



# ANNUAL REPORT

2010 - 2011





## VISION

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

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## 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.

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The Mandela Bay Development Agency (MBDA) has been mandated by the Nelson Mandela Bay Municipality (NMBM) to drive urban regeneration in Nelson Mandela Bay's Central Business District (CBD) and other designated areas.

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

As a Special Purpose Vehicle (SPV), formed by the NMBM as a municipal entity with a specific focus on urban renewal and tourism infrastructure creation, the MBDA is governed by the Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act 56 of 2003.

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

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

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# 01 INTRODUCTION & OVERVIEW







“Regeneration to enhance the ability to contribute to the development of the city and the quality of life of its residents.”

The MBDA was formed at a critical moment as part of a re-engineering process of Nelson Mandela Bay which had seen acute urban decay over a period of twenty years.

The MBDA's original Mandate Area has been extended to include work in Uitenhage, the North End Stadium Precinct and other emerging nodes. The overall strategic objectives of the MBDA are:

- Maintaining the basic elements of urban renewal (i.e. security, cleansing good order)
- To facilitate public and private sector investment through catalytic public sector investment
- To conserve and promote heritage assets
- To inspire people to aspire to the Mandate Area
- To engage stakeholder and partners in the urban renewal process
- To continuously gain insight into public perception through the monitoring and evaluation of perception assessments through surveys
- To develop the organisation to adhere to good organisational development and transformation performance management criteria

The Strategic Plan of the MBDA, launched in May 2010, provides the basis for developing a long term vision and strategy for the MBDA, which culminated in the acceptance by the political dispensation of the MBDA's Strategic Plan for the period 2009-2014 as a blueprint for economic development

through urban renewal.

The significance of this local government re-engineering process is that it has opened the door for significant capital and non-capital investment in the CBD. The establishment of the MBDA provided an agency dedicated to area based urban renewal, first in the inner city and later throughout other emerging nodes, Uitenhage CBD, etc.

As stated above, the MBDA, in May 2009, formulated a new 5-year strategy, the Strategic Plan, which charged the long-term strategic course for the MBDA's overall development. The Strategic Plan stipulates a long term vision and development priorities and strategies and is a further breakdown of the City's 5-year Integrated Development Plan (IDP) which sets out the short to medium term objectives and programmes to achieve the vision set out in the Strategic Plan. The IDP contains a number of sector plans which roughly corresponds to the portfolio of the Mayoral Committee. One of these sector plans involves urban renewal in the CBD of Nelson Mandela Bay, including the future development of CBD's in townships and in this process the MBDA is located in the sector dealing with spatial form and urban management within the urban renewal silo.

As development manager of these initiatives, the MBDA coordinates and manages capital investment and other programmes involving both public and private sector stakeholders. In particular, the MBDA has gained significant



Anthony Harris and Konrad Geel – “Voting Line”

*People must look at the bigger picture. We cannot continue doing things as was in the past. People must learn to accept change.*

Pierre Voges

experience in the following areas:

- Conceptualising projects that will contribute to private sector investment, such as cleansing programme, regulation of informal trading, maintenance and specific catalytic public sector funded infrastructure projects;
- Public environment upgrades;
- CBD regeneration;
- Area based regeneration focussed on cultural programmes, heritage and entertainment
- Putting plans in place to regenerate areas in the outlying areas of the CBD, and historically marginalised areas.

The MBDA receive its mandate from its parent municipality, the NMBM, acting through the Executive Mayor and Council. It is accountable to a number of key directorates in the NMBM, such as Economic Development and Recreational Services, Human Settlements and Budget and Treasury, to whom it undertakes compliance reporting in respect of its KPA’s and KPI’s. The SDA provides corporate governance and related supports such as financial sustainability and compliance reporting and review.

In respect of strategic and operational matters the MBDA’s management is accountable to the MBDA’s Board of Directors, which not only stands in its relationship with its company, but also in respect of its political and strategic guidance.

**See Figure 1:** *The stakeholder relationship model that MBDA is using to reach out to the community.*

As an agent of the NMBM, the MBDA interacts closely with the various NMBM directorates in respect of their functional interests and development activities. In this regard the MBDA:

- Operates in line with the NMBM’s principles as articulated in the IDP
- Operates within existing agreed plans and frameworks of the NMBM (e.g. the Local Spatial Development Frame-

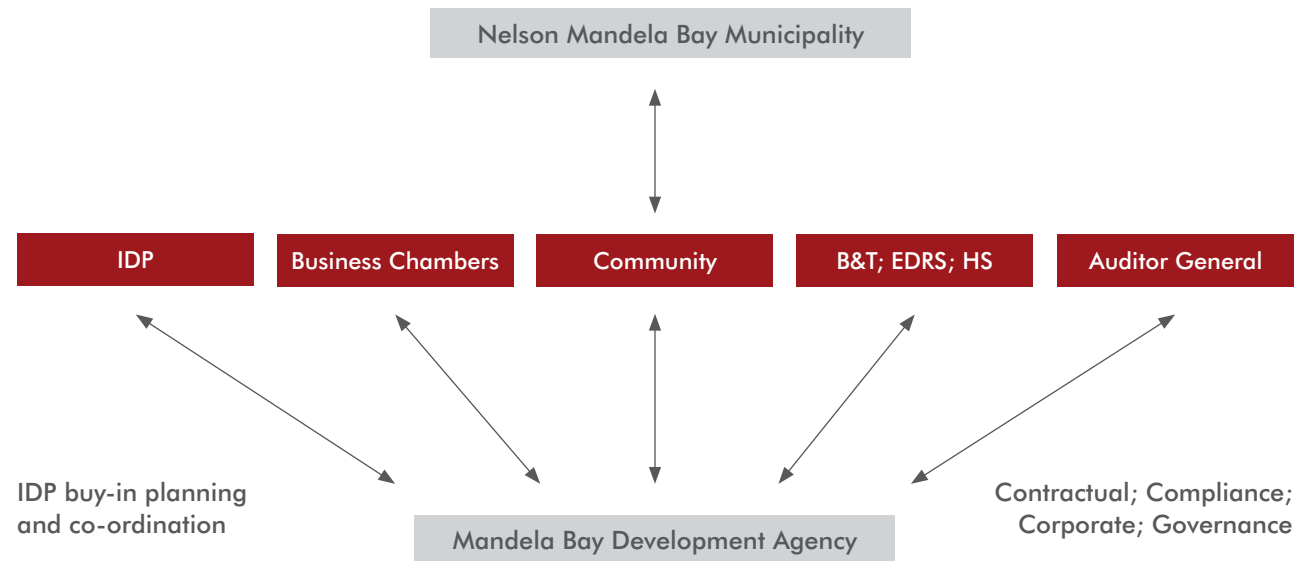
work (LSDF) for the Mandate Area and Telkom Park)

- Continuously takes cognisance of the spatial development frameworks of other areas in the City
- Considers input in respect of development designs (especially at feasibility stage) from the various Directorates who will ultimately take over the developments for maintenance purposes once completed
- Coordinates inputs in respect of development implementation
- Considers input and seeks agreements in respect of the ongoing operations of the initiative once the development is completed
- Acts as an implementation agent.

The MBDA is continuously involved in the conceptualisation and implementation of a range of catalytic infrastructure projects to achieve the objectives set out in the strategic plan, and effectively the strategic objectives of the IDP.

In the process the MBDA stimulates and implements area based initiatives involving capital and non capital developments, such as the provision of cleansing services. The MBDA’s overall service to the City in respect of a specific mandate area and any other emerging nodes identified rest on the following pillars:

- Development and project packaging from conception to completion – this involves identifying strategic urban renewal and economic development opportunities that can serve as a platform for private sector investment
- Development and project facilitation and coordination – this involves working the various stakeholders and partners to an initiative and ensuring that that they are undertaking their roles as expected and as required
- Overall development implementation – ensuring the developments implemented as planned according to budget, quality and timeframes. In this the MBDA may outsource specific project management functions within a development, while maintaining its overall accountability as a developmental manager



**Figure 1:** The stakeholder relationship model that MBDA is using to reach out to the community.

- Assessment of the impact of the MBDA’s developments – this is sought to analyse, review, assess and quantify the private sector investment and the community’s response to the various interactions of the MBDA and assess the economic impacts of these interventions. This is undertaken by analysing trends in the rates base and the perceptions of people that may influence investor interest in the MBDA’s development areas
  - Promotes growth and development through the development promotion of environments in defined geographical areas.
- The MBDA is mandated to work on a number of areas over and above the Mandate Area, and this may include in the future townships. This includes working on the regeneration of areas of the City that are either decaying or declining, in order to enhance the ability to contribute to the development of the city and the quality of life of its residents.

## 1.1 BOARD OF DIRECTORS

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**SAKI MACOZOMA**  
Chairperson of the Board



**PHIL GUTSCHE**  
Deputy Chairperson  
of the Board



**HANNAH SADIKI**



**ALFRED DA COSTA**



**WILHELA GIE**



**DANNY JORDAAN**



**ROJIE KISTEN**



**LULAMA PRINCE**

## 1.2 AUDIT COMMITTEE

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Kevin Pather – Chairperson  
Lulama Prince  
Stephen Nel

## 1.3 HUMAN RESOURCES AND REMUNERATION COMMITTEE

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Phil Gutsche – Chairperson  
Wilhela Gie

## 1.4 EMPLOYMENT EQUITY

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The MBDA is committed to the principles of equity and diversity as enshrined in the Constitution. In this context, the MBDA seeks to create an institution that reflects the diversity of South African society and contribute to maximising the human resource potential of all our people.

The overall goal at the MBDA with regard to human resources practice is:

- Provide an environment and culture that supports communication and a right to it and the ability to express one's views being supported, encouraged and respected
- Ensure fair and consistent application and implementation of employment practices and procedures
- Whilst the MBDA demographics are diverse and representative, the MBDA continuously endeavours to improve equitable representation of people from designated groups in management positions
- The MBDA has also introduced affirmative mechanisms targeted at addressing the development of previously disadvantaged individuals by providing opportunities for career advancement, growth and development

## 1.5 TRAINING AND DEVELOPMENT

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The MBDA is committed to sustaining a continuous programme of training and development for its management and staff in order to advance with changing times and technology, and thus ensure professional delivery and a competitive edge.

Our vision is to provide an integrated learning experience to our employees that will strengthen their commitment to the MBDA's values, leadership capability and the capacity to meet current and future business requirements.



## ROUTE 67 ART PIECES



Mkhonto Gwazela – “Wall of Texts”



Jane du Rand – “Mosaic Stairs”



Lorinda Pretorius, Anver Chaizzari and Nompumezo Gubevu – “Talking Women Campenile”

### 1.6 EMPLOYEE PERFORMANCE MANAGEMENT

The MBDA has a key performance indicator system in place which is based on its annual business plan, and is an essential performance tool and providing a link between the strategies, goals and objectives of the entity, and the work objectives of teams and individuals in the company. It also focuses on the development of soft skills, whilst managing employees towards the achievement of team and individual goals and objectives.

The MBDA’s performance management system is central to ensuring that all of its employees are competent, motivated and empowered. Where poor work performance is identified, corrective actions are put in place to improve

employee performance against the scorecard. The increase in employee awareness of their performance is highly relevant given that the MBDA employee remuneration and incentive processes are directly linked to their level of performance.

### 1.7 FINANCIAL SYSTEMS AND PROCEDURES

The MBDA has adopted a set of financial systems and procedures intended to ensure:

- Compliance with generally recognised accounting practice (GRAP)
- Adherence to sound internal systems by all MBDA employees

- Good corporate governance processes throughout the organisation
- A clean external audit by the Auditor-General
- Compliance with all applicable statutory obligations
- Timeous production of quality financial management and performance reports
- Procurement procedures that are competitive, open, transparent and fair

For the year under review the internal audit of the MBDA was done by the NMBM Internal Audit division. The internal audit has enhanced and improved the control environment and risk management within the organisation developing and executing a risk-based internal audit plan.



*“The MBDA concentrates on creating institutional capacity, infrastructure, innovation and eventual investment.”*

## 1.8 FOREWORD BY THE EXECUTIVE MAYOR

The MBDA should be deservedly proud of its achievements for the 2010/11 financial year which again confirms the importance of its role in the NMBM’s drive to meet its spatial and urban management development goals of the MBDA.

The MBDA again achieved its set goals in an exemplary manner, often under difficult circumstances, demonstrating the importance of improved cooperation and partnership amongst all the role players.

As the implementing agent responsible for urban renewal, the MBDA’s achievements far exceeded the expectations of the City. The progress made in the regeneration and urban development of areas in the City such as the development of the Donkin Reserve, is further evidence of our commitment to the betterment of these areas. The role of the MBDA is immeasurable and these projects are expected to change the face and the feel of these areas, from the apartheid era of white cities, to a city with a multi cultural ethnic and diverse backdrop that will effectively make it a city for all to proudly live, work and play.

It is the success of an organisation such as the MBDA that has contributed positively to the management of Nelson Mandela. The average resident of Nelson Mandela Bay can now see a ‘puzzle’ slowly coming together and the ward councillors are beginning to see the benefits of creating

dynamic places for people to “live work and play”. It is this “place making model” that creates an attractive, conducive, working, living and playing environment for all the people of Nelson Mandela Bay.

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

The MBDA has developed a purposeful institution that employs the right people who will create the right recipes to address specific problems in urban transformation. As a City we hope to take this recipe to other parts of the City and it is also ready to take on an additional township responsibility as well a responsibility in respect of social housing projects in the inner city.

The Mayoral Committee is looking forward to the MBDA’s continued valued contribution and project management skills in promoting urban renewal and transformation in the CBD and emerging areas.

ZANOXOLO WAYILE  
EXECUTIVE MAYOR



## 1.9 CHAIRPERSON'S REPORT

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**T**he MBDA is emerging from a very exciting period of large scale, public investment in infrastructure to promote urban renewal and tourism infrastructure development.

The process has evolved based on the performance management system implemented by the MBDA and also due to the growth in its operational and capital budget to ensure that the catalytic impact of capital projects could lead to higher GDP, employment and rates base.

In 2010/11 the MBDA invested many millions of rands on infrastructure and the City can sense the increase in levels of pride, confidence and investment interest flowing from this capital investment.

The Board of Directors of the MBDA are proud to be associated with the Route 67 project which has changed the

heart of Nelson Mandela Bay CBD.

As a Board we would like to thank the Chief Executive Officer and his staff for a very committed, passionate approach in what is often difficult circumstances. We remain confident that the MBDA will continue to make us proud and meet its mandate of the shareholder, NMBM, by delivering projects that make the City a better place to live, work and invest in.

The Board wishes to express its appreciation to the Executive Mayor, Cllr Zanoxolo Wayile, the members of the Mayoral Committee, the directorates of EDRS, Budget and Treasury and Human Settlements, including the Planning Directorate for the time and contribution in directing and supporting the MBDA in the implementation of its shareholder's mandate. Their level of engagement and dedication is an example to all.

SAKI MACOZOMA



*“The Board of Directors of the MBDA are proud to be associated with the Route 67 project which has changed the heart of Nelson Mandela Bay CBD.”*

## 1.10 CHIEF EXECUTIVE OFFICER'S REPORT

I am delighted to report yet again on a successful year for the MBDA, a year that culminated in the completion of Route 67 on the Donkin Reserve, a project which is unique in South Africa.

During the year under review, the MBDA completed a number of capital projects, such as Strand Street and Uitenhage Market Square upgrades that brought a complete and new dimension to the Port Elizabeth and Uitenhage CBD and which will eventually become a catalyst for further investment from the private sector.

Although the country and the city has been in recession the past three years, it is clear that the catalytic impact of the MBDA's work is showing, e.g. the present restoration of the Grand Hotel.

It is furthermore clear that the respective infrastructure projects completed by the MBDA is making a collective impact and that the average man on the street can see there is now a clear difference emerging from the years of urban decay prior to 1995.

The MBDA took a giant leap towards a viable, effective project management house and support agency that fulfills in three functions on behalf of the NMBM, namely a doer, a supporter and a promoter.

Urban renewal though is not only about brick and mortar, but also changing the perceptions of people about their City. The MBDA has explored a number of softer issues such as heritage, culture and greening to further underpin the infrastructure implemented.

In the world of rapid change, clearly curtailed by the present economic recession, our strategic priorities are unyielding, to increase the development impact of our projects, to prepare for the years after recession, and to build on the gains we have

made over the past five years. 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.

It is likely that the citizens of Nelson Mandela Bay and the rest of South Africa will see a very different city in years to come.

### Challenges

As in any other organisation the MBDA is continuously faced with challenges, particularly around securing continued capital funding from existing and other potential funders.

The MBDA follows a strong management objective approach and is continuously involved in training staff in the philosophy of urban renewal and the overall approach of getting the basics right to ensure that a sound foundation is laid for an economic boom period post the recession.

### Future Strategic Direction

The MBDA has established itself as a credible, trusted change agent and project manager.

It has built critical mass in terms of service delivery through service provision and catalytic infrastructure projects and is also recognised as a well administered entity to deliver on implementation of the projects identified in its 5-year Strategic Plan and annual business plans.

The Agency works well with the NMBM and is appreciative of the NMBM's financial support which has culminated in key projects being implemented. These projects do not only have an innovative aesthetic component, but is also contributing to arts and culture and heritage, and more importantly it follows a strong rationale in respect of political, social and economic accountability.

The MBDA will always follow the instructions of the NMBM

and create projects that will speak to the demand of the community. It is important though in recessionary times to be as flexible as possible. The market place is ever changing and the MBDA is always directed to what the customer requires.

### The Year Ahead

The MBDA is looking forward to engage in increased levels of dialogue with the ordinary citizens of the City to ensure that there is overall community buy-in to the projects. 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 if such an instruction is received from the political leadership.

PIERRE VOGES  
CHIEF EXECUTIVE OFFICER





## 1.11 AUDIT COMMITTEE REPORT

We present our report for the year ended 30 June 2011.

### 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:

K.D. Pather: Independent member and Chairperson  
L. Prince: Director  
S. Nel: Independent member representing  
Industrial Development Corporation (IDC)

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

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

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

Name and number of Audit Committee meetings attended:

KD Pather: 4  
L Prince: 1  
S Nel: 4

### Audit Committee Responsibilities

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

### Review of the Annual Financial Statement

The Audit Committee has noted the unqualified opinion to-

gether with the emphasis of matter expressed by the Auditor-General on the annual financial statements of the Agency.

### Efficiency and effectiveness of the internal controls

The matters reported 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, whilst there is always room for improvement, indicate that;

- Supply Chain Management controls require strengthening
- Staff and management require training and education with regard to best practices of Supply Chain management interpretation and implementation
- Timely and adequate reporting of Non-Compliance with current legislation requires improvement

Other than the above 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 III 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 is working closely with the external auditors and external consultants in refining and improving the implementation and operational effectiveness of the performance management system.

### Conclusion

The Audit Committee reviewed the Annual Financial Statements Audited by the Auditor General, and recommends to the Board its approval for adoption, the unqualified opinion of the Auditor-General on the annual financial statements for the Agency for the year ended 30 June 2011.


KEVIN PATHER – CA (SA)  
CHAIRMAN



# 02 PERFORMANCE HIGHLIGHTS







*“The project should support and broaden the current retail function, be conducive to reinstating the office and residential function of the area, and is expected to be a catalyst for increased private sector investment in the area.”*

**D**uring the financial period under review, the MBDA achieved the following performance highlights:

- After a number of public meetings, the MBDA have now completed the Business Plan for the first envisaged Special Rating Area (SRA) in Richmond Hill. It is foreseen that the first SRA for Richmond Hill will be operational from July 2012
- The Request for Proposal for the design for Belmont Terrace/Bird Street upgrade was drafted and it is foreseen that work will still commence in the 2011/12 financial year
- The Strand Street Phase 1 environmental upgrade was completed
- Commencement of Strand Street Phase 2, which includes the construction of a new taxi rank at the harbour entrance
- Work on the Donkin Reserve Phase 3 was completed
- Route 67 Inner City Arts Project completed
- Uitenhage Market Square upgrade completed
- Construction on Kings Beach redevelopment commenced
- Refurbishment of the Athenaeum Building was completed
- Work on the relocation of the tank farm and manganese ore facility made significant progress and Transnet

formally announced that the tank farm will be relocated in 2014 and the ore facility in 2017

- The second phase of the Economic Impact Assessment Barometer has been completed. This Barometer tested the perceptions of the public based on the work of the MBDA and also calculated the number of jobs created and the contribution to the GDP
- The MBDA successfully established its recycling plant in the Baakens River Valley, next to the old Mangold Engineering site
- The MBDA increased its public profile and an educational/information programme informing the public what the MBDA is all about
- Twenty four (24) art pieces have been installed on Route 67
- The Local Spatial Development Framework (LSDF) for the MBDA Mandate Area is in its final stages of completion
- The MBDA commenced with the Nelson Mandela Bay Stadium Management negotiations contract for the second 3-year contract period
- Work commenced from a feasibility point of view on the development of a rental housing study on the old Mermaid building site
- Completion of Whites Road cliff face rehabilitation.



# 03 CAPITAL PROJECTS



Parliament Street Upgrade





The core activity of the MBDA is the Capital project programme. The philosophy behind this programme is to identify areas that have seen serious urban decay, conceptualise an innovative and creative plan, public participation processes conducted, cost such a plan and lobby for the required capital funding. The MBDA calls this the “concept to completion” approach and these capital projects were the outcome of the extended research continuously conducted by the MBDA to ensure that capital projects are

not only about bricks and mortar, but also about changing the perceptions of people.

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 and time, resulting in a strong economic multiplier effect.

#### CAPITAL PROJECTS UNDERTAKEN DURING THE 2010/11 FINANCIAL YEAR:

	Project	Budgeted Capital Spend	Actual Spend at 30 June 2010	Planned Completion Date
1	Donkin Reserve Upgrade – Phase 1	30,000,000	27,929,979	Completed
2	Donkin Reserve Upgrade – Phase 2	6,000,000	4,493,332	Completed
3	Donkin Reserve Upgrade – Phase 3	20,000,000	13,389,435	31/10/2011
4	Uitenhage Market Square Upgrade – Phase 1	16,000,000	15,534,527	Completed
5	Uitenhage Market Square Upgrade – Phase 2	13,000,000	11,250,930	Completed
6	Whites Road Cliff Face Stabilisation	2,700,000	2,507,715	Completed
7	Strand Street Upgrade – Phase 1	30,000,000	29,562,988	Completed
8	Strand Street Upgrade – Phase 2	24,000,000	18,305,417	01/12/2011
9	Athenaeum Club Building Refurbishment	4,500,000	3,283,366	30/11/2011
10	Inner City Art Project	4,000,000	2,265,124	31/12/2011
11	Public Urinals	100,000	21,750	31/07/2011
12	GMA Sewer Rehabilitation (Russel Road to Manchester Street)	13,000,000	1,564,743	01/12/2011

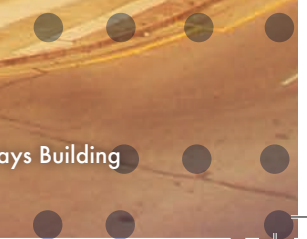
NOTE: Values indicated are from inception of the project till 30 June 2011




# 04 PERFORMANCE MANAGEMENT



Tramways Building





*“Desire is the key to motivation, but it’s determination and commitment to an unrelenting pursuit of your goal - a commitment to excellence – that will enable you to attain the success you seek.”*

*Mario Andretti*



THE PERFORMANCE REPORTING IS REFLECTED UNDER THE RESPECTIVE STRATEGIC OBJECTIVES SET FOR THE 2010/11 FINANCIAL YEAR AS FOLLOWS:

Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30/6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
<b>1. CLEANSING SERVICES (CBD CENTRAL AND UITENHAGE)</b>							
Turnaround time for the maintenance of cleansing services in designated areas (14h00 to 22h00 Mondays to Saturdays)	Six days per week (Monday to Saturday)	Six days per week (Monday to Saturday)	Six days per week (Monday to Saturday)	Six days per week (Monday to Saturday)	Six days per week (Monday to Saturday)	Six days per week (Monday to Saturday) <b>TARGET ACHIEVED</b>	Both Uitenhage and Port Elizabeth CBDs are well monitored on a daily basis. All issues pertaining to dissatisfaction on the level of service by the cleansing top up service providers are addressed immediately. Also whenever we need assistance from our municipal counterparts, this is communicated to the relevant party and meetings arranged when need arises.
% Satisfaction with cleansing services in the mandated area through a confidence satisfaction barometer	70% satisfaction	Service provider appointed	Survey conducted	Report and analysis	70% satisfaction	70% satisfaction <b>TARGET ACHIEVED</b>	A service provider was appointed in 2009 to perform an Economic Impact Assessment and satisfaction with cleansing services formed part of this survey. The MBDA also distributed perceptions survey forms to businesses in the CBD i.e. GMA, Strand Street and Chapel Street. 91% satisfaction was achieved.
<b>2. SECURITY SERVICES</b>							
Number of security meetings facilitated for the mandated areas with NMBM Safety and Security SAPS business community and other key stakeholders	4 by June 2011 (Quarterly meetings)	Quarterly meetings	Quarterly meetings	Quarterly meetings	Quarterly meetings	4 by June 2011 (Quarterly meetings) - <b>TARGET ACHIEVED</b>	Meetings were held on 09/09/2010; 11/11/2010; 17/03/2011 and 19/05/2011 and 23/06/2011.
Development of Service Level Agreement between MBDA and NMBM's Safety and Security Volunteers with regard to MBDA mandate area	By March 2011	Stakeholder consultation	Draft Service Level Agreement in place	Service Level Agreement signed		<b>TARGET NOT MET</b>	This target has not been met due to delays being experienced in getting the document finalised with the Legal Service Directorate. It is envisaged that the target will be met in the 2011/12 financial period.
<b>3. PROVISION OF MAINTENANCE AND INFRASTRUCTURE</b>							
Turnaround time for repair and maintenance of infrastructure	72 hours response period to reported incidents	96 hours response period to reported incidents	90 hours response period to reported incidents	80 hours response period to reported incidents	72 hours response period to reported incidents	72 hours response period to reported incidents - <b>TARGET ACHIEVED</b>	

Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30 /6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
<b>4. STAKEHOLDER INITIATIVES</b>							
Number of Special Rating Areas operational by June 2011	Richmond Hill Special Rating Area in place	Special Rating Area approved by NMBM	Stakeholder meetings conducted	Special Rating Area Plan developed	Richmond Hill Special Rating Area in place	<b>TARGET NOT MET</b>	Public meetings were held on 14/10/2010 and a working committee meeting was held on 30/11/2010 which was followed by forum meetings on 11/01/2011 and 18/01/2011. A Special Rating Policy was drafted and circulated for public participation. A second public meeting was held on the 27th June 2011 to discuss the SRA Business Plan and Budget. The SRA Policy will be tabled at the Portfolio Committees of EDRS and B&T. This target has not been met due to a delay in responses on the draft policy that was circulated for comment. This target will be met in the 2011/12 financial period. An implementation plan for the 2011/12 period is in place.
<b>5. FACILITATING PUBLIC CAPITAL PROJECTS</b>							
Number of new capital projects conceptualised and designed	Consultant appointed by June 2011	Forum meetings held	Draft Request for Proposal in place	Request for Proposal advertised	Consultant appointed	<b>TARGET NOT MET</b>	This target has not been met due to the cashflow crisis experienced by the NMBM which resulted in the Agency's budget being reduced and as a result the project was placed on hold and resulted in the scope of work being amended. A reduced scope of work was advertised by way of a public tender in March 2011. After following the supply chain management process the Agency appointed a consultant in July 2011. It is envisaged that this target will be met in the 2011/12 financial period.
% of capital projects completed (a) Strand Street (Phase I)	Strand Street Phase 1 completed and signed off by Dec 2010	80% complete	Strand Street Phase 1 to be 100% complete and signed off			Strand Street Phase 1 to be 100% complete and signed off <b>TARGET ACHIEVED</b>	
% of capital projects completed (b) Donkin Reserve (Phase I)	Donkin Reserve Phase 1 completed and signed off by Jul 2010	Donkin Reserve Phase 1 completed and signed off by Jul 2010				Donkin Reserve Phase 1 completed and signed off by Jul 2010 <b>TARGET ACHIEVED</b>	



<b>Key Performance Indicator (KPI)</b>	<b>Annual Target</b>	<b>Qtr Ending 30/9/2010 - Target</b>	<b>Qtr Ending 31/12/2010 - Target</b>	<b>Qtr Ending 31/3/2011 - Target</b>	<b>Qtr Ending 30/6/2011 - Target</b>	<b>Year Ending 30/6/2011 - Actual</b>	<b>Year Ending 30/6/2011 - Analysis</b>
% of capital projects completed (c) Uitenhage Market (Square Phase I)	Uitenhage Market Square Phase 1 completed and signed off	Uitenhage Market Square Phase 1 completed and signed off				Uitenhage Market Square Phase 1 completed & signed off by Sep 2010 <b>TARGET ACHIEVED</b>	
% completion of new Capital Projects 40% completion of Phase 2 of Strand Street upgrade by June 2011	40.00%	5.00%	10.00%	30.00%	40.00%	<b>59%</b> <b>TARGET ACHIEVED</b>	
% completion of new Capital Projects 60% completion of Phase 2 of Donkin upgrade by June 2011	60%	5%	20.00%	40.00%	60.00%	100.00% <b>TARGET ACHIEVED</b>	
% completion of new Capital Projects 100% completion of Phase 2 of Uitenhage Market Square by June 2011	100%	10%	30.00%	60.00%	100.00%	100.00% <b>TARGET ACHIEVED</b>	
% completion of new Capital Projects 100% completion of Govan Mbeki Avenue Sewer Rehabilitation upgrade by June 2011	100.00%	10.00%	30.00%	60.00%	100.00%	0.00%	The target has not been met due to the delay from Construction Industry Development Board (CIDB) regarding the grading of one of the respondents as well as incomplete documentation received. After a legal opinion was received, the successful bidder was appointed on 01/03/2011 and work has commenced. It is envisaged that this target will be met in the 2011/12 financial period.
% completion of new Capital Projects 100% completion of Chapel Lane Furnicular by June 2011	100%	5%	40.00%	60.00%	100.00%	0.00%	The project has been cancelled due to budget cuts imposed on the MBDA as a result of the cashflow challenge in the Municipality. The review of targets affected by the Adjustment Budget has been recommended for consideration by the Mayoral Committee, together with the second quarter report.
% completion of new Capital Projects 20% completion of King's Beach / NMBM Triangle rehabilitation by June 2011	20%	5%	10.00%	15.00%	20.00%	5.00%	This target has not been met due to the budget cuts imposed on the MBDA by the NMBM which resulted in this project being placed on hold and scope of work amended. A service provider / consultant was appointed on 26 January 2011. The project has commenced and a RFP for the construction tender was advertised on Friday 27 May 2011 and closed on Friday 24 June 2011. A service provider was appointed for the construction in July 2011. It is envisaged that this target will be met in the 2011/12 financial period.

Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30/6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
<b>6. FACILITATION OF PRIVATE SECTOR INVESTMENT IN MUNICIPAL PROPERTY</b>							
% completion of the construction of Tramways Building	40% by June 2011	Tramways Building hoarded (5%)	Partial demolition of building commence (10%)	Construction of building commence (30%)	40.00	<b>TARGET NOT MET</b>	The target has not been met due to delays by the developer as a result of ill health and financing. A legal opinion has been received by the Agency's attorneys, to declare the contract null and void. The Agency now depends on the NMBM legal services directorate to issue a notice to the Lessee declaring the contract null and void.
% completion of refurbishment of Athenaem Building	100% by June 2011	Roofing and exterior paintwork completed (10%)	Interior repaired and painted (50%)	Toilet block and wheelchair access facilities construc (70%)	100.00	100% by June 2011 <b>TARGET ACHIEVED</b>	
Purchase and refurbishment of Transnet Building	By June 2011	Offer accepted by Transnet	Approval by Board and NMBM	Building renovated and occupied	Transnet building legal transfer of property to MBDA	<b>TARGET NOT MET</b>	This target has not been met due to delays on behalf of Transnet in relocating their staff to adjacent building. At the Board meeting held on 11 March 2011 it was resolved that management pursue any other suitable property that may be for sale in the market with a view to acquiring such a building for use as the Agency's office premises. A new RFP was advertised called for interested parties on 21 April 2011 and which closed on Friday 27 May 2011 with no responses received to the advertisement. The RFP was thereafter re-advertised on Monday 13 June 2011 and which closed on Friday 15 July 2011. This KPI will be revised and will not form part of the 2011/12 financial period.
<b>7. PLANNING/SPATIAL FRAMEWORKS AND FEASIBILITY STUDIES</b>							
Completion of Mandate Area Strategic Spatial Implementation Framework (SSIF) LSDF	By June 2011	Preliminary precinct plan for King's Beach completed	(a) Final precinct plan for Kings Beach completed (b) Strategic Spatial Implementation Framework completed	Draft LSDF (King's Beach) and public participation	LSDF for King's Beach completed	<b>TARGET NOT MET</b>	This target has not been met due to the consultants delaying the Project The data and spatial development proposals were presented to management on 8 December 2010. The Public Participation Process has commenced in the fourth quarter. Please find attached meeting notice. LSDF for King's Beach still to be completed. This target will only be met in the 2011/12 financial period.

Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30 /6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
Relocation of Tank Farm and Manganese facilities - Port Environmental Study	By March 2011	Negotiations	Memo of Agree between NMBM, MBDA and Transnet signed	Port Environmental Study completed		<b>TARGET NOT MET</b>	The negotiations between Transnet, the City and Southernport as the three land owners of the Port, has been delaying the finalisation of the Memorandum of Agreement. A feasibility study will be conducted on land usage following the relocation in terms of port activity scenario versus non-port activity scenario. This target has not been met as the process is taking much longer that initially anticipated. A renewal for application was advertised by Transnet on 25/01/2011. The MBDA subsequently appointed attorneys to compile an objection report for submission to Transnet. An application for funding to conduct the feasibility study has been made to Provincial department and head of tourism at the IDC. It is envisaged that the target will only be met in the 2011/12 financial year but will not form part of the 2011/12 KPI's.
Completion of Inner-city Heritage Asset Management Guidelines Study	By June 2011	Draft Terms of Reference Request for Proposal	Appointment of service provider	Interim reports			<b>KPI WAS DELETED ON 20 MAY 2011</b>
Completion of Economic Impact Assessment Study Phase 2 (Urban Econ barometer)	By June 2011	Specifications and tender advertisement	Appointment of service provider	Commencement of study	Study completed	By June 2011 – <b>TARGET ACHIEVED</b>	
<b>8. ENVIRONMENTAL MANAGEMENT</b>							
Development of an action plan for Go Green in-house within the MBDA mandate area	By December 2010	Draft action plan in place	Action plan developed			Action plan developed <b>TARGET ACHIEVED</b>	
Number of green projects implemented	2 by June 2011	Tender advertisements	Appointment of service provider	1.00	2.00	2 by June 2011 <b>TARGET ACHIEVED</b>	2 projects have been implemented, 1 as a sorting/recycling/ project and another of hanging flower baskets on the lamp poles in Govan Mbeki Avenue, Strand Street/Vuyisile Mini Square and Parliament Street. The process of putting these in place has started in GMA.



Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30 /6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
Number of recycling containers provided within the MBDA mandate area	4	1	2.00	3.00	4.00	2.00	This target has not been met due to a decision taken to clear 500 square/meters of site number 5332 in the Baakens River Valley. In addition to clearing it, it will be fenced, prepared, 4 MBDA containers will be located to it. Currently only 2 containers are in place which are operated by a service provider as recycling stations. A tender will be advertised calling for proposal from companies/groups/organisation that will not only collect and sell recyclable materials but that can make and sell products that will be manufactured from recyclable materials. Adverse weather conditions have been preventing the preparatory phase of this project.

## 9. STRATEGIC PLANNING AND INTEGRATION

Existence of an organisational/project management tool to monitor project progress	By June 2011	Specifications and tender advertisement	Appointment of service provider	Draft organisational/project management tool in place	Organisational project management tool in place	Organisational project management tool in place – <b>TARGET ACHIEVED</b>	
Obtain income tax / VAT directive from National Treasury and finalise implementation plan for conversion from section 21 to a private company	By June 2011	Tender advertisements	Appointment of service provider	Submission of application and draft conversion plan in place	MBDA tax status confirmed and conversion plan finalised	<b>TARGET NOT MET</b>	This target has not been met. This target is incorrect and should read that National Treasury will give the MBDA a formal response in the latter part of 2011. A submission has been made to the Acting MM and the COO on 15 February 2011 to have this KPI amended as this KPI is operational rather than strategic in nature. This KPI will not form part of the 2011/12 financial period.

## 10. PERFORMANCE MANAGEMENT

Existence of performance contracts between CEO and the Chairperson on behalf of the Board as well as between CEO and direct reportees	By July 2010	Performance contracts in place				Performance contracts in place – <b>TARGET ACHIEVED</b>	Performance contracts are in place and were approved by the HR/Remuneration Committee on 23/03/2011.
Roll-out of performance plans to all employees	By June 2011	Action plan for roll-out developed	CEO and direct reportees has performance contracts	Supervisors has performance plans	Performance rolled out to all employees	<b>TARGET NOT MET</b>	This target has not been met due to attention been focused on finalising senior managers' performance agreement which are now in place. A submission was also made to the Acting MM and COO to have this KPI deleted on 15 February 2011 as this KPI is of operational rather than strategic in nature. The roll out of the performance agreements for employees will be done in 2011/12 but will not form part of the KPI for 2011/12 financial period.

Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30/6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
Conduct mid-term and annual performance reviews between the Board and CEO and between CEO and direct reportees	Mid-term (December) and annual (June)		Mid-term reviews		Annual reviews	<b>TARGET NOT MET</b>	These are to be conducted in July 2011, one month after the end of the financial year.
Submission of performance reports indicating performance gaps and improvements	Quarterly (Sept Dec March & June)	Quarterly reports	Quarterly reports	Quarterly reports	Quarterly reports	Quarterly reports <b>TARGET ACHIEVED</b>	
<b>11. HUMAN RESOURCES DEVELOPMENT</b>							
Number of people employed from employment equity target groups	14	13	14.00	14.00	14.00	16.00 – <b>TARGET ACHIEVED</b>	14 PDIs are employed on a permanent basis, and 2 are employed on a contractual basis.
% staff who consider organisational planning processes to be inclusive participatory and empowering.	75% by June 2011 (2 surveys per annum)	Survey conducted	Survey report (75% satisfaction)	2nd survey conducted	Survey report (75% satisfaction)	<b>TARGET NOT MET</b>	This target has not been met due to a strategic planning session not been able to be arranged during the 2010/12 financial period. This is now planned to take place in July 2011. This KPI is operational rather than strategic in nature and will not form part of the 2011/12 financial period.
Implementation of RPL/training programme for senior managers in line with National Treasury regulations	Completion of 5 unit standards per manager by June 2011	RPL process commence	Evaluation process by TIPP	Refresher training and formal courses	5 unit standards per manager completed	<b>TARGET NOT MET</b>	The MBDA has had to make its own budget provisions for this KPI as a result of the casflow challenge by the NMBM. Training has commenced with the first Unit Standard presented on 22-23 March 2011 and 11-14 April 2011 and 27/06/2011 to 01/07/2011. A Daya completed 5 Unit Standards (4 via RPL and 1 via NMMU), M Ncalu completed 3 unit standards via NMMU, D Sapere attended 1 Unit Standard via NMMU, and P Voges completed 0 unit standards. The target will be met in the 2011/12 financial period.
% compliance with MBDA's annual skills development programme	100%	100%	100.00%	100.00%	100.00%	100.00% – <b>TARGET ACHIEVED</b>	
<b>12. HERITAGE, ARTS AND CULTURE</b>							
Number of public art pieces put in the Donkin Reserve Precinct and inner city	30	5	10.00	20.00	30.00	89.00 – <b>TARGET ACHIEVED</b>	89 art pieces have been completed but bad weather has delayed installation of some art pieces. Photographs are available on disc.
Number of emerging artists promoted by the MBDA	40	5	15.00	25.00	40.00	208.00 – <b>TARGET ACHIEVED</b>	This target has been met. 208 artists have been promoted in this quarter by way of an EC Artist book.



Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30 /6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
Number of emerging crafters trained by MBDA	30	5	10.00	20.00	30.00	32.00 – <b>TARGET ACHIEVED</b>	A craft market was established at the Donkin Cottage during the World Cup Period. The training was not a formal training programme but rather one where emerging crafters received one-on-one training from established crafters.

### 13. MARKETING PROMOTION BRAND AND PLACE MANAGEMENT

Number of promotional magazine/newspaper articles published	10	2	5.00	7.00	10.00	62.00 – <b>TARGET ACHIEVED</b>	
Number of press conferences arranged with written and electronic media	4 per annum	1	2.00	3.00	4.00	4 per annum – <b>TARGET ACHIEVED</b>	
Number of promotional opportunities identified for large scale advertising	2 per annum	Research and benchmarking	1.00	Research and benchmarking	2.00	2 per annum – <b>TARGET ACHIEVED</b>	
Number of public events identified to attract people to the inner city	2 per annum	Planning	1.00	Evaluation report	2.00	2 per annum – <b>TARGET ACHIEVED</b>	
Appointment of new Public Relations and Marketing panel	By July 2010	Panel appointed				Panel appointed <b>TARGET ACHIEVED</b>	

### 14. PREFERENTIAL PROCUREMENT

Review of SCM Policy to ensure that it benefits HDIs and SMMEs as per NMBM guidelines	By December 2010	Draft revised policy in place	SCM Policy revised			<b>TARGET NOT MET</b>	“At a Board meeting held on 27 May 2005, it was decided that all MBDA supply chain matters would be guided by the NMBM’s Supply Chain Management Policy. The MBDA keeps abreast of all Policy amendments and revisions. This KPI is operational rather than strategic in nature and will not form part of 2011/12 financial period.”
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### 15. URBAN DEVELOPMENT ZONE (UDZ)

Number of applicants who have applied for Urban Development Zone tax incentives through the assistance of MBDA	10	1	3.00	6.00	10.00	3.00	“To date only 3 applications has been received. No new applications were received for the fourth quarter. This KPI is operational rather than strategic in nature and will not form part of the 2011/12 financial period.”
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Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30 /6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
<b>16. EXPENDITURE</b>							
% MBDA capital budget spent on implementing capital projects	95.00%	12.00%	32.00%	46.00%	95.00%	63.60%	63.6% of budget has been spent. This target has not been met due to year end processes and outstanding invoices from contractors who are still verifying invoices for year end purposes. This figure will be reconfirmed in July 2011.
Timeous submission of 3-year MTEF budget plan to NMBM	By December annually	Draft 3-year MTEF budget in place	3-year MTEF budget plan submitted			3-year MTEF budget plan submitted – <b>TARGET ACHIEVED</b>	
<b>17. SUPPLEMENTARY FUNDING</b>							
% of additional funding sourced by MBDA to complement municipal funding	10% by June 2011	Identification of additional funding sources	IDC funding application	Lotto funding application	10.00	10% by June 2011 – <b>TARGET ACHIEVED</b>	15,81% of additional funding has been secured through the IDC and Lotto funding received for 2010/11 financial period. An application has also been made to PWC to secure a database for external donor funding.
<b>18. COMMUNICATION AND PUBLIC PARTICIPATION</b>							
Number of community outreach programmes undertaken	6	1	3.00	4.00	6.00	5.00	Meetings were held on 06/08/2010; 27/10/2010; 03/03/2011, 15/03/2011, 19/04/2011 and a sixth meeting was scheduled to take place on 23/06/2011 but was delayed due to procurement processes and is now scheduled to take place on 06/07/2011.
<b>19. PROJECT RELATED PUBLIC PARTICIPATION</b>							
Number of public participation meetings held to foster understanding of the role of MBDA as well as to enhance participation in the implementation of projects within MBDA mandate area	6	1	3.00	4.00	6.00	7.00 – <b>TARGET ACHIEVED</b>	Meetings were held on 06/08/2010; 27/10/2010; 03/03/2011, 15/03/2011, 22/03/2011; 07/04/2011 and 27/06/2011.
<b>20. INFORMATION COMMUNICATION AND TECHNOLOGY</b>							
Conversion to Pastel Evolution system	By July 2010	Conversion to Pastel Evolution System completed				Conversion to Pastel Evolution System completed – <b>TARGET ACHIEVED</b>	

Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30 /6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
% implementation of data recovery disaster management plan	100.00%	100.00%				95.00%	"A draft DRP was tabled to the Board on 13 December 2010 and to the Audit Committee on 11/02/2011 to which they requested some amendments to the policy to be presented to the next Audit Committee Meeting. At the following Audit Committee Meeting held on 02 June 2011, the Audit Committee referred the policy back for further amendments. This KPI is operational rather than strategic in nature and will not form part of the 2011/12 financial period.
Implementation of Electronic Asset register	By September 2010	Register to be implemented				Register implemented – <b>TARGET ACHIEVED</b>	
<b>21. CORPORATE GOVERNANCE</b>							
Receipt of unqualified Audit Report	By December 2010	External audit commences	Unqualified audit report to be received			Unqualified audit report received – <b>TARGET ACHIEVED</b>	
Number of Board meetings held	4	1	2.00	3.00	4.00	3.00	"Board meetings were held on 17/09/2010, 03/12/2010 and on 11/03/2011. A fourth Board meeting was scheduled for 24 June 2011, but was cancelled due to non availability of a quorum and as a result of the budget not yet been passed by Council.
Number of HR/ Remuneration Committee meetings held	3	1	2.00	2.00	3.00	2.00	1 HR/ remuneration Committee meeting was held on 13/12/2010 and a second meeting was held on 23/03/2011. A third HR / Remuneration Committee meeting is scheduled for 18 July 2011, due to unavailability of Committee members.
Existence of a Board Charter	By December 2010	Drafting of Charter commence	Board Charter in place			Board Charter in place – <b>TARGET ACHIEVED</b>	
Completion of annual Board Performance Assessment	Completed by June 2011	Research and benchmarking for best practices	Assessment framework drafted	Consultation with Board and adoption of framework	Assessments completed	<b>TARGET NOT MET</b>	The Board Assessment Framework was to be tabled for discussion at the Board Meeting scheduled for 24 June 2011 which was postponed due to no quorum available for the meeting and the budget that was not passed by the NMBM Council. A quotation was also sourced from the Institute of Directors as per the Board's Request which was also to be tabled to the Board Meeting of 24 June 2011 for approval.



Key Performance Indicator (KPI)	Annual Target	Qtr Ending 30/9/2010 - Target	Qtr Ending 31/12/2010 - Target	Qtr Ending 31/3/2011 - Target	Qtr Ending 30 /6/2011 - Target	Year Ending 30/6/2011 - Actual	Year Ending 30/6/2011 - Analysis
<b>22. INTERNAL CONTROLS AND RISK MANAGEMENT</b>							
Perform strategic risk assessment	By June 2011	Gap analysis conducted.	Scope of risk assessment identified.	Terms of reference for the appointment of service provider drafted.	Appoint consultant	<b>TARGET NOT MET</b>	This target has not been met due to a decision been made by the Audit Committee on 12/11/2010 that the Chief Risk Officer of the NMBM who has since resigned would have performed this function. A decision taken by the Audit Committee on 02 June 2011 that the Agency reverts back to the status quo where the Committee will manage and perform the risk assessment due to the resignation of the NMBM Chief Risk Officer and until such time that an Acting Chief Risk Officer is appointed by the NMBM and that MBDA Management correspond with the NMBM Internal Audit Directorate on this matter and if no response is received, that the Agency procures its own services for a risk assessment. It is envisaged that this target will only be met in the first quarter of the 2011/12 financial period.
Turnaround time for the submission of risk management reports to the Audit Committee and Board (number of months following the end of the quarter)	One month after end of quarter	One month after end of quarter	One month after end of quarter	One month after end of quarter	One month after end of quarter	One month after end of quarter – <b>TARGET ACHIEVED</b>	The risk register was submitted to the Audit committee on 02/06/2011.
Develop and implement a risk management policy	By September 2010	Risk management policy developed and implemented				<b>TARGET NOT MET</b>	This target has not been met due to a decision been made by the Audi Committee on 12/11/2010 that the Chief Risk Officer of the NMBM will now perform this duty. The Chief Risk Officer has resigned from the NMBM. It was decided at the Audit Committee Meeting held on 2 June 2011 that the Agency reverts back to the status quo where the Committee will manage and perform the risk assessment until such time that an Acting Chief Risk Officer is appointed by the NMBM and that MBDA Management correspond with the NMBM Internal Audit Directorate on this matter and if no response is received, the Agency procures its own services for a risk assessment. It is envisaged that this target will only be met in the first quarter of the 2011/12 financial period.
Implementation of gift and business declaration register	By December 2010	Draft register in place	Gift and business declaration register implemented			Gift and business declaration register implemented <b>TARGET ACHIEVED</b>	
Number of Audit Committee meetings held	4	1	2.00	3.00	4.00	4.00 – <b>TARGET ACHIEVED</b>	Audit Committee meetings were held on 14/09/2010, 12/11/2010; 11/02/2011 and 02/06/2011. Please see attached attendance registers.


<b>Key Performance Indicator (KPI)</b>	<b>Annual Target</b>	<b>Qtr Ending 30/9/2010 - Target</b>	<b>Qtr Ending 31/12/2010 - Target</b>	<b>Qtr Ending 31/3/2011 - Target</b>	<b>Qtr Ending 30 /6/2011 - Target</b>	<b>Year Ending 30/6/2011 - Actual</b>	<b>Year Ending 30/6/2011 - Analysis</b>
Annual Assessment of the Audit Committee	Completed by June 2011	Research and benchmarking best practices	Assessment framework drafted	Consultation with Audit Committee and adoption of framework	Annual assessment completed	Annual assessment completed <b>TARGET ACHIEVED</b>	Assessments were done by Audit Committee Members and Board Chairperson in June 2011.
Review of Internal Audit and Audit Committee Charters	Completed by June 2011	Research and benchmarking best practices	Draft reviewed Charters in place	Tabling of Charters to Board	Charters approved by the Board	<b>TARGET NOT MET</b>	A decision was made at the Audit Committee held on 02 June 2011 that the Agency will now adopt the amended charters of the NMBM Audit Committee at the next MBDA Audit Committee meeting to be scheduled in September 2011.
Independent Internal Audit conducted	One per annum	Tender advertisements	Appointment of service provider	Auditing	Report	One per annum <b>TARGET ACHIEVED</b>	

# 05 CORPORATE GOVERNANCE

Photo: Karl Shoemaker







*“The MBDA Board of Directors has reviewed its corporate governance practises with a view to fully comply with the requirements of KING III.”*

### 5.1 CORPORATE GOVERNANCE STATEMENT

**G**ood corporate governance is essentially about effective leadership. It requires leadership that is able to integrate decision making, business strategy and sustainability. It also calls for an inclusive and collaborative approach in respect of stakeholders that is focused on the need for effective engagement and constant update of business affairs for decision making.

The King Code of Governance for South Africa and its code of Governance Principles (KING III) were launched on 1 September 2009 and came into effect on 1 March 2010.

The MBDA Board of Directors has reviewed its corporate governance practises with a view to fully comply with the requirements of KING III. During the year under review, the MBDA Board continues to consist of a majority of independent non executive directors.

The company has committed its practise of agreed key performance indicators and measures with the shareholder. Progress against set targets is continuously reviewed by the Board and reported to the shareholder representatives on a quarterly basis.

The Board continued to work collectively, effectively and ef-

ficiently in executing its duties and has a strong relationship with the Chief Executive Officer.

The MBDA is committed to the following corporate governance principles and they form the core values that guide the MBDA in its business:

- To be an agent of social and economic growth
- Be inclusive and understanding the needs of its 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

## 5.2 GOVERNANCE STRUCTURE

### 5.2.1 Board Of Directors

The Board draws a clear distinction between operational matters on the one hand, which is the responsibility of management, 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 8 (eight) 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 the Audit and Human Resources/Remuneration Committees.

The skills of the Board are supplemented at committee level

by external committee members, as in the case of the Audit Committee. The Board has entrenched sound governance within the MBDA. It is the core of the MBDA's governance system and is overarchingly responsible for:

- Providing clear strategic direction to the entity
- Ensuring that appropriate management structures are in place to ensure effective day to day operations of the organisation
- Promoting a culture of ethical behaviour
- Entrenching sound corporate governance through an integrated governance structure
- Compliance with all relevant laws, regulations and codes of practise

### 5.2.2 Board Evaluation

The effectiveness and performance of all Board members are assessed annually, and any shortcomings are addressed and areas of strength consolidated.

In the current financial year, the MBDA Board of Directors facilitated its performance assessment and that of its committees. The Chairperson of the Board reviews the performance of the CEO and the CEO reviews the performance of the executive management, who in turn evaluate the performance of their staff members.

### 5.2.3 Company Secretarial Function

This role is managed by the Chief Financial Officer and

involves a process that ensures that the organisation complies with company legislation and regulations, and keeps Board members informed of their legal responsibilities and duties.

### 5.2.4 Risk Management and Governance Process

Risk management is an integral part of good corporate governance at the MBDA. It is a process whereby:

- There is a shared awareness and understanding within the organisation of the nature and extent of the risks it faces;
- The categories and extent of those risks regarded as acceptable and the likelihood and potential of impacts of the risks materialising
- There is a regular and ongoing identification, evaluation, management, monitoring, recording and reporting of risks with a view of improving the organisation's ability to manage and reduce the incidents and impacts on the organisation of risks that do materialise
- An appropriate assessment is made of the costs of implementation and operating a particular and control related risks
- The MBDA Board monitors risk through a risk evaluation process. Such a process is aimed at examining risks associated with proposed projects such as financing, returns and risk profile
- The MBDA has identified and developed a risk register in which it identifies its risk areas and how to monitor it
- The MBDA ensures effective internal controls



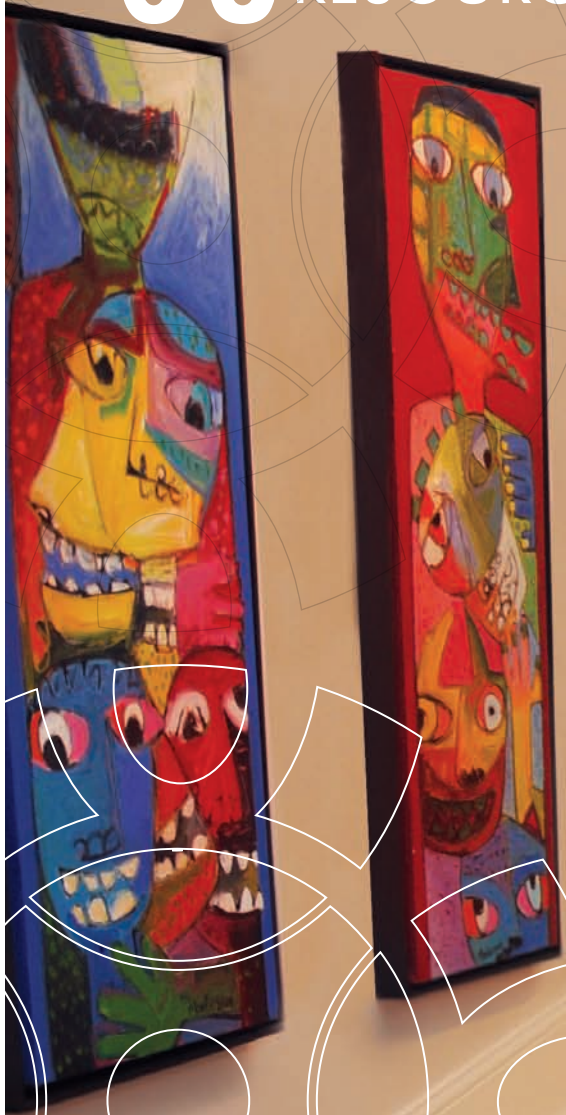
*The Donkin Flag*



*The Donkin Lighthouse Cottage*



# 06 HUMAN RESOURCES



*“Unless commitment is made, there are only promises and hopes... but no plans.”*

*Peter F. Drucker*

## 6. HUMAN RESOURCES

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

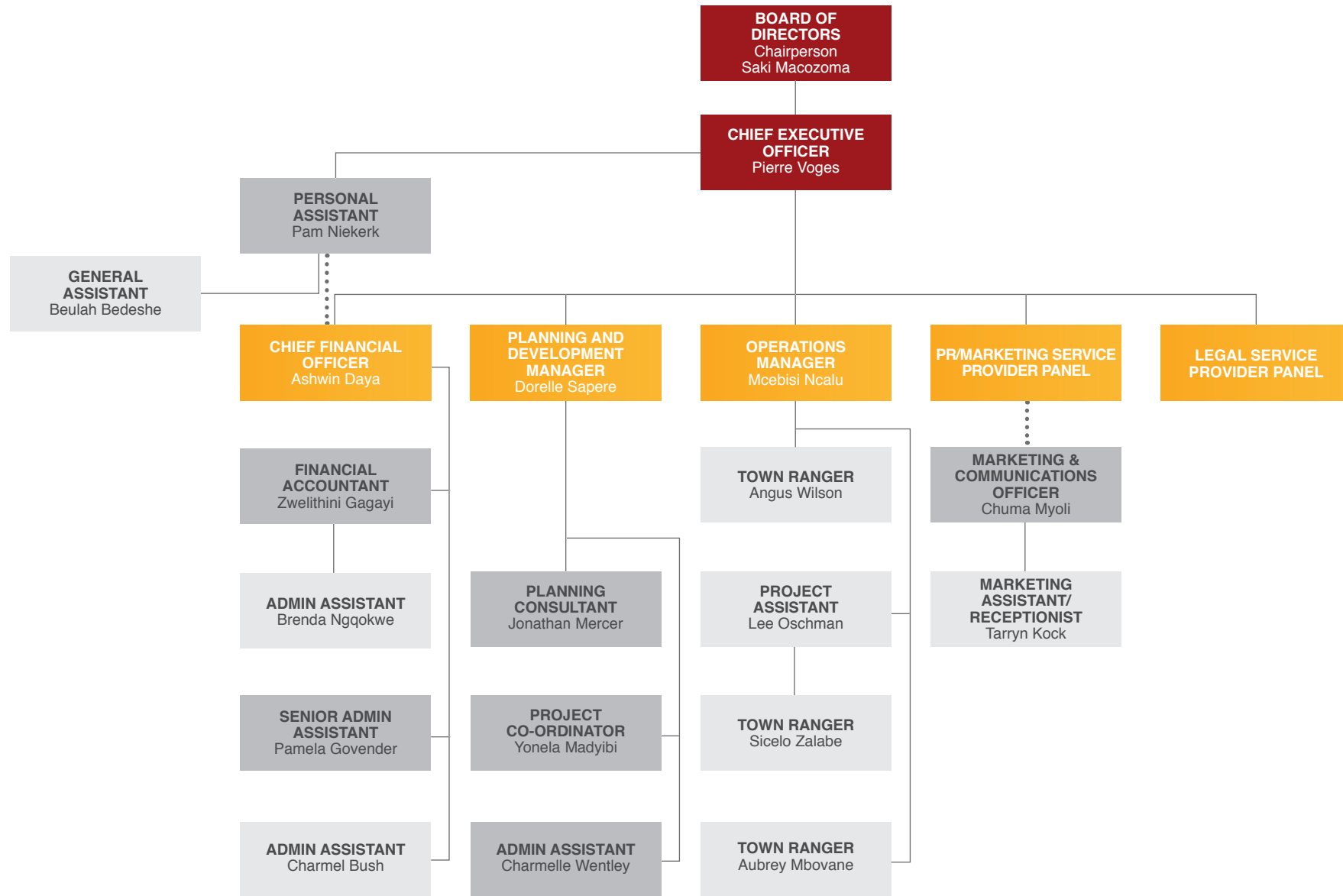
Level	Black	White	Coloured	Indian
<b>RACE</b>				
Management	1	2	-	1
Professional	3	1	-	-
Administration	4	2	4	1

Level	Male	Female
<b>GENDER</b>		
Management	3	1
Professional	2	2
Administration	4	7



MBDA Staff

6.1 STAFF ORGANOGRAM AS AT 30 JUNE 2011





ROUTE 67 ART PIECES



Anton Momberg – “Conversation Piece”



Duncan Stewart – “River Memory”




Imbono Architects – “The Fish Bone”



# 07 AUDIT REPORT AND FINANCIAL STATEMENTS







*“Develop success from failures. Discouragement and failure are two of the surest stepping stones to success.”*

*Dale Carnegie*

## 7. AUDIT REPORT AND ANNUAL FINANCIAL STATEMENTS

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Attached, please find the MBDA’s audit report and annual financial statements for the year ending 30 June 2011.

Report of the Auditor-General	40
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REPORT OF THE AUDITOR-GENERAL TO THE BOARD OF DIRECTORS AND THE PROVINCIAL LEGISLATURE  
ON THE FINANCIAL STATEMENTS OF MANDELA BAY DEVELOPMENT AGENCY NPC FOR THE YEAR ENDED 30  
JUNE 2011

REPORT ON THE FINANCIAL STATEMENTS

---

**Introduction**

I have audited the accompanying financial statements of the Mandela Bay Development Agency NPC, which comprise the statement of financial position as at 30 June 2011, the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 42 to 67.

**Accounting officer's responsibility for the financial statements**

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

**Auditor-General's responsibility**

As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. 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.

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 in 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.

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

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mandela Bay Development Agency NPC as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Municipal Finance Management Act and the Companies Act.

**Emphasis of matter**

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

#### *Irregular expenditure*

The municipal entity incurred irregular expenditure as a result of instances of non-compliance with the Supply Chain Management Regulations. This has been disclosed in Note 25 to the financial statements.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

---

In terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, we include below our findings on the annual performance report as set out on pages 18 to 29 and material non-compliance with laws and regulations applicable to the municipal entity.

#### **Predetermined Objectives**

There were no material findings relating to the presentation, usefulness and reliability of the performance in the annual performance report.

#### **Compliance with laws and regulations Supply Chain Management**

The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 95(d) of the Municipal Finance Management Act.

Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) and (c).

Invitations for competitive bidding were not always advertised for a required minimum period of days as per the requirements of SCM regulation 22(1) and 22(2).

Sufficient audit evidence could not be obtained that awards were made to providers whose tax matters have been declared by the South African Revenue Services to be in order as required by SCM regulation 43.

Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).

### INTERNAL CONTROL

---

In terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, we considered internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

#### **Leadership**

Effective HR Management to ensure adequate and sufficiently skilled resources are in place and performance is monitored.

The entity lacks sufficient monitoring processes to detect contraventions of the Supply Chain Management ("SCM) Policy.

#### **Financial and performance management**

Review and monitor compliance with applicable laws and regulations .

The entity's processes to identify and report irregular expenditure are inadequate. This resulted in irregular expenditure not being identified and addressed in a timely manner.



East London  
30 November 2011

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report for the entity, which forms part of the audited financial statements of the Non Profit Company for the year ended 30 June 2011.

### Establishment

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

In December 2007 the NMBM council resolved that the MBDA's mandate be extended to include the renewal and revitalisation of business nodes within the entire Nelson Mandela Bay area with a focus on emerging areas such as Uitenhage etc.

### General Review

The entity 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.

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

### Legislation

The entity complied with all the relevant sections of the Companies Act 61 of 1973, the Companies Act 71 of 2008, the

Companies Amendment Act 3 of 2011 and the Local Government: Municipal Finance Management Act 56 of 2003.

### Financial Results And Audit Opinion

The financial results are set out in the attached annual financial statements. The audit opinion as expressed by the Auditor-General is an unqualified one and this is the entity's seventh consecutive such opinion attained. However it must be noted that an emphasis of matter has been expressed in terms of irregular expenditure incurred by the entity (refer note 25.2 in the financial statements) and which relates to instances where the entity has not obtained 3 written quotations from its service providers as required in terms of its supply chain management policy. It had furthermore not advertised one of its public tenders for the required 14 day period which has also resulted in such expenditure being deemed irregular. In mitigation of such findings the Chief Executive Officer has in the 2011/12 period ratified these supply chain management deviations as being minor breaches of the procurement process and this expenditure will also be tabled for noting by the board of directors at its next meeting scheduled for November 2011. Further details can be found in Note 25.

### Key Activities

#### Existing Projects

During the year under review the entity completed the environmental upgrades of Strand Street Phase 1 and Donkin Reserve Phases 1 and 2. Uitenhage Market Square Phases 1 and 2 were officially launched to the public in May 2011 where the Executive Mayor was the keynote speaker. The Whites Road Cliff was also rehabilitated and stabilised during the year.

#### New Projects

During the year under review, construction on the second phase of the environmental upgrade of Strand Street commenced and involved road traffic calming interventions, better access to the Campanile monument as well as the Strand Street bus terminus undergoing renovations. The

third phase of Donkin Reserve also commenced and includes the staircase and contour path which will form part of the Route 67 project.

Route 67 is a public art project that is funded by a National Lotteries Board arts grant and will comprise of various art pieces, symbols and other aspects relating to the 67 years of the public life of Nelson Mandela and which is expected to become an important tourism product for Nelson Mandela Bay, given that the NMBM has adopted the name of this icon.

The Athenaeum Club building, a derelict building owned by the NMBM was refurbished by the entity and once fully completed will represent an arts and culture hub for the creative arts industry in Nelson Mandela Bay and its surrounding region.

The entity together with the NMBM and the local business chamber, played a key role in the facilitation of talks with Transnet regarding the relocation of the oil tank farm and manganese ore dump facilities at the existing harbour in order for this land to be released for a new waterfront development.

#### Future Projects

Donkin Reserve Phase 4 is planned to proceed in 2011 with a design plan commissioned for an amphitheatre and other amenities to be constructed on this important open public space.

A market assessment, project conceptualisation and development modelling exercise for the Belmont Terrace and Bird Street precinct will be commissioned in the new financial period.

The entity will in the new financial period also embark upon the redevelopment of the Tramways Building in the Baakens River Valley subject to sufficient funding being obtained for this project.



**Directors and Secretary**

The non-executive directors of the company are:  
 Sakumzi Justice Macozoma (Chairperson)  
 Phillip Hugo Gutsche (Deputy Chairperson)  
 Mninawe Pepi Silinga (resigned 9 September 2010)  
 Daniel Alexander Jordaan  
 Lulama Monica Prince  
 Wilhela Magda Gie  
 Hannah Sadiki  
 Alfred Da Costa  
 Renganayagee Kisten

**Preparer Of Annual Financial Statements:**

Zwelithini Gagayi  
 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 NPC****STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	NOTES	2011 R	2010 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>NET ASSETS</b>			
Accumulated Surplus		790,249	741,950
<b>NON CURRENT LIABILITIES</b>			
Construction Contract Retention Creditors	2	1,037,369	1,228,465
<b>CURRENT LIABILITIES</b>		<b>62,969,939</b>	<b>90,448,605</b>
Trade and Other Payables	3	8,113,361	10,020,283
Provisions	4	23,851	346,709
Unspent Project Funding	5	53,771,873	79,714,842
Short term portion of Construction Contract Retention Creditors	2	1,060,854	366,771
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>64,797,557</b>	<b>92,419,020</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	6	790,249	741,950
<b>CURRENT ASSETS</b>		<b>64,007,308</b>	<b>91,677,070</b>
Inventory	7	79,454	223,128
Trade and Other Receivables	8	5,550,032	49,408,051
Deposits	9	3,500	3,500
Cash and Cash Equivalents	10	58,374,322	42,042,391
<b>TOTAL ASSETS</b>		<b>64,797,557</b>	<b>92,419,020</b>

**Mandela Bay Development Agency NPC**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	NOTES	2011 R	RESTATED 2010 R
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>78,581,646</b>	<b>56,351,403</b>
NMBM Conditional Grants & Receipts	28	76,316,522	56,351,403
National Lotteries Board Receipts		2,265,124	-
<b>REVENUE FROM NON EXCHANGE TRANSACTIONS</b>	12, 28	<b>19,395,709</b>	<b>16,121,371</b>
IDC Grants		2,378,530	3,526,316
NMBM Conditional Grants & Receipts		11,202,352	8,731,889
National Lotteries Board Receipts		3,010,570	299,986
Interest Received		2,804,257	3,563,180
<b>TOTAL REVENUE</b>		<b>97,977,355</b>	<b>72,472,774</b>
<b>OTHER INCOME</b>			
Other Income	13	354,748	401,789
<b>TOTAL INCOME</b>		<b>98,332,103</b>	<b>72,874,563</b>
<b>EXPENDITURE</b>		<b>98,283,804</b>	<b>72,791,554</b>
Advertising & Media		79,082	200,880
Audit Fees		518,944	129,383
Bad Debts		9,682	3,011
Bank Charges		4,694	9,027
Capital Projects Cost	28	78,417,866	56,351,403
CBD Facilities		489,358	606,686
Cleaning, Safety & Security		13,393	14,753
Cleansing Plan Project		3,227,266	3,041,021
Computer Expenses		28,890	21,642
Consumables		16,607	2,028
Course Fees, Education & Training		83,434	53,641
Depreciation	6	172,175	163,402
Donations & Social Responsibility		48,540	40,000
Electricity, Water & Rates		80,380	110,376
Employee Related Costs	14	5,720,475	5,277,720
Entertainment		59,725	57,386
Equipment Lease & Rentals		16,374	15,244
Insurance		86,854	60,633

**Mandela Bay Development Agency NPC**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)**

	NOTES	2011 R	RESTATED 2010 R
Interest Paid	16	163,780	52,335
IT Support Costs		128,529	99,191
Legal Fees		366,042	388,181
Meeting Expenses		58,069	82,498
National Lotteries Board Expenses	29	3,010,570	299,986
Office Decor & Fittings		18,762	17,628
Office Rentals		521,990	491,533
Postage & Courier		12,052	8,298
Printing & Stationery		44,890	72,394
Professional & Consultant Fees		973,847	790,108
Public Relations & Marketing		810,340	935,095
Recruitment Costs		10,949	6,433
Refreshments		15,999	22,865
Repairs & Maintenance		54,040	14,701
Strategic Spatial Framework Studies	30	2,378,530	2,789,745
Subscriptions		51,768	30,610
Sundry Expenses		172,598	22,810
Telephone & Fax		126,556	124,964
Travel & Accommodation		290,754	383,943
<b>SURPLUS/ (DEFICIT) FOR THE YEAR</b>		<b>48,299</b>	<b>83,009</b>

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

	R	R
	Accumulated Surplus	Total
<b>BALANCE AT 1 JULY 2009</b>	<b>658,941</b>	<b>658,941</b>
Surplus for the year	83,009	83,009
<b>BALANCE AT 1 JULY 2010</b>	<b>741,950</b>	<b>741,950</b>
Surplus for the year	48,299	48,299
<b>BALANCE AT 30 JUNE 2011</b>	<b>790,249</b>	<b>790,249</b>

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



**Mandela Bay Development Agency NPC****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011**

	<b>NOTE</b>	<b>2011</b>	<b>2010</b>
		<b>R</b>	<b>R</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Gross cash receipts from Nelson Mandela Bay Municipality		111 771,314	49 140,423
Gross cash receipts from IDC, NLB and others		3,000,000	15,982,456
Cash paid to suppliers and employees		(101 023,166)	(72 418,082)
Cash generated from / (utilised in) operations	15	<b>13,748,148</b>	<b>(7,295,203)</b>
Interest received	12	2,804,257	3,563,180
Interest paid		-	(20,380)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>16,552,405</b>	<b>(3,752,403)</b>
<b>CASH FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(220,474)	(246,411)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(220,474)</b>	<b>(246,411)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>16,331,931</b>	<b>(3,998,814)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>42,042,391</b>	<b>46,041,205</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	10	<b>58,374,322</b>	<b>42,042,391</b>

## 1.1 REPORTING ENTITY

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

## 1.2 BASIS FOR PRESENTATION

### 1.2.1 Statement of Compliance

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

### 1.2.2 Basis of Measurement

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

### 1.2.3 Use of Estimates and Judgements

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised

in the financial statements are described in the following notes:

### Note 4 – Provisions

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

### Note 6 – Property, Plant and Equipment

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

### Note 11 – Amounts due to Funders of Construction

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

## 1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

## 1.4 GOING CONCERN ASSUMPTION

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

## 1.5 PROPERTY, PLANT AND EQUIPMENT

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

that will reduce the book values to estimated residual values over the anticipated useful lives of the assets concerned. The principal useful lives used for this purpose are:

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Surpluses or deficits on the disposal of assets are credited or charged to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

## 1.6 INVENTORY

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 realisable value with regard to their estimated economic or realisable values.

## 1.7 CONSTRUCTION CONTRACTS

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

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

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

Where contract costs incurred to date exceed capital grants received, the surplus is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work.

Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent project funding received. Amounts billed for work performed but not yet paid by the funder are included

in the statement of financial position under trade and other receivables.

## 1.8 FINANCIAL INSTRUMENTS

### 1.8.1 Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The entity had no financial assets at fair value through profit or loss, held to maturity investments or available-for-sale financial assets.

### 1.8.2 Trade and other Receivables

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

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

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

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

### 1.8.3 Impairment of Financial Assets

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

### 1.8.4 Derecognition of financial assets and liabilities

#### 1.8.4.1 Financial Assets

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

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

- the entity has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

### 1.8.5 Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans



and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The entity determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs. The entity's financial liabilities include trade and other payables as well as construction contract retention creditors.

#### 1.8.5.1 Construction Contract Retention Creditors

The entity received grant funding from 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.

#### 1.8.6 Loans and Borrowings

After initial recognition, trade and other payables and construction contract retention creditors are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well through the amortisation schedule.

### 1.9 CASH AND CASH EQUIVALENTS

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

and cash equivalents as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised cost.

### 1.10 PROVISIONS AND CONTINGENCIES

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

The amount recognised as a provision is the estimate of the expenditure required to settle the present obligation at the balance sheet date.

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

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

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

#### 1.10.1 Performance Bonus

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

### 1.11 REVENUE RECOGNITION

#### 1.11.1 Revenue from Exchange Transactions

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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

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

date can be measured reliably;

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

#### 1.11.2 Revenue from non-exchange transactions

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

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

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

#### 1.12 VALUE ADDED TAX

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

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

#### 1.13 UNSPENT PROJECT FUNDING

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

#### 1.14 COMPARATIVE INFORMATION

##### 1.14.1 Current year comparatives:

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

##### 1.14.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior year comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. (Refer to note 28 for the impact of the change in accounting policy on the prior year comparatives).

#### 1.15 TAXATION

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

#### 1.16 OPERATING LEASES

Operating leases do not transfer to the entity substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an ex-

pense in the statement of financial performance on a straight-line basis over the lease term.

#### 1.17 RETIREMENT BENEFITS

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

#### 1.18 STATEMENTS IN ISSUE BUT NOT YET ADOPTED

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

STANDARD OF GRAP	EFFECTIVE DATE
<b>GRAP 18:</b> Segment Reporting	No effective date gazetted to date
<b>GRAP 20:</b> Related party disclosures	No effective date gazetted to date
<b>GRAP 21:</b> Impairment of non cash generating units	1 April 2012
<b>GRAP 24:</b> Presentation of budget information in Financial Statements	1 April 2012
<b>GRAP 25:</b> Employee Benefits	No effective date gazetted to date
<b>GRAP 26:</b> Impairment of cash generating unit	1 April 2012
<b>GRAP 103:</b> Heritage assets	1 April 2012
<b>GRAP 104:</b> Financial Instruments	No effective date gazetted to date
<b>GRAP 105:</b> Transfers of Functions Between Entities Under Common Control	No effective date gazetted to date
<b>GRAP 106:</b> Transfers of Functions Between Entities Not Under Common Control	No effective date gazetted to date
<b>GRAP 107:</b> Mergers	No effective date gazetted to date

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>2. CONSTRUCTION CONTRACT RETENTION CREDITORS</b>		
Rand Civils - GMA 2	-	366771
Rand Civils - Strand Street Phase 1	434631	764 389
Rand Civils - Strand Street Phase 2	928 530	-
Cypress - Uitenhage Market Square Phase 1	215 612	464 076
Cypress - Uitenhage Market Square Phase 2	244 522	-
Penny Farthing - Whites Road Cliff Stabilisation Project	106 016	-
GVK Siyazama - Atheneum Club Refurbishment	60 073	-
Trenchless Technologies - GMA 2 Sewer Rehabilitation	108 839	-
	<u>2 098 223</u>	<u>1 595 236</u>
Less: Short Term Portion Transferred to Current Liabilities	(1 060 854)	(366 771)
	<b><u>1 037 369</u></b>	<b><u>1 228 465</u></b>

Construction contract retention creditors relate to retentions held in projects in line with accepted construction accounting principles. Such retentions are payable 6 to 12 months after official sign off of the project, and are non-interest bearing.

**3. TRADE AND OTHER PAYABLES**

Trade Creditors	6,164,819	9,330,544
PAYE	79,975	58,223
UIF	3,936	4,069
Audit Fees	178,978	-
Staff Leave	201,757	162,279
Performance Bonuses	265,727	-
13th Cheque	73,357	45,280
Provident Fund	54,077	-
Accruals	1,090,735	419,888
	<b><u>8,113,361</u></b>	<b><u>10,020,283</u></b>

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



**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>4. PROVISIONS</b>		
<b>PERFORMANCE BONUSES</b>		
Balance at beginning of year	306,547	209,497
Additions	-	306,547
Expenditure incurred	(306,547)	(209,497)
<b>Balance at end of year</b>	<b>-</b>	<b>306,547</b>

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

**WORKMEN'S COMPENSATION**

Balance at beginning of year	40,162	-
Additions	23,851	40,162
Adjustment for underprovision	(11,931)	-
Expenditure incurred	(28,231)	-
<b>Balance at end of year</b>	<b>23,851</b>	<b>40,162</b>
<b>TOTAL</b>	<b>23,851</b>	<b>346,709</b>

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>5. UNSPENT PROJECT FUNDING</b>		
<b>UNSPENT PROJECT FUNDING</b>	<b>53,771,873</b>	<b>79,714,842</b>
<b>IDC</b>	<b>895,154</b>	<b>273,684</b>
Opening Balance	273,684	-
Amount Received	3,000,000	3,800,000
Recognised as Revenue	(2,378,530)	(3,526,316)
<b>NATIONAL LOTTERIES BOARD</b>	<b>6,606,776</b>	<b>11,882,470</b>
Opening Balance	11,882,470	-
Amount Received	-	12,182,456
Capital expenditure portion of grant recognised as Revenue	(2,265,124)	-
Operating expenditure portion of grant recognised as Revenue	(3,010,570)	(299,986)
<b>NMBM</b>	<b>46,269,943</b>	<b>67,558,688</b>
Opening Balance	67,558,688	50,790,187
Grants for the year	65,860,380	81,851,793
Capital project expenditure portion of grant recognised as Exchange Revenue	(75,946,773)	(56,351,403)
Operating and capital expenditure portion of grant recognised as Non-Exchange Revenue	<b>(11,202,352)</b>	<b>(8,731,889)</b>
Interest Received	2,804,257	3,563,180
Sundry Income	354,748	401,789
Property Plant & Equipment	(220,474)	(246,411)
Operating expenses	(14,140,883)	(12,450,447)
<b>MADE UP AS FOLLOWS:</b>	<b>53,771,873</b>	<b>79,714,842</b>
Committed Capital Projects in progress - Contract Creditors ( refer to note 12 )	42,429,224	50,804,181
Other (Operating grants, interest received, sundry income etc)	3,840,719	16,754,507
IDC Grant	895,154	273,684
National Lotteries Board Grant	6,606,776	11,882,470

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

**6. PROPERTY, PLANT AND EQUIPMENT**

	<b>2011</b>								
	<b>R</b>								
	<b>COST</b>				<b>ACCUMULATED DEPRECIATION</b>				
	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposal</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Depreciation</b>	<b>Disposal</b>	<b>Closing Balance</b>	<b>Carrying Value</b>
Computer Equipment	536,018	15,991	-	552,009	307,106	67,120	-	374,226	177,783
Computer Software	143,215	5,754	-	148,969	49,458	31,094	-	80,552	68,417
Office Equipment	59,504	-	-	59,504	28,034	8,294	-	36,328	23,176
Furniture & Fittings	444,081	3,036	-	447,117	184,417	36,517	-	220,934	226,183
Motor Vehicles	136,053	30,693	-	166,746	52,424	26,744	-	79,168	87,578
Containers	45,120	-	-	45,120	602	2,406	-	3,008	42,112
Heritage Assets	-	165,000	-	165,000	-	-	-	-	165,000
	<b>1,363,991</b>	<b>220,474</b>	<b>-</b>	<b>1,584,465</b>	<b>622,041</b>	<b>172,175</b>	<b>-</b>	<b>794,216</b>	<b>790,249</b>

	<b>2010</b>								
	<b>R</b>								
	<b>COST</b>				<b>ACCUMULATED DEPRECIATION</b>				
	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposal</b>	<b>Closing Balance</b>	<b>Opening Balance</b>	<b>Depreciation</b>	<b>Disposal</b>	<b>Closing Balance</b>	<b>Carrying Value</b>
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
	<b>1,117,580</b>	<b>246,411</b>	<b>-</b>	<b>1,363,991</b>	<b>458,639</b>	<b>163,402</b>	<b>-</b>	<b>622,041</b>	<b>741,950</b>

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



**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>7. INVENTORY</b>		
Craft Inventory	11,815	73,096
Project Spares	67,639	150,032
	<b>79,454</b>	<b>223,128</b>
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Trade Debtors	3,040,195	48,226,362
Provision for Bad debts	(9,690)	(741)
Interest Receivable	170,059	75,887
Sundry Debtors	13,922	2,950
VAT	2,335,546	1,103,593
	<b>5,550,032</b>	<b>49,408,051</b>
<b>9. DEPOSITS</b>		
Telkom	2,100	2,100
Africorp Parking Bay and Remote Controls	1,400	1,400
	<b>3,500</b>	<b>3,500</b>

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	2011	2010
	R	R
<b>10. CASH AND CASH EQUIVALENTS</b>		
<b>THE ENTITY HAS THE FOLLOWING BANK ACCOUNTS</b>		
<b>CURRENT ACCOUNT (PRIMARY ACCOUNT)</b>		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 080308503		
Cashbook balance at beginning of year	-	491,274
Cashbook balance at end of the year	-	-
Bank statement balance at beginning of the year	-	491,274
Bank statement balance at end of the year	-	-
First National Bank, Govan Mbeki Avenue, Port Elizabeth Account Number - 62244870748		
Cashbook balance at beginning of year	143,990	-
Cashbook balance at end of the year	<b>345,065</b>	<b>143,990</b>
Bank statement balance at beginning of the year	143,990	-
Bank statement balance at end of the year	<b>345,065</b>	<b>143,990</b>
<b>CALL ACCOUNT DEPOSITS</b>		
Standard Bank of SA Limited, Rink Street, Port Elizabeth Account Number - 08846132		
Cashbook balance at beginning of year	-	45,549,740
Cashbook balance at end of the year	-	-
Bank statement balance at beginning of the year	-	45,549,740
Bank statement balance at end of the year	-	-

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>10. CASH AND CASH EQUIVALENTS (CONTINUED)</b>		
Rand Merchant Bank, Port Elizabeth Account Number - X021906134		
Cashbook balance at beginning of year	41,898,401	-
Cashbook balance at end of the year	<b>58,029,257</b>	<b>41,898,401</b>
Bank statement balance at beginning of the year	41,898,401	-
Bank statement balance at end of the year	<b>58,029,257</b>	<b>41,898,401</b>
Which are disclosed in the Statement of Financial Position as follows:-		
Cash and Cash Equivalents	<b>58,374,322</b>	<b>42,042,391</b>
Current Account (Primary Account)	345,065	143,990
Call Account Deposits	58,029,257	41,898,401
All amounts of Cash and Cash Equivalents are available for use by the entity.		
<b>11. AMOUNTS DUE TO FUNDERS OF CONSTRUCTION CONTRACTS</b>		
Cumulative Construction costs incurred	(124,687,879)	(144,959,424)
Cumulative Advances received	167,117,103	195,763,605
Amounts due to funders of construction contracts (Refer to note 5)	<b>42,429,224</b>	<b>50,804,181</b>
<b>12. REVENUE - NON EXCHANGE TRANSACTIONS</b>		
IDC Grant	2,378,530	3,526,316
NMBM Conditional Grants & Receipts	11,202,352	8,731,889
Interest Received - cash and cash equivalents	2,804,257	3,563,180
National Lotteries Board	3,010,570	299,986
	<b>19,395,709</b>	<b>16,121,371</b>

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>13. OTHER INCOME</b>		
Request for Proposal Document Fees	26,162	17,588
Sundry income	13,820	47,921
Kiosk Rentals	56,551	41,579
NMBM Costs re-imburements	171,447	224,486
Public Toilet Fees	71,430	54,629
Administration Fees	15,338	15,586
	<b>354,748</b>	<b>401,789</b>
<b>14. EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	4,251,280	3,961,141
Employee related costs - Social Contributions	1,095,469	902,033
Car allowances	108,000	108,000
Performance bonus provision	265,726	306,546
<b>TOTAL EMPLOYEE RELATED COSTS</b>	<b>5,720,475</b>	<b>5,277,720</b>
<b>Remuneration of the Chief Executive Officer</b>		
Annual Remuneration including social contributions	1,166,764	1,075,893
Car allowance	60,000	60,000
Performance bonus provision	122,676	136,307
<b>TOTAL</b>	<b>1,349,440</b>	<b>1,272,200</b>
<b>Remuneration of Chief Financial Officer</b>		
Annual Remuneration including social contributions	658,123	607,596
Car allowance	24,000	24,000
Performance bonus provision	68,212	78,949
<b>TOTAL</b>	<b>750,335</b>	<b>710,545</b>



**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>14. EMPLOYEE RELATED COSTS (CONTINUED)</b>		
<b>Remuneration of Planning and Development Manager</b>		
Annual Remuneration including social contributions	591,593	545,994
Car allowance	24,000	24,000
Performance bonus provision	55,403	62,699
<b>TOTAL</b>	<b>670,996</b>	<b>632,693</b>
<b>Remuneration Operations Manager</b>		
Annual Remuneration including social contributions	388,700	336,362
Performance bonus provision	19,435	28,591
<b>TOTAL</b>	<b>408,135</b>	<b>364,953</b>
<b>15. CASH GENERATED FROM / (UTILISED IN) OPERATIONS</b>		
Surplus / (Deficit) for the year	48,299	83,009
Depreciation	172,175	163,402
Interest Received	(2,804,257)	(3,563,180)
Interest Paid	-	20,380
(Decrease) / Increase in provisions	(322,858)	137,212
Operating loss before working capital changes:	<b>(2,906,641)</b>	<b>(3,159,177)</b>
(Decrease) / Increase in Trade and other Payables	(1,906,922)	1,490,786
(Decrease) / Increase in Unspent Project Funding	(25,942,969)	28,924,655
(Decrease) / Increase in Construction Contract Retention Creditors	502,987	(384,224)
Decrease in Inventory	143,674	(223,128)
Decrease / (Increase) in Trade and other Receivables	43,858,019	(33,947,220)
Increase in Deposits Paid	-	3,105
<b>CASH GENERATED FROM / (UTILISED IN) OPERATIONS</b>	<b>13,748,148</b>	<b>(7,295,203)</b>

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>16. INTEREST PAID</b>		
Interest Paid on late payment of VAT	-	20,380
Interest on present valuing Debtors	-	416,179
Interest on present valuing Retention Creditors	163,780	(384,224)
	<b>163,780</b>	<b>52,335</b>
<b>17. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>17.1 AUDIT FEES</b>		
Opening balance	-	80,000
Previous year audit fee	-	-
Current year audit fee	369,248	129,383
Amount paid - current year	(190, 270)	(129,383)
Amount paid - previous year	-	(70,933)
Adjustments	-	(9,067)
<b>Balance Unpaid</b>	<b>178,978</b>	<b>-</b>
<b>17.2 PAYE AND UIF</b>		
Opening balance	62,292	71,849
Current year payroll deductions	1,116,165	1,041,809
Amount paid - current year	(1,032,254)	(979,517)
Amount paid - previous year	(62,292)	(71,849)
<b>Balance Unpaid</b>	<b>83,911</b>	<b>62,292</b>
<b>17.3 PERFORMANCE BONUSES</b>		
Opening balance	306,547	209,497
Amount paid	(306,547)	(209,497)
Provisions for the year	265,727	306,547
<b>Balance Unpaid</b>	<b>265,727</b>	<b>306,547</b>

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b>17. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)</b>		
<b>17.4 PROVIDENT FUND</b>		
Opening balance	-	-
Amount paid	(549,202)	(470,736)
Expenditure	603,279	470,736
<b>Balance unpaid</b>	<b>54,077</b>	<b>-</b>

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

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

**17.5 Supply Chain Management Policy**

- In accordance with section 36(1)(a)(i) of SCM policy regulations there were deviations from the normal procurement process to the value of R2,539,008
- In accordance with section 36(1)(a)(ii) of SCM policy regulations there were deviations from the normal procurement process to the value of R42,282
- In accordance with section 36(1)(a)(iii) of SCM policy regulations there were deviations from the normal procurement process to the value of R2,395,840
- In accordance with section 36(1)(a)(v) of SCM policy regulations there were deviations from the normal procurement process to the value of R53,067

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	2011	2010
	R	R

**18. VALUE ADDED TAX**

As at 30 June 2011 all VAT returns have been submitted timeously to the South African Revenue Services.

**19. RELATED PARTIES**

**19.1 Relations**

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

**19.2 Related party balances**

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

<b>Nelson Mandela Bay Municipality</b>	3,021,000	48,627,716
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These balances have no fixed terms and conditions.  
Refer to note 13 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 15.

**21. CONTINGENT LIABILITY**

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

**22. CONTINGENT ASSETS**

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

**23. IN-KIND DONATIONS**

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



**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

	2011	2010
	R	R

**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**

**25.1 UNAUTHORISED EXPENDITURE**

No such expenditure was incurred by the entity.

**25.2 IRREGULAR EXPENDITURE**

The following expenditure was deemed to be irregular as a result of non-compliance of sections 17, 22 and 43 of the Supply Chain Management Regulations respectively:

Goods and Services with a transaction value of between R10,000 and R200,000 procured without at least three written price quotations per section 17(1)(c)	2,072,272	-
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The bid for the Inner City Art project was awarded after advertising the tender for 11 days. This was not in compliance with section 22 of the Supply Chain Management Regulations which requires competitive bids less than R10 million to be advertised for a minimum period of 14 days as well as section 43 where an income tax clearance certificate was required to be obtained.

	2,394,868	-
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In mitigation of these findings the Chief Executive Officer has in the 2011/12 period ratified these supply chain management deviations as being minor breaches of the procurement process and this expenditure will also be tabled for noting by the board of directors at its next meeting scheduled for November 2011.

**25.3 FRUITLESS AND WASTEFUL EXPENDITURE**

Balance at beginning of year	26,548	6,168
Fruitless and wasteful expenditure	-	20,380
Condoned by the board	(26,548)	-
Balance at end of year	<u>-</u>	<u>26,548</u>

**25.3.1 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 entity.

	-	20,380
--	---	--------

**26. OPERATING LEASES**

The following are the total minimum future lease payments	0 - 1 year	1 - 5 years
Office plants rental	3,669	-
Public toilets rental	104,122	-

**NOTE:**

The entity is the lessee for all these leases.

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>

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

The entity's financial assets comprise Trade and Other Receivables (excluding Vat Receivables) and cash and short-term deposits.

**CLASSIFICATION OF FINANCIAL INSTRUMENTS**

**Financial Assets**

Loans and Receivables\*

61,588,808

90,346,849

**Financial Liabilities**

At amortised cost

10,211,584

11,615,519

\* Loans and receivable excludes VAT Receivable

**27.1 INTEREST RATE RISK**

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

**Interest Rate Risk table**

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

**Cash and cash equivalents**

58 374 322

42 042 391

**Effect of a 100 basis point movement in the interest rate**

(583 743)

( 420 424)

**27.2 CREDIT RISK MANAGEMENT**

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

**27.3 LIQUIDITY RISK**

**Liquidity Risk Management**

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

**Liquidity Tables**

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

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS
	R	R	R	R
<b>30 JUNE 2011</b>				
Trade and Other Payables	8,113,361	-	-	-
Construction Contract Retention Creditors	-	-	1,060,854	1,037,369
	<b>8,113,361</b>	<b>-</b>	<b>1,060,854</b>	<b>1,037,369</b>
<b>30 JUNE 2010</b>				
Trade and Other Payables	10,020,283	-	-	-
Construction Contract Retention Creditors	-	-	366,771	1,228,465
	<b>10,020,283</b>	<b>-</b>	<b>366,771</b>	<b>1,228,465</b>

**27.4 FOREIGN CURRENCY RISK**

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

**28. CHANGE IN ACCOUNTING POLICY**

In the current year the entity implemented GRAP 11: Construction contract and GRAP 23 Revenue from non-exchange transactions. This has the effect of recognising revenue and expenses incurred in respect of constructions contracts and non-exchange revenue at gross value while grants received for property, plant and equipment are recognised when the assets are purchased. In prior years the entity applied IAS 20 Government Grants as follows: Capital project expenditure was offset against the expenses incurred while grants received for property, plant & equipment was deferred over the useful life of the assets purchased. The change in the accounting policy was applied retrospectively and these changes resulted in the following adjustments to prior period information:

	PREVIOUSLY STATED 2010 R	CHANGE 2010 R	RESTATED 2010 R
<b>Statement of Financial Performance</b>			
Increase in revenue from exchange transactions	-	56,351,403	56,351,403
Increase in revenue from non-exchange transactions	16,038,362	83,009	16,121,371
Increase in Capital project costs	-	(56,351,403)	(56,351,403)
Net impact on statement of financial performance	<b>16,038,362</b>	<b>83,009</b>	<b>16,121,371</b>
<b>Statement of Financial Performance</b>			
Accumulated Surplus at 01 July 2009	-	658,941	658,941
Accumulated Surplus at 30 June 2010	-	<b>741,950</b>	<b>741,950</b>

**29. NATIONAL LOTTERIES BOARD EXPENSES**

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

**30. STRATEGIC SPATIAL FRAMEWORK STUDIES**

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

**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

**31. ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)**

	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>	<b>VARIANCE</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
<b>REVENUE</b>	<b>98,332,103</b>	<b>137,560,384</b>	<b>(39,228,281)</b>	<b>(28.52)</b>
<b>EXPENDITURE</b>				
Advertising & Media	79,082	100,000	20,918	20.92
Audit Fees	518,944	600,000	81,056	13.51
Bad Debts	9,682	10,000	318	3.18
Bank Charges	4,694	10,000	5,306	53.06
Capital Projects Cost	78,417,866	115,500,000	37,082,134	32.11
CBD Facilities	489,358	500,000	10,642	2.13
Cleaning & Safety	13,393	19,000	5,607	29.51
Cleansing Plan Project	3,227,266	3,350,000	122,734	3.66
Computer Expenses	28,890	35,000	6,110	17.46
Consumables	16,607	20,000	3,393	16.97
Course Fees, Education & Training	83,434	100,000	16,566	16.57
Depreciation	172,175	200,000	27,825	13.91
Donations & Social Responsibility	48,540	60,000	11,460	19.10
Electricity, Water & Rates	80,380	100,000	19,620	19.62
Employee Related Costs	5,720,475	6,175,000	454,525	7.36
Entertainment	59,725	75,000	15,275	20.37
Equipment Lease & Rentals	16,374	20,000	3,626	18.13
Insurance	86,854	100,000	13,146	13.15
Interest Paid	163,780	-	(163,780)	(100.00)
IT Support Costs	128,529	150,000	21,471	14.31
Legal Fees	366,042	500,000	133,958	26.79
Meeting Expenses	58,069	80,000	21,931	27.41
National Lottery Fund Expenses	3,010,570	3,500,000	489,430	13.98
Office Decor & Fittings	18,762	20,000	1,238	6.19
Office Rentals	521,990	550,000	28,010	5.09
Postage & Courier	12,052	15,000	2,948	19.65
Printing & Stationery	44,890	60,000	15,110	25.18
Professional & Consultant Fees	973,847	1,000,000	26,153	2.62
Public Relations & Marketing	810,340	950,384	140,044	14.74



**Mandela Bay Development Agency NPC**  
**Notes To The Annual Financial Statements For The Year Ended 30 June 2011**

**31. ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) (CONTINUED)**

	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>	<b>VARIANCE</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
Recruitment Costs	10,949	12,500	1,551	12.41
Refreshments	15,999	22,000	6,001	27.28
Repairs & Maintenance	54,040	60,000	5,960	9.93
Strategic Spatial Implementation Framework Studies	2,378,530	3,000,000	621,470	20.72
Subscriptions	51,768	60,000	8,232	13.72
Sundry Expenses	172,598	176,500	3,902	2.21
Telephone & Fax	126,556	130,000	3,444	2.65
Travel & Accommodation	290,754	300,000	9,246	3.08
<b>TOTAL EXPENDITURE</b>	<b>98,283,804</b>	<b>137,560,384</b>	<b>39,276,580</b>	<b>28.55</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>48,299</b>	<b>-</b>	<b>48,299</b>	<b>-</b>

**32. ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)**

	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>	<b>VARIANCE</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>%</b>
Computer Equipment	15,991	50,000	34,009	68.02
Computer Software	5,754	75,000	69,246	92.33
Office Equipment	-	75,000	75,000	100.00
Furniture & Fittings	3,036	50,000	46,964	93.93
Motor Vehicles	30,693	50,000	19,307	38.61
Heritage Assets	165,000	170,000	5,000	2.94
<b>TOTALS</b>	<b>220,474</b>	<b>470,000</b>	<b>249,526</b>	<b>53.09</b>

"Route 67 showcases EC artist's work" – *ZITHETHELE NEWSPAPER*

"Route 67 is city's tribute" – *ALGOA SUN*

"New life for Central" – *THE WEEKEND POST*

"Big plans for Stadium precinct" – *THE EXPRESS*

"Long walk to freedom well on route" – *THE EXPRESS*

"R42 million upgrade for Kings Beach" – *THE HERALD*

"City's colourful past set in stone" – *THE HERALD*

"Square deal for Uitenhage hailed" – *THE HERALD*

"The public must support Route 67 initiative" – *THE HERALD*

"42 miljoen om Koningstrand weer blink te vryf" – *DIE BURGER*

"Strand Street upgrade to cost R23 million" – *THE EXPRESS*

...love this place



*love this place...*



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