mandela bay
DEVELOPMENT AGENCY
RENEW • REVIVE • INSPIRE

ANNUAL REPORT 2018/2019

Acronyms and Abbreviations

AFS	Annual Financial Statements
B-BBEE	Broad-Based Black Economic Empowerment
CAPEX	Capital Expenditure
CBD	Central Business District
CCI	Cultural and Creative Industries
CEO	Chief Executive Officer
CPF	Community Policing Forum
CSI	Corporate Social Investment
DSD	Department of Social Development
dti	Department of Trade and Industry
EDTA	Economic Development, Tourism and Agriculture
EIA	Environmental Impact Assessment
FY	Financial Year
HURP	Helenvale Urban Renewal Programme
ICC	International Convention Centre
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
KfW	German Development Bank
MBDA	Mandela Bay Development Agency
NMB	Nelson Mandela Bay
NMBM	Nelson Mandela Bay Municipality
NMB Stadium	Nelson Mandela Bay Stadium
NMU	Nelson Mandela University
OPEX	Operating Expenses
SAPS	South African Police Service
SARS	South African Revenue Service
SDA	Service Delivery Agreement
SSIF	Strategic Spatial Implementation Framework
SMMEs	Small, Medium and Micro-sized Enterprises
SPUU	Safety and Peace through Urban Upgrading
SPV	Special Purpose Vehicle
SRA	Special Ratings Area
SSIF	Strategic Spatial Implementation Framework

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2018/19 in Numbers

15 SMMEs were trained and benefited from the Singaphi Road upgrade

Received support through the science centre programmes

10 500+ Scholars

5 Mentees winning medals from NMU – mentored learners for Eskom Expo

The total estimated revenue by traders in Govan Mbeki Avenue per month

R240 768

R336 646.24

Invested by the MBDA on upskilling its workforce, in the past year alone (2018/19)

Baakens Pedestrian Bridge completed, built with composite material

R15 000 000

Budgeted for the NMB Stadium for acquiring and maintaining fixed assets

Helenvale Sports Field completed with a rugby and soccer field constructed

R14 900 000

Value in media coverage, nearly six times the marketing budget of R3.5-million

Completed Migration to Microsoft 365, use of MS Teams as a collaboration platform and implementation of cloud-based backups

SECTION 01:

Introduction and Organisational Overview

1.1

Foreword by the Executive Mayor of Nelson Mandela Bay

As Interim Executive Mayor of Nelson Mandela Bay and on behalf of the Mayoral Committee, I am pleased to acknowledge yet another important milestone and achievement in the life of the Mandela Bay Development Agency (MBDA), the attainment of another unqualified audit outcome from the Auditor General of South Africa for the period 2018/2019.

It is common knowledge that the period in review was predominantly a period of change and transition from one Political Administration to the current Coalition. With change comes uncertainty, and a period of adjustment, something that is not unique to Nelson Mandela Bay. During the period in review, as Deputy Executive Mayor, it was my delegated task and responsibility to lead the MBDA Member Representatives and Shareholder structure. It was through this structure that I began to interact more regularly with the Board and Executive of the MBDA.

Initially tasked with rejuvenation of the inner city, the MBDA steadily progressed to begin its work beyond Port Elizabeth Central and CBD, with a principal goal to, “attain continuity of development between the inner city, urban centres and townships”. The acclaimed Singaphi Street upgrade undertaken in New Brighton laid the foundation for further development - including the work that is unfolding in places like Helenvale and Schauderville/Korsten.

In 2016, the MBDA accepted the responsibility to manage the iconic Nelson Mandela Bay Stadium, the City’s most prized asset. The strategy the MBDA embarked on, attraction of a diverse program of events, developing and implementing much needed maintenance program of our 10-year-old stadium have significantly improved the fortunes of the stadium.

This facility managed by the MBDA plays a significant development role in sports as host of both the Kings and Chippa United.

The MBDA was also instrumental in the City securing the iconic Ironman 70.3 World Championship hosted in 2018, proof that we can do more by working together. The World Championship event, according to an independent Economic Impact Assessment, brought in a staggering R300-million in direct spending with the City hosting visitors from over 90 countries over a period of two weeks.

Going forward, in a post COVID-19 era, this administration will look to partner with the MBDA to unlock the Bay’s economic potential. Projects such as the development of the Telkom Park/Happy Valley precinct, the redevelopment of Bayworld and the immediate transformation of facilities such as resorts to vibrant revenue generating entities.

I also take this opportunity to thank the recent Board of Directors that oversaw the work of the MBDA during this period. These men and women served as independent Directors and are responsible for the oversight, strategic direction, and overall performance of the MBDA.

It is critically important that the MBDA is strengthened and given the necessary support it requires for it to continue to champion developments in Nelson Mandela Bay.

Thsonono Buyeye
Acting Executive Mayor

1.2 Board Chairperson's Report

2018/2019 has been on all accounts a major milestone and turnaround year for the Mandela Bay Development Agency (MBDA). This period marked the consolidation and implementation of the key strategic objectives that the Board had set out to achieve and the culmination of two years of intense refocusing. It is important to note that the Municipal Systems Act (MSA), as well as Municipal Finance Management Act (MFMA), are quite clear on roles and responsibilities of various role-players in a Municipal Entity. The Board has a strategic oversight role which must always translate the mandate of the parent Municipality's developmental objectives into specific programmes.

In implementing the Agency mandate, the Board consults regularly with the shareholder representatives, either through the Member's platform, Board meetings or through delegated Shareholder representatives as and when required.

As a Board, we are also cognisant of the clear lines of responsibility between strategic oversight and operations. The operations of the Agency are the responsibility of a capable, Board-appointed Management team. Members of the Board,

through subcommittees, stay abreast of developments, provide strategic guidance and recommend to the Board matters that require Board approval as placed before them.

In 2016, before the appointment of this current Board, the MBDA was already going through a very difficult phase and staff morale was at an all-time low. The issues of that time have been widely reported on, but suffice to say, this current Board was determined to turn the ship around. Here are some of the key achievements we have attained since then:

Casting a Vision

Returning the organisation to stability was at the top of the Board's agenda and this, in the beginning, required a lot more regular interaction with Management and key staff to build confidence and craft a new vision. By July 2018 the MBDA had adopted a new vision, mission and strategic objectives, developed collaboratively with all staff and adopted by the Board.

Organisational Redesign

Coupled with a new vision and mission, the Agency had to craft a different delivery vehicle in terms of structure for it to fulfil the new objectives. This new organisational structure came into being at the start of the financial year. Most importantly was the recognition that for the MBDA to excel and elevate its delivery, it needed a lean and strategic management core team and a different way of project execution, which became a semi-matrix structure.

Improved Performance

To build a high-performance culture takes time, especially for an Agency that had reached several highs and was facing a decline in performance. The Board through the Corporate Services Committee worked hard to conclude a framework for Performance Management and a thorough review of Human Resources policies. All these efforts have now borne fruit in the first year of execution with record performance results.

Shareholder Relations

It is common cause that the MBDA operates in a political environment which is often dominated by constant changes in leadership. To illustrate this point, the current Board was appointed by the Council that presided before the 2016 Local Government Elections. What is important for us to keep in mind is the observation of the prevailing legislated framework such as the MSA, MFMA and Companies Act and to never allow the agency to play outside of its mandate. The Board has had excellent relations with all previous and current councils of the Bay. Like with all organisations, there are differences in approach and points of view, but ultimately the desire to see the MBDA succeed is top priority.

Conclusion

I thank all the members of the Board who have been part of this journey from 2016 for their continued support and cooperation with me as Chairman. No matter what the future holds, rest assured that during the covered in this report, we all executed our mandate to the best of our abilities, with integrity and a sense of duty. I also wish to thank those members that joined the Board in April 2019, with three months of the year remaining. The work we have achieved together in a short space of time is sure to set this Agency on a greater path to success.

I also wish to thank the Mayoral Office and especially the Deputy Executive Mayor for being attentive to the needs of the MBDA and providing leadership. Finally, I want to congratulate Management and staff for trusting the process as well as the unyielding commitment and focus even when the chips were down.

The work of the MBDA is far from finished, as we know that various communities in the Bay are calling for the Agency's intervention and our City's economy requires forward-looking and sustainable interventions to grow and create sustainable jobs and flourishing Bay.

Mputumi Phil Goduka
MBDA Board Chairperson

1.3

Chief Executive Officer's Report

The period 2017/18 was a planning, re-organising and consolidation phase with many of the changes coming into effect in July 2018 for the 2018/2019 financial year. The gains from these changes are likely to be fully realised in the 2019/20 year and beyond.

This current financial year saw several major changes at the MBDA. This involved implementing a new organogram including a matrix type functioning of the Operations Department, ramping up performance, building partnerships and improving organisational systems.

In the 2018/19 financial year, a significant take out is the growing need to supplement the funding we are receiving from the Nelson Mandela Bay Municipality (NMBM). This means that the MBDA must strengthen its capacity and ability to generate additional resources and not be wholly dependent on one source of funding.

The non-payment of the quarterly grant tranche of the MBDA for the 4th quarter of the 2018/19 financial year amounting to R28-million negatively affected the MBDA's ability to meet financial obligations as and when due. This presented a significant threat to continuing operations of the Agency.

The MBDA has concluded a challenging, but productive year. Considering where we were and the complex transformation we undertook, the Board can be proud of its achievements. As the CEO, accounting to a critical, yet supportive Board has been a welcome experience and has set the basis for improved performance for the year ahead.

As always, the employees make the organisation. The entire team has produced for the MBDA, a performance which it has not seen before, while dealing with several uncertainties, not of their own making. Their commitment to their work and the MBDA is hereby acknowledged with gratitude. I also wish to thank Ms Pam Fraser, Pam coordinates the work of my office and sees to it that I get to the important matters that require my attention as CEO, and that the office functions and coordinates with the rest of the organisation efficiently.

It gives me great pleasure to say that through collaboration, sacrifices and passion for our City, the MBDA is a now a much more fine-tuned, stable and agile institution. The team has once again obtained an unqualified audit outcome from the Auditor General of South Africa for the 2018/19 period. Not only that, but the outcome is also a commendable improvement on 2017/2018.

We all recognise the importance of an unqualified audit outcome, but to do so whilst improving key performance area targets at 69%, is even more important for the MBDA, an entity charged with driving visible and meaningful change in the Bay.

I thank the NMBM, the MBDA board, all employees and stakeholders who have walked the difficult road with us.

Ashraf Adam
Chief Executive Officer

1.4 Organisational Review

The 5-year Plan

One of the weaknesses identified in 2017 was the inadequacy of long-term planning, forecasting and thinking beyond annual targets. The MBDA, for it to be sustainable in the long term, must take a more strategic and visionary approach by looking ahead more. The 5-year Plan was though-crafted towards the end of the 2017/2018 financial year and is an ideal but tangible plan that encompasses the kind of Agency and impact we want to make in society at large.

2018/19 was the first year of the 5-year Plan and significant progress has been as indicated in the annual performance reports covered elsewhere. The MBDA operates in a dynamic and fluid environment affected not only by the global economy, but by local socio-economic-political and technological factors and that means that the 5-year Plan should be a living and constantly updated framework plan.

The Annual Business Plan

The MBDA's Annual Business Plan is very much linked to the Board-recommended and Council approved budget allocations. Like the 5-year Plan, the Business Plan has gone through adjustments during the mid-term budgets adjustment period.

Organisational Redesign

The MBDA has for a long time operated without reviewing its structure relative to the growing mandate. The outsourcing approach also meant the Agency kept a leaner structure at the expense of growing institutional capacity, broadening the skills base and leveraging teams through a multidisciplinary approach, also known as a Matrix structure.

The changes that were implemented in July 2018 have already yielded lessons and positive results, such as a much greater improvement in Budget Performance as well as an improvement in the achievement of Key Performance Indicators.

Job Evaluations

The most consuming aspect of the organisational design work included the challenging Job Evaluation and Grading exercise. This being a sensitive matter that relates to employees' sense of worth, remuneration and job security meant we had to slow down the process to take everyone on board.

Pursuing the Matrix

The driving force behind the change has been the desire to possess in-house skills and collaborate across functions (Matrix structure) to improve efficiency and performance. Like all change, this was difficult and at times robust engagement processes were followed with employees, which required different thinking and going beyond the norm to engage and accommodate different views.

Updating Policies

Several items and policies were workshopped, canvassed through the board and eventually approved and took effect from 1st July 2019. The MBDA now has a revised and approved new organogram, revised job profiles, approved job grade structure, relevant policies and procedures and is poised to do even better in 2019/2020.

The Human Resources Department is now fully staffed servicing the Tramways, NMB Science Centre and providing support to the NMB Stadium. One of the major achievements of the past year was the commissioning and implementation of a new online and cloud-based Performance Management System. This real-time system provides a 24-hour cloud-based platform ensuring ease of access to information, reporting and monitoring.

Information Technology

For the first time in the history of this organisation, Information Technology (IT) received the attention it lacked previously. An IT Manager was appointed in October and his immediate mandate was to review Systems and Processes and advise management on technology requirements that would enable the MBDA to perform optimally. Some of the successes included the migration to Microsoft 365, establishment of Information and Communication Technology (ICT) policies and protocols and improvement in all technology-based enabling support systems.

Compliance and Key Performance Indicators

At mid-term of the 2018/2019 financial year, the MBDA underwent an exercise whereby the entity's full performance scorecard was reviewed to ensure that the targets that were originally set at the start of the financial year were still, in fact, SMART (specific, measurable, achievable, relevant and time-bound).

In performing this exercise, it became apparent that certain Key Performance Indicators (KPIs) and their corresponding targets needed to be amended. These amendments underwent a strict governance process whereby they were presented to the Audit Committee for recommendation to the Board for approval and subsequently approved by the Board.

The revised business plan and revised performance scorecard were then presented to the parent municipality (NMBM) at the City's Executive Committee meeting.

The hallmark of 2018/2019 year must be the ability of the team to continue to deliver whilst continuing to evolve.

Innovations Introduced

The need to be forward-looking and innovative was a top priority. Some of the gains made in this area include:

- Construction of the first pedestrian bridge to be built out of new generation composites;
- Implementing a Project Portfolio Office online tracking and monitoring system;
- Adopted the matrix system which promoted an integrated way of working;
- Adopted an online, cloud-based KPI Performance Management System;
- Migration to Microsoft 365, Use of MS Teams as a collaboration platform
- Implementation of cloud-based backups;
- Adopted a comprehensive Project Management Workflow System; and
- Through collaboration with the Herald, we introduced a monthly thought leadership column.

Pioneering new approaches to SMME participation

- 15 Small, Medium and Micro-sized Enterprises (SMMEs) were trained and benefited from the Singaphi Road upgrade where they were awarded 100% of the contract value, excluding materials.
- The Uitenhage railway sheds are at the appointment stage, the contractor is to sub-contract a minimum of 30% of the works to local SMMEs.
- The contractor of the Helenvale play route is expected to sub-contract 40% of the works to Ward 13 SMMEs. The contractor is expected to commence on-site at the end of September 2019.
- Support for SMMEs has included mentorship and certified training. SMMEs are often not able to manage projects' finances and as a result, do not make any profit. In several of the projects, SMMEs have been able to upgrade their CIDB registration from the basic CIDB 1 to 2 and 3.

Nelson Mandela Bay Science and Technology Centre

The MBDA identified the need to collaborate with key role-players within the innovation space to successfully implement smart, forward-thinking and sustainable innovation to drive growth in NMB:

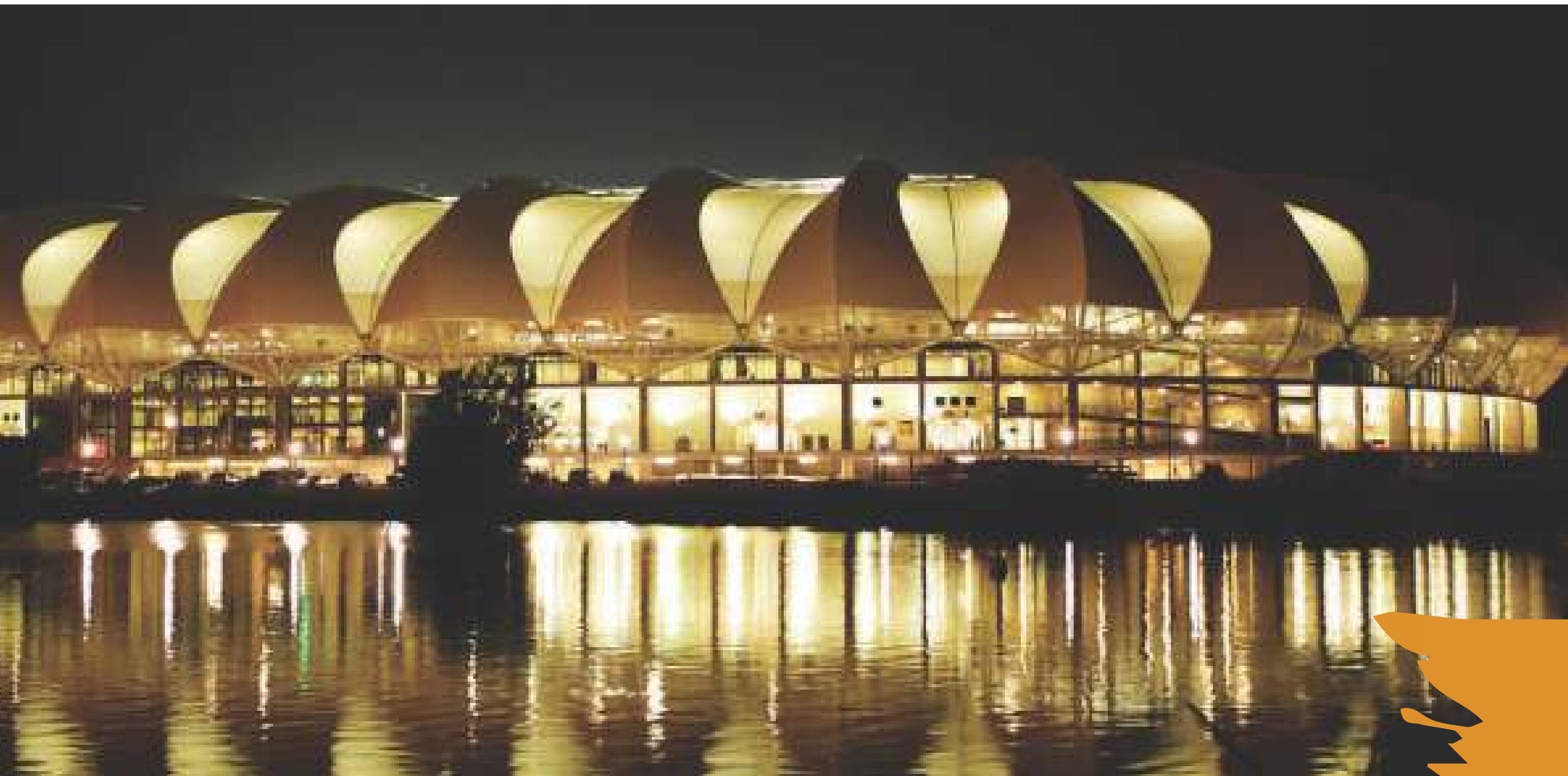
- The Mandela Bay Composites Cluster was identified as a key partner in the introduction of alternative materials (composites) that are cost-effective and require low maintenance. A memorandum of understanding (MOU) was successfully signed between the MBCC and MBDA in March 2019.
- Propella was also identified and approached to collaborate in driving innovation in MBDA projects and the Metro. A draft MOU was created highlighting the areas of collaboration and the responsibilities of each party, and the MOU was sent to the MBDA legal panel for consideration.

ICC for Nelson Mandela Bay

In August 2013, the MBDA received a mandate through a Council Resolution to conduct a feasibility study for the development of an International Convention Centre (ICC) at the Telkom Park Stadium. The PMSA/BTKM consortium were appointed as the consultant to conduct the study and to recommend an operating model for the ICC that would be suitable for the metro. The study was successfully concluded, and the recommendations were shared with the MBDA board, Capital projects Committee and EDTA to advise on a way forward.

Nelson Mandela Bay Stadium

The NMB Stadium was under the umbrella of the MBDA for a full financial year and there are successes and significant progress that has been achieved. Several capital and infrastructure investments were achieved in this period and these include: Automation of water purification system – waterworks; replacement of stadium CCTV cameras, as well as the replacement of the big scoreboards which are potentially a significant source of advertising revenue generation.



1.5 Vision, Mission, Objectives and Values

Vision	Mission	Objectives
To develop an iconic world-class ocean city showcasing its diversity of people, culture, heritage and environment.	*To become a knowledge-based developmental agency that seeks to achieve social, spatial and economic transformation in Nelson Mandela Bay.*	*To pioneer and implement people-centred catalytic programmes.* *To create spaces and places that inspire and transform Nelson Mandela Bay.* *Develop and promote a creative culture in Nelson Mandela Bay.*

Values

- Socio-economic development: We must be an agent of positive social and economic change;
- Inclusivity: We strive to understand and meet the needs of our diverse stakeholders;
- Value for money: We aim to deliver value on public expenditure and real returns for our stakeholders;
- Integrity: We act with openness, transparency and respect;
- Accountability: We take responsibility for our decisions and use of our resources;
- Collaboration: We work as a team and build partnerships as part of a wider team serving the city;
- Excellence: We continually seek ways to raise our standards;
- Innovation: We are open to new ideas and welcome our ideas being challenged; and
- Sustainability: Everything we do makes optimal use of resources and has a lasting, positive impact.

SECTION 02:

Corporate Governance

2.1 The Mandate

The MBDA was conceptualised by the NMBM and the Industrial Development Corporation (IDC) and is a wholly-owned entity of the NMBM. It was created in 2003 following an acknowledgement by the city's leadership of the urgent need to reverse a trend towards urban decay in the inner city and to drive urban regeneration in the NMB Central Business District (CBD) and other designated areas.

Since then, the mandate area has been expanded to include several key township projects, with the aim to transform urban spaces to activate economic activity, create job opportunities and reshape urban development.

The CBD, however, remains critically important to the NMBM as one of the main contributors to the city's rates base. Disinvestment from the inner city would mean reduced revenue streams and limited growth for NMB. Moreover, vacant city centres scare off investment and constrain the city's ability to become competitive on national and global levels. Investment attraction is now no longer focused on mega-industries, but on developing scalable and diverse industries, inclusive of the cultural and creative industries and knowledge economies, for greater economic security.

Informed by an overall philosophy that cities and their CBDs are the engines of growth in a region, the NMBM undertook firm measures to establish a SPVU to drive development through catalytic infrastructure and capital projects that would, in turn, stimulate private sector (re-)investment.

The MBDA's overall role is not only that of promoter and supporter, but also of 'doer'.

The Agency's mandate has widened over the years and now encompasses urban renewal in township areas, the beachfront, the NMB Stadium precinct and Uitenhage.

As a municipal entity, the MBDA is governed primarily by the Municipal Systems Act 32 of 2000, the Municipal Finance Management Act 56 of 2000 and the Companies Act No 71 of 2008. It operates under a specific, approved mandate document, which outlines a focused approach to be followed in respect of services provided, catalytic infrastructure projects and liaison with other parastatals and government departments to create a conducive investment environment in its mandate areas. The NMBM also has a Service Delivery Agreement with the MBDA that is reviewed every three years, and which formalises and governs the relationship between the two entities.

2.2 Ownership and Control

The MBDA, represented by its Board of directors, receives its mandate from the NMBM, acting through the Executive Mayor, the City Manager and Council. The Agency is contractually accountable to the NMBM, to which it delivers compliance reporting in respect of its key performance indicator targets being achieved. The MBDA relies on the NMBM for service delivery direction in terms of its contractual obligations contained in the Service Delivery Agreement (SDA).

As controlling shareholder, the NMBM provides corporate governance-related support, such as sustainability and compliance reporting and review. The MBDA Board is responsible for providing strategic direction and guidance to Management, as well as ensuring oversight on corporate governance and performance matters. The MBDA Management is responsible for operational aspects in line with the strategic planning and mandate documents of the Agency, as well as the Integrated Development Plan of its parent municipality.

2.3 Board of Directors

The Council-appointed Board provides strategic oversight to ensure that the MBDA reaches its objectives and delivers on its mandate.

Board members as at 30 June 2019

Mputumi Goduka
Chairperson, appointed to the Board: 21 April 2016

Rajesh Dana
Appointed to the Board: 21 April 2016

Adrian Gardiner
Appointed to the Board: 21 April 2016 (Resigned 30 September 2019)

Kasaven Kenny Govender
Appointed to the Board: 21 April 2016

Bongani Gxilishe
Appointed to the Board: 21 April 2016

Rojie Kisten
Appointed to the Board: 21 April 2016 (Resigned 30 September 2019)

Sithole Mbanga
Appointed to the Board: 21 April 2016

Masalamani Odayar
Appointed to the Board: 21 April 2016

Mandlakazi Ruth Skefile
Appointed to the Board: 30 April 2019

Glenda Perumal
Appointed to the Board: 30 April 2019

Khwezi Gideon Ntshanyana
Appointed to the Board: 30 April 2019

Mike Kwenaite
Appointed to the Board: 30 April 2019

Mxolisi Moolman
Appointed to the Board: 30 April 2019

Pinky Kondlo
Appointed to the Board: 30 April 2019

Vuyani Dyantyi
Appointed to the Board: 30 April 2019

2.4 Company Secretary

The Board of directors bring together a range of skills that benefit the Agency - including legal, finance, construction and facilities management. The Board retains full and effective oversight over the organisation and monitors the operations of all MBDA's programmes assisted and guided by the Company Secretary and Board Legal Advisor.

Established in 2017, the Company Secretarial division acts as a link between Management, the Board of Directors and MBDA's stakeholders. The unit is responsible for ensuring the flow of information (governance knowledge and advice) and sound corporate governance practice - ensuring corporate integrity takes precedence over short-term gain and personal benefit.

In addition to the various statutory functions, the Company Secretary provides appropriate guidance, advice, orientation, induction and training to the Board Directors on their roles, duties and responsibilities and ensures compliance with laws in the interests of good governance.

All Directors have access to the advice and services of the Company Secretary and external legal advice as and when required.

This unit encompasses of a company secretary (Mbulelo Matiwane) and an administrator (Zahra Serfontein).

Key responsibilities include:

- Ensuring the Board is kept abreast of all laws, regulations and corporate governance developments relevant to the organisation and ensuring that statutory deadlines are complied with;
- Preparing and reviewing the shareholder compact, delegations of authority and terms of reference of the Board; and
- Maintaining statutory records, registers, minute books and related documents.

MBDA Board Members Attending the Opening of the Baakens Bridge

2.5 Board Committees

The MBDA has four Board Committees who execute their duties as specified in the committee's terms of reference.

2.5.1 Audit Committee

- **Michelle Wait:** Chairperson and Independent Member (Up until 25 August 2019)
- **Herbert Fischat:** Independent Member (Up until 25 August 2019)
- **William Smith:** Independent Member (Up until 25 August 2019)
- **Gregory Billson:** Independent Member
- **Stephen Nel:** Independent Member

2.5.2 Corporate Service Committee

(Previously known as Human Resource and Remuneration Committee)

- **Sithole Mbanga:** Chairperson
- Rajesh Dana
- Kasaven Kenny Govender
- Pinky Kondlo
- Khwezi Ntshanyana

2.5.3 Capital Programmes Planning and Implementation Committee

(Previously known as Capital Projects Committee)

- **Rojie Kisten:** Chairperson (Resigned 30 September 2019)
- Masalamani Odayar
- Mike Koenaite
- Glenda Perumal
- Mxolisi Moolman

2.5.4 Risk Compliance and Finance Committee

- **Mandlakazi Skefile:** Chairperson
- Bongani Gxilishe
- Vuyani Dyantyi
- Pinky Kondlo

2.5.5 Senior Management as at 30 June 2019

- **Ashraf Adam:** Chief Executive Officer
- **Koliswa Mgijima:** Chief Financial Officer
- **Debbie Hendricks:** Operations Executive
- **Mpho Mokonyama:** Nelson Mandela Bay Stadium Manager
- **Luvuyo Bangazi:** Corporate Services Executive (Acting)
- **Mbulelo Matiwane:** Company Secretary and Legal Advisor

Ashraf Adam
Chief Executive Officerr

Koliswa Mgijima
Chief Financial Officer

Debbie Hendricks
Operations Executive

Mpho Mokonyama
Nelson Mandela Bay Stadium Manager

Luvuyo Bangazi
Corporate Services Executive (Acting)

Mbulelo Matiwane
Company Secretary and Legal Advisor

SECTION 03:

Service Delivery Report

3.1 Budget and Financial Performance

The MBDA comes off a base of the audited 2017/2018 performance with an achievement of 42%. The 2018/19 Capital Budget performance now sits at 65.6% based on the assessment by the Auditor General of South Africa, representing a 23.3% increase from the previous year.

2018/19	OPEX	CAPEX
Final Budget	R90.6 million	R70.1 million
Expenditure	R73.4 million	R46.0 million
% EXP Final Budget	81.0%	65.6%

2017/18	OPEX	CAPEX
Final Budget	R81.2 million	R74.4 million
Expenditure	R66.5 million	R31.5 million
% EXP Final Budget	81.9%	42.3%

% Preformance	OPEX	CAPEX
% Variance	- 0.9%	23.3%
% Incr/Decr	- 1.1%	55.0%

The table above indicates the overall year-on-year performance for the financial period under review.

On aggregate, operating expenditure (OPEX) spending for the 2018/19 year is reported at 81% or R73.4-million of the total final budgets of R90.6-million. The aggregate year-on-year performance indicates a decrease of 1.1% representing a negative performance of 0.9% measured against 81.9% or R66.5-million reported in 2017/18.

In terms of capital expenditure (CAPEX), on aggregate the spending for the 2018/19 year is reported at 65.6% or R46-million of the final budget of R70.1-million, indicating a year-on-year improvement of 23.3% - the highest reported in the history of the MBDA as compared to 42.3% reported in the 2017/18 budget year.

Sound financial management provides processes to improve on the institutional memory, maintaining an effective system of expenditure control, including procedures for approval authorisation, withdrawal and payment of funds. On the other hand, the major challenge was the inability to maintain cash reserves as a result of limited reserve generation capacity.

3.2 Service Delivery Performance

Key Performance Area (KPA)	KPI No.	Key Performance Indicator	2018/19 Annual Target	Actual Performance as at 30 June 2019 Quarter 4
KPA 3: Local Economic Development	1	Percentage completion of the Baakens River Pedestrian Bridge and the disabled access at Vuyisile Mini Square.	80%	80%
KPA 3: Local Economic Development	2	Conducting a conditional assessment on St Peters Property Rehabilitation and Restoration project (Church).	• Heritage authorisations finalised • Public participation concluded • Conceptual design developed	• In progress • Heritage authorisation finalised
KPA 3: Local Economic Development	3	Prepare framework plan for Lower Baakens Precinct Plan and obtain development authorisations for identified land parcels I.e. Zoning, Heritage and EIA.	Draft framework plan, rezoning, EIA advertised for public comment.	Draft framework plan, rezoning application and Environmental Impact Assessment advertised for public comment.
KPA 3: Local Economic Development	4	Compiling a Viability Assessment and Implementation Strategy for the Baakens Pilot Housing Project (in co-operation with public/private sector).	Model designs selected.	Model designs for housing development identified and included to South End Mixed-Use project report.
KPA 3: Local Economic Development	5	Procuring new property within MBDAs mandated areas.	Transfer in progress.	Property transfer completed.
KPA 3: Local Economic Development	6	Percentage completion of the Telkom Park demolition.	100% by September 2018.	100% by September 2018.
KPA 3: Local Economic Development	7	Developing conceptual plans for Telkom Park redevelopment.	• Rezoning and related processes commenced • Conceptual plans developed by 30 June 2019	• Framework plan prepared as a start to the rezoning process • Strategic Environmental Assessment completed • Viability evaluation completed
KPA 3: Local Economic Development	8	Compiling high-level conceptual plans for the rehabilitation of Bay World.	Conceptual plans developed by 30 June 2019.	Conceptual plans developed by 30 June 2019.
KPA 3: Local Economic Development	9	Percentage completion of Helenvale: Safe Pedestrian Routes.	30% project progress achieved by 30 June 2019.	33% overall project progress achieved.
KPA 3: Local Economic Development	10	Non-objection letter from KFW received for security lighting for safe pedestrian routes.	Non-objection letter from KFW received.	• Target not met • Non-objection letter not received

Achievement of Target Exceeded

Target Achieved as Planned

75% Progress Towards Achievement of Target

Below 75% Progress Towards Achievement of Target

Service Delivery Preformance (continued)

Key Performance Area (KPA)	KPI No.	Key Performance Indicator	2018/19 Annual Target	Actual Performance as at 30 June 2019 Quarter 4
KPA 3: Local Economic Development	11	Non-objection letter from KFW received for Safe Parks and Sports Fields: Sandford Road.	Non-objection letter from KFW received.	Non-objection letter from KFW received.
KPA 3: Local Economic Development	12	Non-objection letter from KFW received for Safer Schools including Bayview PS Rehabilitation.	Non-objection letter from KFW received.	Non-objection letter received from KFW.
KPA 3: Local Economic Development	13	Non-objection letter from KFW received for SPUU Youth Training Facilities.	Non-objection letter from KFW received.	• Target not met • Tender specification drafted
KPA 3: Local Economic Development	14	Percentage completion of the conditional assessment conducted at the Uitenhage Rail Sheds upgrade.	100% by September 2018.	100% by September 2018.
KPA 3: Local Economic Development	15	Percentage completion of the Uitenhage Rails Shed/ Science Centre Precinct Development (including fencing).	10% by June 2019.	65% by June 2019.
KPA 3: Local Economic Development	16	Developing a precinct plan (including an urban design, and business plan) for Uitenhage.	Consultants appointed. Precinct plan development commenced.	In progress (tender compiled).
KPA 3: Local Economic Development	17	Percentage completion of the toilets as part of Campanile restoration.	100 % by June 2019.	Target not met (plans developed).
KPA 3: Local Economic Development	18	Developing an infrastructure plan for the Govan Mbeki refurbishments.	Infrastructure plan developed and approved.	In progress (infrastructure plan developed).
KPA 3: Local Economic Development	19	Percentage completion of Korsten/Schauderville Neave Street Park upgrade.	100% by June 2019.	100% by June 2019.
KPA 3: Local Economic Development	20	Developing a business plan for Korsten/Schauderville.	Business plan approved by the Chief Executive Officer.	Business plan approved by the Chief Executive Officer.
KPA 3: Local Economic Development	21	Percentage completion the Singaphi Phase 3A project.	100% by March 2019.	100% by March 2019.
KPA 3: Local Economic Development	22	Percentage completion of the New Brighton Swimming Pool Precinct.	100%	100%
KPA 4: Municipal Financial Viability and Management	23	Percentage of Mandela Bay Development Agency's capital project budget actually spent.	95%	66%

Achievement of Target Exceeded
Target Achieved as Planned
75% Progress Towards Achievement of Target
Below 75% Progress Towards Achievement of Target

3.3 Programmes Updates

The restructuring and reorganisation that the Agency underwent over the last two years have also resulted in a more focused, clustered and programmatic approach. In the main, the work of the MBDA is allocated and grouped into six distinct nodal areas. These are:

- The Inner City
- Uitenhage
- New Brighton
- Korsten and Schauderville
- Helenvale
- Nelson Mandela Bay Stadium

MBDA Active Programmes:

The Inner City

- *Govan Mbeki Precinct (ABM)*
- *Mermaids Precinct*
- *Baakens*
- *Vuyisile Mini*
- *South End Mixed-Use*
- *St Peter's*
- *Pedestrian Bridge*
- *Telkom Park*
- *Bayworld*

Uitenhage

- *Science and Technology Centre*
- *Railway Sheds Upgrade*
- *Precinct Plan*
- *CBD surrounds upgrade (ABM)*

New Brighton

- *Singaphi Street Upgrade*
- *New Brighton Swimming Pool*
- *New Brighton Cultural Precinct*

Korsten and Schauderville

- *Neave Street Park*
- *Business Plan*
- *Improvements to Durban Road (ABM)*

Helenvale

- *SPUU Capital Projects (Youth Centres, Victim Support Centre and Walkways)*
- *Safer Schools*
- *Youth Employment Support*

NMB Stadium

- *Stadium*
- *Research and Development*

The table below contains detailed updates for each programme, project and initiatives covered during the year in review.

1

Compiling a Viability Assessment and Implementation Strategy for the Baakens Pilot Housing Project

The South End Mixed-use project aims to transform the south bank of the Baakens area into a new, post apartheid neighbourhood which will acknowledge the injustice done by the forced removals in the early 1970's, while providing an opportunity for mixed-use development.	**Phase 1:** The scope of work for this component requires the appointed Town Planner to prepare a Framework Plan. Rezoning application of the land, including all regulatory land, use approvals to accommodate a Special Purpose Use with such proposed uses pre-defined. **Phase 2:** Approved plan for the Parkway which would be implemented in the new financial year.	Land Parcels prepackaged. Time and cost associated with land use rights already done upfront. The suitability of the area for social housing to be reviewed. Stakeholders identified and engaged. Preliminary plan ready for implementation.

2

Baakens Pilot Housing Project, Uitenhage Railway Sheds Upgrade and Environmental Upgrade to St Peter's Ruins

To compile a viability assessment and implementation strategy for the Baakens Pilot Housing Project (in co-operation with public/private sector).	Viability Assessment.	
The upgrade of the Uitenhage Railway Sheds.	Conditional Assessment. Appointment of Consultants. Construction tender to be advertised. Contractor to be appointed. Construction works to commence.	
The project is a kickstart project of the clean-up and rejuvenation of the St Peter's land. The land has great historical value and fits perfectly with the Baakens Valley development. **Phase 2:** Stabilisation of the church and conditional assessment.	To provide a clean-up, beautification, safety and heritage conservation of the site. Conditional assessment report and stabilisation of the church.	Ward 5 Councillor, local SMMEs, local labourers, heritage bodies, tourism ambassadors and companies, museums, existing and previous South End residents.

3

Baakens River Parkway

Percentage completion of the Baakens Parkway Project. Current planning work being implemented on South End Mixed-Use Precinct.	Preliminary Landscape Plan Survey of the area. Submission of preliminary plan to DEDEAT. Effective public participation and stakeholder engagements.	

4

Fort Frederick Project

Development of a public park.	Public park.	Ward 5 Councillor, EDTA, SMME forums, residents, tourism bodies, students.

5

Vuyisile Mini Square Node - Fleming/North Union Streets/Lower Valley Road

To build the ramp at Vuyisile Mini Square.		

6

New Brighton Cultural Precinct Development

Development of a precinct plan and implementation of capital projects.	Deliver a business plan.	Ward 14, 15, 16 & 17 Councillors and residents, business forums, residents, schools, artists.

7

T.C Magqabi Swimming Pool

The purpose of the project is to provide a community recreational facility that can be the first of its kind.	Complete swimming pool facility. Sports Recreation Arts and Culture for Ward 17.	Ward 17 Councillor, local community, local small businesses, local schools, broader New Brighton residents - as it will be the only swimming pool in New Brighton township.

8

The Baakens Pedestrian Bridge

Construction of a new pedestrian bridge.	Completed pedestrian bridge built with composite material.	Ward 5 Councillor, Ward 5 residents, local labourers, local SMMEs, existing and potential businesses, students, people employed in the CBD, valley markets and event organisers.

9

Helenvale: Youth Centres & Training Facilities

To provide an access point for youth services in the two distinct voting districts within Helenvale through construction and the setup of modified container units as a container hub/services centre for youth promotion services and training.	Youth Centre Facility.	Access to youth services for the Barcelona and Extension 12 youth who are unable to access them at the Helenvale Resource Centre due to gang-related territorial boundaries in Helenvale.

10

Korsten/Schauderville - Other (Moore Dyke Sports Precinct)

The development of a sports precinct at the existing Moore Dyke Sports Ground.	The deliverables include the following: • Upgrade to existing support facilities - Club House. • Upgrade of infrastructure to existing fields and services to sports fields. • Provision of new sports fields and services as outlined in the design guidelines. • Establish pedestrian and vehicular connections to existing access roads, pedestrian routes, and connections to IPTS and public transport precincts. • Take into consideration potential residential development in surrounding sites.	The stakeholders stand to benefit in the following way from the project: • Job opportunities during the construction phase of the project. • Participation of the SMMEs. • Promotion of sport in the community. • Youth empowerment through sport. • Improved sports facilities. • Social cohesion through sport.

11

Schauderville/Neave Street Multi-Purpose Recreational Park

To develop a currently vacant parcel of land in Schauderville into an upgraded Neave Street Multi-Purpose Recreational Park.	Complete Multi-Purpose Recreational Park facility for the Schauderville/Korsten community.	1. Safe playing area for the children. 2. Gathering area/space. 3. Performing space for local artists. 4. Elimination of the dark spaces which invite criminal activities in the area.

12

Psycho-Social Programme

Identification of projects to allow for human development, together with infrastructure development in a community.	Business plans will provide insight into the priority projects and programmes on which to focus.	1. Partnerships established. 2. Collaboration between Government and Non-government organisations to identify needs and work together and not in silos. 3. Community cohesion.

13

Demolition of Portions of Bayworld

The project consists of the demolition of decommissioned facilities at Bayworld, in preparation of the upgrade of the facilities.	A clean raked platform, fit for new construction purposes and able to be used for temporary tourism activities.	Improved health, safety and wellbeing of staff, visitors and ultimately the animals. Reduced maintenance costs on abandoned infrastructure. The availability of an attractive open space for the implementation of temporary tourist programmes. Visual improvement of the Tourism Strip and the commencement of a new facility.
To compile high-level conceptual plans for the Rehabilitation of Bayworld.		

14

Helenvale: Security Lighting

Pathway and security lighting along play routes to school and homes.	Work to be executed on the new roadway and pathways will include removal of existing streetlights, the installation of new streetlights and post top light fittings onto existing bolt cages, reticulation to new pole-mounted kiosks and cabling to each light fitting as per electrical design layout. Installation of vandal proof safety screens on all light fittings and commissioning, liaison and handing over of light fittings to the municipality. The removal of existing light fittings and decommissioning of the electrical supply to it.	Provide a safer walking route with the electrification through the lighting of the routes for the school children to be safe when walking to school and home.

15 Govan Mbeki Avenue Refurbishment

The purpose of this project is to address the safety, security, lighting and accessibility inefficacy currently experienced along the Govan Mbeki Avenue. The primary objective is to reopen the oneway road network and provide additional parking, with the removal of the kiosks.		

16 Helenvale Sports Field

New sports fields and change room facilities (Portion of Erf 590).	Completed sports field with a rugby and soccer field constructed, including the completion of the sports field.	Completed sports field with a rugby and soccer field, including a club house constructed which the community can use to promote sport in the area.

17 Helenvale: Safer Schools

Rehabilitation and upgrading construction work to sports facilities at Bayview Primary School in Helenvale.	Complete school upgrade to: 1. Resurfacing of netball courts. 2. Topsoil and grassing to sports fields. 3. Netball goal posts. 4. Rugby/soccer combination posts. 5. Cricket practice pitches and nets. 6. Clearvu fencing.	Provide a safer environment for the school children, to be safe within the confines of the facility.

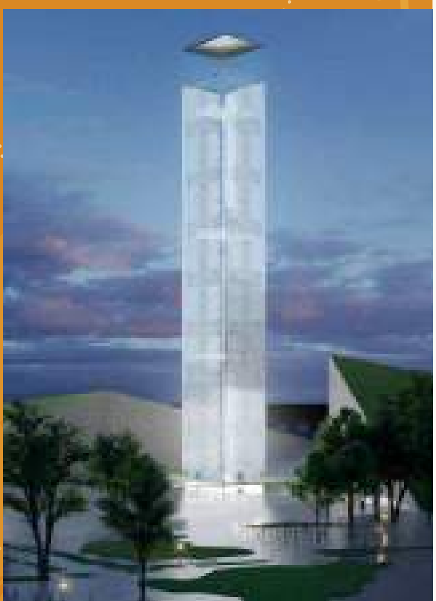
18

Helenvale: Safe Pedestrian Routes

Construction of three pedestrian walkways (home to school routes). Completion of Play Route project that was previously terminated.	Precinct upgrade through beautification, but more specifically this contract entails the upgrading and betterment of: • Sidewalks • Architectural Works A number of architectural, social and pedestrian-related elements are being introduced which include: • Pedestrian Walkways • Landscaping • Grassing • Planting of Trees • General Street Furniture • Sporting Facilities • Irrigation Systems • Fencing	Provide a safer walking route for the school children, to be safe when walking to school and home.

19

Iconic Landmark Precinct Business Plan



The NMBM is embarking on the development of an iconic, world-class landmark precinct that celebrates and honours the City's namesake – tata Nelson Mandela – and his contribution to South Africa. At the same time the precinct should celebrate the diverse cultures and heritages that make the city unique. The project entails developing a comprehensive business plan for the precinct.	A comprehensive business plan for the precinct which includes an operational and financial model.	An iconic, world-class precinct for the citizens of NMB.

Cultural Activities

These are cultural activities and programmes planned to take place within the MBDA mandate areas.

i. Heritage Month Programme

Heritage dialogues and pop-up performances.

ii. Public space Activations

Pop-up art installations in all MBDA mandate areas.

iii. Local films Screenings

Screening of local films in partnership with the Media Workshop.

iv. Visual Arts and Craft Exhibitions

A series of exhibitions promoting and creating market access for artists in the City.

v. SS Mendi

Keeping the story of the SS Mendi alive with a procession, theatre and documentary screening.

vi. 200 Years (Settlers' Arrival)

A series of inner-city cultural responses to the Settlers' Arrival in public and performing arts.

vii. Murals Development

Developing a series of murals in New Brighton as part of creating a link to "Route 67" and creating a tourist route in the townships and allowing communities to tell their own stories.

viii. Kulture Kapital

A series of pop-up art activations in all MBDA mandate areas.

Culture is the lifeblood of a vibrant society, expressed in the many ways we tell our stories, celebrate, remember the past, entertain ourselves, and imagine the future. Our creative expression helps define who we are and helps us see the world through the eyes of others.

Research and Innovation

The world today is more interconnected than ever before, and improving access to science, technology and knowledge is an important way to share ideas and foster innovation. The Nelson Mandela Bay Science and Technology Centre forms part of the MBDA's programmes and serves as a vehicle for knowledge-sharing and dissemination.

The Research, Innovation and Sustainability unit was established on a foundation that aimed to achieve sustainability. The MBDA does not solely focus on the financial aspect, and neglect the social and environmental responsibilities, but has adopted an integrated approach that puts these aspects at the core of our thinking when proposing and developing new projects within our communities.

The unit aims to transform and bring about social progress through infrastructure - creating spaces that connect, inspire, create social mobility and close the inequality gap without neglecting the importance of strengthening current and mobilising new partnerships to achieve this grand vision of creating a world-class ocean city.

The MBDA identified the need to collaborate with key role-players within the innovation space to successfully implement smart, forward-thinking and a sustainable innovation to drive growth in the NMB. These included the Mandela Bay Composites Cluster and Propella, as outlined earlier in the CEO's Report.

Off-grid Energy, Water and Waste Management Investigation
To become a smart, innovative and sustainable organisation, the MBDA recognised the need to implement efficient and sustainable energy, water and waste management systems that will assist in reducing resource consumption for financial and environmental reasons.

Rhino Water was appointed as the consultant to investigate the use of alternative, green energy, water and waste management solutions. The study was to be conducted at all the MBDA mandated facilities including the Nelson Mandela Bay Stadium, Tramways building and the Science Centre. The investigation for the Stadium was successfully concluded and the recommendations are being considered.

For the Tramways and Science Centre parts of the study were included namely water, waste management and carbon emissions. There have been, however, huge challenges with the analysis of the energy consumption as the data received from the municipality was not enough - lacking the kWh usage. Due to these challenges in calculating energy consumption at the Science Centre and the Tramways building, this aspect of the study has not been finalised.

MBDA Mobile App

The MBDA initiated the development of a mobile application as a tool to engage with its associated communities. The App would assist in gathering data with the expectations to improve efficiency within the organisation. A service provider was appointed for this project and the App currently is in its final stages of development and will be launched in the second quarter of the 2019/2020 financial year.

Thought Leadership Seminars

The MBDA partnered with Nelson Mandela University (NMU) in executing a joint seminar series to create a dialogue amongst academia, industry and civil society around the challenges and opportunities that confront cities of today in their transformational journeys to socio-economic inclusivity, peace, resilience, prosperity and sustainability for the benefit of all their inhabitants.

Nelson Mandela Bay Science and Technology Centre

More than 117 schools from various provinces across the country visited the facility in the period under review. The Science Centre provided 397 learners from its focus schools with curriculum assistance, maths and science revision as well as assistance with projects for the Eskom Expo for Young Scientists regional competition through specific expo training. Out of 12 Projects that were entered, five projects received medals (one gold medal and four silver medals).

A total of 8 830 learners visited the facility to explore the science centre exhibits. Through establishing mutually beneficial partnerships, the centre has received financial and non-financial support from the following institutions: Department of Science and Technology, South African Agency for Science and Technology Advancement, Department of Education, Mandela Bay Composites Cluster, Vodacom, Eskom Expo Foundation, Volkswagen Group South Africa, NMU, Sustainable Seas Trust, Sci-fest Africa and many other organisations.

The MBDA also stablished an Advisory Committee to provide strategic advice for the Science and Technology Centre (STC). The committee consists of highly esteemed individuals within their respective designations such as Ms Kana who sits on President's 4IR commission; Prof Muronga; Dean of Sciences at the NMU and Mr Naidoo who is the VW Community Trust Director and other experts.

The Science Centre also created temporary employment for six unemployed graduates.

Our highlights include:

- Hosted six unemployed science and engineering graduates.
- Completed the transformation of the storeroom into a workshop space. Currently this area is being used as a research/incubation space for a tech start-up comprising of seven individuals.
- Received sponsorship (financial and non-financial) worth over R1-million in value.

- Satellite venue for Scifest Africa Event which brought more than 20 national and international speakers to Uitenhage.
- More than 117 schools from various provinces across South Africa visited the science centre.
- Over 10 500 received support through the science centre programmes.
- Mentored learners for Eskom Expo with five mentees winning medals from NMU.

Facilities and Area Management

Informal Trading Regulation

The MBDA was founded to be a special vehicle that would rejuvenate and revitalise the Port Elizabeth CBD, the Southern part of the Harbour and subsequently other emerging parts of the NMBM such as the Uitenhage CBD, Despatch and the township areas.

Transformation of spaces is done by upholding the principle of "getting the basics right first" which is ensuring cleaner and safer spaces. This is complemented by the regulation and management of Informal Trading in the MBDA mandated areas which is done through Town Rangers who monitor the daily activities of the traders in By-law transgressions such as littering or illegal dumping.

The MBDA is committed to transform the lives of ordinary people who fend for themselves and their families through trading in the streets. This is not only done through regulation and management through a permit system, but by also organising courses/training to upskill the informal traders' entrepreneurial abilities. The training is offered in conjunction with NMBM EDTA, SETAs, and NMU.

Special Rating Area

The MBDA in conjunction with its partners such as Community Policing Forums (CPFs), Healing Hands, Business Forum, Crime prevention Forum, SAPS, SARS Customs, Home Affairs Immigrations, Central Pastoral Fraternity and others have embarked on a number of initiatives such as the establishment of Special Rating Areas, and conducting blitz raids and operations in a bid to rid the MBDA mandated areas of crime.

These initiatives have translated into community-based programmes which have resulted in various job creation opportunities.

In the period under review, the MBDA can report the following notable achievements:

Traders

- Through the well-managed permit system there were 72 permit holding traders in Govan Mbeki Avenue who trade in kiosks, 56 in the Griffin Taxi Rank area, 19 traders in Strand Street and 162 in the Uitenhage Central Business District.
- The total estimated revenue by traders in Govan Mbeki Avenue is R240 768 per month.

Waste Management

- Total waste collected by the MBDA's service providers which provide a top-up service, in addition to the municipal waste collection, between 14:00 and 22:00 from Monday to Saturday in Central and the CBD of Port Elizabeth is 41,8 tons per month while in the Uitenhage CBD it is estimated to be 21 tons per month.

3.4 Corporate Services

The newly established Corporate Services division incorporates Human Resources Management, Information Technology services as well as Marketing and Communications. The Marketing and Communications Manager and Acting Corporates Services Executive spent nearly 70% of his time working closely with the Human Resources Department bedding down work started in 2017/18 towards the organisation's redesign.

In the end, several items and policies were workshopped, canvassed through the Board and eventually approved and will now be effective for 2019/2020. The MBDA now has a revised and approved new organogram, revised job profiles, approved job grade structure, relevant policies and procedures and is poised to do even better in 2019/2020.

The year that ended in June 2019 also indicates progress has been achieved and vindicates the recommendations of Management and decisions of the Board as performance has shot up to more than 60%.

Marketing and Communications

The founding mandate documents of the MBDA elevate communications with relevant stakeholders as a primary and key function of the Agency. The drafters of the mandate recognised early on that effective and efficient communications would be critical in driving the agenda of the Agency. The Marketing and Communications function gives effect to this vision by facilitating conversations, dissemination of critical information, creating opportunities for greater and more inclusive public participation and selling the vision.

One of the most important tasks that the unit is seized with, is to assist the Agency staff, be it management or field staff, to see the work they do, their contribution and efforts as part of a much larger eco-system. The person responsible for creditors has as much a development role as the construction project manager as neither can function without the other. The MBDA's work over the past 14 years has transformed NMB, brought progress in depressed areas, inspired creativity and stimulated hope that a better tomorrow is possible.

Marketing Events

The Marketing and Communications Department continues to add value through smart event planning, execution and collaborations. The department's expertise has also been largely leveraged by the NMBM"s SRAC and EDTA divisions. Several conversation events and thought leadership seminars were hosted in 2018/2019. The events that stand out as highlights for 2018/2019 include the official demolition of Telkom Park, the launch of the Tower of Light, participation in hosting the successful Ironman 70.3 World Championship and the inaugural African Advanced Manufacturing and Composites Show.

eMobility

When one looks at the prevailing trends in the automotive industry, most of them have the same common denominator and that is Going Green. The increasing awareness about saving the planet from various environmental threats has caused even the largest industries to take a stand so they can contribute to the initiative instead of making matters worse. As such, the Mandela Bay Development Agency has had to develop innovative ways and measures of Going Green, while paying special attention to future perspectives.

As part of the e-Mobility Technology Innovation Programme (EMTIP), the MBDA, in collaboration with uYilo eMobility programme based at the NMU, embarked on a project to introduce and promote the concept of electro-Mobility, a phrase referring to alternative electric based modes of transportation designed to shift vehicle design away from the use of fossil fuels and carbon gas emissions. The national uYilo eMobility Programme was established in 2013 as an initiative of the Technology Innovation Agency to enable, facilitate and mobilise electric mobility in South Africa.

The introduction of e-Mobility into the MBDA was achieved through the conversion of the Agency's two tuk-tuks - which have been modified and converted to battery-powered units with solar panel augmentation. The conversion entailed matching the performance of the tuk-tuks' combustion configuration, making them compliant for on-road usage.

Advanced Manufacturing/Composites Cluster

The Marketing and Communications Department, in partnership with the NMB Science Centre and NMB Stadium team, collaborated with the Mandela Bay Composites Cluster to host the inaugural African Advanced Manufacturing and Composites Show. The event created synergies and opportunities for an advanced manufacturing business in the region. The event included factory tours, exhibitions, conferences, learning tours and national awards.

Corporate Social Investment

Corporate Social Investment took a different turn in 2018/19 and one that is ideally going to form the pillar of our interventions going forward. The old practice of handing over funds has proved unsustainable and at times, creating an unsustainable dependency from beneficiaries. The new approach which is being formalised into policy will promote a coordinated, focused and intentional partnership approach where support is provided through skills and expertise over and above financial investment.

Media Management

Overall clip count for the MBDA between 30 June 2018 to 01 July 2019 is tallied at 655 media mentions, and this is broken down as follows:

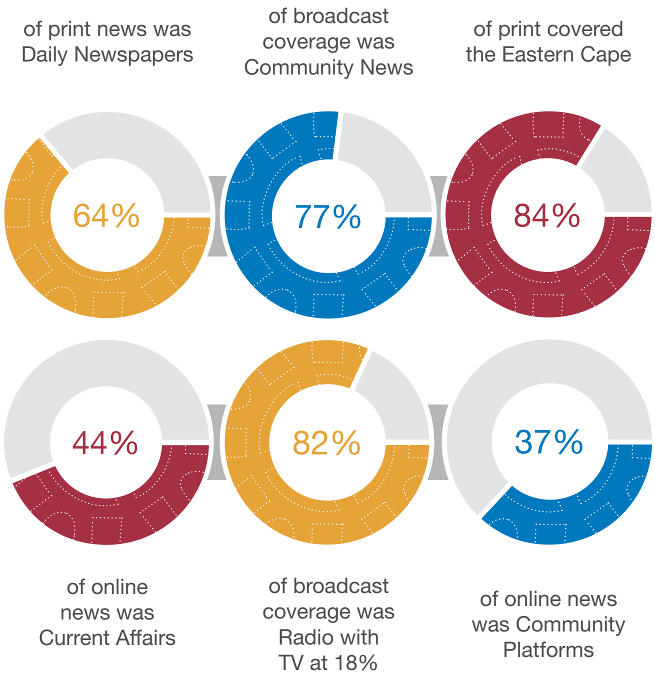
102 Radio

23 Television

179 Print

359 Online

The R14.9-million value in media coverage is nearly six times the Marketing budget of R3.5-million. What this means is that for every Rand spent in Marketing and communications, the MBDA got six times the value.



Top four publications which afforded the MBDA media coverage:

- The Herald;
- Die Burger;
- Weekend Post; and
- PE Express.

Top five broadcasters which afforded the Agency media coverage:

- Kingfisher FM Community radio;
- Bay TV;
- Algoa FM;
- ENCA; and
- Bay FM Community radio.

Top five websites:

- My PE News;
- HeraldLive;
- News24;
- RNews; and
- ArtsLink.

Information and Communication Technology

Information Technology fosters innovation in business. Innovation results in smarter apps, improved data storage, faster processing, and wider information distribution. Innovation makes businesses run more efficiently. It increases value, enhances quality, and boosts productivity.

The MBDA's network infrastructure can meet the ever-increasing demands of the Agency. The network's good performance in 2018/19 demonstrates the efficiency with which the network service provider is being governed by the MBDA to ensure that their performance meets the Agency's standards.

The MBDA's IT infrastructure and systems are compliant with all relevant regulations.

The IT Department has implemented changes and executed various projects to improve efficiencies, these include Migration to Office 365, introducing the MBDA Intranet as well as telephone system upgrades.

The following service level policies were concluded in 2018/19:

- **Data Backup Policy**
  MBDA's Data Backup Policy was amended to comply with the current processes and meet IT industry best practice.
- **Change Management Policy**
  This Policy is to manage changes in a well-communicated, planned and predictable manner that minimizes unplanned outages and unforeseen system issues.
- **Password Policy**
  This Policy had not been reviewed since 2007. An update was deemed necessary since the IT space has changed significantly in the last 12 years.
- **Electronic Communication Policy**
  Electronic communication has changed the way businesses communicate with each other. Knowing the strengths and weaknesses will assist the Agency to conduct effective electronic communication.
- **IT Security Policy**
  This policy provides guidelines for the protection and use of information technology assets and resources within the organisation to ensure integrity, confidentiality and availability of data and assets.
- **Information Systems Policy**
  This policy provides guidelines for the use of notebooks, smartphones, tablets and other types of mobile devices for institutional purposes.

Human Resources

The MBDA aims to be the employer of choice in its field. This is supported by the Agency's overall objective, as set out in its Employment Policy, to ensure that its employment practices and remuneration policies motivate and retain talented employees and create an attractive work environment.

The Human Resources (HR) office provides a service to management and employees, that embraces the organisation's Vision and Mission. The Department suggests to management how to strategically manage people as business resources. This includes recruiting and hiring employees with specific skills set to meet the organisation's goals. The HR Department is committed to delivering an "excellence" service-orientated culture that seeks to promote employee wellness which is performance-driven. The unit upholds the tenets of confidentiality, accountability and trust.

The HR division consists of an HR Manager, Practitioner and Administrator which services a staff complement of 60 members at the Tramways and Science Centre.

Organisational Restructure

In 2017, an organisational redesign was commissioned by the Board of Directors. The new structure was developed to deliver the organisation's 5-year strategic plan – ensuring that the Agency becomes more agile, nimble and focused. Various stakeholders were consulted, and the new structure was approved for implementation in 2018.

As a result of the new structure, 15 new employees were recruited into the organisation.

The aim is to continuously create a diverse workforce representative of gender transformation and diversity.

52% of our workforce are females – of which 35% are in management positions and 50% in executive roles. Our workforce (including the NMB Stadium) has an equitable split between males (48%) and females (52%). Ten employees hold 10 years or more long service.

Coupled with the adjustments in the MBDA's organisational structure, a job evaluation process was undertaken to clarify roles and appropriate the correct value to a position. During the period under review, the unit also had extensive consultations with staff in developing more robust policies. A total of 26 policies were reviewed. The performance monitoring system was digitised, thus improving on a performance-driven culture, with performance results and dashboards being available in real-time. Building a new "team MBDA" required better relationships to be fostered.

For this, a collaborative workshop was facilitated to build associations between team members and departments. This has led to significant improvement in teams within the Agency.

Employee Development

The MBDA is dedicated to investing in its employees and the past year alone (2018/19), the Agency invested R336 646.24 on upskilling its workforce. 21 interns were hosted by the organisation on a Work Integrated Learning Programme through Services Seta.

Staff Establishment

Approved Positions on Organogram

2018/19	Funded Positions	Vacant Position	Vacancy Rate (%)
Staff	62	0	0

	Total Appointments at Beginning of Financial Year	Termination During Financial Year	Turnover Rates
	No.	No.	%
2017/18	49	5	10.20
2018/19	62	5	8.06

Employment Equity Demographics

The workforce profile snapshot tables used for the conducting of the analysis to inform this plan are used below as a baseline for the setting of numerical goals and targets for each year of the plan. Workforce profile snapshot date, 30 June 2019.

Snapshot of workforce profile for all employees, including people with disabilities:

Occupational Levels	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	Total
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	1	0	1	0	1	1	0	0	0	0	4
Professionally qualified and experienced specialists and mid management	9	2	1	1	4	2	0	1	0	0	20
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	7	4	1	4	14	6	1	0	0	0	37
Semi-skilled and discretionary decision making	9	6	0	0	16	3	0	0	0	0	34
Unskilled and defined decision making	2	0	0	0	3	0	0	0	0	0	5
TOTAL PERMANENT	28	12	3	5	38	12	1	1	0	0	100
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	28	12	3	5	38	12	1	1	0	0	100


THE TRAMWAYS

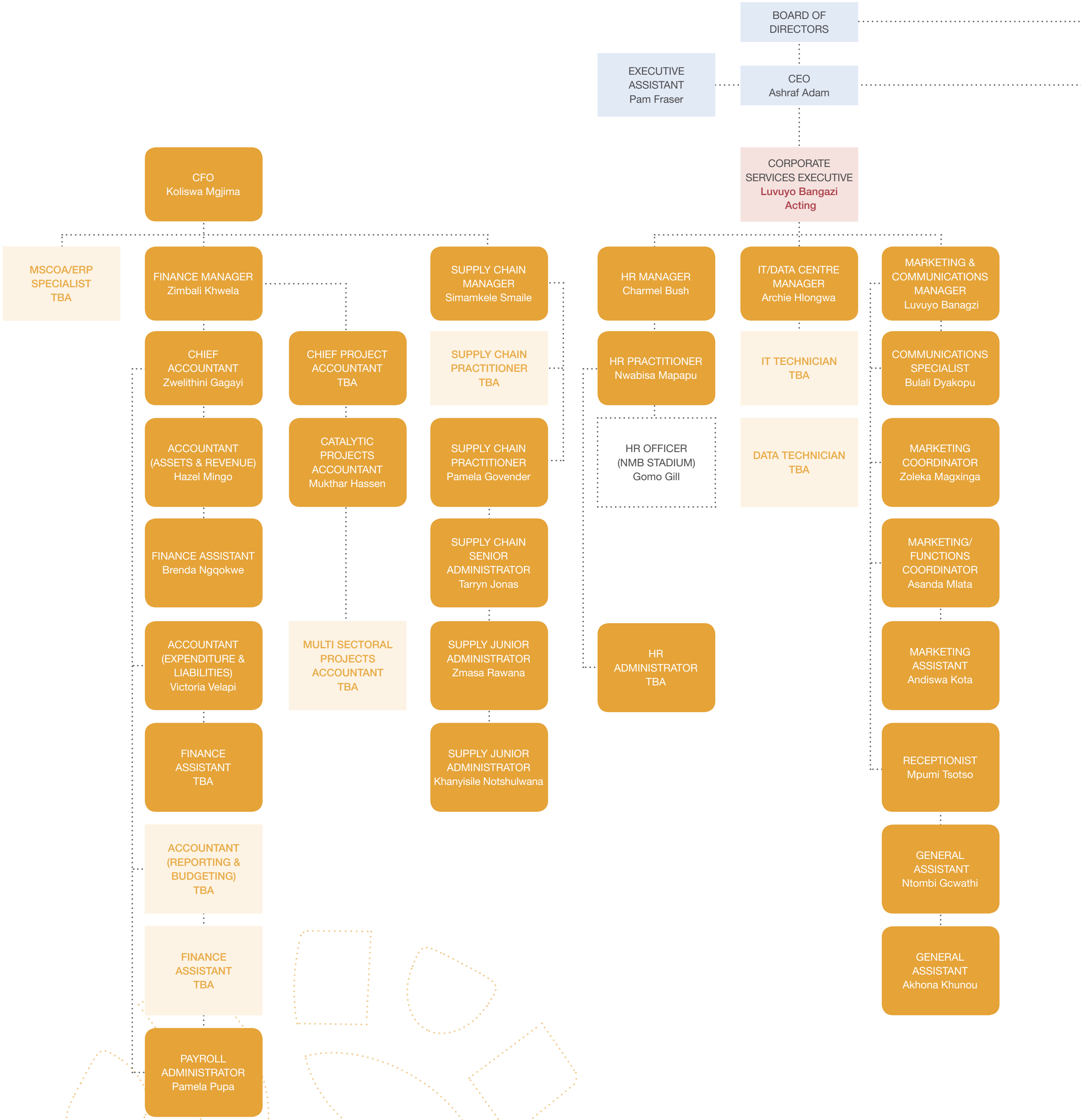

PROJECTS

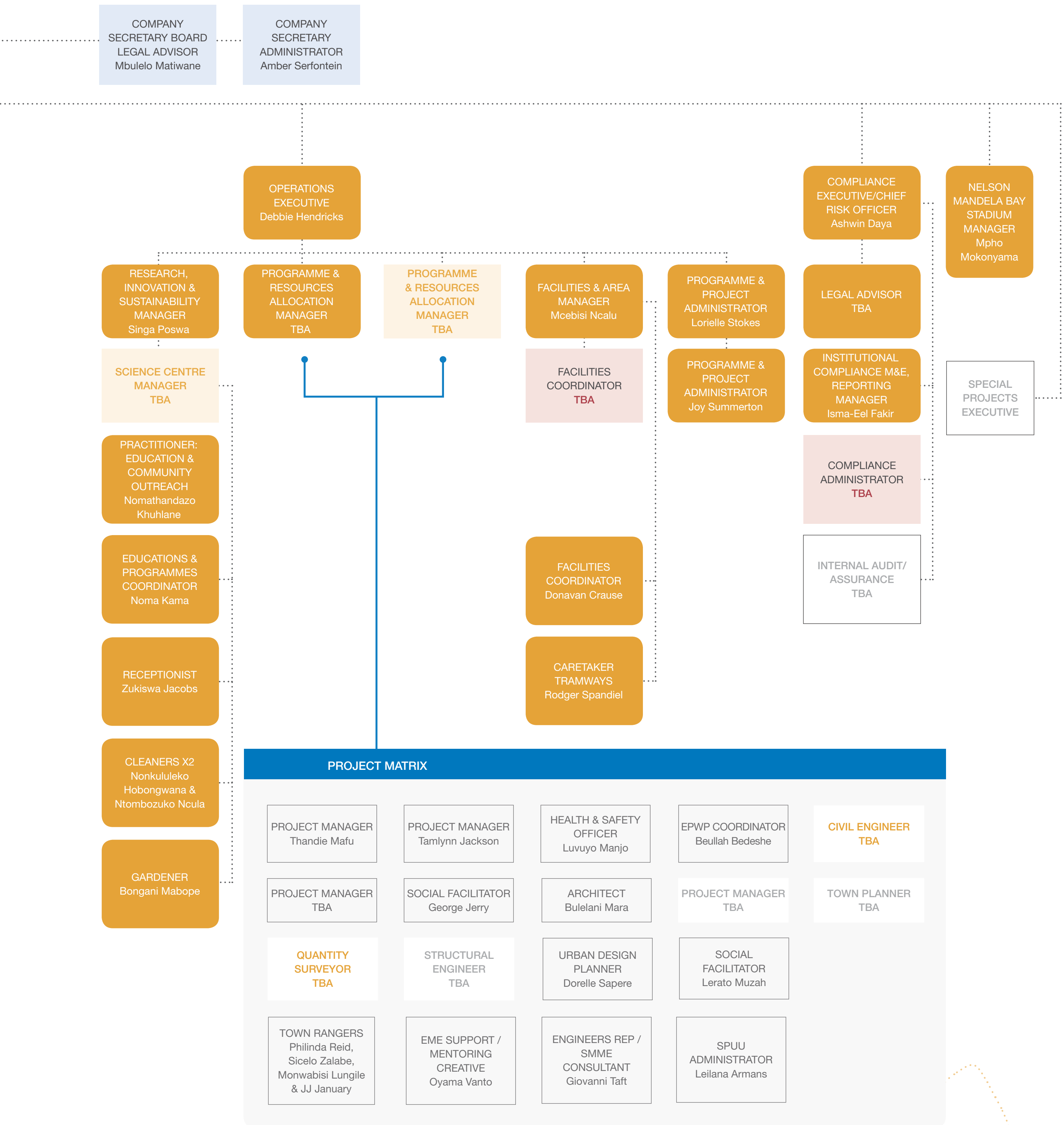

THE TRAMWAYS


THE TRAMWAYS

Organisational Structure

The MBDA's structure is a response to the business model which focuses on the development of capital projects as well as facilitation development – augmenting on public investments. The organisational structure as of 30 June 2019 is reflected below:




COMPANY SECRETARY BOARD LEGAL ADVISOR Mbulelo Matiwane
COMPANY SECRETARY ADMINISTRATOR Amber Serfontein
OPERATIONS EXECUTIVE Debbie Hendricks
COMPLIANCE EXECUTIVE/CHIEF RISK OFFICER Ashwin Daya
NELSON MANDELA BAY STADIUM MANAGER Mpho Mokonyama
RESEARCH, INNOVATION & SUSTAINABILITY MANAGER Singa Poswa
PROGRAMME & RESOURCES ALLOCATION MANAGER TBA
PROGRAMME & RESOURCES ALLOCATION MANAGER TBA
FACILITIES & AREA MANAGER Mcebisi Ncalu
PROGRAMME & PROJECT ADMINISTRATOR Lorielle Stokes
LEGAL ADVISOR TBA
SCIENCE CENTRE MANAGER TBA
FACILITIES COORDINATOR TBA
PROGRAMME & PROJECT ADMINISTRATOR Joy Summerton
INSTITUTIONAL COMPLIANCE M&E, REPORTING MANAGER Isma-Eel Fakir
SPECIAL PROJECTS EXECUTIVE
PRACTITIONER: EDUCATION & COMMUNITY OUTREACH Nomathandazo Khuhlane
COMPLIANCE ADMINISTRATOR TBA
EDUCATIONS & PROGRAMMES COORDINATOR Noma Kama
FACILITIES COORDINATOR Donavan Crause
INTERNAL AUDIT/ ASSURANCE TBA
RECEPTIONIST Zukiswa Jacobs
CARETAKER TRAMWAYS Rodger Spandiel
CLEANERS X2 Nonkululeko Hobongwana & Ntombozuko Ncula
GARDENER Bongani Mabope
PROJECT MATRIX
PROJECT MANAGER Thandie Mafu
PROJECT MANAGER Tamlynn Jackson
HEALTH & SAFETY OFFICER Luvuyo Manjo
EPWP COORDINATOR Beullah Bedeshe
CIVIL ENGINEER TBA
PROJECT MANAGER TBA
SOCIAL FACILITATOR George Jerry
ARCHITECT Bulelani Mara
PROJECT MANAGER TBA
TOWN PLANNER TBA
QUANTITY SURVEYOR TBA
STRUCTURAL ENGINEER TBA
URBAN DESIGN PLANNER Dorelle Sapere
SOCIAL FACILITATOR Lerato Muzah
TOWN RANGERS Philinda Reid, Sicelo Zalabe, Monwabisi Lungile & JJ January
EME SUPPORT / MENTORING CREATIVE Oyama Vanto
ENGINEERS REP / SMME CONSULTANT Giovanni Taft
SPUU ADMINISTRATOR Leilana Armans

Risk Management and Compliance

Risk identification and assessment is an ongoing process, and the Risk and Compliance Department ensures that there are effective risk systems in place. The core function of the Risk and Compliance Department is to assist the MBDA in identifying and assessing both strategic as well as operational risks and reporting these to the governing bodies of the Audit Committee, Board of Directors and Parent Municipality.

The roles and responsibility of the Department include:

- Facilitating institutional reporting to the Board of Directors as well as the Parent Municipality;
- Identifying new and innovative ways of reporting;
- Administering the commercial insurances of the MBDA; and
- Providing compliance-related guidance to the various internal stakeholders (departments).

The department aids in defining, clarifying and regulating the 'how' at the MBDA. This is executed by affording all departments within the MBDA regular risk training programmes. The MBDA's strategic risk register is treated as a working document and is continuously monitored and evaluated for efficiency controls.

Effective risk management is fundamental to the MBDA's business activities. The Department evaluates various processes within the organisation to identify efficiencies that drive performance. By reinforcing a culture of risk awareness, the Department encourages that when considering performance, risk must be thoroughly evaluated, as failing to manage risk associated with objectives will result in the non-achievement of objectives.

The Agency conducts an annual Strategic Risk Assessment Workshop to ensure that there is a link between risk management and the business planning processes. To address challenges the MBDA has:

- Implemented a complete accounting-integrated project management information system. This system acts as a central point in which projects are managed, information is stored, and from which accurate and reliable reports can be drawn.
- Created cloud-based project information dashboards. These dashboards can be viewed from any device and can provide users with updated information on various projects as well as provide detailed institutional performance.
- Drafted a strategic alignment document which is used to align the projects to various other strategic MBDA documents, including the mandate and strategic objectives.
- Conducted departmental risk assessments, which were magnified operational assessments, aimed at assisting departments in identifying risks to departmental objectives.
- A framework for evaluating the performance of suppliers that the MBDA contracts with has been developed.

3.5 Supply Chain Management

The Office of the Chief Financial Officer is responsible for two functional areas which are Financial Management and Supply Chain Management. Its reporting and compliance assessments are entrenched in terms of the Companies Act, the Municipal Systems Act (MSA), the Municipal Finance Management Act (MFMA) and any other relevant legislative prescripts.

The MBDA through the Financial and Supply Chain Management served to integrate the business into a cohesive unit in servicing both our internal and external stakeholders. The fundamental aim of both units has always been to do business ethically while building a sustainable organisation that recognises the impact of its activities on the economy.

Supply Chain Management Unit

The Supply Chain Management (SCM) unit of the MBDA is designed to focus on providing procurement support to the Agency. It manages sites and facilities in accordance and compliance to the municipal legislative framework as detailed in the MBDA Supply Chain Management Policy (SCMP). The unit strives to ensure the attainment of the organisation's objectives, through the alignment of the approved Procurement Plan to the key objectives of the organisation as detailed in the institutional performance scorecard.

The unit also ensures the continuity of services/operations within the organisation through the effective and efficient management of SCM related contracts.

The MBDA's Supply Chain Management policy employs a committee system for the procurement of services and goods above specified limits. Existing committees include the:

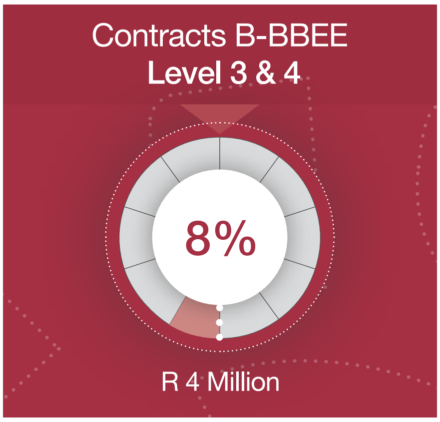
- Bid Specification Committee;
- Bid Evaluation Committee; and
- Bid Adjudication Committee.

In November and December 2018, the unit welcomed two new members to its team with the appointment of the SCM Administrator: Informal Tenders and the SCM Manager, respectively. The increased capacity within the unit has had additional benefits for the team as well as the internal stakeholders.

The following efficiencies or benefits can be noted:

- Increased turnaround times for internal transactions, faster generation of Service Level Agreements, and reduction in number of days for the generation of purchase orders for contracted services;
- Approval and implementation of procurement processes in accordance to the Procurement Plan;
- Composition and effectiveness of bid committees; and
- Improvements in the SCM internal controls.

Over the years, the MBDA has established processes and practices to support job creation and enterprise and skills development for previously disadvantaged groups – including black people, women, youth and people with disabilities.



Preference is given to SMMEs located in the NMBM with most tenders making provision for the SMMEs by including pre-qualification criteria of B-BBEE level 1-4 for Exempted Micro Enterprises (EMEs).

Functionality criteria includes a percentage of points being allocated to service providers with a place of business in the NMBM jurisdiction.

B-BBEE and SMME Spend as a Percentage of Total Procurement

The MBDA has ended the 2018/19 financial year on a high note having spent 66% of its total capital budget. This reflects considerable progress made against the previous financial years.

For the 2018/19 financial year, the overall B-BBEE share of expenditure was R99 754 545.03 (CAPEX R48 473 181.89; OPEX R51 281 363.14). Appointments of tenders to level 1 and Level 2 service providers contributed to economic development.

The MBDA reports on the B-BBEE and SMME share of both actual expenditure and contractual commitments for all active contracts. The tables below show the B-BBEE and SMME share of Capital and Operating Expenditure.

Operational Projects Summary of Expenditure by B-BBEE Levels	Level	Amount	Total % per Level by Value
Level 1	1	R19,746,730.87	39%
Level 2	2	R20,403,847.80	40%
Level 3	3	R1,666,962.60	3%
Level 4	4	R2,327,258.87	5%
Level 5	5	R16,268.75	0%
Level 6	6	R41,987.20	0%
Level 7	7	R99,415.00	0%
Level 8	8	R298,491.45	1%
"N" = No B-BBEE Certificate Required or Provided	N	R4,071,167.34	8%
"E" = Exempted Micro Enterprise	E	R0.00	0%
"S" = Organ of State	S	R2,609,233.26	5%
TOTAL		R51,281,363.14	100%

Capital Summary of Expenditure By B-BBEE Levels	Level	Amount	Total % per Level by Value
Level 1	1	R27,010,752.66	56%
Level 2	2	R19,081,120.54	39%
Level 3	3	R170,119.65	0%
Level 4	4	R0.00	0%
Level 5	5	R2,211,189.04	5%
Level 6	6	R0.00	0%
Level 7	7	R0.00	0%
Level 8	8	R0.00	0%
"N" = No B-BBEE Certificate Required or Provided	N	R0.00	0%
"E" = Exempted Micro Enterprise	E	R0.00	0%
"S" = Organ of State	S	R0.00	0%
TOTAL		R48,473,181.89	100%

3.6 Nelson Mandela Bay Stadium

On 25 October 2016, the then Mayoral Committee members voted for the MBDA to manage the NMB Stadium and its precinct which included the land surrounding the facility and the North End Lake.

Through managing the Stadium, the MBDA's mandate extended to operating a diversified portfolio of sport, entertainment and lifestyle. Due to insufficient time to follow proper recruitment processes, the Agency retained 80% of the operational and management team (on deviation) to preserve elements of efficiency and institutional memory in operations, maintenance, security and marketing of the NMB Stadium.

The Agency's Stadium mandate was defined as follows:

- To oversee the NMB Stadium operations and optimise economic viability of the asset for the region;
- Promote the Precinct and facilitate alignment of stakeholder objectives;
- Manage and develop the Precinct's assets;
- Increase utilisation of the Precinct's assets; and
- Support and engage the Precinct's stakeholders and community groups.

Our Strategy

The Stadium's business strategy is to invest in its people, business and key third-party stakeholders and partners to elevate its multi-purpose prominence to attain new innovative business and remain commercially viable.

Our Values

The NMB Stadium aspires to be an international leader in sport, lifestyle and entertainment by offering its stakeholders a dynamic range of events. The facility endeavours to offer stakeholders an innovative and unrivalled stadium experience. The aim is to deliver commercial value over the medium- to long-term, whilst adopting international standards that are conservative and consistent.

The objective is to work collectively (with municipal officials) to ensure the Stadium maintains its status and performs its role as a critical centre-point for economic development, community building and social cohesion, sports development and events.

Our Vision

The revised vision and values align with the purpose and functions of the MBDA and form the basis of the three-year strategic plan highlighting the four key business pillars:

- Strive towards financial sustainability;
- Deliver operational and commercial excellence;
- Build an aligned and engaged culture by being an innovation hub; and
- Contribute to the economy and the Metropolitan at large.

Strategic Objectives

Our strategic objectives and outcomes are based upon the four critical elements that give life to the Stadium:

People

- NMB Stadium people strive for excellence, display professionalism and diversity of experience in a safe environment.
- Challenging our workforce to be adaptable, mobile, collaborative, engaged and to continuously evolve.

Process

- Continuous evolution through innovation, embracing change, information capture, analysis, knowledge and resource sharing.
- Tell the story: enhance awareness of the stadium business through the collection and reporting of data and communication with all stakeholders.
- Increase consistency and connectedness of systems and processes throughout the MBDA to facilitate knowledge gathering and enable resource sharing.

Places

- Create a 'sense of place' in the hearts and minds of our communities through accessible, safe, connected and quality facilities.
- Promote and develop stadium venues to retain, attract and deliver world-class events.
- Increase the sense of experience and functionality through venue design, enhancement and smart venue technologies.
- Achieve optimum utilisation by:

  - Scanning the environment to develop new opportunities and enhance the sustainability of the venue;
  - Developing a diversity of offerings across the portfolio;
  - Embracing and developing partnerships for all users; and
  - Continuous improvement to venue access, safety, standards and functionality.

NMB Stadium Organisational Structure

STADIUM MANAGER:
Mpho Mokonyama

HOD: FACILITIES AND TECHNICAL
Danville Bush

- ELECTRICAL
- PLUMBING
- CLEANING
- ICT
- PITCH AND GROUNDS
- GENERAL MAINTENANCE

HOD: FINANCE
Zikhona Prince

- BUDGETING AND CONTROL
- DEBTORS AND CREDITORS CONTROL
- SUPPLY CHAIN MANAGEMENT

HOD: COMMERCIAL
Phumulani Hlatshwayo

- EVENTS MANAGEMENT
- SALES
- TICKETING
- LOGISTICS
- MARKETING AND ADVERTISING

HOD: HEALTH AND SAFETY
Craig Miller

- SAFETY AND SECURITY MANAGEMENT
- ASSET PROTECTION
- HEALTH AND SAFETY COMPLIANCE

NMBS Human Resources

The MBDA has set various business objectives around its People and Culture through the recruitment of a strong team of professionals. To support this, the Senior Management Team is establishing sound training, development and performance plans.

NMBS Employee Assistance Programme

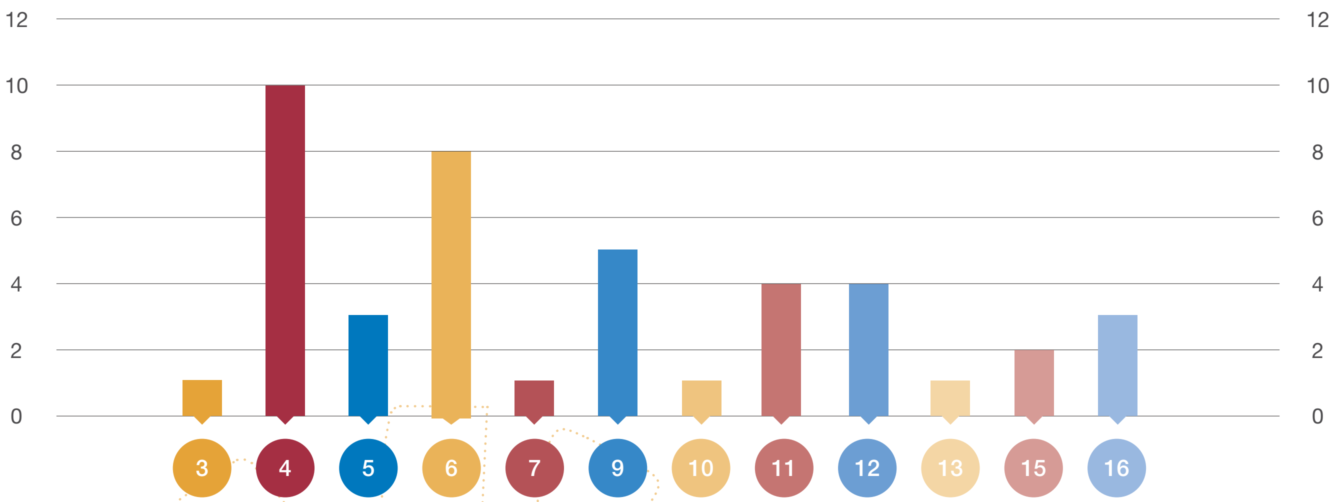
The MBDA has set up an Employee Assistance Programme (EAP) to provide employees and their immediate family members with access to free, confidential counselling services to help address work and personal problems. The total number of personnel employed by the NMB Stadium on 30 June 2019 was 42.

Skills Audit

A detailed skills audit was done on the current staff complement to identify training needs that would address the organisations objectives, by equipping employees with the appropriate skills and knowledge to grow the business. The assistance provided consisted of following study programs:

- Commercial and Contract Law Management
- Executive Coaching and Management
- Events Management
- Disaster Risk Management
- Business Risk Management
- Operations Management
- Advanced Diploma: Marketing
- Networking (IT)
- Brand Management

The figure below provides a snapshot of the total training and skills development programme implemented across various employee grades:



NMBS Strategic Highlights

Algoa FM: In 2018, the NMB Stadium signed a one-year lease agreement with Algoa FM which led to the facility being the only stadium in South Africa to have a radio station as a tenant. Algoa FM broadcasts from the Garden Route to the Wild Coast. The on-air product is lifestyle-focused towards adults who enjoy good music and indulge in quality life experiences. The station also provides global, national, regional and local news, as well as sport, local traffic, weather reports and the latest entertainment news.

Wheelchair Wednesday: The MBDA is proud to be able to give back to the regional community through making the Stadium available for several community events each year. As part of increasing awareness and playing a vital role in the community, the MBDA and the NMB Stadium in partnership with SPAR Eastern Cape and The Association for the Physically Disabled have hosted the fifth annual wheelchair handover ceremony.

Events Highlights

The past year has generated several exciting opportunities for both the MBDA and the NMB Stadium as the facilities have continued to build on a solid foundation of events and activities, in line with the Agency's core values and responsibilities.

Looking at the year in review, a highlight was when the Stadium was the chosen venue for the Telkom Knockout Final which saw more than 37 500 people voting with their feet.

In 2018/19 overall, the Stadium hosted more than 63 events representing all areas of the community and are delighted to have welcomed more than 472 312 people who attended a broad range of events at the Stadium.

Achievements

The MBDA has achieved significant growth operating the NMB Stadium through the acquisition of big events and structural upgrades.

Events Hosted

- African Advanced Manufacturing and Composites Show
- The first drone race inside the Stadium
- 6th Edition of Castle Larger Rugby Championship
- Mountain Bike Challenge
- Telkom Knockout Final
- Nedbank Semi-Final
- CAF Fixture
- Ebubeleni Music Festival
- APD Wheelchair Wednesday
- Spar Trade Show

Structural Improvements in 2018/19

A capital expenditure budget of R15-million was allocated to the Stadium for acquiring and maintaining fixed assets - such as land, buildings and equipment. The allocated funds aided with the following:

- Replacement of the CCVTV cameras;
- Automation of waterworks (water purification system);
- Half roof clean;
- Refurbishment of Imatu building;
- All migual joints repaired;
- Galvanising of all gridline gates;
- Installation of access control and time and attendance system;
- Replacement of the two big screens; and
- Replacement of tension on roof stay cables.

The Agency inherited the NMB Stadium with some major maintenance, high operating costs and high dependency on low-income bowl events.

In the first year of operating the Stadium, the Agency was required to realign the organisational structure from the private to public sector. Despite the number of challenges faced, the agency has successfully executed its mandate which has also led to a decrease of expenditure costs as well as eliminating duplications and inefficiencies. The operational costs have decreased by circa 68% without compromising the quality of the products or service offering. Under the care and control of the MBDA, the NMB Stadium is now a thriving commercial operation on its way to sustainability.

SECTION 04:

Audit Outcomes and Annual Financial Statements

General Information

Country of Incorporation and Domicile:
South Africa

Nature of Business and Principal Activities:
Urban renewal and rejuvenation of economic activity within the central business districts, townships and any other emerging nodes as designated by the Nelson Mandela Bay Municipality.

Directors:
Mputumi William Goduka (Chairperson)
Kasaven Govender
Adrian John Faulkner Gardiner
Renganayagee Kisten
Bongani Gxilishe
Rajesh Dana
Sithole Mabi Mbanga
Masalamani Odayar
Nomnikelo Kondlo
Moabelo Michael Koenaite
Glenda Perumal
Mandlakazi Ruth Skefile
Vuyani Galen Dyantyi
Mxolisi Moolman
Khwezi Gideon Ntshanyana

Registered Office:
1st Floor, Tramways Building
Corner Lower Valley Road & South Union Street
Port Elizabeth
6000

Business Address:
1st Floor, Tramways Building
Corner Lower Valley Road & South Union Street
Port Elizabeth
6000

Postal Address:
P.O. Box 74
Port Elizabeth
6000

Financial Year End:
30 June

Financial Statements are Presented as at:
30 June 2019

Comparative Period Presented as at:
30 June 2018

Controlling Entity:
Nelson Mandela Bay Municipality (NMBM)

Bankers:
Nedbank Ltd (South Africa)

Auditors:
The Auditor-General of South Africa

Company Secretary:
Mbulelo Matiwane

Company Registration Number:
2003/017900/08

Table of Contents

The reports and statements set out below comprise the Annual Financial Statements presented to the Shareholder:

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75 Statement of Financial Position

76 Statement of Financial Performance

77 Statement of Changes in Net Assets

78 Statement of Cash Flow

79 Statement of Comparison of Budget and Actual Amounts

81 Accounting Policies

105 Notes to the Annual Financial Statements

4.1 Auditor General of SA Report

Report of the auditor-general to Eastern Cape Provincial Legislature and council on Mandela Bay Development Agency

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Nelson Mandela Bay Development Agency set out on pages 71 to134, which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nelson Mandela Bay Development Agency as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Act of South Africa,2003 (Act No. 56 of 2003) (MFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

4. I am independent of the municipal entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Material uncertainty relating to going concern

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

7. Service delivery agreement remains outstanding to date, parent municipality Nelson Mandela Bay Metroplitan Municipality has not entered into service delivery agreement with the entity. The Service Delivery Agreement expired 30 December 2018.

Emphasis of matter

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

Prior period error

9. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2019.

Other matter

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

Unaudited disclosure note

11. In terms of section125(2) of the MFMA, the entity is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Responsibilities of accounting for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

13. In preparing the financial statements, the accounting officer is responsible for assessing the Nelson Mandela Bay Development Agncy's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity's or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipal entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipal entity for the year ended 30 June 2019:

Key performance Areas - objectives	Pages in the annual performance report
KPA – Local Economic Development	27 - 28

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. The material usefulness findings in respect of the usefulness of the KPA – Local Economic Development are as follows:

KPA – Local Economic Development 1

21. Indicator - 1. Percentage completion of the Baakens River Pedestrian Bridge and the disabled access at Vuyisile Mini Square

22. Indicator - 9. Percentage completion of Helenvale: Safe Pedestrian Routes

23. Indicator - 15. Percentage completion of the Uitenhage Railway Shed / Science Centre Precinct Development

24. Indicator - 17. Percentage completion of the toilets as part of Campanile restoration

The descriptions of the indicators are not well defined and specific to how the projects are measured.

25. Indicator - 14. Percentage completion of the conditional assessment conducted at the Uitenhage Rail Sheds Upgrade.

26. Indicator - 2. Conducting a conditional assessment on St Peters Property Rehabilitation & Restoration project (Church)

The indictors are measured in a different manner whilst the outcome is the same resulting in inconsistences of how they are measured.

27. Indicator – 3. Prepare Framework Plan for Lower Baakens Precinct Plan and obtain development authorisations for identified land parcels I.e. Zoning, Heritage and EIA

The target does not clearly identify the document or documents to be compiled. It does not explicitly state the land parcels to obtained. The use of i.e result in the target being ambiguous.

28. I did not raise any material findings on the reliability of the reported performance information for this key performance area.

Other matter

29. I draw attention to the matters below.

Achievement of planned targets

30. Refer to the annual performance report on pages 27 to 28 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs 20 to 27 of this report.

Adjustment of material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing. I raised material findings on the usefulness of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

32. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipal entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

33. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance and annual reports

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of property, plant and equipment identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contact management

35. Some of the contract was awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

Other information

36. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act.The other information does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.

37. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

38. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

39. I did not receive the other information prior to the date of this auditor's report. When I do recevive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected. I may have retract the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will no be necessary.

Internal control deficiencies

40. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

41. Leadership did not take effective steps to ensure that an appropriate accounting system and effective and adequate controls were in place to enable the submission for audit of financial statements that were free from material misstatements. Action plans were not implemented in time to prevent such misstatements.

Financial and performance management

42. Management did not develop adequate record keeping mechanisms and daily and monthly controls to ensure that data used to prepare the financial statements was accurate and complete. Furthermore, limited reviews were performed by management to identify errors.

AUDITOR - GENERAL

East London

29 November 2019

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected key performance areas and on the municipal entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

    - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
    - obtain an understanding of internal control relevant to the audit 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 municipal entity's internal control
    - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting officer
    - conclude on the appropriateness of the board of directors, which constitutes the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Nelson Mandela Bay Development Agency ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease continuing as a going concern
    - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
    - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Annual Financial Statements for the year ended 30 June 2019

(Registration number 2003/017900/08)

4.2 Directors' Report

Directors' Responsibilities and Approval

The Directors have a pleasure of submitting their report for the entity, which forms part of the annual financial statements of the Nonprofit Company for the period ended 30 June 2019.

Establishment

The MBDA was formed in 2004 with its initial objective, i.e. the urban regeneration of the CBD. It commenced with its work through the development of an Inner-city Local Spatial Development Framework Plan (LSDF) in 2006. During this period, the company evolved from an inner-city Mandate Area focus, extending to other emerging and developing nodes and precincts, which now includes township areas.

The MBDA has over the past 12 months undergone a challenging transition period that has seen the strategic direction of the organisation being reviewed with a view to becoming a forward-looking agency dealing with the complexities that are associated with development work.

The MBDA was mandated by the NMBM as a trans-disciplinary implementing agent for programmes, projects and events which have several defined objectives which include inter alia:

- Enabling social, spatial and economic transformation.
- Implementing existing and identify new projects, programmes and events within its mandated areas referred to as "designated localities, nodes and precincts (of different scales)" which are to be aligned to the various plans of the NMBM which include the following:
  - To leverage existing or acquired resources such as assets, property and provide for skills development to ensure successful implementation.
  - To deliver catalytic programmes, special defined projects and events.

Over the past fourteen years, the MBDA has implemented several urban renewal projects, precinct upgrades, security and cleansing programmes as well as other strategic assignments that are collectively changing the face of NMB and reinvigorating the economic life in key developing nodes and precincts which has resulted in an expansion of its mandate and strategic objectives in line with the Integrated Development Plan (IDP) of its parent municipality NMBM. The NMBM mandated the MBDA to take over the operations and management of its Science Centre in Uitenhage with effect from 01 July 2017. The 3–year mandate for the MBDA managing the NMB Stadium operations continued during the period under review and will terminate on 31 December 2019.

General Review

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

Legislation Framework

The entity complied with all the relevant sections of:

(a) Companies Act 71 of 2008
(b) Companies Amendment Act 3 of 2011
(c) Local Government: Municipal Finance Management Act 56 of 2003
(d) Local Government: Municipal Systems Act 32 of 2000

Financial Results

The financial results are set out in the attached annual financial statements and are aligned closely with the classification used by the NMBM.

Key Activities

The table below depicts the 2018/19 capital programmes which were implemented by the MBDA.

The MBDA has made strides in the performance of capital projects with an overall spending of 66%.

	Programmes	Projects
1	Baakens River Valley Programme	Pedestrian Bridge, Refurbishment of St Peters Church
2	Happy Valley/Bayworld/Telkom Park Programme	Public Participation and Stakeholder Engagements for redevelopment of Bayworld, Feasibility of Operating and Financial Models of a possible ICC
3	Uitenhage/Despatch Programme	Refurbishments of Uitenhage Railway Sheds
4	Govan Mbeki Avenue/CBD Port Elizabeth Programme	Development of an Infrastructure plan for the Govan Mbeki Avenue (Refurbishments)
5	New Brighton/Red Location Precinct Programme	New Brighton Swimming Pool, Singaphi, New Brighton Cultural Precinct Development
6	Korsten/Schauderville	Neave Street Park Upgrade
7	Helenvale SPUU Programme	Pedestrian Walkway, Security lighting, Safer school, Safe parks and sportsfield, Victim support Centre, Youth Centres

Baakens River Valley Programme

St Peters Church

- Phase 1 and Phase 2 completed. Site has been stabilised, gunnited, fenced, timber walkway constructed
- Conditional assessment by Heritage Consultant completed
- Heritage permit obtained
- Public engagements underway to activate the site as a tourism product

Baakens Precinct Plan

- 30 possible projects/activities proposed for the development have been identified

Besides Housing and Business Includes Inter Alia

- Improved public spaces (Fort Frederick)
- Pedestrian links (new and improving existing links)
- Widening of river at Riverfront Promenade
- Adventure sports, zipline and viewing platforms
- Children's parks
- Development of quarry as amphitheatre

South End Mixed-Use

- Framework Plan developed
- Heritage Assessment completed
- Town Planning application for land use rights submitted to Human Settlements Directorate
- Environmental Impact Assessment submitted to Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)

Pedestrian Bridge

- Piling is completed and pile caps are complete
- Steelworks are completed
- Construction of retaining walls and ramps completed
- Composite elements (decking, rails and arches) installed
- Paving of pedestrian walkway linking Vuyisile Mini Square to Baakens Valley underway
- Eight SMME's contracted to the project

Happy Valley/Bayworld/Telkom Park Programme

Redevelopment of Bayworld

- Conditional Assessment of Bayworld Structures
- Framework Plan
- Stakeholder Engagements (ongoing)
- Viability Analysis
- Strategic Environmental Assessment

Uitenhage/Despatch Programme

Uitenhage Railway Sheds

- Phase 1: Conditional Assessment completed.
- Phase 2: Consultants have commenced work Heritage and EIA applications submitted.

Govan Mbeki Avenue/CBD Port Elizabeth Programme

Govan Mbeki Precinct

Stakeholder Engagements (ongoing).

Opportunities identified for:

- Residential Accommodation
- Art and Design Hub
- Creative Spaces – music, theatre, crafts, exhibitions/events/focus on historic and cultural identity of the Bay
- Nightlife
- Markets
- Student Hubs
- Government Precinct
- Offices/Retail

Council Chambers/Selley Hall

MBDA mandate limited to pre-feasibility assessment of Woolboard Building, Selley Hall, Reserve Bank Building. Selley Hall preferred site for new Council Chamber.

New Brighton/Red Location Programme

New Brighton Cultural Precinct
Precinct Plan being developed by the City Cultural and Heritage development elements to be incorporated in NMBM plan (Njoli Precinct Plan – Red Location Hub).

TC Magqabi Swimming Pool
Project delayed as a result of changes to the scope of the Works (Raising of the level) 100% Practical Completion reached by June 2019. Savings realised to be directed to Phase 2.

Korsten/Schauderville Programme

Korsten/Schauderville Precinct
Business Plan completed, which identified:
- Redevelopment of Moore Dyke
- Upgrading of Library (Community/Youth Centre)
- Upgrading of Durban Road
- Socio-economic development priorities for youth and support to schools, ECDC, waste removal/recycling

Neave Park
Practical completion achieved in December 2018. Savings realised: additional items were identified such as fencing, roof over amphitheatre, Mosaic Art project currently underway. 10 SMME package 49 local labour employed.

Directors

Non-executive directors of the company as at 30 June 2019 were:
- Mputumi William Goduka (Chairperson)
- Kasaven Govender
- Adrian John Faulkner Gardiner
- Renganayagee Kisten
- Bongani Gxilishe
- Rajesh Dana
- Sithole Mabi Mbanga
- Masalamani Odayar
- Nomnikelo Kondlo
- Moabelo Michael Koenaite
- Glenda Perumal
- Mandlakazi Ruth Skefile
- Vuyani Galen Dyantyi
- Mxolisi Moolman
- Khwezi Gideon Ntshanyana

Senior Management

During the period under review three of the six senior managers completed the minimum finance competency level requirements for senior officials within the MBDA. This requirement is in terms of a National Treasury Regulation (Government Gazette 29967). In line with exemption notice 91 subsequently issued in February 2017, affected employees were granted a further 18 months within which to meet these requirements, with newly appointed affected employees granted 18 months within which to meet these requirements from the date of their appointment.

Preparer of annual financial statements:

Zimbali Khwela (Finance Manager)

The company secretary is Mbulelo Matiwane whose business and postal addresses are

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

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

The Annual Financial Statements set on pages 75 to 134 were tabled for Board of Directors approval on 28 August 2019.

STATEMENT OF FINANCIAL POSITION

Figures in Rand	*Notes*	2019	2018
			Restated
Assets			
Current Assets		**81,906,300**	**104,677,774**
Cash and cash equivalents	1	10,597,485	39,393,139
Receivables from exchange transactions	2	63,787,422	61,307,055
Receivables from non-exchange transactions	3	159,158	3,453,392
Inventory	4	162,030	524,188
VAT Receivable	12	7,200,205	-
Non-Current Assets		**12,105,848**	**7,221,172**
Intangible Assets	5	71,714	51,157
Property, Plant & Equipment	6	11,783,634	6,919,515
Heritage Assets	7	250,500	250,500
Total Assets		**94,012,148**	**111,898,946**
Liabilities			
Current Liabilities		**77,973,287**	**101,221,587**
Payables from exchange transactions	8	30,719,299	34,522,318
Payables from non-exchange transactions	9	186,221	145,579
Provisions	10	2,933,234	1,275,029
Unspent grants	11	44,134,533	64,062,012
VAT Payable	12	-	1,216,650
Non-current Liabilities		**1,838,762**	**1,494,290**
Payables from exchange transactions	8	1,838,762	1,494,290
Total Liabilities		**79,812,049**	**102,715,878**
Net Assets		**14,200,099**	**9,183,068**
Accumulated surplus		14,200,099	9,183,068
Total Net Assets		**14,200,099**	**9,183,068**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	*Notes*	2019	2018
			Restated
Revenue			
Revenue from exchange transactions		**47,680,527**	**32,875,511**
Transfers and subsidies		46,203,694	29,658,923
Other Revenue		1,476,833	3,216,588
Revenue from non-exchange transactions		**102,462,035**	**100,849,831**
Transfers and subsidies		102,462,035	100,849,831
Other Revenue		-	-
Total Revenue	13	**150,142,562**	**133,725,342**
Other income	14	**3,507,228**	**3,659,950**
Finance Income		2,456,337	2,389,614
Sundry Income		1,050,891	1,270,336
Total Income		**153,649,790**	**137,385,292**
Expenditure			
Employee Related costs	15	-29,862,918	-21,296,632
Remuneration of Directors	16	-909,500	579,000
Depreciation and Amortisation	6/5	-731,295	-720,684
Debt Impairment	2	-469,812	-55,340
Contracted Services	17	-12,401,662	-17,119,093
Capital Projects costs	18	-41,269,315	-31,459,983
Other Operating costs	19	-62,986,367	-66,323,792
Total Expenditure		**-148,630,868**	**-136,396,523**
Operating Surplus		**5,018,922**	**988,768**
Profit/(Loss) on sale of assets	6	-1,891	-42,186
Surplus before taxation		**5,017,031**	**946,583**
Taxation (exempt)		**-**	**-**
Surplus for the year		**5,017,031**	**946,583**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	*Notes*	Contribution from Shareholder	Accumulated surplus	Total Net Assets
Balance at 01 July 2017		**-**	**8,236,485**	**8,236,485**
Surplus for the year - as previously reported		-	885,346	885,346
Change in accounting policy	27		-	-
Correction of an error	28		61,237	61,237
Balance at 01 July 2018 as restated				
		-	**9,183,068**	**9,183,068**
Surplus for the year - as previously reported		-	5,017,031	5,017,031
Balance at 30 June 2019		**-**	**14,200,099**	**14,200,099**

STATEMENT OF CASH FLOWS

Figures in Rand	*Notes*	2019	2018
Cash flows from operating activities			**Restated**
Receipts		**189,254,006**	**147,728,976**
Transfers and subsidies		161,149,934	123,106,097
Interest received		2,340,932	2,492,966
Other revenue		25,763,140	22,129,913
Payments		**-212,431,796**	**-166,859,254**
Suppliers		-170,864,829	-133,398,464
Employees costs		-41,566,967	-33,460,790
Net cash from/(used) operating activities	20	**-23,177,790**	**-19,130,278**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	-5,592,470	-326,090
Proceeds from sale of property, plant and equipment	6	14,407	22,714
Purchase of intangible assets	5	-39,800	-50,200
Net cash flows from investing activities		**-5,617,863**	**-353,576**
Cash flows from financing activities			
Net cash flows from financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**-28,795,653**	**-19,483,853**
Cash and cash equivalents at the beginning of the year		39,393,139	58,876,992
Cash/cash equivalents at the year end	1	**10,597,486**	**39,393,139**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - MBDA

Budget on Accrual Basis

Figures in Rand	Approved Budget	Adjustments (inch Virements)	Final Budget	Actual amounts on a comparable basis	Difference between final budget and actual (R)	Actual vs Budget (%)	Reference
Financial Performance							
Service charges	200,000	742,500	942,500	1,050,891	-108,391	112%	Note 35 - A
Investment revenue	2,000,000	-	2,000,000	2,456,337	-456,337	123%	Note 35 - B
Transfers and subsidies	98,441,430	46,719,830	145,161,260	115,289,848	29,871,412	79%	Note 35 - C
Other own revenue	32,594,615	-26,984,602	5,610,013	1,476,833	4,133,180	26%	Note 35 - D
Total Revenue (excluding capital transfers and contributions)	**133,236,045**	**20,477,728**	**153,713,773**	**120,273,909**	**33,439,864**	**78%**	
Employee Related costs	30,898,032	1,500,000	32,398,032	29,862,918	2,535,114	92%	Note 35 - E
Remuneration of Board Members	200,000	742,500	942,500	909,500	33,000	96%	
Depreciation and debt impairment	867,745	185,056	1,052,801	261,483	791,318	25%	Note 35 - F
Other expenditure	48,085,908	8,080,715	56,166,623	42,012,148	14,154,475	75%	Note 35 - C
Total Expenditure	**80,051,685**	**10,508,271**	**90,559,956**	**73,046,049**	**17,513,907**	**81%**	
Surplus before taxation	**53,184,360**	**9,969,457**	**63,153,817**	**47,227,860**	**15,925,957**	**75%**	
Taxation (exempt)	-	-	-	-	-	0%	
Actual Surplus/ (Deficit) for the year on Comparable Basis	**53,184,360**	**9,969,457**	**63,153,817**	**47,227,860**	**15,925,957**	**75%**	
Capital expenditure & funds sources							
Capital expenditure							
Transfers and subsidies	32,263,145	36,960,778	69,223,923	46,269,323	22,954,600	67%	Note 35 - C
Public contributions & donations	19,958,564	-19,108,564	850,000	632,262	217,738	74%	Note 35 - G
Borrowing	-	-	-	-	-	0%	
Internally generated funds	-	-	-	-	-	0%	
Total sources of capital funds	**52,221,709**	**17,852,214**	**70,073,923**	**46,901,585**	**23,172,339**	**67%**	
Financial position							
Total current assets	65,417,876	-15,867,677	49,550,200	81,906,300	-32,356,100	165%	Note 35 - H
Total non current assets	914,225	1,949,219	2,863,444	12,105,848	-9,242,404	423%	Note 35 - I
Total current liabilities	65,227,201	-	65,227,201	77,973,287	-12,746,086	120%	Note 35 - J
Total non current liabilities	-	-	-	1,838,762	-1,838,762	0%	
Community wealth/Equity	1,104,900	-13,918,458	-12,813,558	14,200,099	-27,013,656	-111%	
Cash flows							
Net cash from (used) operating	51,325,360	-15,849,677	35,475,684	-23,177,790	58,653,474	-65%	Note 35 - K
Net cash from (used) investing	-51,307,484	-	-51,307,484	-5,617,863	-45,689,621	11%	Note 35 - L
Net cash from (used) financing	-	-18,000	-18,000	-	-18,000	0%	Note 35 - M
Net increase/(decrease) in cash and cash equivalents	17,876	-15,867,677	-15,849,801	-28,795,653	12,945,853	182%	
Cash and cash equivalents at the beginning of the year	35,400,000	35,417,876	35,417,876	39,393,139	-3,975,263	111%	
Cash/cash equivalents at the year end	**35,417,876**	**19,550,200**	**19,568,076**	**10,597,486**	**8,970,590**	**54%**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS - NMB STADIUM

Budget on Accrual Basis

Figures in Rand	Approved Budget	Adjustments (inch Virements)	Final Budget	Actual amounts on a comparable basis	Difference between final budget and actual (R)	Actual vs Budget (%)	Reference
Financial Performance							
Service charges	-	-	-	-	-	0%	
Investment revenue	-	-	-	-	-	0%	
Transfers and subsidies	53,406,256	-	53,406,256	33,375,881	20,030,375	0%	
Other own revenue	15,000,000	-	15,000,000	9,445,182	5,554,818	63%	Note 35 - N
Total Revenue (excluding capital transfers and contributions)	**68,406,256**	**-**	**68,406,256**	**42,821,063**	**25,585,193**	**63%**	
Employee Related costs	16,145,476	-	16,145,476	14,044,590	2,100,886	87%	
Remuneration of Board Members	-	-	-	-	-	0%	
Depreciation and debt impairment	-	-	-	-	-	0%	
Other expenditure	52,260,780	-	52,260,780	28,776,473	23,484,307	55%	Note 35 - O
Total Expenditure	**68,406,256**	**-**	**68,406,256**	**42,821,063**	**25,585,193**	**63%**	
Surplus before taxation	**-**	**-**	**-**	**-0**	**0**	**0%**	
Taxation (exempt)	**-**	**-**	**-**	**-**	-	**0%**	
Actual Surplus/ (Deficit) for the year on Comparable Basis	**-**	**-**	**-**	**-0**	**0**	**0%**	
Capital expenditure & funds sources							
Capital expenditure							
Transfers and subsidies	12,795,000	-	12,795,000	2,339,148	10,455,852	18%	Note 35 - P
Public contributions & donations	-	-	-	-	-	0%	
Borrowing	-	-	-	-	-	0%	
Internally generated funds	-	-	-	-	-	0%	
Total sources of capital funds	**12,795,000**	**-**	**12,795,000**	**2,339,148**	**10,455,852**	**18%**	

A threshold of 5% has been applied in the explanation of variances.

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). In addition, these Annual Financial Statements include mandatory disclosures in accordance with the Municipal Finance Management Act (Act No 56 of 2003) and related regulations.

With respect to accounting standards for material transactions, events or conditions not covered by Directive 5, the MBDA has developed accounting policies in accordance with paragraphs 8, 10 and 11 of GRAP 3, as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.
All figures have been rounded to the nearest Rand.
The accounting policies applied are consistent with those used to present the previous year's Annual Financial Statements, unless explicitly stated.

1.1 Reporting Entity

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

1.2 Basis for Presentation

1.2.1 Statement of Compliance

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

1.2.2 Basis of Measurement

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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:

a. Provisions:

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that there will be an outflow of resources embodying economic benefits or service potential to settle obligation, the provision is reversed.

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

The entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

b. Trade Receivables and/or Loans and Receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a financial asset.

c. Impairment Testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets and intangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cashflows are largely independent of cashflows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cashflows for each group of assets. Expected future cashflows used to determine the value in use of tangible assets are inherently uncertain and could materially change overtime. They are significantly affected by a number of factors, together with economic factors.

d. Useful Lives of Property, Plant and Equipment and Intangible Assets

The entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and intangible assets. This estimate is based on an industry norm. Management will adjust the depreciation charge where useful lives are less than previously estimated useful lives.

e. Effective Interest Rate

The entity used the prime interest rate to discount future cashflows.

f. Allowance for Impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cashflows discounted at the effective interest rate, computed at initial recognition.

1.3 Presentation Currency

These annual financial statements are presented in South African Rand.
The functional currency of the MBDA is South African Rand. Financial values are rounded to the nearest one Rand.

1.4 Going Concern Assumption

These annual financial statements have been prepared on a going concern basis. On 21 June 2019 NMBM Council adopted the 2019/20 to 2021/22 budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF), supporting the on-going delivery of MBDA projects to residents, reflected that the budget was funded over the three-year period. However the Service Delivery Agreement between the MBDA and the NMBM has not been outstanding for a prolonged period. This has resulted in the non-payment of the quarterly grant tranches of the MBDA for the 4th quarter of the 2018/19 year. Should this go on for a prolonged period, this would negatively affect the MBDA's ability to make payments as and when due. Although this would not necessarily be the determining factor in the entity's ability to operate as a going concern. It does present a significant threat to continuing operations.

1.5 Principal Agent Transactions

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

1.6 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the notes to the Financial Statements.

1.7 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000) and the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the entity's Supply Chain Management Policy.

Irregular expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure on unauthorised, irregular and fruitless and wasteful expenditure in the notes to the Financial Statements.

1.8 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure incurred for the financial period is accounted for as a normal expense in the Statement of Financial Performance but form part of disclosure of unauthorised, irregular and fruitless and wasteful expenditure in the note to the financial statements.

1.9 Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures and is recognised when the recovery thereof from the responsible officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income.

1.10 Related Parties

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transaction took place between the parties during the reporting period.

Where transactions occurred between the entity and one or more related parties, and these transactions were not within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by the entity's legal mandate.

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

1.11 Presentation of Budget Information in the Financial Statements

Presentation of a Comparison of Budget and Actual Amounts

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

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

Presentation and Disclosure

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

Changes from Approved to Final Budget

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

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

Comparable Basis

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

The entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. Comparative information is not required.

1.12 Commitments

Items are classified as commitments when the entity has committed itself to future transactions that will normally result in an outflow of cash.

Disclosure is done to the extent that it has not already been recognised elsewhere in the Financial Statements.

Capital commitments are treated as follows:

- The aggregate amount of capital expenditure contracted for at the reporting date, to the extent that the amount has not been recorded in the financial statements; and
- If a commitment is for a period longer than a year.

Commitments are disclosed only to the entent that they relate to items other than the routine business of the entity.

Commitments are disclosed in the following circumstances:
- Unrecorded capital expenditure approved and contracted for before/at reporting date;
- Unrecorded capital expenditure approved but not yet contracted for at reporting date; and
- Unrecorded capital expenditure approved after reporting date.

Material contracts/awards entered into after the reporting date, but prior to the approval of the AFS are disclosed under subsequent events.

Commitment are disclosed when they become non-cancellable or only cancellable at significant cost.

In terms of the MBDA SCM Policy the entity is obliged to adhere to a compulsory 14 day non-objection period for intended appointments.

Thus commitments are considered non-cancellable only when the 14 day non-objection period has lapsed or when the objections received have been resolved (which ever is later).

1.13 Property, Plant and Equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, other than investment property, or for administrative purposes and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value of the item can be measured reliably.

Measurement at Recognition

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an item of property, plant and equipment is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the entity expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment (other than land) are measured at cost less accumulated depreciation and impairment losses.

Subsequent to initial recognition, land is measured at cost and is not depreciated because it has an indefinite useful life. Where the entity replaces parts of an asset, it derecognises the part of the asset replaced and capitalises the new component. Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful life of the component assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The component assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in estimate in accordance with the standard of GRAP on accounting policies, changes in accounting estimates and errors.

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

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

Assets	Useful Life Range in Years
Computer Equipment	3 - 8
Office Equipment	5 - 10
Furniture and Fittings	10
Motor Vehicles	4 - 5
Containers	15
Leasehold Asset	5
Land	Indefinite Life
Buildings	15 - 50

Impairment

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

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

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

The impairment loss is recognised immediately in surplus and deficit.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. Residual values are assumed to be zero, unless otherwise stated.

1.14 Heritage Assets

Initial recognition and measurement

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

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

When an asset, does not meet the initial recognition criteria of a heritage asset, the entity discloses the relevant and useful information about such assets in the notes to the financial statements.

Heritage assets are initially recognised at cost on acquisition date.

The cost is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the entity.

Where an asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an asset is acquired in exchange for a similar asset, the acquired asset is initially measured at the carrying value of the asset given up.

Where an asset is acquired in exchange for a dissimilar asset, the acquired item is initially measured at the fair value (the cost). If the acquired item's fair value is not determinable, the allocated deemed cost is the carrying amount of the asset given up.

Subsequent Measurement

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

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

The table below reflects the class of heritage assets and the estimated useful life range in years:

Heritage Sites	Useful Life Range in Years
Memorials and Statues	Indefinite Life
Heritage Sites	Indefinite Life
Museums	Indefinite Life
Art Works	Indefinite Life
Collections of Rare Books and Manuscripts	Indefinite Life

Impairment

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

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15 Intangible Assets

Initial Recognition and Measurement

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

The entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), its initial cost at the date of acquisition is measured at its fair value as the date of acquisition.

Intangible Assets Acquired through Non-exchange Transactions

Internally generated intangible assets:

Research Phase

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

Development Phase

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

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

Exchanges of Assets

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

Subsequent Measurement

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

The cost of an intangible asset is amortised over its useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Amortisation and Impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use.

The annual amortisation rates are based on the following estimated average asset useful lives:

Assets	Useful Life in Years
Computer Software	3 – 5

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16 Construction Contracts

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

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

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

Where contract costs incurred to date exceed capital grants received, the deficit is shown as amounts due from funders for contract work. For contracts where capital grants received exceed contract costs incurred to date, the surplus is shown as the amounts due to funders for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as unspent conditional grants. Amounts billed for work performed but not yet paid by the funder are included in the statement of financial position under trade and other receivables.

1.17 Financial Instruments

Initial Recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Distinguishing Liabilities and Residual Interests

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

Compound Financial Instruments

The entity evaluates the terms of a financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities or residual interests.Initial Recognition The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Distinguishing Liabilities and Residual Interests

A financial instrument or its component parts is classified on initial recognition as a financial liability, a financial asset or residual interest in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and a residual interest.

Compound Financial Instruments

The entity evaluates the terms of a financial instrument to determine whether it contains both a liability and residual interest component. Such components are classified separately as financial liabilities or residual interests.

Initial Measurement of Financial Assets and Financial Liabilities

When a financial asset or financial liability is recognised initially, the entity measures it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary Loans

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

a) A social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
b) Non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

The part of the concessionary loan that is a social benefit or non-exchange revenue is determined as the difference between the fair value of the loan and the loan proceeds, either paid or received.

After initial recognition, an entity measures concessionary loans in accordance with the subsequent measurement criteria set out for all financial instruments.

Subsequent Measurement of Financial Assets and Financial lLiabilities

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value

- Instruments held for trading.
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

b) Financial instruments at amortised cost

- Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

c) Financial instruments at cost

- Investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Impairment of financial assets

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Impairment of financial assets.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor‘s credit rating), the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal may not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial Assets Measured at Cost
If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition of Financial Assets
The entity derecognises financial assets using trade date accounting.

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

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

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

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

Policies Relating to Specific Financial Instruments

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

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

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

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 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.

1.17.3 Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprises of cash on hand and deposits held on call with banks.

1.17.4 Trade and Other Payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest method.

1.18 Inventories

Inventories comprise assets held for sale, consumption or distribution during the ordinary course of stadium business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than VAT), transport costs and any other direct costs in bringing the inventories to their current location and condition.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is measured at its fair value as at the date of acquisition.

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials and finished goods (FG), are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is first-in, first-out (FIFO) method for all inventory categories. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

An impairment provision for the write down of inventory is maintained in lieu of obsolete inventory. The level of the impairment provision for obsolete inventory is the value equivalent to the value of inventory assessed as obsolete at financial year-end. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.19 Impairment of Financial Assets

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

1.20 Derecognition of Financial Assets and Liabilities

1.20.1 Financial Assets

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

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

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

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

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

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

1.20.3 Construction Contract Retention Creditors
The entity received grant funding from it's parent municipality to undertake certain infrastructure development projects. It accounts for costs incurred on construction of these infrastructure development projects using the percentage of completion method which is certified by the consulting engineer. Retentions payable within 12 months after financial year end is treated as current and any retentions payable over 12 months after financial year end is treated as non-current.

1.20.4 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.

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

1.22 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 shall be the best estimate of the expenditure required to settle the present obligation at the reporting date (for example in the case of obligations for the rehabilitation of land). The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost. If the effect of the time value of money is material, provisions are discounted using a rate that reflects the risk of the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that there will be an outflow of resources embodying economic benefits or service potential to settle the obligation, the provision is reversed. Future events that may affect the amount required to settle an obligation are reflected in the provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

With respect to litigation and claims against the entity, the entity's Legal Counsel assesses the list of claims against the entity on an annual basis. The entity recognises a provision for all claims/cases for which the outflow of economic resources is probable and the amount can be reliably estimated.

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

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

1.23 Revenue

1.23.1 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, excluding indirect taxes, rebates and discounts.

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

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

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

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

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

Interest
Interest income is recognised in surplus or deficit on a time proportionate basis, using the effective interest method (i.e. based on the effective interest rate of the individual investments).

1.23.2 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.

Recognition of Revenue

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Recognition of Assets

An inflow of resources from a non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably. The asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Grants, transfers or donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of related conditions. Where the grant, transfer or donation has been received but the entity has not met the related conditions that would entitle it to the revenue, a liability is recognised.

Measurement of Revenue from Non-exchange Transactions

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

Expenditure from Non-exchange Transactions

The accounting policy for expenditure arising from non-exchange transactions is similar to policy for non-exchange revenue. Expenditure from non-exchange transactions is recognised when the resources have been transferred to the beneficiaries. A corresponding asset is raised to the extent that conditions attached to the expenditure have not been met. The asset is transferred to the Statement of Financial Performance once the conditions are met.

1.24 Value Added Tax

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

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

The entity accounts for Value Added Tax on the invoice basis.

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.

1.25 Principle Agent Transactions

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

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

1.26 Unspent Conditional Grants

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

1.27 Comparative Information

Current Year Comparatives

In accordance with GRAP 1 and 24, the Budget information has been presented on the face of the Statement of Financial Performance in these Annual Financial Statements.

Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements are amended, prior period comparative amounts are reclassified and restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year and the standards require retrospective adjustment, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassifications and restatements are disclosed in Note 27 and 28 to the Annual Financial Statements.

1.28 Taxation

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

1.29 Operating Leases

As Lessee

Recognition

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. Lease payments under an operating lease are recognised as an expense in the statement of financial performance, on a straight line basis over the lease term. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be.

Measurement

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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Derecognition

The operating lease liability is derecognised when the entity’s obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

As Lessor

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

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

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

Recognition
For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, on a straight-line basis over the lease period.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Measurement
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and/or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Derecognition
Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

1.30 Employee Benefits

Recognition and Measurement
Short Term Employee Benefits
emuneration to employees is recognised as an expense in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay, are recognised in the period the employee renders the related service.

Short-term employee benefits are measured on an undiscounted basis.

Short Term Compensated Absences
The expected cost of compensated absences is recognised as follows:

Accumulating compensated absence:
- When employees render services that increase their entitlement to future compensated absences; and

Non-accumulating absences:
- When absences occur.

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

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

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to management is raised once the timing and amount of such provision can be reliably determined. The provision is based on the performance of each member of management against the performance scorecard set and agreed upon for each financial year. If on assessment of the respective member of management it is decided that a bonus will be paid out, the manager is entitled to receive this bonus irrespective of whether they are still in the service of the entity, or not.

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.

Long Service Awards

Employees receive the monetary award in recognition for continuous service at the completion of certain milestone periods of service. In addition employees also receive a once off gift certificate who's value is dependant of the number of years of service. The award is included in the employee's salary in the month of the service anniversary.

1.31 Impairment of Non-Cash-Generating Assets

Recognition

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where any such indication exists, the entity estimates the recoverable service amount of the asset. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash-generating assets), the asset is considered impaired and is written down to its recoverable amount (or recoverable service amount). An asset's recoverable amount (or recoverable service amount) is the higher of the fair value less costs to sell, and the value-in-use of the asset.

The entity classifies the asset/identifiable group of assets as cash-generating if the key purpose of such asset/group of assets is to derive a commercial return from continuing use, and are independent of the cash inflows from other assets or groups of assets. The entity will classify all other assets that do not meet the definition of cash-generating assets/group of assets as non-cash generating assets.

Measurement

An asset's recoverable amount (or recoverable service amount) is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. This recoverable amount (or recoverable service amount) is determined for individual assets, unless those individual assets are part of a larger cash-generating unit, in which case the recoverable amount (or recoverable service amount) is determined for the whole cash-generating unit.

An asset is part of a cash-generating unit where that asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In determining the recoverable amount (or recoverable service amount) of an asset the entity evaluates the assets to determine whether the assets are cash generating assets or non-cash generating assets.

For cash generating assets, the value in use is determined as a function of the discounted future cash flows from the asset.

Where the asset is a non-cash generating asset, the value in use is determined through one of the following approaches:

- Depreciated replacement cost approach: The current replacement cost of the asset is used as the basis for this value. This current replacement cost is depreciated for a period equal to the period that the asset has been in use so that the final depreciated replacement cost is representative of the age of the asset.
- Restoration cost approach: The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment.
- Service units approach: The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state.

The decision as to which approach to use is dependent on the nature of the identified impairment.

In assessing value-in-use for cash-generating assets, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, other fair value indicators are used.

Impairment losses of continuing operations are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the entity makes an estimate of the assets or cash-generating unit's recoverable amount.

Reversal of Impairment Losses

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

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

1.32 Reporting Foreign Currency Transactions in the Functional Currency

Initial Recognition

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

Reporting at Subsequent Reporting Dates

At each reporting date:

(a) Foreign currency monetary items shall be translated using the closing rate;

(b) Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and

(c) Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

Recognition of Exchange Differences

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

1.33 Events after the Reporting Date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting Events after Reporting Date

The entity adjusts the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date.

Non-adjusting Events after the Reporting Date

The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. The entity discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

1.34 Impairment

Impairment of Cash Generating Units

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External Sources of Information

(a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

Internal Sources of Information

(a) Evidence is available of obsolescence or physical damage of an asset.

(b) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

(c) A decision to halt the construction of the asset before it is complete or in a usable condition.

(d) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Impairment of Non-cash Generating Units

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External Sources of Information

(a) Cessation, or near cessation, of the demand or need for services provided by the asset.

(b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

Internal Sources of information

(a) Evidence is available of physical damage of an asset.

(b) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

(c) A decision to halt the construction of the asset before it is complete or in a usable condition.

(d) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

1.35 Statements in Issue but not yet Adopted

The following revised and newly approved Standards of GRAP have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. The MBDA has not early-adopted any new Standards or revised Standards of GRAP but has in some cases referred to them for guidance in developing appropriate accounting policies in accordance with the requirements of Directive 5: Determining the GRAP Reporting Framework.

Standard of GRAP	Effective date
GRAP 18 Standard of GRAP on Segment Reporting	Reporting periods beginning on or after 1 April 2020
GRAP 20 Standard of GRAP on Related party disclosures	Reporting periods beginning on or after 1 April 2019
GRAP 32 Standard of GRAP on Service Concession Arrangements: Grantor	Reporting periods beginning on or after 1 April 2019
GRAP 34 Standard of GRAP on Separate Financial Statements	Reporting periods beginning on or after 1 April 2020
GRAP 35 Standard of GRAP on Consolidated Financial Statements	Reporting periods beginning on or after 1 April 2020
GRAP 36 Standard of GRAP on Investments in Associates and Joint Ventures	Reporting periods beginning on or after 1 April 2020
GRAP 37 Standard of GRAP on Joint Arrangements	Reporting periods beginning on or after 1 April 2020
GRAP 38 Standard of GRAP on Disclosure of Interest in other Entities	Reporting periods beginning on or after 1 April 2020
GRAP 104 Standard of GRAP on Financial Instruments	No effective date gazetted to date
GRAP 38 Standard of GRAP on Disclosure of Interest in other Entities	No effective date gazetted to date
GRAP 108 Standard of GRAP on Statutory Receivables	Reporting periods beginning on or after 1 April 2019
GRAP 109 Standard of GRAP on Accounting Principles and Agents	Reporting periods beginning on or after 1 April 2019
GRAP 110 Standard of GRAP on Living and Non-living Resources	Reporting periods beginning on or after 1 April 2020

GRAP 20 – Related Party Disclosures
The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. It is expected that adoption of this standard will result in additional disclosures.

GRAP 32 – Service Concession Arrangements: Grantor
This Standard applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset) if certain conditions are met. It is expected that adoption of this standard will not be significant.

GRAP 34 – Separate Financial Statements
The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. It is expected that adoption of this standard will not be significant.

GRAP 35 – Consolidated Financial Statements
The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It is expected that adoption of this standard will not be significant.

GRAP 36 – Investments in Associates and Joint Ventures
The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity has an investment in one or more other entities. It is expected that adoption of this standard will not be significant.

GRAP 37 – Joint Arrangements
The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity has an investment in one or more other entities. It is expected that adoption of this standard will not be significant.

GRAP 38 – Disclosure of Interests in Other Entities
The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:
(a) The nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
(b) The effects of those interests on its financial position, financial performance and cash flows.

GRAP 108 – Statutory Receivables
This standard deals with receivables that arise from legislation, supporting regulations or similar means and require settlement by another entity in cash or another financial asset. It is expected that adoption of this standard will not be significant.

GRAP 109 – Accounting by Principals and Agents
This standard deals with principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. It is expected that adoption of this standard will not be significant.

GRAP 110 – Living and Non-living Resources
This standard deals with living resources that undergo biological transformation and non-living resources that occur naturally and have not been extracted. It is expected that this standard will not be applicable to the entity as we are not dealing with these resources currently.

INTERPRETATIONS

The following interpretations have been approved and issued by the Accounting Standards Board but only become effective in the future or have not been given an effective date by the Minister of Finance. These interpretations are expected to have an insignificant impact on the financial statements since they generally reflect the interpretation and principles already established under GRAP.

Standard Number	Standard Name	Effective Date (if applicable)
IGRAP 17	Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Reporting periods beginning on or after 1 April 2019
IGRAP 18	Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	Reporting periods beginning on or after 1 April 2019
IGRAP 19	Liabilities to Pay Levies	Reporting periods beginning on or after 1 April 2019

IGRAP 17 – Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset
The interpretation provides guidance to the grantor where it has entered into a service concession arrangement. It is expected that adoption of this interpretation will not be significant.

IGRAP 18 – Recognition and Derecognition of Land
This interpretation provides guidance on when an entity should recognize and derecognize land as an asset in its financial statements based on "control". It also considers joint control of land by more than one entity. It is expected that adoption of this interpretation will result in additional disclosures.

IGRAP 19 – Liabilities to Pay Levies
The interpretation provides guidance on when to recognize liabilities to pay levies, i.e. when the activity that triggers the payment of a liability occurs. It is expected that adoption of this interpretation will not be significant, or none.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2019	2018

1. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	45,173	26,901
Bank Balances	3,549,575	2,297,170
Short-term Deposits	6,032,448	37,110,494
Main Bank Account	970,290	-41,426
	10,597,485	**39,393,139**
Current assets	10,597,485	39,393,139
Current liabilities	-	-
	10,597,485	**39,393,139**

Cash on hand consists of petty cash.

The entity had the following bank accounts

Account number/description	Cashbook			Bank Account		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Account Number - 1084853833 (Nedbank, PE) - **Primary Account**	970,290	-41,426	1,795,267	970,290	-41,426	1,795,267
Account Number - 1084866064 (Nedbank, PE) - Current Account	1,447	210,578	811,600	1,447	210,578	811,600
Account Number - 1084866110 (Nedbank, PE) - Current Account	-	-	555	-	-	555
Account Number - 1106700856 (Nedbank, PE) - Current Account	2,926,671	2,196	3,638,041	2,926,671	2,196	3,638,041
Account Number - 037881142189 (Nedbank, PE) - Call Account	5,449,890	18,824	-	5,449,890	18,824	-
Account Number - 1140185322 (Nedbank, PE) - Current Account	621,457	2,084,397	1,341,262	621,457	2,084,397	1,341,262
Account Number - 037881116285 (Nedbank, PE) - Call Account	582,558	37,091,670	46,756,535	582,558	37,091,670	46,756,535
Account Number - X021906134 (RMB, PE) - Call Account	-	-	4,533,256	-	-	4,533,256
	10,552,313	**39,366,238**	**58,876,516**	**10,552,313**	**39,366,238**	**58,876,516**

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

Cash and Cash Equivalents	**10,597,485**	**39,393,139**
Current Accounts and cash on hand	4,565,037	2,282,645
Call Account Balances	6,032,448	37,110,494

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2019	2018
2. Receivables from exchange transactions			**Restated**
Trade Debtors - MBDA		29,666,332	8,484,678
Trade Debtors - NMB Stadium		34,364,288	42,789,070
Provision for Bad debts		-710,761	-248,494
Interest Receivable		46,963	111,651
Sub Lease Rental		420,600	387,591
Nelson Mandela Bay Stadium Loan Account		-6,583,632	9,782,560
		57,203,790	**61,307,055**
Transfer to Creditors		6,583,632	-
		63,787,422	**61,307,055**
Trade debtors: Ageing - MBDA			
Current (0 - 30 days)		28,355,644	7,804,684
31 - 60 days		113,308	72,177
61 - 90 days		-604	21,601
Over 90 days		1,197,985	586,216
		29,666,332	**8,484,678**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

3. Receivables from non-exchange transactions	***Note***		
Deposits		2,100	2,100
		2,100	2,100
Transfer from Unspent grants	**11**	157,058	3,451,292
		159,158	**3,453,392**
4. Inventory			
Food and Beverage		160,263	499,095
Diesel		1,767	25,093
		162,030	**524,188**
Less: Provision for Obsolete Stock		-	-
		162,030	**524,188**
4.1 Inventory items on hand at year end (in quantities)			
Food and Beverage (units)		43,935	96,204
Diesel (litres)		90	1,664

None of the inventory has been pledged as security

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

5. Intangible Assets

	2019			2018		
	Cost	Accumulated Amortisation	Carrying Value	Cost	Accumulated Amortisation	Carrying Value
Computer Software	417,018	-345,304	71,714	377,218	-326,060	51,157

Reconciliation of intangible assets - 2019

	Cost				Accumulated Amortisation			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortisation	Closing Balance	Carrying Value
Computer Software	377,218	39,800	-	417,018	-326,061	-19,243	-345,304	71,714

Reconciliation of intangible assets - 2018

	Cost				Accumulated Amortisation			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortisation	Closing Balance	Carrying Value
Computer Software	327,018	50,200	-	377,218	-291,026	-35,035	-326,061	51,157

Pledged as security

None of the intangible assets have been pledged as security.

There were no internally generated intangible assets.

There are no capital commitments against intangible assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

6. Property, Plant & Equipment

	2019			2018		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Computer Equipment	1,351,335	-771,435	**579,901**	1,050,860	-582,142	**468,718**
Office Equipment	1,350,764	-590,413	**760,351**	1,170,334	-442,713	**727,621**
Furniture & Fittings	662,262	-213,276	**448,986**	405,451	-174,811	**230,640**
Motor Vehicles	846,867	-572,206	**274,661**	657,367	-479,848	**177,519**
Containers	111,220	-30,921	**80,300**	62,120	-26,912	**35,209**
Land*	4,649,358	-	**4,649,358**	4,649,358	-	**4,649,358**
Building	4,599,624	-3,846	**4,595,778**	-	-	**-**
Leasehold Improvements	1,180,753	-786,453	**394,300**	1,180,753	-550,302	**630,450**
	14,752,183	**-2,968,549**	**11,783,634**	**9,176,242**	**-2,256,727**	**6,919,515**

Reconciliation of intangible assets - 2019

	Cost				Accumulated Amortisation				
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	Carrying Value
Computer Equipment	1,050,860	317,004	-16,528	1,351,335	-582,142	-189,523	230	-771,435	579,901
Office Equipment	1,170,334	180,431	-1	1,350,764	-442,713	-147,699	-0	-590,413	760,351
Furniture & Fittings	405,451	256,811	-	662,262	-174,811	-38,465	1	-213,276	448,986
Motor Vehicles	657,367	189,500	-	846,867	-479,848	-92,358	-0	-572,206	274,661
Containers	62,120	49,100	-	111,220	-26,912	-4,009	0	-30,921	80,300
Land*	4,649,358	-	-	4,649,358	-	-	-	-	4,649,358
Building	-	4,599,624	-	4,599,624	-	-3,846	-	-3,846	4,595,778
Leasehold Improvements	1,180,753	-	-	1,180,753	-550,303	-236,151	0	-786,453	394,300
	9,176,242	**5,592,470**	**-16,529**	**14,752,183**	**-2,256,728**	**-712,051**	**231**	**-2,968,549**	**11,783,634**

Reconciliation of property, plant and equipment - 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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6. Property, Plant & Equipment (continued)

	Cost				Accumulated Amortisation				
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	Carrying Value
Computer Equipment	1,025,398	257,111	-231,649	1,050,860	-616,044	-143,243	177,145	-582,142	468,718
Office Equipment	1,199,543	15,810	-45,019	1,170,334	-298,292	-179,173	34,752	-442,713	727,621
Furniture & Fittings	383,082	53,169	-30,800	405,451	-173,903	-31,579	30,671	-174,811	230,640
Motor Vehicles	657,367	-	-	657,367	-387,807	-92,040	-	-479,848	177,519
Containers	62,120	-	-	62,120	-23,448	-3,463	-	-26,912	35,208
Land*	4,649,358	-	-	4,649,358	-	-	-	-	4,649,358
Leasehold Improvements	1,180,753	-	-	1,180,753	-314,151	-236,152	-	-550,303	630,450
	9,157,621	**326,090**	**-307,468**	**9,176,242**	**-1,813,645**	**-685,651**	**242,568**	**-2,256,727**	**6,919,515**

Pledged as security

None of the property, plant and equipment has been pledged as security.

There are no capital commitments against property, plant and equipment.

* - Located within the land is the ruins of the historic St Peters Church, these are valued at a carrying amount of zero.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

7. Heritage Assets

	2019			2018		
	Cost	Accumulated Amortisation	Carrying Value	Cost	Accumulated Amortisation	Carrying Value
Heritage Assets	250,500	-	**250,500**	250,500	-	**250,500**
	250,500	**-**	**250,500**	**250,500**	**-**	**250,500**

Reconciliation of heritage assets - 2019

	Cost				Accumulated Depreciation			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortisation	Closing Balance	Carrying Value
Heritage Assets	250,500	-	-	**250,500**	-	-	-	250,500
	250,500	**-**	**-**	**250,500**	**-**	**-**	**-**	**250,500**

Reconciliation of heritage assets - 2018

	Cost				Accumulated Depreciation			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortisation	Closing Balance	Carrying Value
Heritage Assets	250,500	-	-	**250,500**	-	-	-	250,500
	250,500	**-**	**-**	**250,500**	**-**	**-**	**-**	**250,500**

Pledged as security

None of the heritage assets have been pledged as security.

There are no capital commitments against heritage assets.

Heritage assets relate to historical paintings held by the entity.

There was no indication of impairment of heritage assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2019	2018
8. Payables from exchange transactions		**Restated**
Trade Creditors - MBDA	11,161,210	10,827,297
Trade Creditors - NMBM Stadium	2,897,531	10,031,422
Employee costs - 13th Cheque accrual	376,298	332,456
Accrued expenses	1,285,121	798,467
Deferred Income	1,125,382	1,125,382
Contractor Retentions	1,791,615	1,766,814
NMBM Revenue due for surrender	7,337,272	11,134,769
	25,974,430	**36,016,608**
Tranfer from Debtors	6,583,632	-
	32,558,062	**36,016,608**
Current liabilities	30,719,299	34,522,318
Non-current liabilities	1,838,762	1,494,290
	32,558,062	**36,016,608**

Accrued expenses relates to expenditure that has been incurred, but for which no invoices have been received as yet. Trade payables relate to suppliers payable for work done in the normal course of business. The MBDA continues to strive to pay its trade payables within 30 days. Based on the nature of the implementation of capital projects, the bulk of the expenditure is incurred during the last quarter of the financial year with recognition of these trade payables at year end. This results in a higher than normal trade payables balance at year end and is not necessarily a consistent balance throughout the year.

9. Payables from non-exchange transactions

	2019	2018
Deposits	186,221	145,579
	186,221	**145,579**
Current liabilities	186,221	145,579
Non-current liabilities	-	-
	186,221	**145,579**

Deposits relates to amounts paid over to the MBDA for Venue Hire.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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10. Provisions

Reconciliation of provision - 2019

	Opening Balance	Additions	Utilised during the year	Total
Workmen's Compensation	51,897	39,354	-51,897	39,354
Performance Bonuses	248,854	1,112,723	-248,854	1,112,723
Leave Pay	974,276	2,554,292	-1,747,411	1,781,157
	1,275,028	**3,706,369**	**-2,048,162**	**2,933,235**

Reconciliation of provision - 2018

	Restated			
	Opening Balance	Additions	Utilised during the year	Total
Workmen's Compensation	25,675	176,982	-150,760	51,897
Performance Bonuses	401,741	248,854	-401,741	248,854
Leave Pay	730,793	1,541,430	-1,297,947	974,276
Directors Fees	636,500	-	-636,500	-
	1,794,709	**1,967,266**	**-2,486,947**	**1,275,028**

Performance Bonuses - These are payable contingent upon the achievement of KPIs per the performance contract for the management.

Leave Pay - Accrued leave pay relates leave days owed to staff members at the reporting date calculated based on the daily pay rate. This is payable should employees terminate their employment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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11. Unspent grants

2019		Opening Balance	Grants for the year	Recognised as Revenue the year	Total
National Lotteries Board (NLB)		-	-	-	**-**
Eastern Cape Development Corporation (ECDC)		32,054	-	-	**32,054**
HURP/SPUU (KfW Funded)		-3,451,292	5,798,359	-2,000,613	**346,453**
Eskom		100,000	-	-100,000	**-**
SAASTA		178,177	-	-335,234	**-157,058**
Industrial Development Corporation		1,959,049	-	-	**1,959,049**
Nelson Mandela Bay Municipality (NMBM)		61,792,733	92,858,244	-112,854,000	**41,796,976**
		60,610,721	**98,656,603**	**-115,289,848**	**43,977,475**
Transfer to debtors	**Note 3**				157,058
Total					**44,134,533**

2018	Opening Balance	Grants for the year	Recognised as Revenue the year	Total
National Lotteries Board (NLB)	39,668	-	-39,668	**-**
Eastern Cape Development Corporation (ECDC)	32,054	-	-	**32,054**
HURP/SPUU (KfW Funded)	916,418	2,464,100	-6,831,810	**-3,451,292**
Eskom	-	100,000	-	**100,000**
SAASTA	-	446,201	-268,024	**178,177**
Industrial Development Corporation	1,959,049	-	-	**1,959,049**
Nelson Mandela Bay Municipality (NMBM)	62,138,588	83,449,675	-83,795,531	**61,792,733**
	65,085,777	**86,459,976**	**-90,935,033**	**60,610,721**
Transfer to debtors - KfW Grants				3,451,292
Total				**64,062,012**

NMBM unspent grants relates to capital project funding that was received in advance, the amount above relates to the unspent balance.

* - Refer to Note 3

12. VAT Receivable

VAT Payable	-	1,216,650
VAT Receivable	7,200,205	-
	7,200,205	**1,216,650**

VAT Receivable/Payable relates to the amount outstanding by/to SARS for Value Added Tax.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2019	2018
13. Revenue		**Restated**
Transfers & subsidies - NMBM Operating Grants	66,650,306	54,136,608
Transfers & subsidies - NMBM Capital Grants	46,203,694	29,658,923
Transfers & subsidies - National Lottery Fund Receipts	-	39,668
Transfers & subsidies - NMBM Stadium Operating Grant	33,375,881	39,573,721
Transfers & subsidies - SAASTA Grants	335,234	268,024
Transfers & subsidies - Eskom	100,000	-
Transfers & subsidies - KfW Capital grant	632,262	2,062,250
Transfers & subsidies - KfW Operational	1,368,351	4,769,560
Other Revenue - Stadium Liquor Income	1,476,833	3,216,588
	150,142,562	**133,725,342**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Transfers & subsidies - NMBM Capital Grants	46,203,694	29,658,923
Other Revenue - Stadium Liquor Income	1,476,833	3,216,588
	47,680,527	**32,875,511**

Transfers & subsidies

This relates to funding received mainly from the parent municipality for the implementation of Capital Projects. The NMBM receives capital assets from funds received by the MBDA for the implementation of projects, hence these are classified as exchange transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2019	2018

13. Revenue (continued)

Other Revenue

This relates to income generated from the sale of liquor at the stadium. The MBDA is the liquor licence holder for liquor trade at the stadium.

The amount included in revenue arising from non-exchange transactions are as follows:

Transfers & subsidies - NMBM Operating Grants	66,650,306	54,136,608
Transfers & subsidies - National Lottery Fund Receipts	-	39,668
Transfers & subsidies - NMBM Stadium Operating Grant	33,375,881	39,573,721
Transfers & subsidies - Eskom	100,000	-
Transfers & subsidies - SAASTA	335,234	268,024
Transfers & subsidies - KfW Capital grant	632,262	2,062,250
Transfers & subsidies - KfW Operational	1,368,351	4,769,560
	102,462,035	100,849,831

Transfers & subsidies - NMBM

This relates to funding received mainly from the parent municipality for the operational costs of the MBDA. These are classified as non-exchange transactions.

Transfers & subsidies - KfW

This relates to funding received for the SPUU programme funded by the German KfW bank in Helenvale. This relates to infrastructure and social projects that have been implemented in the community. These are classified as non-exchange transactions.

14. Other Income

		Restated
Finance Income		
Interest Received	**2,456,337**	**2,389,614**
Sundry Income		
Lease Rental Income	5,333	166,110
Tender fee income	111,410	96,278
Kiosk Rentals	68,103	61,776
Helenvale Resource Centre Income	31,844	31,666
Public Toilet Fees	49,209	25,677
Tramways Event Space Rental	627,486	663,924
Discount Received	-	26,225
Science Centre Entrance Fees	85,158	48,970
Other	72,347	149,709
	1,050,891	**1,270,336**
	3,507,228	**3,659,950**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2019	2018
15. Employee Related costs		**Restated**
Salaries and Wages	22,301,729	16,235,083
Social Contributions	5,568,162	3,795,946
Car allowances	70,000	92,000
Long Service Bonus	38,573	38,573
Performance bonus	1,112,723	248,854
Leave Pay	249,266	234,744
Annual Bonus	522,465	651,431
	29,862,918	**21,296,632**

Included in the employee costs are the following key management positions:

2019	Annual Remuneration including social contributions	Car allowance	Performance Bonus	Acting Allowance/ Gratuity Payment	Total
Chief Executive Officer - Mr Ashraf Adam	2,219,685	-	-	-	**2,219,685**
Chief Financial Officer - Ms Koliswa Mgijima - (i)	493,750	-	-	-	**493,750**
Acting Chief Financial Officer) - Mr Zimbali Khwela - (ii)	-	-	-	145,203	**145,203**
Chief Financial Officer - Mr Ashwin Daya (iii)	192,641	4,000	54,460	15,689	**266,790**
Operations Executive - Ms Debbie Hendricks - (iv)	1,057,446	-	-	223,918	**1,281,364**
Acting Corporate Services Executive - Mr Luvuyo Bangazi - (v)	-	-	-	185,688	**185,688**
Acting Corporate Services Executive - Mr Ashwin Daya (vi)	-	-	-	8,283	**8,283**
Stadium Manager - Mr Mpho Mokonyama	1,119,713	24,000	50,000	-	**1,193,713**
Compliance Executive/ Chief Risk Officer - Mr Ashwin Daya - (vii)	976,478	18,000	-	1,228,715	**2,223,193**
Company Secretary - Mr Mbulelo Matiwane	871,711	-	37,500	-	**909,211**
	6,931,424	**46,000**	**141,960**	**1,807,496**	**8,926,880**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

15. Employee Related costs (continued)

2018 - Restated	Annual Remuneration including social contributions	Car allowance	Performance Bonus	Acting Allowance/ Gratuity Payment	Total
Chief Executive Officer (Appointed February 2018)	862,661	20,000	-	-	**882,661**
Chief Financial Officer	1,162,431	24,000	101,795	-	**1,288,225**
Planning & Development Manager (Inner City)	1,139,164	24,000	97,651	-	**1,260,815**
Stadium Manager	1,057,333	24,000	-	122,636	**1,203,969**
STC Manager	51,709	-	-	-	**51,709**
Company Secretary	764,400	-	-	-	**764,400**
Operations Manager	734,192	-	62,464	-	**796,656**
Planning & Development Manager (Townships)	533,210	-	56,667	-	**589,877**
Marketing and Communications Manager	975,381	-	83,166	-	**1,058,547**
Acting Planning & Development Manager (Townships)	-	-	-	74,060	**74,060**
Acting STC Manager	-	-	-	36,076	**36,076**
	7,280,481	**92,000**	**401,742**	**232,772**	**8,006,995**

(i) - Appointed as new Permanent CFO on 04 Feb 2019

(ii) - Appointed to act as CFO from 03 September 2018 until 03 February 2019

(iii) - CFO until 31 August 2018 when a new position was taken up

(iv) - Appointed in acting capacity on 10 October 2018 until date of permanent appointment being 03 April 2019

(v) - Appointed to act from 01 July 2018 to 31 December 2018 and reappointed to act from 01 February 2019 to 30 June 2018

(vi) - Appointed to act from 01 January 2019 to 31 January 2019

(vii) - Permanently appointed from 01 September 2018 until date of termination of the position on 31 May 2019. Was appointed to act in the post from 01 July 2018 until date of permanent appointment 31 August 2018. Termination benefits have been paid during the year in accordance with the Memorandum of Agreement signed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2019	2018
16. Remuneration of Directors		**Restated**
Mputumi William Goduka (Chairperson)	310,000	20,000
Kasaven Govender *	-	-
Adrian John Faulkner Gardiner	57,500	-
Renganayagee Kisten	105,500	7,500
Nomnikelo Kondlo	27,500	-
Moabelo Michael Koenaite	27,500	-
Glenda Perumal	27,500	-
Mandlakazi Ruth Skefile	27,500	-
Vuyani Galen Dyantyi	27,500	-
Mxolisi Moolman	27,500	-
Khwezi Gideon Ntshanyana	26,500	-
Bongani Gxilishe *	-	-
Rajesh Dana *	-	-
Sithole Mabi Mbanga	119,000	7,500
Masalamani Odayar	126,000	22,500
	909,500	**57,500**
Directors Fees Provision	-	(636,500)
Total	**909,500**	**(579,000)**

* The mentioned Directors opted not claim for Directors Fees since the period of membership commenced.

17. Contracted Services

IT Support & Computer Costs	1,344,700	720,335
Equipment Lease & Rentals	91,636	125,042
Security costs	3,074,759	8,419,524
Office Decor & Fittings	18,678	20,376
Cleansing Costs	4,510,381	4,435,173
Facilities Maintenance Costs	3,361,509	3,398,643
	12,401,662	**17,119,093**

18. Capital projects costs		**Restated**
MBDA Projects	41,269,315	31,459,983
	41,269,315	**31,459,983**

18.1 Capital Programme

Baakens River Valley Programme	10,319,010	5,230,707
CBD Port Elizabeth Programme	547,290	12,520,406
Helenvale SPUU FDFP Programme	5,107,709	2,345,862
Korsten/Schauderville Programme	10,452,341	1,822,468
New Brighton/Red Location Precinct Programme	11,798,207	9,540,540
Nelson Mandela Bay Stadium Precinct Programme	2,038,198	-
Uitenhage Programme	1,006,558	-
	41,269,315	**31,459,983**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2019	2018
19. Other Operating costs			**Restated**
Advertising and Media Placement		816,020	543,694
Arts, Culture & Heritage activation		1,686,491	1,498,265
Athenaeum Club Operating Costs		30,091	52,100
Audit fees	32	1,088,980	937,082
Bank Charges		19,826	15,434
Corporate Social Investment		514,353	741,544
Directors Expenses		194,294	220,546
Education & Training		565,152	247,426
Electricity, Water & Rates		1,097,765	522,589
Entertainment		116,528	29,626
EPWP Expenses		185,719	58,250
Helenvale Resource Centre Operating Costs		1,654,198	1,584,838
Insurance		136,315	143,969
Innovation/4th Industrial Revolution projects		690,900	208,500
Iconic Landmarks Project		281,028	-
Legal Fees		223,590	837,477
Legal Settlements	23	20,000	-
Marketing & Communications		3,604,676	4,097,522
Motor Vehicle Expenses		102,953	65,745
Narrow Gauge Project		16,748	-
National Lottery Grant Funded Costs		-	39,668
NMBM Counter Funding for KfW SPUU Programme		1,419,419	727,464
NMBM Stadium Expenditure	19.1	**33,375,881**	**39,573,721**
NMBM Stadium Liquor Expenditure		1,295,148	1,871,748
Office Cleaning & Safety		254,758	221,594
Postage & Courier		32,285	12,858
Printing & Stationery		246,333	172,633
Professional & Consultant Fees		856,359	1,666,842
Recruitment Costs		49,984	285,869
Refreshments		82,324	62,713
Rental		1,000	1,000
Repairs & Maintenance		1,015,075	1,577,536
Special Projects & Township Operating Costs		817,090	184,398
Research and Development Partnerships		863,547	-
Seminars, think tanks and conferences		22,083	315,218
SPUU Helenvale Projects Expenses		1,410,017	4,778,236
SPPU Consultants Expenses		-	-678,843
Staff Welfare		41,197	20,222
Strategic Spatial and Feasibility Studies		832,409	346,874
Subscriptions & Membership fees		3,397	13,651
Sundry Expenses		162,137	162,766
Telephone & Fax		145,457	119,905
Demolition of Telkom Park Stadium Project Costs		6,682,013	2,467,544
Travel & Accommodation		332,828	575,567
		62,986,367	**66,323,792**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2019	2018
19. Other Operating costs (continued)			
19.1 NMBM Stadium Expenditure by nature			
Employee Related costs		14,044,590	14,723,848
Contracted Services		15,912,998	13,808,074
Capital Expenditure		2,339,148	-
Other Operating costs		10,524,327	21,196,105
		42,821,063	**49,728,027**
Less: NMBM Revenue funded expenditure		-9,445,182	-10,154,306
Total		**33,375,881**	**39,573,721**
20. Net cash flows from operating activities			**Restated**
Surplus/(deficit)		5,017,031	946,583
Adjustments for:			
Loss on disposal of property, plant and equipment		1,891	42,186
Depreciation		731,295	720,684
Changes in working capital:			
Increase/(Decrease) in provisions		1,658,205	-519,681
Increase/(Decrease) in Payables from exchange transactions		-3,458,546	19,453,371
Increase/(Decrease) in Unspent Conditional Grants		-19,927,480	-1,023,765
Increase/(Decrease) in Payables from non-exchange transactions		40,642	55,529
Decrease/(Increase) in Receivables from exchange transactions		-2,480,367	-35,859,757
Decrease/(Increase) in Receivables from non-exchange transactions		3,294,234	-3,439,182
Increase/(Decrease) in VAT		-8,416,854	489,501
Decrease/(Increase) in Inventory		362,158	4,254
		-23,177,790	**-19,130,278**
21. Auditor's Fees			
External audit fees	**19**	1,088,980	937,082
		1,088,980	**937,082**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2019	2018
22. Commitments			**Restated**
Approved and contracted for:			
Capital expenditure		40,108,286	42,123,567
		40,108,286	**42,123,567**
Approved and not yet contracted for:			
Capital expenditure		-	5,704,029
		-	**5,704,029**
Total commitments		**40,108,286**	**47,827,596**
Operating leases - as lessee (expense)			
- within one year		142,104	195,545
- within two to five years		225,570	167,724
- above five years		-	1,000
		367,673	**364,269**
Operating leases - as lessor (income)			
- within one year		166,110	166,110
- within two to five years		-	276,850
- above five years		-	-
		166,110	**442,961**

Lease income relates to sub-letting of the Tramways building
Lease expense relates to lease of public toilets, office equipment, and the rental of office accommodation from the Metro
Commitment relates to capital projects implemented by the MBDA
Please refer to Note 26 for additional disclosures

23. Contingent Liabilities			
Contingent liabilities		**-**	**100,000**
Nature of contingent liability			
Civil claim for vehicle damage on MBDA project		-	100,000
Labour claim for reinstatement of employees		-	-
		-	**100,000**
Analysis of contingent liability			
Opening Balance		100,000	-
Settlement	**19**	-20,000	-
Legal Fees			
Unsettled amount		-80,000	-
Closing Balance		**-**	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

24. Risk Management

Financial risk management

The MBDA's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk (e.g. currency risk, fair value interest rate risk, cash flow interest rate risk and price risk).

Liquidity risk

The MBDA's risk to liquidity is a result of the funds available to cover future commitments. The MBDA manages liquidity risk through an ongoing review of future commitments.

The table below analyses the MBDA's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	30,719,299	1,838,762	-	-
Payables from non-exchange transactions	186,221	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	34,522,318	1,494,290	-	-
Payables from non-exchange transactions	145,579	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The MBDA only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise mainly of Grant Receivables from the parent municipality. Management evaluated credit risk relating to receivables on an ongoing basis. If receivables are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the receivable, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2019	30 June 2018
Cash and cash equivalents	10,597,485	39,393,139
Receivables from exchange transactions	63,787,422	61,307,055

(All figures have been rounded to the nearest thousand Rand).

Market risk

Interest rate risk

As the MBDA has no significant interest-bearing assets, the MBDA's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign exchange risk

The MBDA does not hedge foreign exchange fluctuations and has limited exposure to foreign exchange risk.

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25. Going Concern

The Annual Financial Statements have been prepared on basis of the accounting policies applicable to a going concern. The basis presumes that funds will be available to finance the future operations of the MBDA and that the realization of assets, settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of the business.

The MBDA is dependent on the NMBM to fund its operations and it earns revenue from appropriations for the implementation of the NMBM's capital projects. The ability of the MBDA to continue as a going concern is dependent on a number of factors. The most significant of these is that the entity continues to receive funding for the ongoing operations from its controlling entity, the NMBM. However it should be noted that the Service Level Agreement (SDA) has been outstanding for a prolonged period despite the process commencing during September 2018 in advance of the expiry of the SDA in December 2018. It is almost 12 months later, and the SDA remains unsigned. As at the date of the authorization of these financial statements, the MBDA has not received yet the quarter 4 tranche of 2018/19 financial year. Although this would not necessarily be the determining factor in the MBDA's ability to operate as a going concern. It does present a significant threat to continuing operations.

26. Events after the reporting date

The term of the Board of Directors expired on the 31 July 2019. These were extended for a further period.

The entity continues to face significant factor of uncertainty over the going-concern assumption. As at the date of the authorisation of these financial statements, the entity has not yet received the quarterly tranche for the 4th quarter of 2018/19, nor the 1st quarterly tranche for 2019/20. Should this status quo remain, this will significantly affect the entity's ability to make payments as and when due.

At the reporting date the entity had appointments that were pending the lapsing of the non-objection period. At the date of submission of the AFS these contracts had be awarded or pending award in the total amount of R41 332 163. These relate to material commitments made subsequent to year-end for projects that were budgeted and adjudicated during the year.

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27. Changes in Accounting Policies

27.1 Revenue

During the year, the entity changed its accounting policies.

The entity has opted to change the major classifications of line items presented to align more closely with classification used by the parent municipality Nelson Mandela Bay Metro (NMBM).

This has affected the following components of financial statement:
(a) statement of financial performance;
(b) cash flow statement;

It is the view of management that this will result in more consistency and comparability in line with GRAP 1.

This will also ensure more relevant information for the nature of the business conducted by the MBDA. This also ensure improved alignment with para 79 and 96 of GRAP 1.

The change in major classification per the Statement of Financial Performance will be adopted for that statement going forward.

These changes have not resulted in any restatement of the underlying transactions, except to have an impact of how these are classified. The restatements are presented mainly to reflect the impact of the changes on the layout and presentation of the new classification. However there are restatement of figures previously presented due to correction of prior year errors, thus this note should be read together with Note 28.

In certain instances additional information has been disclosed in the notes to the financial statements, as such the comparative period information is also presented for consistency and comparability in line with GRAP 1. However this does not amount to an adjustment nor does it affect any financial statement line item.

The comparative results have been appropriately restated. The effect of these changes are as follows:

Statement of Financial Performance	Balance as previously Reported	Change in accounting policy		Restated Balance	
		New Classification	Reclassified Amount		
Revenue from exchange transactions	**32,875,511**		**-29,658,923**	**Revenue from exchange transactions**	**32,875,511**
Government grants and subsidies	29,658,923	Transfers and subsidies	-29,658,923	Transfers and subsidies	29,658,923
Other Revenue	3,216,588		-	Other Revenue	3,216,588
Revenue from non-exchange transactions	**100,849,831**		**-100,849,831**	**Revenue from non-exchange transactions**	**100,849,831**
Government grants and subsidies	93,710,329	Transfers and subsidies	-93,710,329	Transfers and subsidies	100,849,831
Other Revenue	7,139,502	Other Revenue	-7,139,502	Other Revenue	-
Total Revenue	**133,725,342**		**-130,508,754**	**Total Revenue**	**133,725,342**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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27.1 Revenue (continued)

Cash Flow Statement	Balance as previously Reported	Change in accounting policy		Restated Balance	
		New Classification	Reclassified Amount		
				Cash flows from operating activities	
Receipts	**147,728,976**		**0**	**Receipts**	**147,728,976**
Government Grants	121,632,625	Transfers and subsidies	1,473,472	Transfers and Subsidies	123,106,097
Interest received	2,492,966	Interest received	-	Interest received	2,492,966
Other Revenue	23,603,385	Other Revenue	-1,473,472	Other Revenue	22,129,913

27.2 Expenditure

The entity has opted to reclassify certain underlying sub-items of expenditure to align more closely to the nature of the expenditure.

This relates to the reclassification of the trial balance items and not necessarily the entire item as presented in the financial statements.

It is the view of management that this will result in more consistency and comparability in line with GRAP 1.

This will also ensure more relevant information for the nature of the business conducted by the MBDA. This also ensure improved alignment with para 79 and 96 of GRAP 1.

The change in major classification per the Statement of Financial Performance will be adopted for that statement going forward.

These changes have not resulted in any restatement of the underlying transactions, except to have an impact of how these are classified. The restatements are presented mainly to reflect the impact of the changes on the layout and presentation of the new classification. However there are restatement of figures previously presented due to correction of prior year errors, thus this note should be read together with Note 28.

Notes to the Annual Financial Statements	Balance as previously Reported	Change in accounting policy	Restated Balance
		Reclassified Amount	
Other operating costs	**66,323,499**	**-**	**66,323,792**
Education & Training	223,952	23,474	247,426
NMBM Counter Funding for KfW SPUU Programme	319,985	407,478	727,464
Special Projects & Township Operating Costs	-	184,398	184,398
SPUU Helenvale Projects Expenses	5,185,714	-407,478	4,778,236
Strategic Spatial and Feasibility Studies	531,272	-184,398	346,874
Subscriptions & Membership fees	37,125	-23,474	13,651

Figures in Rand

28. Correction of prior period error

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

This note must be read together with the Note 27 dealing with changes to accounting policies.

28.1 Directors Fees

Amounts relating to Directors who had opted to not claim for fees were incorrectly accrued against the Directors name. Also amounts relating to Directors Fees including Directors expenses for a director who had not submitted a claim were not accrued for at year-end.

Statement of Financial Performance	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
Expenditure			**Expenditure**	
Remuneration of Directors	579,000	-	Remuneration of Directors	579,000
- Sithole Mabi Mbanga	-	7,500	- Sithole Mabi Mbanga	7,500
- Kasaven Govender	-	-7,500	- Kasaven Govender	-7,500
Other Operating costs	-66,323,499	-293	Other Operating costs	-66,323,792

Statement of Financial Position	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
Payables from exchange transactions	34,522,025	293	Payables from exchange transactions	34,522,318

Statement of Changes in Net Assets	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
Accumulated Surplus - Surplus for the year	9,121,831	-293	Accumulated Surplus	9,121,538

The disclosures to the AFS has been updated accordingly, refer to Note 9, 16, and 19.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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28.2 Capital Project Costs

In the previous year, the entity presented a breakdown of the capital costs by programmatic area. Errors has been subsequently discovered in the detailed breakdown.

A summary of the effect of the correction of error is presented below:

Notes to the Annual Financial Statements	Balance as previously Reported	Correction of error: Restatement Amount	Restated Balance	
18.1 Capital Programme				
Baakens River Valley Programme	17,313,709	-12,083,002	Baakens River Valley Programme	5,230,707
CBD Port Elizabeth Programme	390,496	12,129,910	CBD Port Elizabeth Programme	12,520,406
Helenvale SPUU FDFP Programme	2,308,147	37,715	Helenvale SPUU FDFP Programme	2,345,862
Korsten / Schauderville Programme	1,822,468	-	Korsten / Schauderville Programme	1,822,468
New Brighton / Red Location Precinct Programme	9,578,255	-37,715	New Brighton / Red Location Precinct Programme	9,540,540
	31,413,075	**-12,083,002**		**31,459,982**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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28.3 Finance Income

During the financial year, management discovered that the interest earned on the Stadium's account had been omitted from the prior year.

A summary of the effect of the correction of error is presented below:

Statement of Financial Performance	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
Finance Income	2,328,084	61,530	Finance Income	2,389,614

Statement of Financial Position	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
Receivables from exchange transactions	61,245,525	61,530	Receivables from exchange transactions	61,307,055

Statement of Changes in Net Assets	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
Accumulated Surplus - Surplus for the year	9,121,831	61,530	Accumulated Surplus - Surplus for the year	9,183,361

28.3 Key Management Personel

During the financial year, management discovered that the car allowance for the key management disclosure was overstated.

A summary of the effect of the correction of error is presented below:

	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
Car Allowances	**98,000**	**-6,000**	**Car Allowances**	**92,000**
- Chief Financial Officer	26,000	-2,000	- Chief Financial Officer	24,000
- Planning & Development Manager (Inner City)	26,000	-2,000	- Planning & Development Manager (Inner City)	24,000
- Stadium Manager	26,000	-2,000	- Stadium Manager	24,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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28.4 Irregular Expenditure

During the financial year, it was discovered that the opening balance for the disclosure of irregular expenditure ommitted amounts that related to the 2016/17 financial year.

A summary of the effect of the correction of error is presented below:

Notes to the Annual Financial Statements	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance
Irregular Expenditure			
- Opening Balance	205,792	49,500	255,292

28.5 Commitments

During the financial year, it was discovered that the opening balance for the disclosure of commitments was misstated due to omission of a certain contract.

A summary of the effect of the correction of error is presented below:

Notes to the Annual Financial Statements	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
Operating leases - as lessee (expense)	**171,329**	**192,940**	**Operating leases - as lessee (expense)**	**364,269**
- within one year	101,136	94,409	- within one year	195,545
- within two to five years	69,193	98,531	- within two to five years	167,724
- above five years	1,000	0	- above five years	1,000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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28.6 Stadium Expenditure

During the financial year, it was discovered that the opening balance for the disclosure of stadium expenditure by nature was misstated.

A summary of the effect of the correction of error is presented below:

Notes to the Annual Financial Statements	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
19.1 NMBM Stadium Expenditure by nature		-		
Employee Related costs	13,808,074	915,774	Employee Related costs	14,723,848
Contracted Services	14,723,848	-915,774	Contracted Services	13,808,074

28.6 Employee Costs

During the financial year, it was discovered that the opening balance for the disclosure of employee related costs was misstated.

A summary of the effect of the correction of error is presented below:

Notes to the Annual Financial Statement	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance	
15. Employee Related costs		**0**		
Performance bonus	401,742	-152,888	Employee Related costs	248,854
Leave pay	237,752	-3,008	Leave pay	234,744
Salaries and Wages	16,079,187	155,896	Contracted Services	16,235,083

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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29. Fruitless and wasteful Expenditure

Opening Balance	1,002,934	866,743
Incurred during the year	-	136,191
Condoned by the Board	-977,191	-
Closing Balance	**25,743**	**1,002,934**

Analysis of Current Year's Fruitless and wasteful expenditure

Incident	Disciplinary steps taken/ criminal proceedings	Amount
Cancellation of contract	Written-off by the Board after investigation	850,000
SARS late payment penalty	Written-off by the Board after investigation	111,058
SARS late payment Interest	Written-off by the Board after investigation	6,549
Cancellation of tender	Written-off by the Board after investigation	9,584
Payment of fraudulent invoice	Investigation by Internal Audit finalised.	16,743
SHEQ services for subsequently cancelled project	Investigation by Internal Audit finalised.	9,000
		1,002,934

Please refer to Note 26 for additional details.

30. Irregular Expenditure

		Restated
Opening Balance - as previously stated	**2,654,311**	**205,792**
- Prior year correction	-	49,500
Opening Balance Restated	2,654,311	**255,292**
Incurred during the year	-	3,773,815
Condoned by the Board	-2,289,892	-1,374,796
Closing Balance	**364,419**	**2,654,311**

Analysis of Current Year's irregular expenditure

Incident	Disciplinary steps taken/ criminal proceedings	Amount
Deviations not approved by the Accounting Officer	Approved by the Board after investigation	2,582,765
Payment after end of contract	Approved by the Board after investigation	24,679
Payments to suppliers not on Accredited Database	Approved by the Board after investigation	1,057,244
Payments made after expiry of contract	Investigation by Internal Audit finalised.	97,964
Appointment of supplier who is in service of the state	Investigation by Internal Audit finalised.	199,500
Procurement without an SCM Process	Investigation by Internal Audit finalised.	66,955
		4,029,107

Please refer to Note 26 for additional details.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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31. Related Parties

Relationships		
Controlling entity	Nelson Mandela Bay Metropolitan Municipality	
Other members of the group	None	
Members of key management	Chief Executive Officer	Mr Ashraf Adam
	Chief Financial Officer (Appointed as new Permanent CFO on 04 Feb 2019)	Ms Koliswa Mgijima
	Acting Chief Financial Officer (Appointed to act as CFO from 03 September 2018 until 03 February 2019)	Mr Zimbali Khwela
	Chief Financial Officer (CFO until 31 August 2018 when a new position was taken up)	Mr Ashwin Daya
	Acting Operations Executive (Appointed in acting capacity on 10 October 2018 until date of permanent appointment being 03 April 2019)	Ms Debbie Hendricks
	Acting Corporate Services Executive (Appointed to act from 01 July 2018 to 31 December 2018 and reappointed to act from 01 February 2019 to 30 June 2018)	Mr Luvuyo Bangazi
	Acting Corporate Services Executive (Appointed to act from 01 January 2019 to 31 January 2019)	Mr Ashwin Daya
	Stadium Manager	Mr Mpho Mokonyama
	Compliance Executive/ Chief Risk Officer (Permanently appointed from 01 September 2018 until date of termination of the position on 31 May 2019. Was appointed to act in the post from 01 July 2018 until date of permanent appointment 31 August 2018)	Mr Ashwin Daya
	Company Secretary	Mr Mbulelo Matiwane
Directors	Mputumi William Goduka (Chairperson)	Non-Executive Director
	Kasaven Govender	Non-Executive Director
	Adrian John Faulkner Gardiner	Non-Executive Director
	Renganayagee Kisten	Non-Executive Director
	Bongani Gxilishe	Non-Executive Director
	Rajesh Dana	Non-Executive Director
	Sithole Mabi Mbanga	Non-Executive Director
	Masalamani Odayar	Non-Executive Director
	Nomnikelo Kondlo	Non-Executive Director
	Moabelo Michael Koenaite	Non-Executive Director
	Glenda Perumal	Non-Executive Director
	Mandlakazi Ruth Skefile	Non-Executive Director
	Vuyani Galen Dyantyi	Non-Executive Director
	Mxolisi Moolman	Non-Executive Director
	Khwezi Gideon Ntshanyana	Non-Executive Director

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	*Notes*	2019	2018
Related party balances			
Receivables from related parties			
Nelson Mandela Bay Metropolitan Municipality	2	61,667,327	49,190,781
Payables to related parties			
Nelson Mandela Bay Metropolitan Municipality	8	7,455,894	11,148,454
Unspent grants from related parties			
Nelson Mandela Bay Metropolitan Municipality	11	41,796,976	61,792,733
Income from related parties			
Nelson Mandela Bay Metropolitan Municipality	13	146,229,881	123,369,252
Payments made to related parties		14,748,054	810,726
Nelson Mandela Bay Metropolitan Municipality			

None of the related party balances have been impaired for doubtful debts

32. Additional Disclosures in terms of the MFMA

Audit Fees

	Notes	2019	2018
Current year fee	19	1,088,980	937,082
Amount paid - current year		-1,088,980	-937,082
		-	-

PAYE, SDL and UIF

	2019	2018
Current year fee	8,110,592	6,528,145
Amount paid - current year	-8,110,592	-6,528,145
	-	-

A penalty and interest was levied for a late payment for 1 month

Pension Deductions

	2019	2018
Current year fee	4,478,422	2,191,325
Amount paid - current year	-4,478,422	-2,191,325
	-	-

Medical Aid

	2019	2018
Current year fee	2,801,220	1,751,820
Amount paid - current year	-2,711,106	-1,590,612
	90,114	**161,208**

VAT

	2019	2018
VAT receivable	2,482,247	932,288
VAT payable	4,113,165	-2,611,483
	6,595,412	**-1,679,195**

All VAT returns were submitted by the due date throughout the year.

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33. Deviations from Supply Chain Management Processes

	2019		2018	
	No of instances	Amount	No of instances	Amount
Categories of deviation as per Regulation 36 of the MFMA				
Regulation 36 (1)(a)(i) : In the case of an emergency	1	143,290	6	112,996
Regulation 36 (1)(a)(ii) : Goods or services are produced or available from a single provider	14	459,769	36	810,671
Regulation 36 (1)(a)(iii) : Acquisition of special works of art or historical objects where specifications are difficult to compile	3	611,528	-	-
Regulation 36 (1)(a)(v) : Exceptional case where it is impractical or impossible to follow the official procurement processes	52	10,198,556	113	5,078,581
Regulation 36 (1)(b) : Ratification any minor breaches of the procurement processes	-	-	-	-
	70	**11,413,142**	**155**	**6,002,247**

34. Awards made to a person whose close family members are in the service of the State

A municipal entity must disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including:

(a) the name of that bidder

(b) the capacity in which that person is in the service of the state

(c) the amount of the award

35. Budget Differences

Name of bidder	Capacity in which that person is in the service of the state	Amount of the award
N/A	N/A	N/A

Material differences between budget and actual amounts - MBDA

A - There was increased demand for rental of Tramways building not foreseen at mid-term

B - Stadium interest was consolidated into the MBDA figures, this had not been included in the Budget

C - This was low due to spending on the CAPEX budget being lower than anticipated

D - This was due to lower than expected games at the stadium

E - This was due to vacancies during the year

F - This was due to some assets being procured later than expected resulting in later start dates for depreciation

G - This relates to KfW funded projects. The budget was allocated only for site establishment with the rest of expenditure anticipated in the new year

H - Higher amount of cash was anticipated, however receivable amounts have not been received as anticipated

I - The purchase of the property under PPE caused better than anticipated asset base

J - A large portion of the CAPEX expenditure occurs in the 4th quarter, causing higher than anticipated payables

K - The entity had not received the quarter grant for the 4th quarter resulting in a negative net figures as compared to the budget

L - The entity had anticipated higher CAPEX spend than what was made

M - This was budgeted for, however planned activities did not take place

Material differences between budget and actual amounts - MBDA (Nelson Mandela Bay Stadium)

N - First class games were played away from the stadium for Soccer and rugby, resulting in lower than anticipated revenue

O - Expenditure on major OPEX items is only anticipated to be completed in the new financial year

P - Expenditure on major CAPEX items is only anticipated to be completed in the new financial year

mandela bay
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