBDA to develop, as the completion of the Nelson Mandela Bay Stadium has opened up the possibility of the demolition of Telkom Park and using the land for further urban renewal purposes;
- The initiation, negotiation and finalisation of the NMB Stadium Operator contract.
- The commencement of the upgrade of Uitenhage Market Square which is the first urban renewal project in terms of the MBDA's extended mandate.
- Working closely with the Eastern Cape Gambling and Betting Board in the finalisation of the casino operator licensing conditions to enable Sun International to commence with the R1,2 billion upgrade of the present Boardwalk Complex which will include an International Conference Centre. Sun International, through its local subsidiary, Emfuleni Resorts, won the next 15-year casino operator license and will embark with the construction in 2011;
- The commencement of the Special Rating Area (SRA) concept to enable property owners in a designated precinct such as Central Hill to contribute an additional levy, to be paid over to a newly established section 21 company, to pay for the required services such as cleansing, security and maintenance;
- Commencing with the identification of a property for social housing/rental housing. This mandate was given to the MBDA by the NMBM Housing and Land directorate and it is foreseen that the MBDA will proceed in the next financial year with a pilot project in terms of housing for social and rental purposes. The old Mermaid building, which will be demolished, and adjacent erven will be used for these purposes;
- The commencement of the Local Spatial Development Framework (LSDF) for the MBDA's original Mandate Area. This will mean a legal conversion of the MBDA's interventionist plan, called the Spatial Strategic Implementation Framework, into a legal document to be implemented by the MBDA over the next 5 years;
- The appointment of consultants to commence with a plan to build public awareness around the negative impact of the oil tank farm and manganese ore facilities in the harbour, and formulating a compelling economic argument to convince Transnet and the Departments of Public Enterprises, Economic Development and the National Planning Commission to open up the land after relocation for non port activities, such as residential, retail, office and tourism/leisure/entertainment;
- The completion of an Economic Barometer taking different criteria into account and testing the economic and social impact of the MBDA's infrastructure and service project. This project was completed in the 2009/10 financial year and gives a complete outline of the positive impact of the MBDA's work, not only in terms of the economic impact through the contribution to GDP, employment and tax levels, but also in confidence created amongst private property owners and the response of private property owners to the work of the MBDA.



3.1 OPERATIONAL BUDGET

The MBDA follows the split budget process, culminating in two main components, namely an operational budget and capital budget. The total operating expenses for the 2009/10 financial year amounted to R16,4 million versus the budgeted operational cost of R23,7 million. The main reason for this variance related to SSIF Studies which were not commissioned timeously.

The operational budget consists of contributions from the NMBM as well as from the IDC and the Regional Industrial Development Fund accessed through the IDC from the Department of Trade and Industry.

3.2 OPERATIONAL CAPITAL EXPENDITURE BUDGET

The MBDA also has an operational capital expenditure budget. The total operating capital budget for 2009/10 financial year was R270,000 against which R246,000 was expended, being mainly on computer software and equipment.



4 CAPITAL PROJECTS

The core activity of the MBDA is the project initiation, implementation and management of key municipal capital projects which has been selected as a catalytic impact for urban renewal and transformation. These capital projects were the outcome of the extended research the MBDA completed in 2005/06 in the areas of retail, office, residential and tourism/leisure/entertainment and were selected to have a strong catalytic impact to result and culminate into an economic multiplier. This economic multiplier was reflected in the work done through the economic barometer which indicates the impact of the capital projects on GDP, employment and taxes.

The capital projects selected were funded through different forms of capital contributions and the overall philosophy was that well selected, catalytic infrastructure projects funded with public money will always be followed by the private sector over a period of time, resulting in a strong economic multiplier effect.

Indicated in the table below are the capital projects undertaken during the 2009/10 financial year:

Project	Budgeted Capital Spend	Actual Spend at 30 June 2010	Planned Completion Date
Govan Mbeki Avenue Upgrade - Phase 2	R 45,567,305	R 44,179,932	Completed
Donkin Reserve Upgrade Project - Phase 1	R 25,893,591	R 20,780,606	October 2010
Strand Street Upgrade Project Phase 1 (SP 3)	R 33,108,266	R 18,062,988	October 2010
Uitenhage Market Square Urban Renewal Project - Phase 1	R 15,000,000	R 7,542,111	October 2010
Funicular Chapel Lane Project	R 10,000,000	R 753,724	June 2011
Whites Road Cliff Face Project	R 2,500,000	R 210,110	April 2011
Southern Port Land Evaluation & Feasibility Study	R 400,000	R 227,768	Completed
Uitenhage/Despatch Strategic Spatial Implementation Framework Study	R 730,000	R 687,275	October 2010
Happy Valley Local Spatial Development Framework	R 525,000	R 472,500	September 2010
Economic Impact Assessment Barometer - Phase 1	R 428,500	R 424,593	Completed
Mandate Area LSDF/Kings Beach Node	R 925,000	R 410,000	January 2011
Donkin Craft Market Study	R 500,000	R 498,048	Completed
PE Port Environmental study - Phase 1	R 700,000	R 526,316	February 2011

NOTE: Values indicated are from inception of the project till 30 June 2010

5.1 CLEANSING

The Port Elizabeth CBD cleansing project continuously delivers positive results. The area covered was extended and the NMBM has requested the MBDA to also implement a cleansing plan in the Uitenhage CBD. Both these projects have run smoothly in the 2009/10 financial year and has made a significant impact on the confidence levels, as indicated in the result of the Economic Barometer.

The operational spend on cleansing in 2009/10 amounted to just over R3,0 million.

5.2 MAINTENANCE

Maintenance costs related mainly to CBD projects such as GMA and Parliament Street as well as the management of the public toilets in Titterton Lane and Peel Street which were erected as part of the MBDA's infrastructure projects. The MBDA is awaiting a response from the NMBM as to the management and upgrading of existing public toilets in the CBD which require urgent attention.

A total of R 606,000 was spent on such facilities maintenance during the financial period under review.



The performance reporting is reflected under the respective strategic objective set for the 2009/10 financial year as follows:

KEY PERFORMANCE AREA (KPA)	KEY PERFORMANCE ELEMENT (KPE)	KEY PERFORMANCE INDICATOR (KPI)	2009/10 target	Status as at 30 June 2010
KPA 1 Managing the basics	KPE 1.1 Facilitating security	relationships with law enforcement agencies and stakeholder (quality of relationships with law enforcement agencies)	<i>At least one relationship established and assessed as positive</i>	Regular stakeholder workshops were held by the Agency during the 2009/10 period
	KPE 1.2 Cleansing	cleanliness of MBDA target areas	<i>Cleansing teams operate in all target areas</i>	Khanya Cleansing, Inga and Milk & Honey, Majoka and Young Blood Cleaning Services service providers appointed
	KPE 1.3 Facilitating regulatory compliance	number of observed incidents reported to responsible authority	<i>All observed incidents reported to responsible authority</i>	Town rangers employed to ensure such compliance
	KPE 1.4 Infrastructure / Capital projects maintenance	NMBM / MBDA infrastructure & capital projects : number of observed defects/hazards reported to NMBM	<i>All observed defects/ hazards reported to NMBM and/or fixed by MBDA</i>	Such maintenance has been carried out by the Operations dept
	KPE 1.5 Stakeholder initiatives	number of stakeholder owned initiatives in MBDA target areas supported by the MBDA	<i>At least 2 initiatives supported by the MBDA</i>	Uitenhage Traders association
KPA 2 Facilitating Infrastructure investment	KPE 2.1 Public capital projects	no of capital projects implemented by MBDA as stipulated in Strategic Spatial Implementation Framework and new planning / spatial frameworks (SSIF)	<i>Initiation of 2 capital projects identified in SSIF and new planning / spatial frameworks</i>	Strand Street , Donkin Reserve and Whites Road Cliff Face environmental upgrades
	KPE 2.2 Facilitation of private sector capital projects	number of state owned properties developed by the private sector	<i>Initiation of development of one state-owned property</i>	40 year lease has been signed to redevelop the Tramways building
	KPE 2.3 Planning / spatial frameworks	number of planning / spatial frameworks developed	<i>Initiation of one planning / spatial framework per annum</i>	Uitenhage / Despatch SSIF MBDA mandate area LSDF
KPA 3 Showcasing heritages	KPE 3.1 Public art	number of public art projects related to MBDA capital projects	<i>All new MBDA capital projects to include a public art component</i>	Donkin Reserve project contains 6 public art pieces
	KPE 3.2 Preserving cultural aspects	Cultural programmes initiated	<i>At least one cultural programme initiated per annum</i>	Donkin Craft program
	KPE 3.3 Built environment heritage	MBDA participation in effective management of built environment heritage in MBDA target areas	<i>MBDA participates in relevant processes/forums</i>	Participation on NMBM heritage assets task team
KPA 4 Changing perceptions	KPE 4.1 Place branding	awareness of MBDA target areas	<i>Increased awareness of MBDA target areas</i>	Donkin cottage Athenaeum Council
		participation in MBDA activities and events	<i>increased number of stakeholders participating in events and activities</i>	Various public forums, talks and panel discussions
KPA 5 Supporting sustainable communities	KPE 5.1 Organisational environmental sustainability	awareness of MBDA brand through its projects and activities	<i>Increased awareness of MBDA projects and activities</i>	Various MBDA media and press coverage and brand portfolio established
		MBDA responsiveness to environmental sustainability issues	<i>Sustainability awareness raising amongst MBDA staff and stakeholders</i>	Not implemented
	KPE 5.2 Target area environmental sustainability	material recycled by MBDA	<i>Material recycling process identified and policy implemented</i>	Not implemented
KPE 5.2 Target area environmental sustainability	waste recycling in MBDA target areas	<i>Waste recycling plan for target areas developed</i>	This plan was not developed	
	material recycled by MBDA cleansing service providers	<i>recycling awareness raising amongst MBDA service providers staff and / or facilities and processes for recycling in place</i>	In house initiative of paper recycling was implemented with Khanya & container project	

corporate governance

7.1 CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the MBDA is satisfied that the MBDA has complied with all relevant legislation affecting the company, as reflected in the Auditor-General's report. The MBDA is committed to the following corporate governance principles and they form the core value that guides the MBDA in its business:

- **To be an agent of social and economic growth;**
- **Be inclusive and understanding the needs of our stakeholders;**
- **Achieve value for money for our shareholders;**
- **Maintain integrity and respect at all times;**
- **Be accountable about the way we take decisions and the way we use our resources;**
- **Work as a team;**
- **Seek excellence in the way we operate;**
- **Be open to innovation and to contestability of ideas;**
- **Embed sustainability in everything we do;**

From a corporate governance point of view the MBDA also adheres and strives to the following:

- **Carry on business through fair commercial and competitive practices**
- **Removing discrimination and enabling employees to realise their potential through training and development of their skills**
- **Being responsible towards environmental and social issues**
- **Play the role of a change agent in urban renewal and transformation as well as economic transformation**

7.2 BOARD OF DIRECTORS

The Board draws a clear distinction between operational matters on the one hand, which is the responsibility of the Chief Executive Officer and his staff, and providing strategic and political guidance to the CEO which is the responsibility of the Board.

The MBDA operated under a period of review with nine non-executive Board members, who have a range of different skills and experience that they use to the benefit of the MBDA. The non-executive Board of Directors take responsibility to ensure that the Board promotes proper deliberation of all strategic matters requiring their attention. The Board meets on a quarterly basis and retains full and effective control over the MBDA.

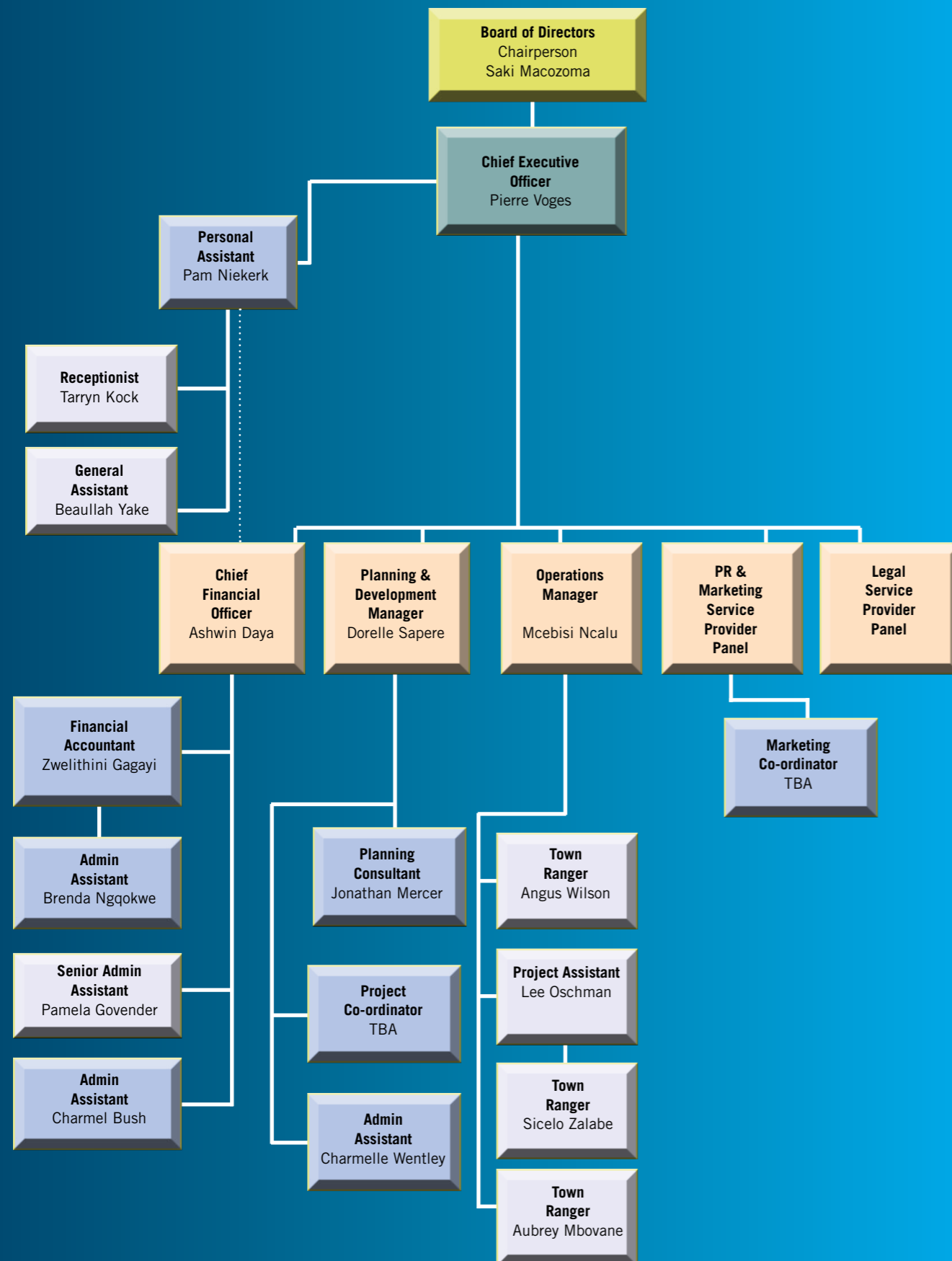
Matters of corporate governance are continuously scrutinised during meetings to ensure that accountability is taking place within an environment of performance.

The Board has also established an Audit and Human Resources/Remuneration Sub-Committees.

KEY PERFORMANCE AREA (KPA)	KEY PERFORMANCE ELEMENT (KPE)	KEY PERFORMANCE INDICATOR (KPI)	2009/10 target	Status as at 30 June 2010
KPA 5 Supporting sustainable communities	KPE 5.3 Preferential procurement	% of previously disadvantaged service providers registered on supplier database	increase in previously disadvantaged service providers registered on supplier database	Quadrem Tradeworld, accredited supplier database of the NMBM is also used by the MBDA
		% of tenders both in terms of number and value awarded to previously disadvantaged individuals	Increased % (number and value) of tenders awarded to previously disadvantaged individuals	As per Supply Chain management policy
		% of tenders both in terms of number and value awarded to locally based service providers	increased % (number and value) of tenders awarded to locally based service providers	As per Supply Chain management policy
		training and mentoring of emerging contractors in the building and construction industry on MBDA capital projects	training and mentoring policy of emerging contractors implemented in all relevant and new MBDA capital projects	This policy was not drawn up
KPA 6 Engaging with Stakeholders and partners	KPE 6.1 Stakeholder initiatives	number of people, community and organisations engaging in outreach interactions	All new outreach projects evaluated	Various social outreach meetings were held in the townships with a service provider appointed to co-ordinate such meetings
	KPE 6.2 Partnerships	Number of partnerships established and positive outcomes of such initiatives	At least one new formal partnership established	NMMU; Red Location; UDDI Steering committee; EPSAC; Athenaeum Council
	KPE 6.3 Project-related public participation	Number of public participation processes for MBDA capital projects	Formal public participation process included in all NEW MBDA capital projects	Donkin Reserve project Inner City conceptual framework
% of attendees / stakeholders surveyed who indicate satisfaction with MBDA project-related public participation processes		tracking system established	This system was not established	
KPA 7 Gathering insights	KPE 7.1 Programme/ Project management	Percentage of projects that are executed in the planned time-frame and budget (costs)	All projects executed within planned time-frame and budget (costs)	Refer to attached project schedule status report
		Comprehensive system of MBDA project monitoring and evaluation	Project/programme reporting template and process established	As per MBDA Operations meeting formats but which require further development
		Successful implementation of project appraisal system	Project appraisal process established	Refer to Capital project schedule status report
KPA 8 Changing perceptions	KPE 8.1 HR Management	% of staff who consider the organisational communication to be effective	Increase the % staff that indicate that organisational communication is effective	This was not measured
		Percentage of staff who consider organisational planning processes to be inclusive, participatory and empowering	Increase the % staff that indicate organisational planning processes are inclusive, participatory and empowering	This was not measured
		Percentage of staff who are satisfied with the level of training accessed through the MBDA	Training plan established for each staff member	As per Workplace Skills Plan and performance appraisal system and policy
		% of individual performance indicators annually achieved	Individual performance indicators established	Was not established
	KPE 8.2 Institutional transformation	The number of people from employment equity target groups employed	Increase in PDIs employed by the Agency	As per staff placements for the period
	KPE 8.3 Supplementary funding	Percentage of funding from sources other than NMBM	Increase the % funding from sources other than NMBM	IDC and National Lotteries Board funding grants were received
	KPE 8.4 Budgeting & expense control	Annual budget allocation from NMBM	Approval for requested budget allocation from NMBM	This was approved and allocated in June / July 2009
		Management of approved budget	Achievement of budget target	Refer to monthly financial reports
	KPE 8.5 Reporting	Standard of reporting	All required reports submitted according to prescribed National Treasury requirements and generally accepted accounting practices and standards resulting in an unqualified audit	This was achieved and forms part of the auditor general report for the 2009/10 period
	KPE 8.6 Risk Management	No of identified high priority risks identified and mitigated	All identified high priority risks managed and mitigated	As per MBDA Risk Register
	KPE 8.7 Supply chain management	Adherence to SCM policy and regulations	Full compliance with SCM policy and regulations	Achieved as per internal audit performed
	KPE 8.8 Corporate / ICT support services	Quality of services in relation to applicable legislation, good corporate governance and effective support	Services are compliant with applicable legislation, 'best fit' support and good corporate governance	Achieved as per internal audit performed - new pastel evolution system to be implemented in 2010/11 period



7.3 MBDA STAFF ORGANOGRAM



The MBDA's present staff component, as per race and gender is reflected as follows:

RACE				
LEVEL	BLACK	WHITE	COLOURED	INDIAN
Management	1	2	-	1
Professional	1	1	-	1
Administration	4	2	4	-

GENDER		
LEVEL	MALE	FEMALE
Management	3	1
Professional	2	1
Administration	4	6





mandela bay
DEVELOPMENT AGENCY
THE SPIRIT OF GROWTH



REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mandela Bay Development Agency, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages 28 to 49.

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 South African 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, 1973 (Act No. 61 of 1973). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. 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.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mandela Bay Development Agency as at 30 June 2010, and its financial performance and its cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act.

Emphasis of matter

8. I draw attention to the matter(s) below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of a prior year error discovered during the 30 June 2010 in the financial statements of the Mandela Bay Development Agency at, and for the year ended, 30 June 2010.

Fruitless and wasteful expenditure

10. Fruitless and wasteful expenditure of R20 380 is disclosed in note 25 of the annual financial statements. This expenditure, made in vain, resulted from interest paid on the late submission and payment of Value Added Tax. At the date of this report, there has been no review, by the Board, over the amount disclosed.

Additional matter paragraph

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 50 to 51 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the MFMA, Companies Act and financial management (internal control).

Findings

Predetermined objectives

14. Included below are the findings related to the report on predetermined objectives.

Usefulness of information

15. For the selected objectives, 23% of the planned and reported targets were not:
 - specific in clearly identifying the required level of performance;
 - measurable in identifying the required performance;
 - time bound in specifying the time period or deadline for delivery.
16. Contrary to section 87 (5) (d) (i) of the MFMA the Business Plan of the MBDA did not include key performance indicators or targets.

Reliability of information

17. For the selected objectives, 25% of the reported targets were not complete in comparison to the source information and evidence provided to support the reported targets.

Compliance with laws and regulations

18. Included below are the findings related to material noncompliance with the acts and regulations, as indicated.

Municipal Finance Management Act 56 of 2003

Monthly budget to actual reports were not submitted in a timely manner

19. Contrary to the requirements of section 87 (11) of the MFMA, five monthly management accounts were not submitted to the accounting officer of the parent municipality within seven working days after the end of each month within the financial year.

The financial statements were not prepared in accordance with applicable legislation

20. In order for the financial statements to meet the requirements of section 122(1) of the MFMA, material misstatements identified during the audit were corrected by management.

Fruitless and wasteful expenditure

21. Contrary to the requirements of section 102 of the MFMA the entity did not promptly submit reports to the mayor, and municipal manager of the parent municipality or the Auditor General, with details of the fruitless and wasteful expenditure incurred. To date no steps have been taken to recover the expense.

INTERNAL CONTROL

22. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the MFMA, Companies Act, but not for the purposes of expressing an opinion on the effectiveness of internal control.
23. The matters reported below are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

- There is no approved policy and procedure to ensure adherence to the MFMA requirements regarding the timely reporting of fruitless and wasteful expenditure to the parent municipality and the Auditor General and additionally to address the steps required to recover such expenditure.
- The systems around reporting on predetermined objectives have not been documented in the policy and procedures manual of the entity.

Financial and performance management

- The predetermined objectives to be included in the annual report were not reviewed for completeness prior to submission for audit.
- Pertinent information contained in the monthly budget statements of the entity was not consistently captured in a timely manner to support the reporting requirements of the MFMA.

Auditor-General

Port Elizabeth
30 November 2010



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DIRECTORS' REPORT

The directors have pleasure in submitting their report for the Agency, which forms part of the audited financial statements of the Incorporated Association not for gain for the year ended 30 June 2010.

Establishment

The Nelson Mandela Bay Municipality (NMBM), with the assistance of the Industrial Development Corporation (IDC) established the Mandela Bay Development Agency (MBDA) to project manage urban regeneration of the inner metro precinct with a view to promoting economic and tourism development. The geographical area for which the MBDA is responsible for includes inter alia, the 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 business nodes within the entire Nelson Mandela Bay area with a focus on emerging areas such as Uitenhage.

General review

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

Legislation

The Agency complied with all the relevant sections of the Companies Act, 61 of 1973 and the 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 year under review the Agency completed the Govan Mbeki Avenue Environmental Upgrade (Phase 1), and Parliament Street Environmental Upgrade projects.

New Projects

During the year under review, construction on the Govan Mbeki Avenue Environmental Upgrade (Phase 2) continued and this project entailed the semi-pedestrianisation of the precinct, as well as paving walkways, planting trees and installing street furniture and steel structures. Design planning for the Strand Street Environmental Upgrade and Donkin Reserve Project also commenced during this year.

Future Projects

The construction for the Environmental Upgrade of Strand Street and Donkin Reserve projects are planned to commence in the new financial period.

Directors and Secretary

The non-executive directors of the company are:

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

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:

7th Floor
 Kwantu Towers
 Vuyisile Mini Square (Market Square)
 Govan Mbeki Avenue
 Port Elizabeth
 6001

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
LIABILITIES			
Non-Current Liabilities			
Construction Contract Retention Creditors	2	1,228,465	1,516,554
Deferred Income	3	599,538	527,698
Current Liabilities			
Trade and Other Payables	4	10,020,283	8,529,497
Provisions	5	346,709	209,497
Unspent Project Funding	6	79,714,842	50,790,187
Short term portion of Construction Contract Retention Creditors	2	366,771	462,906
Short term portion of Deferred Income	3	142,412	131,243
TOTAL NET ASSETS AND LIABILITIES		92,419,020	62,167,582
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	7	741,950	658,941
Current Assets			
Inventory	8	223,128	-
Trade and Other Receivables	9	49,408,051	15,460,831
Deposits	10	3,500	6,605
Cash and Cash Equivalents	11	42,042,391	46,041,205
TOTAL ASSETS		92,419,020	62,167,582

MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	ACTUAL 2010 R	ACTUAL 2009 R
REVENUE			
IDC Grants	12	3,526,316	1,063,982
NMBM Conditional Grants & Receipts		8,485,478	11,557,971
National Lottery Fund Receipts		299,986	-
Interest Received - cash and cash equivalents		3,563,180	3,201,985
Deferred Income		163,402	137,791
OTHER INCOME			
Other Income	13	401,789	301,740
TOTAL REVENUE		16,440,151	16,263,469
EXPENDITURE			
Advertising & Media		200,880	171,579
Audit Fees		129,383	239,368
Bad Debts		3,011	-
Bank Charges		9,027	6,844
CBD Facilities		606,686	156,525
Cleaning, Safety & Security		14,753	12,817
Cleansing Plan Project		3,041,021	2,465,445
Computer Expenses		21,642	32,336
Consumables		2,028	3,115
Course Fees, Education & Training		53,641	44,544
Depreciation	7	163,402	137,791
Donations & Social Responsibility		40,000	16,500
Electricity, Water & Rates		110,376	51,002
Employee Related Costs	14	5,277,720	4,579,131
Entertainment		57,386	80,269
Equipment Lease & Rentals		15,244	14,205
Insurance		60,633	45,416
Interest Paid	16	52,335	2,425
IT Support Costs		99,191	84,456
Legal Fees		388,181	271,943
Meeting Expenses		82,498	91,963
National Lottery Fund Expenses		299,986	-
Office Decor & Fittings		17,628	11,611
Office Rentals		491,533	381,062
Postage & Courier		8,298	7,801
Printing & Stationery		72,394	50,095
Professional & Consultant Fees		790,108	525,656
Public Relations & Marketing		935,095	722,836
Recruitment Costs		6,433	6,892
Refreshments		22,865	11,532
Repairs & Maintenance		14,701	9,764
Security Plan Project		-	3,194,218
Strategic Spatial Implementation Framework Studies		2,789,745	2,260,550
Subscriptions		30,610	40,031
Sundry Expenses		22,810	35,858
Telephone & Fax		124,964	124,131
Travel & Accommodation		383,943	373,758
SURPLUS/(DEFICIT) FOR THE YEAR		-	-

**MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
STATEMENT OF CHANGES IN NET ASSETS FOR
THE YEAR ENDED 30 JUNE 2010**

	R Accumulated Surplus	R Total
Balance at 1 July 2008	-	-
Deficit for the year	-	-
Balance at 1 July 2009	-	-
Deficit for the year	-	-
Balance at 30 JUNE 2010	-	-

Note: The entity's statement of net assets reflects nil balances as all the entity's operations are funded from operating grants received from NMBM.

**MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 R	2009 R
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Cash receipts from government and others		63,881,178	79,824,474
Cash paid to suppliers and employees		(71,144,426)	(60,741,256)
<i>Cash (utilised in) / generated from operations</i>	15	(7,263,248)	19,083,218
Interest received	12	3,563,180	3,201,985
Interest paid	16	(52,335)	(2,425)
NET CASH (UTILISED IN) / GENERATED FROM OPERATIONS		(3,752,403)	22,282,778
<u>CASH FROM INVESTING ACTIVITIES</u>			
Purchase of property, plant and equipment	7	(246,411)	(190,297)
NET CASH UTILISED FROM INVESTING ACTIVITIES		(246,411)	(190,297)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(3,998,814)	22,092,481
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		46,041,205	23,948,724
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		42,042,391	46,041,205

1.1 REPORTING ENTITY

Mandela Bay Development Agency (MBDA) is a municipal entity (registered section 21 company) with the Nelson Mandela Bay Municipality (NMBM) as its parent municipality. The MBDA's registered address is The City Hall, Port Elizabeth. The MBDA is situated in the Nelson Mandela Bay Municipality of the Eastern Cape Province. The Agency 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 South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Practices Board replacing the equivalent SA GAAP Statement as follows:

Standard of GRAP
GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors
GRAP 12: Inventories
GRAP 13: Leases
GRAP 14: Events After the Reporting Date
GRAP 17: Property, Plant and Equipment
GRAP 19: Provisions, Contingent Liabilities Assets

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements.

The Minister has determined that the effective date for the above standards of GRAP shall be
- December 2005 for GRAP 1, 2 and 3

Directives issued and effective

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP.
Directive 2	Transitional Provisions for the adoption of Standards of GRAP by Public Entities and Constitutional institutions
Directive 3	Transitional Provisions for the adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework

1.2.1.1 Specific information is presented separately on the statement of financial position such as:

- a) Receivables from non-exchange transactions including transfers
- b) Trade and Other Payables from non-exchange transactions

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 5 – provisions

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

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.

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	4 - 8
- Computer Software	2
- Office Equipment	5 - 10
- Furniture and Fittings	10
- Motor Vehicles	4 - 5

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

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

1.6 INVENTORY

Craft inventories and Project Spares are measured at lower of cost and net-realizable 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 realizable value with regard to their estimated economic or realizable values.

1.7 CONSTRUCTION CONTRACT RETENTION CREDITORS

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

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

1.8 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 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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.

Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.9 FINANCIAL INSTRUMENTS

1.9.1 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.

1.9.2 Impairment of Financial Assets

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

1.9.3 Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Agency will not be able to collect all of the amounts due under the original terms of the invoice such as a debtor experiencing financial difficulty, default interest or principal repayments or the probability of bankruptcy. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

1.9.4 Derecognition of financial assets and liabilities

1.9.4.1 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 Agency 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 Agency 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.

1.9.4.2 Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Agency 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 Agency's financial liabilities include trade and other payables.

1.9.5 Loans and Borrowings

After initial recognition, interest bearing loans and borrowings 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.

1.9.6 Loans and Receivables

Loans and receivables are non-directive financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of financial performance when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

1.10 CASH AND CASH EQUIVALENTS

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

1.11 PROVISIONS & CONTINGENCIES

A provision is recognised when the Agency 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 balance sheet date.

After their initial recognition contingent liabilities recognised in the Agency 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.

1.11.1 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.

1.12 REVENUE RECOGNITION

1.12.1 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 Agency 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 Agency has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the Agency 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 Agency; 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 Agency;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Interest

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

1.12.2 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.

Deferred Income

Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests. Similarly, grants related to depreciable assets are usually recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

Measurement

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

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The Agency assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow.

Revenue is then only recognised once evidence of the probability of the flow becomes available. Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When grants are remitted on a re-imbusement basis, revenue is recognised when qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.13 VALUE ADDED TAX

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

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

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

1.14 UNSPENT PROJECT FUNDING

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

1.15 COMPARATIVE INFORMATION

1.15.1 Current year comparatives:

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

1.15.2 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.

1.16 TAXATION

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

1.17 OPERATING LEASES

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

1.18 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.

1.19 STATEMENTS IN ISSUE BUT NOT YET EFFECTIVE

There are Standards and Interpretations in issue but not yet effective and in addition, minor amendments have been made to the Standards with a view to removing inconsistencies and clarification of wording. The directors have considered all of these Standards and Interpretations and found the following to be applicable to MBDA:

Standard of GRAP

No.	Effective Date
GRAP 9 Revenue from Exchange Transactions	1 July 2009
GRAP 11 Construction Contracts	1 July 2009
GRAP 12 Inventories	1 July 2009
GRAP 13 Leases	1 July 2009
GRAP 14 Events after the reporting date	1 July 2009
GRAP 17 Property Plant and Equipment	1 July 2009
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets	1 July 2009
GRAP 21 Impairment of non cash generating units	No effective date gazetted to date
GRAP 23 Revenue from non exchange transactions	No effective date gazetted to date
GRAP 24 Presentation of budget information in financial statements	No effective date gazetted to date
GRAP 25 Employee Benefits	No effective date gazetted to date
GRAP 26 Impairment of cash generating units	No effective date gazetted to date
GRAP 104 Financial Instruments	No effective date gazetted to date

Effective accrual based IPSASs considering the provisions in paragraph .15 to .19 of Directive 5

No.	Topic
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-Generating Assets

Applicable Statements of SA GAAP

No	Effective date
IAS 32 Amendments to IAS 32 Financial Instruments: Presentation	1 January 2009
IFRIC 15 Agreements for the construction of real estate	1 January 2009

It is expected that the following new or revised standards and interpretations will have no effect on MBDA's financial statements.

Standard of GRAP

No.	Effective Date
GRAP 4 The Effects of Changes in Exchange Rates	1 July 2009
GRAP 5 Borrowing Costs	1 July 2009
GRAP 6 Consolidated and Separate Financial Statements	1 July 2009
GRAP 7 Investments in Associates	1 July 2009
GRAP 8 Investments in Joint Ventures	1 July 2009
GRAP 10 Financial Reporting in Hyperinflationary Economies	1 July 2009
GRAP 16 Investment Property	1 July 2009
GRAP 18 Segment Reporting	No effective date gazetted to date
GRAP 100 Non – current Assets Held for Sales and Discontinued Operations	1 July 2009
GRAP 101 Agriculture	1 July 2009
GRAP 103 Heritage assets	No effective date gazetted to date

Applicable Statements of SA GAAP

No	Effective date
IFRS 1 Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	1 January 2009
IFRS 2 Amendments to IFRS 2 - share - based payment - vesting conditions and cancellations	1 January 2009
IFRS 3 Business Combinations	1 July 2009
IAS 39 Financial instruments: Recognition and Measurement - Eligible Hedged Items	1 July 2009
IFRIC 16 Hedges of net investment in a foreign operation	1 January 2009
IFRIC 17 Distribution of non-cash assets to owners	1 July 2009
IFRIC 18 Transfer of assets from customers	1 July 2009
Improvements to IFRS	1 January 2009

2 CONSTRUCTION CONTRACT RETENTION CREDITORS

Rand Civils - GMA 1	-	194,150
Rand Civils - GMA 2	366,771	1,516,554
Rand Civils - Parliament Street	-	268,756
Rand Civils - Strand Street	764,389	-
Cypress - Uitenhage Market Square	464,076	-
	1,595,236	1,979,460
Less: Short term portion transferred to Current Liabilities	(366,771)	(462,906)
	1,228,465	1,516,554

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

3 DEFERRED INCOME

Opening Balance	658,941	606,435
Add: Additions	246,411	190,297
Less: Deferred Income Transferred to Revenue	(163,402)	(137,791)
- Depreciation	(163,402)	(137,791)
- Disposals	-	-
	741,950	658,941
Less: Short Term Portion	(142,412)	(131,243)
	599,538	527,698

4 TRADE AND OTHER PAYABLES

Trade Creditors	9,330,544	8,060,945
PAYE	58,223	68,885
UIF	4,069	2,964
Audit fees	-	80,000
Staff leave	162,279	122,317
Legal fees	-	10,446
13th Cheque	45,280	41,186
Accruals	419,888	142,754
	10,020,283	8,529,497

Trade and other payables are non-interest bearing and are normally settled on invoice or 30 days terms.

5 PROVISIONS

Performance bonuses		
Balance at beginning of year	209,497	198,176
Additions	306,547	209,497
Adjustment for underprovision	-	(11,537)
Expenditure incurred	(209,497)	(186,639)
Balance at end of year	306,547	209,497

Performance bonuses are paid in July of each year to senior management in line with the Agency's Executive Performance Management policy.

Workmen's Compensation

Balance at beginning of year	-	-
Additions	40,162	-
Adjustment for underprovision	-	-
Expenditure incurred	-	-
Balance at end of year	40,162	-
TOTAL	346,709	209,497

6 UNSPENT PROJECT FUNDING

IDC

Opening Balance
Amount Received
Recognised as Income

National Lottery Board

Opening Balance
Amount Received
Recognised as Income

NMBM

Opening Balance

Grants for the year

CAPITAL ASSETS TRANSFERRED TO NMBM

Less: Completed and Transferred Assets

Infrastructure - GMA 1 Upgrade
Infrastructure - Parliament Street Upgrade
Infrastructure - GMA 2 Upgrade

Less: Transferred Work in Progress

Infrastructure - GMA 2 Upgrade
Donkin Reserve Project
Strand Street Project
Design - Furnicular Chapel Lane
Infrastructure - Uitenhage Market Square
Whites Road Project

Less: Amount Recognised as income during the year

Interest Received
Sundry Income
Operating expenses

Less: Amount Transferred to Deferred Income

Add: Disposal

	2010 R	2009 R
	79,714,842	50,790,187
	273,684	-
Opening Balance	-	1,063,981
Amount Received	3,800,000	-
Recognised as Income	(3,526,316)	(1,063,981)
	11,882,470	-
Opening Balance	-	-
Amount Received	12,182,456	-
Recognised as Income	(299,986)	-
	67,558,688	50,790,187
Opening Balance	50,790,187	27,310,296
Grants for the year	81,851,793	80,881,624
	(56,351,403)	(45,653,464)
	(15,274,177)	(17,281,269)
Infrastructure - GMA 1 Upgrade	(144,876)	(2,985,508)
Infrastructure - Parliament Street Upgrade	(366,891)	(14,295,761)
Infrastructure - GMA 2 Upgrade	(14,762,410)	-
	(41,077,226)	(28,372,195)
Infrastructure - GMA 2 Upgrade	-	(23,343,188)
Donkin Reserve Project	(18,859,865)	(1,920,741)
Strand Street Project	(14,219,000)	(3,108,266)
Design - Furnicular Chapel Lane	(753,724)	-
Infrastructure - Uitenhage Market Square	(7,034,527)	-
Whites Road Project	(210,110)	-
	(8,485,478)	(11,557,972)
Interest Received	3,563,180	3,201,985
Sundry Income	401,789	301,740
Operating expenses	(12,450,447)	(15,061,697)
	(246,411)	(190,297)
Add: Disposal	-	-

7 PROPERTY, PLANT AND EQUIPMENT

	Cost			Closing Balance	Accumulated Depreciation			Carrying Value	
	Opening Balance	Additions	Disposal		Opening Balance	Depreciation	Disposal		
Computer Equipment	446,560	89,458	-	536,018	233,775	73,331	-	307,106	228,912
Computer Software	38,504	104,711	-	143,215	30,326	19,132	-	49,458	93,757
Office Equipment	55,882	3,622	-	59,504	20,278	7,756	-	28,034	31,470
Furniture & Fittings	440,581	3,500	-	444,081	147,047	37,370	-	184,417	259,664
Motor Vehicles	136,053	-	-	136,053	27,213	25,211	-	52,424	83,629
Containers	-	45,120	-	45,120	-	602	-	602	44,518
	1,117,580	246,411	-	1,363,991	458,639	163,402	-	622,041	741,950

	Cost			Closing Balance	Accumulated Depreciation			Carrying Value	
	Opening Balance	Additions	Disposal		Opening Balance	Depreciation	Disposal		
Computer Equipment	423,767	22,793	-	446,560	170,636	63,139	-	233,775	212,785
Computer Software	38,504	-	-	38,504	26,427	3,899	-	30,326	8,178
Office Equipment	47,491	8,391	-	55,882	13,396	6,882	-	20,278	35,604
Furniture & Fittings	401,468	39,113	-	440,581	102,987	44,060	-	147,047	293,534
Motor Vehicles	16,053	120,000	-	136,053	7,402	19,811	-	27,213	108,840
	927,283	190,297	-	1,117,580	320,848	137,791	-	458,639	658,941

NOTE

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

8 INVENTORY

Craft Inventory
Project Spares

	2010 R	2009 R
Craft Inventory	73,096	-
Project Spares	150,032	-
	223,128	-

9 TRADE AND OTHER RECEIVABLES

Trade Debtors
Provision for Bad debts
Interest Receivable
Sundry Debtors
VAT

	2010 R	2009 R
Trade Debtors	48,226,362	15,196,212
Provision for Bad debts	(741)	-
Interest Receivable	75,887	153,698
Sundry Debtors	2,950	-
VAT	1,103,593	110,921
	49,408,051	15,460,831

Trade and other payables are non-interest bearing and are normally settled on invoice date or 30 days terms.

Provision for Bad Debts

As at 30 June 2010 no trade receivables are considered impaired.

10 DEPOSITS

Telkom
Portnet Rental
Africorp Parking Bay and Remote Controls
Salaries' Savings Account
F M Adekunle Stores

	2010 R	2009 R
Telkom	2,100	2,100
Portnet Rental	-	2,000
Africorp Parking Bay and Remote Controls	1,400	1,400
Salaries' Savings Account	-	105
F M Adekunle Stores	-	1,000
	3,500	6,605

**MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2010 (continued)**

	2010 R	2009 R
11 CASH AND CASH EQUIVALENTS		
<i>The Agency has the following bank accounts</i>		
Current Account (Primary Account)		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 080308503		
Cashbook balance at beginning of year	491,274	71,266
Cashbook balance at end of the year	-	491,274
Bank statement balance at beginning of the year	491,274	71,266
Bank statement balance at end of the year	-	491,274
First National Bank, Govan Mbeki Avenue, Port Elizabeth Account Number - 62244870748		
Cashbook balance at beginning of year	-	-
Cashbook balance at end of the year	143,990	-
Bank statement balance at beginning of the year	-	-
Bank statement balance at end of the year	143,990	-
Savings Account		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 38368193000		
Cashbook balance	-	191
Bank statement balance	-	191
Short Term Investments		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 08846132		
Call Account Deposits		
Cashbook balance at beginning of year	45,549,740	23,877,332
Cashbook balance at end of the year	-	45,549,740
Bank statement balance at beginning of the year	45,549,740	23,877,332
Bank statement balance at end of the year	-	45,549,740
First National Bank, Govan Mbeki Avenue, Port Elizabeth Account Number - X021906134		
Cashbook balance at beginning of year	-	-
Cashbook balance at end of the year	41,898,401	-
Bank statement balance at beginning of the year	-	-
Bank statement balance at end of the year	41,898,401	-
Which are disclosed in the Statement of Financial Position as follows:-		
Cash and cash equivalents	42,042,391	46,041,205
Current Account (Primary Account)	143,990	491,274
Savings Account	-	191
Call Account Deposits	41,898,401	45,549,740
NOTE:		
<i>All amounts of Cash and Cash Equivalents are available for use by the Agency.</i>		
12 REVENUE		
IDC Grant	3,526,316	1,063,982
NMBM Conditional Grants & Receipts	8,485,478	11,557,971
Interest Received - cash and cash equivalents	3,563,180	3,201,985
National Lottery Board	299,986	-
Deferred Income	163,402	137,791
(Refer to Note 6)	16,038,362	15,961,729

**MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2010 (continued)**

	2010 R	2009 R
13 OTHER INCOME		
Request for Proposal Document Fees	17,588	93,151
Sundry income	47,921	5,659
Kiosk Rentals	41,579	27,259
NMBM Costs re-imburements	224,486	162,807
Public Toilet Fees	54,629	12,864
Administration Fees	15,586	-
	401,789	301,740
14 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	3,961,141	3,492,500
Employee related costs - Social Contributions	902,033	769,114
Car allowances	108,000	108,000
Performance bonus provision	306,546	209,517
Total Employee Related Costs	5,277,720	4,579,131
Remuneration of the Chief Executive Officer		
Annual Remuneration including social contributions	1,075,893	954,190
Car allowance	60,000	60,000
Performance bonus provision	136,307	107,160
Total	1,272,200	1,121,350
Remuneration of Chief Financial Officer		
Annual Remuneration including social contributions	607,596	547,100
Car allowance	24,000	24,000
Performance bonus provision	78,949	59,584
Total	710,545	630,684
Remuneration of Planning and Development Manager		
Annual Remuneration including social contributions	545,994	420,125
Car allowance	24,000	24,000
Performance bonus provision	62,699	26,887
Total	632,693	471,012
Remuneration Operations Manager		
Annual Remuneration including social contributions	336,362	301,749
Performance bonus provision	28,591	15,886
Total	364,953	317,635
15 CASH (UTILISED IN)/GENERATED FROM OPERATIONS		
Surplus/(deficit) for the year	-	-
Depreciation	163,402	137,791
Investment Income	(3,563,180)	(3,201,985)
Interest Paid	52,335	2,425
Increase in provisions	137,212	11,321
Operating loss before working capital changes:	(3,210,231)	(3,050,448)
Increase in Trade and other Payables	1,490,786	415,575
Increase in unspent project funding	28,924,655	13,495,567
(Decrease)/increase in construction contract retention creditors	(384,224)	609,565
Increase in deferred income	83,009	-
Increase in Inventory	(223,128)	-
(Increase)/decrease in Trade and other Receivables	(33,947,220)	7,613,959
Increase in deposits paid	3,105	(1,000)
Cash (utilised in) / generated from operations	(7,263,248)	19,083,218

	2010 R	2009 R
16 INTEREST PAID		
Interest Paid on late payment of VAT	20,380	2,425
Interest on Debtors	416,179	-
Interest on Retention Creditors	(384,224)	-
	52,335	2,425
17 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
17.1 Audit fees		
Opening balance	80,000	31,000
Current year audit fee	129,383	80,000
Amount paid - current year	(129,383)	(169,173)
Amount paid - previous year	(70,933)	(21,194)
Adjustment of provision	(9,067)	159,367
Balance unpaid	-	80,000
17.2 PAYE and UIF		
Opening balance	71,849	62,279
Current year payroll deductions	1,041,809	926,545
Amount paid - current year	(979,517)	(854,696)
Amount paid - previous year	(71,849)	(62,279)
Balance unpaid	62,292	71,849
17.3 Performance Bonuses		
Opening balance	209,497	198,176
Amount paid	(209,497)	(186,639)
Provisions for the year	306,547	209,497
Adjustment of provision	-	(11,537)
Balance unpaid	306,547	209,497
17.4 Provident Fund		
Opening balance	-	26,885
Amount paid	(470,736)	(428,095)
Additions	470,736	401,210
Balance unpaid	-	-

The Agency 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 14 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 R337,463.11
In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R4,041,389.00
In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R1,425,684.78

18 VALUE ADDED TAX

As at 30 June 2010 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 Lottery Fund

	2010 R	2009 R
19.2 Related party balances		
Amounts included in Trade and Other Receivables (Trade and Other Payables) regarding related parties		
Nelson Mandela Bay Municipality	48,627,716	15,187,481
These balances have no fixed terms and conditions. (Refer to note 9) Refer to note 12 relating to NMBM and IDC revenue. Refer to note 6 relating to NMBM and IDC unspent project funding.		

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 Agency 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 Agency 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 Agency 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.

25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Balance at beginning of year	6,168	3,743
Fruitless and wasteful expenditure	20,380	2,425
Balance at end of year	26,548	6,168

25.1 Interest on VAT payment

Interest incurred on late payment of VAT was as a result of a change in the VAT payment system for SARS, resulting in the payment being processed one day later. SARS also levied a VAT penalty of R229,748 but subsequently agreed to waive this penalty after considering an appeal from the Agency.

26 OPERATING LEASES

The following are the total minimum future lease payments

	0 - 1 year	1 - 5 years	more than 5 years
Office plants rental	18,216	-	-
Public toilets rental	7,930	-	-

NOTE:

The Agency is the lessee for all these leases.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Agency's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Agency's operations. The Agency's financial Assets comprise trade and other receivables and cash and short-term deposits, which arise directly from its' operations.

Classification of financial Instruments

Assets	Loans and Receivables	Financial Liability at amortised cost	Total
Trade and Other Receivables	49,408,051		49,408,051
Cash and Cash Equivalents	42,042,391		42,042,391

Liabilities

Trade and Other Payables	10,020,283	10,020,283
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27.1 Interest Rate Risk

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

Interest rate risk table

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

Cash and cash equivalents	42 042 391	46 041 205
Effect of a 100 basis point movement in the interest rate	(420 424)	(460 412)

27.2 Credit risk management

The Agency has no exposure to credit risk management, as it has no interest bearing borrowings.

27.3 Liquidity risk

The Agency has no present liquidity risk due to large cash reserves.

27.4 Foreign currency risk

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

28 PRIOR YEAR ERROR

In the prior year an amount of R8,972,849 was incorrectly omitted from Trade and Other Receivables.

Statement of Financial Position (Extract)

Prior to restatement

Trade and Other Receivables	6,487,982
Unspent Project Funding	41,817,338

After restatement

Trade and Other Receivables	15,460,831
Unspent Project Funding	50,790,187

APPENDIX A

2010
R

Cost	Accumulated Depreciation			Carrying Value				
	Opening Balance	Additions	Disposal		Opening Balance	Depreciation	Disposal	Closing Balance
Computer Equipment	446,560	89,458	-	233,775	73,331	-	307,106	228,912
Computer Software	38,504	104,711	-	30,326	19,132	-	49,458	93,757
Office Equipment	55,882	3,622	-	20,278	7,756	-	28,034	31,470
Furniture & Fittings	440,581	3,500	-	147,047	37,370	-	184,417	259,664
Motor Vehicles	136,053	-	-	27,213	25,211	-	52,424	83,629
Containers	-	45,120	-	-	602	-	602	44,518
1,117,580	246,411	-	1,363,991	458,639	163,402	-	622,041	741,950

2009
R

Cost	Accumulated Depreciation			Carrying Value				
	Opening Balance	Additions	Disposal		Opening Balance	Depreciation	Disposal	Closing Balance
Computer Equipment	423,767	22,793	-	170,636	63,139	-	233,775	212,785
Computer Software	38,504	-	-	26,427	3,899	-	30,326	8,178
Office Equipment	47,491	8,391	-	13,396	6,882	-	20,278	35,604
Furniture & Fittings	401,468	39,113	-	102,987	44,060	-	147,047	293,534
Motor Vehicles	16,053	120,000	-	7,402	19,811	-	27,213	108,840
927,283	190,297	-	1,117,580	320,848	137,791	-	458,639	658,941

**MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2010**

APPENDIX B

	2010 ACTUAL R	2010 BUDGET R	VARIANCE R	VARIANCE %
REVENUE	16,440,151	23,664,700	(7,224,549)	(30.53)
EXPENDITURE				
Advertising & Media	200,880	276,500	75,620	27.35
Audit Fees	129,383	280,000	150,617	53.79
Bank Charges	9,027	10,000	973	9.73
Bad Debts	3,011	3,500	489	13.97
CBD Facilities	606,686	630,000	23,314	3.70
Cleaning, Safety & Security	14,753	15,000	247	1.65
Cleansing Plan Project	3,041,021	3,200,000	158,979	4.97
Computer Expenses	21,642	40,000	18,358	45.90
Consumables	2,028	5,000	2,972	59.44
Course Fees, Education & Training	53,641	60,000	6,359	10.60
Depreciation	163,402	170,000	6,598	3.88
Donations & Social Responsibility	40,000	40,000	-	-
Electricity, Water & Rates	110,376	130,000	19,624	15.10
Employee Related Costs	5,277,720	5,966,304	688,584	11.54
Entertainment	57,386	100,000	42,614	42.61
Equipment Lease & Rentals	15,244	20,000	4,756	23.78
Insurance	60,633	75,000	14,367	19.16
Interest Paid	52,335	-	(52,335)	(100.00)
IT Support Costs	99,191	150,000	50,809	33.87
Legal Fees	388,181	526,000	137,819	26.20
Meeting Expenses	82,498	120,000	37,502	31.25
National Lottery Fund Expenses	299,986	350,000	50,014	14.29
Office Decor & Fittings	17,628	20,000	2,372	11.86
Office Rentals	491,533	540,000	48,467	8.98
Postage & Courier	8,298	15,000	6,702	44.68
Printing & Stationery	72,394	75,000	2,606	3.47
Professional & Consultant Fees	790,108	800,000	9,892	1.24
Public Relations & Marketing	935,095	1,200,000	264,905	22.08
Recruitment Costs	6,433	10,000	3,567	35.67
Refreshments	22,865	24,000	1,135	4.73
Repairs & Maintenance	14,701	17,000	2,299	13.52
Strategic Spatial Implementation Framework Studies	2,789,745	8,123,396	5,333,651	65.66
Subscriptions	30,610	40,000	9,390	23.48
Sundry Expenses	22,810	53,000	30,190	56.96
Telephone & Fax	124,964	150,000	25,036	16.69
Travel & Accommodation	383,943	430,000	46,057	10.71
Total Expenditure	16,440,151	23,664,700	7,224,549	30.53
NET (DEFICIT)/SURPLUS FOR THE YEAR	-	-	-	

**MANDELA BAY DEVELOPMENT AGENCY INCORPORATED ASSOCIATION NOT FOR GAIN
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT
& EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010**

APPENDIX C

	2010 ACTUAL COST R	2010 BUDGET COST R	VARIANCE R	VARIANCE %
Computer Equipment	89,458	95,000	5,542	5.83
Computer Software	104,711	105,000	289	0.28
Office Equipment	3,622	10,000	6,378	63.78
Furniture & Fittings	3,500	10,000	6,500	65.00
Containers	45,120	50,000	4,880	9.76
Totals	246,411	270,000	23,589	8.74





mandela bay
DEVELOPMENT AGENCY
THE SPIRIT OF GROWTH

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