



ANNUAL REPORT 2017/18



mandela bay
DEVELOPMENT AGENCY
RENEW • REVIVE • INSPIRE



ACRONYMS AND ABBREVIATIONS

AFS	Annual Financial Statements
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 & Industry
EDTA	Economic Development, Tourism and Agriculture
EIA	Environmental Impact Assessment
FY	Financial Year
HURP	Helenvale Urban Renewal Programme
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
SAPS	South African Police Service
SDA	Service Delivery Agreement
SSIF	Strategic Spatial Implementation Framework
SMMEs	Small, Medium and Micro-sized Enterprise
SPUU	Safety and Peace through Urban Upgrading
SPV	Special Purpose Vehicle
SRA	Special Ratings Area
SSIF	Strategic Spatial Implementation Framework
NMBSTC	Nelson Mandela Bay Science & Technology Centre

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FINANCIAL YEAR IN NUMBERS

MBDA 2017/18



17 632

attendance in Ebubeleni Music Concert at NMB Stadium



6027

learners, educators and public were reached through the in-house programme (curriculum aligned lessons, teacher trainings and edutainment programmes)



1 922

learners reached through the NMBSTC Outreach programme

21



SPUU CDF projects completed

MBDA

launched a multimillion-rand anti-crime programme



25 TROLLEYS

which will be used to provide after-hours storage for Uitenhage CBD vendors

R20M

in media coverage ave earned

872
20

Learners, educators and community members were reached during National Science Week which was held in 2017 at the NMBSTC

6234



engaged social media followers on Facebook, Twitter, LinkedIn and Instagram

FIVE



graduates were provided with professional work experience and coaching



R700 000,00

in CSI contribution

24

skilled trainees received certificates through the SPUU Youth Employment Promotion

9652

people reached by the NMBSTC through its comprehensive programmes



01

SECTION

INTRODUCTION & ORGANISATIONAL OVERVIEW



01 FOREWORD BY THE EXECUTIVE MAYOR OF NELSON MANDELA BAY

The Mandela Bay Development Agency is an entity created and owned by the Nelson Mandela Bay Municipality on behalf of the citizens of Nelson Mandela Bay. This 14yr old entity has contributed immensely to the redevelopment and urban renewal of Nelson Mandela Bay. Credit for the establishment of this strategic institution must go to the founding fathers of our Metro, led then by Executive Mayor, Cllr Nceba Faku, who saw the need and purpose for a special purpose vehicle to expedite the urban renewal of the Bay.

It is also important to note that the MBDA was created with a very specific Council developed mandate, the regeneration and urban renewal of the inner city of Port Elizabeth. The entity was set up, so it could operate with a level of independence and more efficiency in carrying out its mandate. There is no doubt that this entity has bequeathed the City with world-class, economic rejuvenation projects that have changed the landscape of Nelson Mandela Bay from Central to New Brighton.

Amongst the iconic projects successfully implemented by the MBDA are Kings Beach redevelopment, Central CBD upgrades, the Tramways Building, Helenvale Resource Centre, Uitenhage Square, the Baakens and Donkin Reserve. The latter includes the creation of Route 67, a heritage trail dotted with contemporary

artworks that celebrate the like of the City's name sake, uTata Nelson Mandela. The early successes of the MBDA can also be attributed to the enabling environment created by the Nelson Mandela Bay Municipality, who provided strong support and the necessary funding required.

The last five years of the MBDA saw the entity enter new territories, namely the previously disadvantaged areas of the Bay. Some of the notable and successful projects include a Business Incubation, Community Enterprise project (Car Wash) and an SMME trading centre all located in Veeplaas. The projects in Veeplaas were initiated and championed by the local community, and elected leadership of the Ward. The highlight of the Agency's projects, in previously disadvantage areas, is most definitely the Singaphi Street environmental upgrade, a project that incorporated significant community participation and empowerment of local SME's.

With successes come several challenges, some of which have stalled progress in some of the most challenged wards. The challenges facing the MBDA in these previously disadvantaged wards means that Council and the MBDA need to collaborate and complement each other, because the complexities are unique and are very much a product of apartheid era spatial planning.



The MBDA operates in a strictly regulated environment that places a lot of emphasis on compliance.

The challenges to implementing urban renewal projects are more pronounced in areas such as Helenvale, where even with significant community buy in, projects continue to get stalled due to gang violence and crime. These external factors are issues beyond the scope and abilities of the MBDA, but the consequences affect the performance and speed of delivery, denying communities much needed development and services.

Finally, on behalf of Council and the Citizens of the Bay, I wish to congratulate the Board, Management and Staff of the MBDA for attaining yet another unqualified audit from the Auditor General of South Africa. We recognize that attaining unqualified audits in this highly regulated environment is a significant achievement and Council acknowledges that.

Mongameli Bobani
Executive Mayor



02 CHAIRPERSON'S REPORT

Looking back at the period under review, I am happy to report that despite many legacy challenges inherited by this Board, we never lost sight of the important task at hand, to place the organisation on a good footing going forward in terms of mandate efficacy and performance.

The challenges the Agency found itself in are no doubt due to being locked into a "cloudy mandate" created through personal networks, influences, and a lack of clarity in mandated boundaries. Expectations from Council specifically had become vague and scope creep became invasive. Growing anxiety over the vulnerability of the structures and the lack of sustainability of the operating model resulted in the Board scrutinizing, and critically reassessing the organisational design and model going forward.

The Board led review, included a review of the organisational design, the development and implementation of a new and relevant performance management system. The organisational design process provided an indication as to whether there was a case for re-alignment, expansion or reduction of the organisational structure. In the end the process proposed a revised structure that would enable improvement in the delivery of projects and performance.

The intent behind the organisational design project was to ensure that the structure of the MBDA can support the mandate, the new five-year strategic plan and the Agency's strategic objectives. Also, critical to setting up a revised structure was to first identify where the value

of the MBDA is created and how a revised structure could enhance that value creation. This talks to the maximizing of the components of the MBDA that contribute to the realization of the strategy. This process was consultative, all-inclusive and concluded in June 2018.

On performance management, the MBDA is by design a special purpose vehicle of the Municipality and therefore must be agile, responsive, less bureaucratic and focused on performance and delivery. The assessment of the previous performance management system identified six key themes that needed to be addressed in a new system.

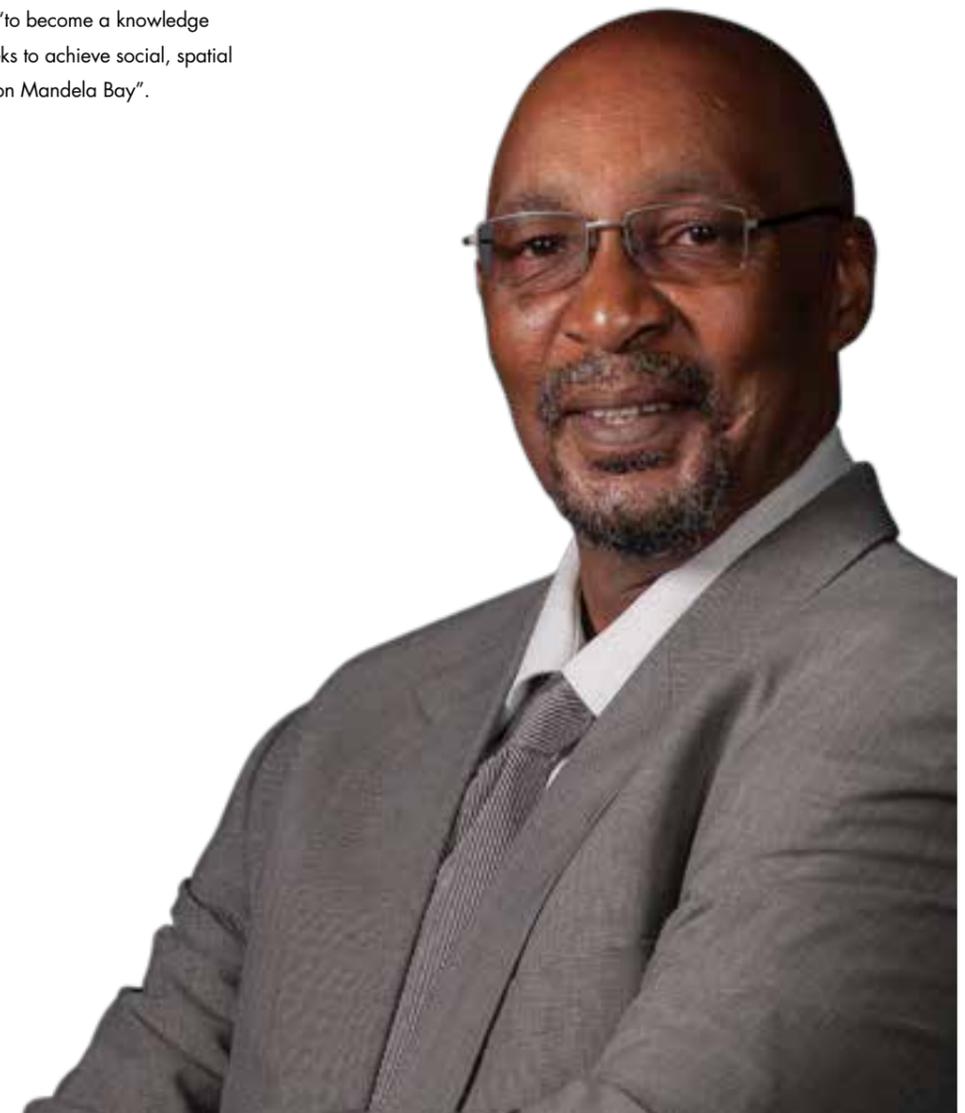
The challenges identified relate to; elements of leadership, culture, governance, capacity, capability, operating model, organizational structure and accountability. The ensuing period, 2018/19, will be the first time the system is put into practice, and I foresee that this period of adoption will provide us with key insights and learnings for the continuous improvement of the system. I have no doubt that the impact of these major interventions will soon bear fruit resulting in higher levels of accountability, performance and most importantly spatial, social and economic transformation in our mandate areas.

In conclusion, I would like to thank my fellow Directors who have diligently served this organisation, sometimes at significant personal cost. I would also like to congratulate management and staff for making sure that systems are adhered to and that we are able to once again maintain the Agency's unblemished record of unqualified audits.



Looking ahead I can confidently say that the Agency is in a better footing now and better positioned to capitalize on the organisational design and structure changes. The Agency now has the leadership, capacity, capability and structure in place in order to improve performance and realize the mission "to become a knowledge based developmental agency that seeks to achieve social, spatial and economic transformation in Nelson Mandela Bay".

Mputumi Goduka
Chairperson



03 CHIEF EXECUTIVE REPORT

My journey with this 14-year-old organisation started some 14 months ago as a secondment from the South African Local Government Association (SALGA) triggered by the resignation of the founding Chief Executive Officer of the MBDA. The mandate from the Board to me as Acting Chief Executive Officer then was simple; it was to stabilize the organisation, conduct a systems and processes review and appoint a Chief Executive Officer. Joining the organisation with only two months left in the 2016/17 financial year meant that all focus and energy would be spent looking forward, to the year covered in this report.

The initial organisational assessments indicated an entity that had enjoyed early successes, due to that success, the entity attracted scope creep with many initiatives clouding the mandate. The organisation's performance was already on the decline as there was no succession plan in place, and the entity had challenges spending capital budgets due to a heavy reliance on external service providers.

The MBDA thrives and does best when its people have clarity of its vision and purpose, and these in my view, also started to get muddy, bringing down morale and confidence. The sudden departure of then Chief Executive Officer only deepened the anxiety and drop in performance. As Acting Chief Executive Officer, my focus was the core mandate given to me by the Board in order to bring this organisation into a new realm of possibilities, challenging old habits and inspiring the team to find alternative approaches and focus on making an impact in the socio-economic space.

I am delighted to report that the mandate given to me by the Board has been achieved. The systems and organisation review pointed to

key issues that needed urgent attention. Top amongst the list was to establish a logical flow and processes for mandate acceptance and execution. Too many of the MBDA projects could not be logically justified and linked to the City's strategic imperatives, either on the Integrated Development Plan or the Built Environment Performance Plan. The National Development Plan did not even feature in the planning and scoping of MBDA initiatives. Today, the Agency has a 5-year Strategic Plan that adopts a logical framework approach.

Programmes and projects are unpacked over a period of 5 years with clear outcomes, clear links to the City's Key Performance Areas and IDP. Many of these programmes are not new, the difference is that they now follow a systematic and logical approach, which also makes budgeting, funding and resourcing that much clearer. The MBDA now has a clear mandate acceptance and implementation system and procedure, which also informs the City when projects are due for take over and maintenance.

Equally important and coming out of the systems review were shortcomings in the organisational structure to drive performance. The Agency spent significant resources outsourcing to external professional service providers without any retention of skills know-how and that fuelled an abnormal dependency. This model could have well worked when the Agency was a start-up, but 13 years later, this became a drain in the resources earmarked for development. Several teams of consultants were appointed per project meaning there was no synergy or leveraging when it came to emerging projects and ad-hoc requirements.

Exacerbating the problem was that securing these consultant services would be delayed by a lengthy supply chain process that often took nearly 90 days to complete. All these issues had a direct impact on capital budget expenditure and institutional performance. To remedy this, the Board approved a revised organisational structure that would insource critical skills, create a matrix structure in the engine room of the Agency, and include Operations to give them the flexibility to mix and pull resources as and when needed.

The revised organisational structure is engineered to improve efficiencies, streamline processes and build in-house capacity. The by-product is a potential savings in time and resources because the need to advertise, evaluate and adjudicate for consultants over a 3 month period would no longer be necessary. The high costs of consultants would reduce, as the Agency would source external skills only under special circumstances.

The period 2017/18 has been 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 realized in the 2019/20 year and beyond. I have no doubt in my mind that the MBDA is on a path to do great things and we have started earnestly.

A renewed partnership with Nelson Mandela University on research in alternative energy and eMobility is at an advanced stage and our first solar powered unit will be delivered by NMU in January 2019. We have also partnered with the Nelson Mandela Bay Composites Cluster to foster a unique relationship that will see the adoption of alternative materials to reduce costs, become greener and pioneer new innovations. The Nelson Mandela Bay Stadium is embarking on a breakthrough Green Hub initiative that will see the community of North End access the Stadium as a Waste and Recycling Hub, where

the community could exchange waste for something of value, such as match and event access or necessities such as soap and bread.

The programmes in the five-year plan, effective July 2018, will be reported on in the relevant period. Suffice to say that Area and Facilities Management is a focus area along with a holistic development approach that considers Psychosocial programs as an integral part to the work we do. Even with limited resources, the MBDA, will continue to do more Helenvale Safety and Peace through Urban Upgrading (SPUU) type interventions.

Finally, I would like to thank the Board of Directors for the support and leadership they provided over this period, ensuring that we kept our record of unqualified audit outcomes from the Auditor General of South Africa. Various committees of the Board including Corporate Services Committee (HR& Remco), Capital Projects and Audit have all added immense value to bring the Agency to where it is today. To management and staff, thank you for your cooperation and robust constructive engagements. We can never rest on any laurels because our task is too big and the reason for our existence has only been amplified. The 2018/19 year will be tough, but we wouldn't have it any other way. Our reason for existence is to Revive, Renew and Inspire Nelson Mandela Bay.



Ashraf Adam
Chief Executive Officer



04 RENEWED AND REFOCUSED

MANDELA BAY DEVELOPMENT AGENCY

The period in review saw a consolidation of the Strategic Review Process that began in the latter phase of that year. The Strategic Review Process, mandated by the MBDA Board of Directors, looked at various operational and strategic aspects of the MBDA. This included a systems and processes review, project establishment and implementation, reporting, a skills audit, review of the organogram and restructuring in order to deliver on the new mandate.

The Board approved the Strategic Review Report and the adopted four areas of focus, are:

- Facility management: The agency already operates facilities such as The Tramways, Campanile, Helenvale Resource Centre, and Nelson Mandela Bay Stadium

with more to come on stream in the future.

- Area management: This aspect entails security, cleansing and other utilities and services in special spatial nodes.
- Socio-economic programmes: The programmes focus on uplifting or improving the lives of communities living on the margins of society and in high levels of poverty, unemployment and crime.
- Research and knowledge creation: This will see the MBDA become a capacity hub, introducing new physical or intangible assets to the city with a focus on sustainability.

The resultant Vision, Mission and Strategic objects of the MBDA are as follows: *(See page on right)*

VISION

To develop an iconic **world-class** ocean city, showcasing its diversity of people, culture, heritage and environment.

world-class
an adjective

Someone or something world-class is one of the best that there are of that type in the world: a world-class athlete/performance



MISSION

To become a knowledge-based developmental agency that seeks to achieve - social, spatial and economic **transformation** in Nelson Mandela Bay.

transformation
noun

a marked change in form, nature, or appearance.



STRATEGIC OBJECTIVES

To pioneer and implement **people-centred** catalytic programmes;
To create spaces and places that inspire and transform Nelson Mandela Bay; and
Develop and promote a creative culture in Nelson Mandela Bay.

people-centred
meaning

People-centered development is an approach to international development that focuses on improving local communities' self-reliance, social justice, and participatory decision-making.



02

SECTION
GOVERNANCE



BOARD OF: DIRECTORS



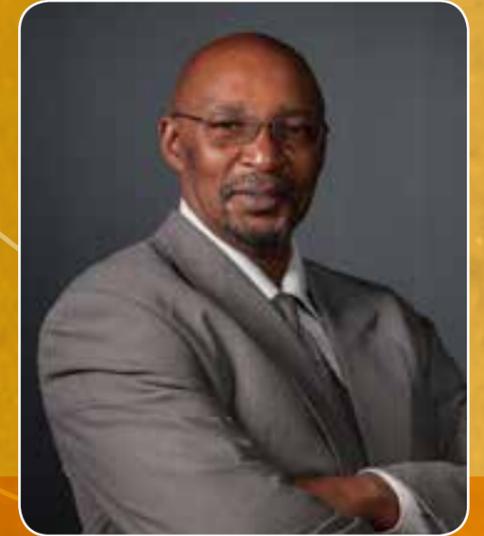
ADRIAN **GARDINER**



RAJESH **DANA**



KENNY **GOVENDER**



MPHUTUMI **GODUKA**
Board Chairperson



MASLA **ODAYAR**



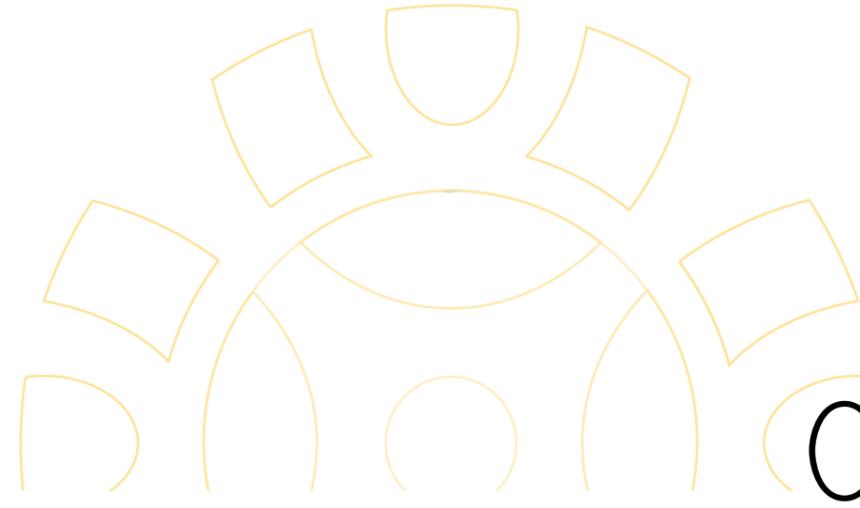
BONGANI **GXILISHE**



ROJIE **KISTEN**
Capital Projects and Implementation
Committee Chairperson



SITHOLE **MBANGA**
Corporate Services Committee Chairperson



01 MANDATE

The MBDA was conceptualised by the Nelson Mandela Bay Municipality 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 Nelson Mandela Bay CBD and other designated areas.

Since then, the mandate area has been expanded to include several key township projects, with the aim of transforming 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 Nelson Mandela Bay. 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.

02 STRUCTURES

2.1. GOVERNANCE STRUCTURE

OWNERSHIP AND CONTROL

The MBDA was established as a municipal entity in 2003 as a joint initiative of the Nelson Mandela Bay Municipality (NMBM) and the Industrial Development Corporation (IDC). The Agency is wholly owned by the Nelson Mandela Bay Municipality.

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.



03 ADMINISTRATIVE GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

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

BOARD MEMBERS AS AT 30 JUNE 2018

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

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

Sithole Mbanga, Appointed to the Board: 21 April 2016

Masalamani Odayar, Appointed to the Board: 21 April 2016

COMPANY SECRETARY

Mbulelo Matiwane

Audit Committee

Michelle Wait: Chairperson and Independent member

Gregory Billson: Independent member

Herbert Fischat: Independent member

Stephen Nel: Independent member

William Smith: Independent member

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Sithole Mbanga: Chairperson

Rajesh Dana

Mputumi Goduka

Kasaven Kenny Govender

Masalamani Odayar

CAPITAL PROJECTS COMMITTEE

Rojie Kisten: Chairperson

Kasaven Kenny Govender

Sithole Mbanga

MANAGEMENT AS AT 30 JUNE 2018

Ashraf Adam: Acting Chief Executive Officer

Ashwin Daya: Chief Financial Officer

Dorelle Sapere: Planning and Development Manager

Nafeesa Dienie: Acting Planning and Development Manager (SPUU)

Mcebisi Ncalu: Operations Manager

Luvuyo Bangazi: Marketing and Communications Manager

Mpho Mokonyama: Nelson Mandela Bay Stadium Manager

Singathwa Poswa: Acting NMB Science Centre Manager

04 INTER-GOVERNMENTAL RELATIONS

4.1. GOVERNMENT STAKEHOLDERS AND ENGAGEMENTS

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

The MBDA coordinates its area-based developments and other catalytic interventions with in collaboration with relevant directorates and sub directorate of the NMBM. It is important for the MBDA to engage with client departments so that upon completion, they are able to take ownership of projects, programmes and assets created by the MBDA.

4.2. PUBLIC ACCOUNTABILITY AND PARTICIPATION

All MBDA projects follow an in-depth public participation process, particularly in the master plan and design phases, but also with increasing regularity, throughout the construction process. The Agency collaborates with key stakeholders to meet project design and implementation goals. Designs are finalised only after the consideration of various inputs received and recorded through public participation processes.

MBDA management further ensures that final designs and project concepts are in line with the Agency's mandate and strategic plan as well as the IDP of its parent municipality. Moreover, the MBDA is in constant conversation with various communities within its mandate areas and maintains a people-centred approach to its development methodology. Perception surveys are performed periodically to gauge public sentiment and ensure that the MBDA always has the public's interests at the centre of its initiatives.



05 CORPORATE PROFILE AND GOVERNANCE

5.1. CORPORATE PROFILE

The MBDA stimulates, facilitates and supports area-based urban renewal initiatives throughout Nelson Mandela Bay. It is an entity wholly owned by the Nelson Mandela Bay Municipality.

HISTORY

The MBDA came into being at a critical point in the history of Nelson Mandela Bay, when urban decay in the CBD had led to a decline in occupancy and interest in real estate investment – a downward trend which had begun to impact negatively on the municipal rates base.

The Strategic Spatial Implementation Framework (SSIF) of the MBDA was developed in 2006 as a point of departure for reversing socio-economic decline in the Agency's mandate area. The SSIF established the MBDA's long-term vision and strategy; and was accepted by the NMBM Council as the blueprint for economic development and urban renewal in the mandate area.

PURPOSE AND STRATEGY

As an agent of the NMBM, the MBDA's work supports achievement of the goals in the IDP that were drawn up by the municipality for development of the city as a whole. The SSIF, and the five-year strategic plan derived from it, thus

corresponds with the urban renewal, urban management and development planning sectors of the IDP.

The MBDA's five-year strategic plan charts the Agency's medium- to long-term strategic course. It is periodically reviewed to take into account, and respond to, prevailing local and global economic and political conditions. Drawing on the long-term vision of the SSIF, the five-year plan outlines development priorities and strategies, and is accompanied by key performance indicators that set out short- to medium-term objectives and programmes that will ensure sustained progress towards achieving the MBDA's vision.

GROWTH STRATEGY

The MBDA has accumulated a successful track record through the implementation of projects that have consistently achieved the goals of spurring socio-economic transformation, improving public confidence, and positively influencing private sector real estate and corporate investor decisions.

The increased enthusiasm of the private sector continues to present an opportunity for the MBDA. The Agency endeavours to encourage partnerships and involve corporate and private investors, public sector funders, and provincial and national governments in those capital project developments that stimulate private sector investment response. The MBDA was established expressly for facilitating such developments and encouraging private sector

confidence and investment. Its cumulative and growing experience in the types of developments it conceptualises, implements and manages represents a significant asset for the NMBM.

Moreover, the MBDA has partnered with various private sector businesses to collaborate on corporate social investment initiatives that also leave a lasting impact on communities. During the 2017/28 period the MBDA continued to deliver on its vision under the SSIF. It will also expand on and enhance its competence in meeting the urban renewal needs of the greater Nelson Mandela Bay area. In growing its influence, the MBDA will widen its focus into new mandate areas, concentrate on deepening the lasting economic and social impacts of its work, and ensure that projects are economically and environmentally sustainable.

COMPETENCIES

As a development vehicle, the MBDA coordinates and manages socio-economic, capital investment projects and related initiatives such as cleansing, security and the regulation of informal trading, in partnership with public and private sector stakeholders. In particular, the MBDA has gained significant experience in the following aspects:

- Urban renewal – rejuvenation and development of decayed areas;
- A 'bottom-up' concept-to-completion approach that involves affected communities in determining the outcome of development projects and the maintenance of developed infrastructure;
- Project management and coordination of diverse teams; and
- Regeneration of historically marginalised areas.

Other than being an implementing agent for the NMBM with a particular emphasis on urban renewal – the MBDA has also become a key transformation agent in Nelson Mandela Bay, thanks to its strong social approach.

5.2. GOVERNANCE

The MBDA endeavours to ensure that the essentials of good governance are in place to ensure smooth operations. These elements include risk management, anti-corruption initiatives, secure supply chain management, a digital presence for engagement and communications, and compliance with relevant legislation and bylaws.

In terms of risk management, the Agency has undertaken a risk review process and has compiled a risk register that is reviewed on a quarterly basis. This register is also tabled at board, audit and risk committee meetings for discussion and appropriate action where necessary. A board-approved fraud and corruption policy has also been implemented by the Agency with ongoing monitoring and evaluation checks and balances in place.

With respect to its various projects, the Agency applies strict and sound supply chain management policies and procedures to ensure that this critical business process is fully adhered to in an effective and efficient manner. The Agency's supply chain management policy is based on the policy of its parent municipality, which in turn, is based on the National Treasury model policy. Compliance with this is mandatory and necessary to ensure processes are legitimate and fair.

Municipal bylaws indirectly affect the entire city. However, beside matters relating to informal traders, security and the cleansing plan initiatives of the Agency, municipal bylaws do not directly impact the Agency's projects. The MBDA reports to the parent municipality's Economic Development, Tourism and Agriculture portfolio committee (as outlined in the Main Funder figure) on the progress of its various urban renewal projects. It also falls under the jurisdiction of the NMBM Municipal Public Accounts Committee, as well as the NMBM's Budget Performance Monitoring Forum.



03

SECTION

SERVICE DELIVERY PERFORMANCE



01 SERVICE DELIVERY PERFORMANCE

Since establishment, the MBDA has facilitated and invested in excess of R650-million in direct infrastructure upgrades to date. This is a bold demonstration of the MBDA's confidence in Nelson Mandela Bay's potential, and one that has yielded the desired outcomes - resulting in increased private sector investment, particularly in areas where projects are now completed.

1. PLANNING AND DEVELOPMENT

The Planning and Development unit has been instrumental in its engagement in a significant number of strategic and catalytic programmes that impact social, economic and spatial planning in Nelson Mandela Bay. In the period under review, the team has led several successful programmes, including the Port/ Baakens Programme, the Happy Valley Programme, the New Brighton and Red Location Programme, the Uitenhage Railways Sheds Programme and the Helenvale Safety and Peace through Urban Upgrading Programme.

In the non-built environment, the unit initiated various arts initiatives that have created new job opportunities for established and emergent creatives in the Bay. Support to this initiative has taken the form of resources, but most importantly, the team offered guidance, mentorship, facilitation of opportunities and linkages to funding, all with the goal of assisting artists to become sustainable.

Due to the nature of the Agency's budgeting cycles, many of the capital projects are multi-year which means they cut across multiple financial years. Below are projects that were either already underway or started during the period under review.

1.1. INNER-CITY AND SPECIAL PROJECTS: PORT/ BAAKENS PROGRAMME

Contribution to the NMBM and MBDA Strategic and Business Plans

The programme contributes to the NMBM's key performance indicator of Local Economic Development and responds to three of the six Pillars of the NMBM by 1) being a safe city, 2) an inclusive city and 3) a forward-thinking city. The programme contributes to the Urban Network Strategy and the development of Integration Zones and Economic Growth nodes, of which the Port Elizabeth CBD is seen as a Primary Hub. The Programme is one of the 14 Catalytic Programmes identified in the Built Environment Performance Plan (BEPP) and is defined as the Port/Baakens Programme.

The Port/ Baakens Programme consists of a package of projects which forms part of the MBDA's Strategic Plan and are clustered into one of the six mandated areas of intervention of the MBDA, namely the PE Central/Baakens and Happy Valley Areas. The programme contains all the elements identified in the MBDA's Reviewed Strategic Plan, including Catalytic socio-economic projects, Targeted multi-sector interventions, Area and Facility Management and Partnerships and Research.

The Baakens River Precinct Plan has been conceptualized as an integral part of the Port Marina Precinct, which is concurrently being planned and developed by Transnet. It is envisaged that the 23km of pristine river frontage, together with the sea water frontage, will be a catalytic project which will contribute to an alternative economy for Nelson Mandela Bay. The Baakens Valley Programme is a package



of projects, identified through the Baakens Precinct Plan, which has been approved by Council and which has direct linkages to the proposed Waterfront Development being spearheaded by Transnet.

Priority projects have been identified and the MBDA has commenced with the implementation of these priority projects, with the goal of transforming the area into a safe, clean and affordable precinct that is characterized by multi-income, multi-generational and multi-sectoral uses. New technological solutions and innovative approaches will be sought.

OBJECTIVES OF THE PROGRAMME

- Spatial transformation of the precinct;
- Reconciliation of the forced removals from South End;
- A tourism product for the city;
- Social transformation of the precinct;
- Increased opportunity for job creation and artisanal production;
- A safer recreational precinct;
- Preservation of heritage;
- Transformation of the economy;
- Diversified user of the precinct;
- Transformation of the green lung; and
- Improved access to the precinct in terms of mobility, social and recreational access for all citizens of NMB.

PROGRESS TO DATE

The upgrade of Fleming Street and North Union Street is nearing completion. This first phase of the Vuyisile Mini Square upgrade will rationalize parking in the precinct and create the first part of the

pedestrian walkway to the river. It will also enable an events space, where markets and performances can be hosted. The planning and the preparation of approval submissions for the construction of a pedestrian bridge has commenced to ensure that construction can proceed in the 2018/19 financial year. The bridge will serve to link the heart of the inner-city with the Baakens Valley.

The upgrade of St Peters Land is close to completion. The process of rezoning all the available land on the south bank to enable a mixed-use precinct, predominantly for affordable housing, has commenced. The upgrading of the Ellis Street Houses, which are rental stock, has been prepared and will be implemented once lease agreements with the tenants have been finalized. The houses are currently in a very bad state of disrepair. Their upgrade will improve the quality of life of the nine extended families that live in Ellis Street, provide opportunities for economic strengthening to them and at the same time provide an indication of the MBDA's approach to transforming the Baakens Valley.

Several stakeholder engagements have been held around the cultural stories and environmental opportunities existing in the Valley. The private sector continues to invest in the precinct with popular events such as Food Truck Fridays, various markets, cycling events and fun walks taking place on a regular basis. In addition, the re-introduction of the Apple Express generated a lot of interest from tourists into the Baakens Valley and increased the number of visitors to the precinct. Traffic calming measures and the rationalization of parking commenced. Several interest groups have been working towards initiatives to activate the Baakens Valley and this has resulted in the collective transformation of the precinct through small investments with big impact.





Vuyisile Mini Square – Phase 1

Vuyisile Mini Square is one of the most important spaces in the NMBM and is the focus of significant decision-making buildings, and events in the city. The Square itself is surrounded by important heritage buildings on two sides and has the town hall at the centre of the space. The current phase provides part of a walkway that links Vuyisile Mini Square with the Baakens Valley.

The intentions of the project were to provide a non-vehicular connection to the Baakens River; to create a space where people can meet and share ideas; to alleviate the parking challenges experienced and provide adequate parking for councillors; to add value to the repurposed Campanile building; and to create an educational walk for children. The project has been completed.

Baakens River Pedestrian Bridge

The Baakens River Pedestrian Bridge will serve to connect the movement of pedestrians from Vuyisile Mini Square to the Baakens River Precinct in order to unlock the parking potential on the north bank of the river. This will influence increased numbers of visitors to activities happening at the Tramways building and other urban regeneration and tourism events in the Valley.

It responds directly to the key performance area of Local Economic Development and Oceans Economy, through the provision of public sector investment into infrastructure, which will unlock private investment and tourism. The work has been completed and a construction tender was advertised in August 2018.

St Peter's Church Environmental Upgrade

The aim of the project is to create a special place of remembrance, a heritage resource and a visitor destination in remembrance of South End and the community who lived there. This important heritage site consists of the ruins of St Peter's Church and is adjacent to St Mary's Cemetery, The Malay Cemetery and the Pauper Cemetery. The MBDA has purchased the land and is in the final process of a first phase, short-term intervention consisting of landscaping and improved access.

This will enable the site to be used as a multi-purpose outdoor events and recreational space. The MBDA will maintain and clean the cemetery and surrounding area, including the Paupers Grave and the Black Steps. Pedestrian connections and lighting to the entire area will be provided. The restoration of the Church itself will form part of a second phase.

The project contributes directly to social transformation and the creation of a tourism product for NMB. An extension of Route 67 into the history of South End can form the basis of an additional route into the area. This in turn will provide further jobs for tour operators and encourage visitors from docking passenger liners to visit the site and spend a day of leisure in the Valley. The project will be completed in the first quarter of 2018/19.

South End Mixed-Use Precinct

The project vision is to transform the south bank of the Baakens River into a new, post-apartheid neighbourhood which will acknowledge the injustice which was done by the forced removals in the early 1970's while providing an opportunity

for social, spatial and economic transformation through a mixed-use development. It will focus on affordable housing and the establishment of micro-enterprise opportunities within proximity of the proposed Waterfront precinct.

The Scope of work includes preparation of a Framework Plan; Rezoning the land, including all regulatory land use approvals to accommodate a Special Purpose Use with such proposed uses pre-defined; and the identification of blocks for development through a realistic phasing plan and assigning a bulk register for the development. The current scope of work is in process and is scheduled for completion by June 2019.

1.2. The Happy Valley Programme (as defined in the BEPP)

The Happy Valley Programme has been removed as a Catalytic Programme in the 2017/18 BEPP, but remains a key Programme forming part of the MBDA's Port Elizabeth Central/Baakens/ Happy Valley Area as defined in the Strategic Plan. The purpose of the programme is to enable the precinct to be used for a multiplicity of functions - including recreational, tourism, residential, retail, entertainment and commercial uses. An increased diversity of income groups, ages, cultural

backgrounds who make use of the area is a key driver of the Happy Valley programme. It is anticipated that the development at Telkom Park could start within the next two years. The biggest challenge has been the old stadium which is in a state of complete disrepair and is a safety hazard. The demolition of the stadium will make it a more attractive opportunity to developers.

Telkom Park

The MBDA's intentions with the project are to ensure that the precinct is safe and secure and to encourage the private sector to see the potential of the land in preparation of a call for proposals. The scope of work will involve: Demolition of the Telkom Park Stadium as well as precinct buildings and structures; Removing masonry work from the main pavilion, chalets and ablution facility; Demolishing remaining concrete structures; Clearing the existing open pavilion (NE) of all vegetation, and defective areas repaired; Demolishing the remainder of the open pavilions and slope embankments; Demolishing all precinct buildings; and Dismantling and disposing of masonry and bricks. The project has commenced and is scheduled for completion before the end of 2018.



3.1.3 NEW BRIGHTON & RED LOCATION PROGRAMME (as defined in the BEPP)

Singaphi Street Upgrade

The project was implemented to ensure local economic development in the so-called township areas to align with the MBDA's urban renewal initiatives of the inner city. The iconic Red Location area received approximately 150 000 visitors per annum when the Red Location Museum was open. The access roads to the museum were in a state of disrepair and it was considered essential to upgrade Singaphi Street as a major tourism approach route to Red Location - one which could, in turn, maximise the tourism opportunities for the residents of the area and enable them to develop an attractive street like Vilakazi Street in Soweto, Johannesburg, where the art, culture and heritage of New Brighton can be celebrated. The project has been completed.

New Brighton Swimming Pool

The purpose of the project is to provide a community recreational facility – a first of its kind for Nelson Mandela Bay's township areas. The facility can, depending on budget, be extended over time to become an economic hub for SMMEs. The project forms part of the municipality's mandate of basic service delivery. The project scope of work includes a swimming pool, ablution facilities, fencing and paving, a pump room as well as electrical and mechanical works. The project is in the construction phase. Its anticipated completion date is February 2019.

3.1.4 Uitenhage Railways Sheds Programme (as defined in the BEPP)

With the dissolution of the Uitenhage Despatch Development

Initiative (UDDI), the Uitenhage Science Centre has been incorporated into the MBDA. The remainder of the railway shed precinct consists of derelict sheds that detract from the Science Centre yet provide an opportunity for development. For this to happen, a long-standing award with a private sector developer needs to be unblocked. This involves the sale of land and lease agreement finalisation which is the current responsibility of the Economic Development, Tourism and Agriculture Department.

The MBDA has been tasked to upgrade the Railways Sheds on the lease portion, that forms part of the Science Centre Precinct. The intentions of the programme include: Spatial transformation of the Railway Shed Precinct; Social transformation of the precinct; Preservation of Heritage; Increased opportunity for job creation; Increase the effectiveness and reach of the Science Centre; and Improved quality of life in terms of mobility, social and recreational access for the residents of the area. Approximately 3000m² of lettable space will be created. The structural engineer has been identified and commenced work in July 2018.

3.1.5 Helenvale Safety and Peace through Urban Upgrading Programme (SPUU)

The governments of South Africa and Germany agreed upon a development co-operation to introduce a hybrid-model programme to reduce violence and crime through urban upgrading in Helenvale, Nelson Mandela Bay. The project as a partnership model is aimed at addressing the issues of safety and peace through urban upgrading which will be a catalyst for change. The project scope includes the phasing in of diverse project components in a hybrid development project model, consisting of capital infrastructure and psycho-social



programmes. The MBDA, mandated to implement the Safety and Peace through Urban Upgrading (SPUU) programme on behalf of the funding partners and shareholders, is tasked to deliver the project within the approved project framework and financing agreement.

How it supports the NMBM & MBDA's plans

The project is aligned to the NMBM's IDP, BEPP and the ward-based development plans. It is based on a multi-year project financing and implementation model which was designed to the needs as informed by the local communities in partnership with KfW (the German Development Bank) and NMBM. The programme is aligned to the MBDA's Strategic Business Plan and Helenvale is one of the precinct areas of the MBDA.

Background

Helenvale has intertwined problems of crime infestation and socio-economic deprivation. Apart from the manifestation of high levels of violence and crime, the area is known for overcrowding and poor housing conditions, unemployment and low incomes,

inadequate urban services, widespread alcohol and substance abuse, division of community structures, increased individualisation and the disintegration of families. From a socio-economic point of view, Helenvale is one of the most deprived areas of the metro, with two outstanding features: the relatively high proportion of young people and the low educational attainment levels. Taking into consideration the context, the programme is designed to combine three approaches: situational prevention by improvements which reduce the opportunities of crime and violence, social prevention by strengthening appropriate community initiatives, and institutional prevention by facilitating the cooperation of competent institutions.

The programme focuses on all Helenvale residents; it is expected that reduced levels of violence, upgraded public spaces and infrastructure as well as improved community services will benefit everyone. Nevertheless, there are priority target groups that the programme focuses on, including children and young adults, especially school drop-outs and youth in conflict with the law, as well as women. The programme pays special attention to safety at school, victims of crime, and victims of domestic violence. The overall goal of the SPUU programme is "to improve the quality of life of the residents of Helenvale, especially through the reduction of crime and violence."



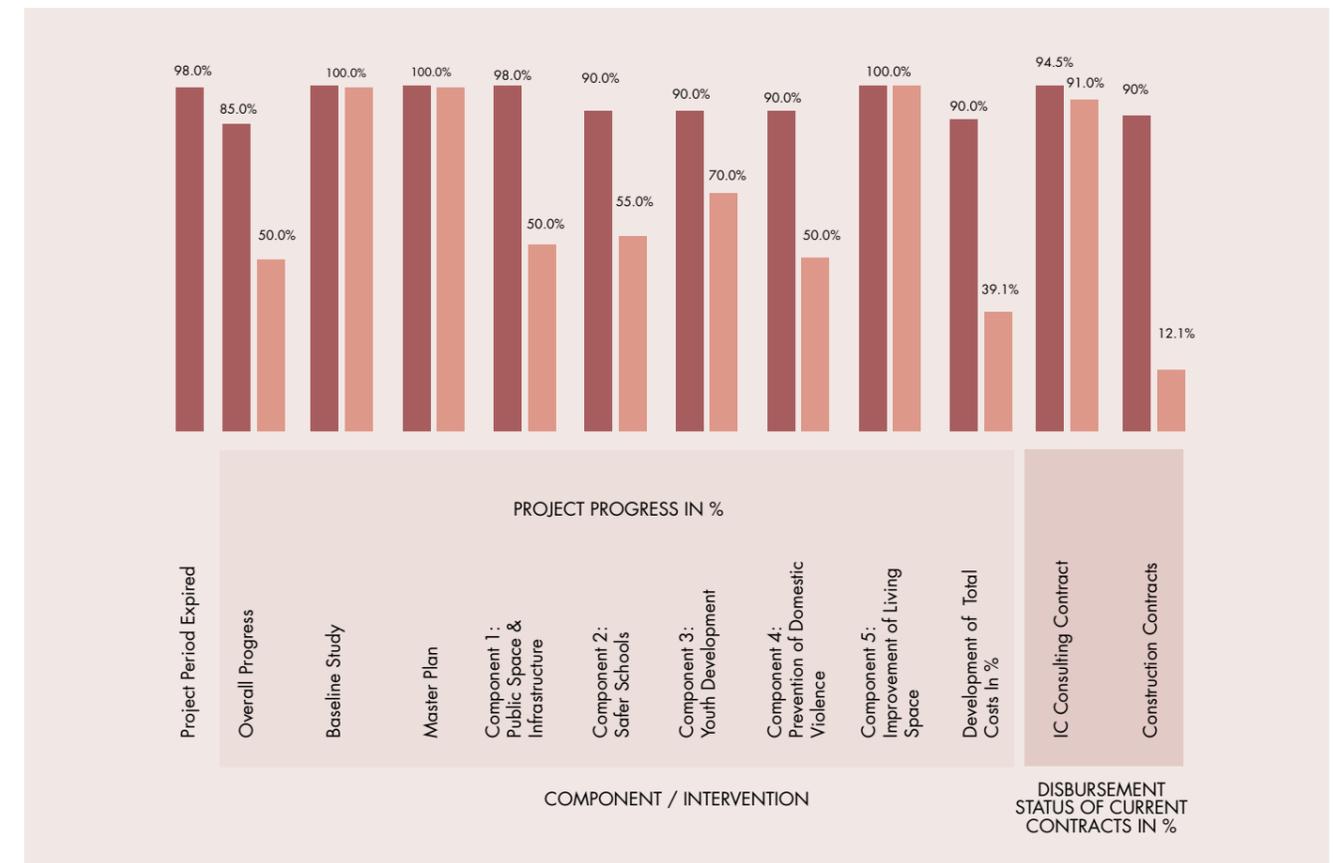
THE FIVE SPUU COMPONENTS AND OBJECTIVES

COMPONENT AREA	OBJECTIVE
1 Safe public space	Violence preventative infrastructure is provided, with the participation of the residents. The self-help potential of the target group is strengthened.
2 Safer schools	All schools in Helenvale are adequately equipped. Teachers, parents and students collectively contribute to the reduction of violence at schools.
3 Perspectives for the youth	Employment schemes, training and educational programmes, counselling services as well as recreational activities are available for the youth in Helenvale.
4 Domestic violence prevention	Services and support mechanisms for the fight against domestic violence are available for the inhabitants of Helenvale.
5 Improvement of living spaces (housing)	First steps for the implementation of a user-driven housing and neighbourhood improvement programme have been taken.

Source: SPUU Baseline Study, Aug. 2014, Table 16



STATUS OF THE SPUU PROJECT



Source: KfW Template (Annex 7 to the Separate Agreement), which measures indicative progress (planned vs. actual), on a composite basis, i.e. for the activities and initiatives that make up the distinct SPUU components.





PERFORMANCE OF THE PROGRAMME AGAINST ITS OBJECTIVES

The upsurge of violence in the period under review continued unabated. However, there were at least two important interventions by the government that may contribute to mitigation in the long run, including the deployment of Metro Police by the NMBM and a visit by the National Minister of Police. The newly launched NMBM Metro Police commenced operations in Helenvale on 6 September 2017, with one vehicle patrol and foot patrols. In addition, the NMBM has deployed technology to monitor shootings, known as "Shotspotter". The visibility of police is a major advancement that should ultimately contribute to the reduction of violence in public spaces. On 17 November 2017, the National Police Minister visited Helenvale and promised to increase police support in combating gangsterism.

Despite this progress, and in reaction to the continued violence, the MBDA had put on hold all infrastructure projects and terminated Contract No. 01/15 - the Construction of Pedestrian Walkways. All the other SPUU programmes continued, albeit at a slower pace. The most significant progress was in Youth Employment Promotion where 24 skills' trainees received their certificates from the training service provider during a ceremony on 8 December 2017. The SPUU programme period was initially planned to conclude on 31 January 2018, but KfW has in principle agreed to extend support. This support is however subject to a detailed elaboration of the SPUU programme measures to be implemented during the extension period.

The cost and financing (C&F) schedule had been revised to include the revised scope with the presumption that the proposed extension of KfW support will be finalized in early 2018.

Overall the programme is behind planned schedule by approximately:

- 15 months regarding Social Activities;
- 22 months regarding Construction Projects.

Component 1: Public Space and Infrastructure

During the last report period, there was one construction project under execution: Contract No. 01/15 - Construction of Pedestrian Walkways. The physical progress, as assessed by the resident engineer increased from 68% as of 30 September 2017, to 80% as of 31 October 2017. The contract was, however, terminated on 17 November 2017, due to risk of violence. The termination was preceded by discussion between the MBDA and NMBM on security risks, and an assessment by the engineer on the contractual obligations of the employer (MBDA) to provide a safe working environment. The termination was temporary lifted on 21 November 2017, but re-instated on 5 December 2017. After termination, the MBDA has recruited community members to clean up the sites of construction debris. A decision on whether to complete the works will be taken by the MBDA in the next report period.

Component 2: Safer Schools

This intervention combined construction of physical and sports facilities in the three Primary Schools and one High School into 1 contract (Contract No. 02/15). The scope of work included construction of "clear-view" fencing to the internal courtyard and stone guards to windows; renovating of existing sports facilities and installation of new facilities; and conversion of one classroom in each school into a dual-purpose counselling access point (CAP). The specific details were determined through a prioritization by each school, and there are slight variations, informed by the specific context. The previous contract, awarded in June 2016, was terminated in May 2017. The scope of infrastructure works to be funded from KfW grant has been revised to have more extensive sports facilities, and to exclude all works associated with rehabilitation of buildings.

Component 3: Youth Employment Promotion

The youth employment promotion component interventions are executed under a services contract by M/s Leap Entrepreneurial Development and supported by the IC. The inputs provided by LEAP comprise three technical experts, one for each of the three key result areas (Career Guidance, Skills Training and Support to Business). Assessments are managed by the team using proprietary computer software procured from Mindmills.

Component 4: Prevention of Domestic Violence

The challenge of funding services at the Helenvale Resource Centre was aggravated by the increase in violence. Out of the initial four service providers, only one (FAMSA) is still active.

Social services at the Counselling Access Points (CAPs) in the four schools are managed by the White Door of Hope (WDH). The volunteers are mentored by a local NGO, Voice for the Voiceless, as part of IC services to the Socio-economic Projects (SEP) cluster. The mentoring includes briefing on social services norms and standards, and monthly mentoring sessions aimed at guiding professional development, operational support and governance of NPOs.

The capacity building programme for local NGOs/CBOs, faith-based organisations, schools and other social service providers, executed by a local NGO, Voice for the Voiceless, under the overall auspices of, and within the Consulting Services of the IC, was concluded in October 2017 with a final workshop on Conflict Management.

Community Development Fund

The Community Development Fund is not a separate SPUU component and was financially budgeted for under Component 1 (Public Space & Infrastructure). The cumulative progress to date comprises of four rounds of "Call for Proposals" with a total of 27 projects approved. There was no new call for proposals, because of a saturation of eligible applicants. Field monitoring of ongoing projects was suspended due to violence.

The MBDA PMU with the IC support has reviewed the performance of the projects funded so far, in terms of use and accountability of the financial resources. So far, 21 of the 27 CDF projects are now fully completed, two projects were closed at partial completion, one project is on-going, two projects are yet to commence after the applicants requested leave to revise the budget, and one project was terminated before completion.

Component 5: Pilot Housing Project

During the previous reporting period, the MBDA and NMBM set up a Technical Committee to advise on the Environmental Impact Assessment (EIA), Technical Planning and implementation of the Pilot Housing Project. The Technical Committee, chaired by the Executive Directorate of Human Settlements, will prepare all documents required for submitting an application for additional funding to the National Department of Human Settlements. The Technical Committee has advised on the composition of a Steering Committee for the project. There were no further developments on the Pilot Housing Project during the reporting period.





2. AREA AND FACILITIES MANAGEMENT

security of the revamped Campanile on behalf of the Metro for the financial year 2017/18.

3.2.2 Security

The MBDA took a major step in creating a safer inner city through the launch of a multimillion-rand anti-crime programme in the period under review. Through the MBDA Security Programme, an additional private sector security support layer was introduced to augment law enforcement capacity in the CBD and to prevent and reduce crime.

This initiative, which complements work that is already being done by the South African Police Service, NMBM Safety and Security Department and the Metro Police, has the following overarching goals and is mandated to:

- Promote community involvement in response to safety and security matters;
- Provide protection to the general public, businesses and properties;
- Create a safer environment for the community, residents and business owners;
- Monitor and analyse crime tendencies;
- Design and implement strategic measures to reduce crime in the CBD;
- Protect tourist attractions in the identified precincts;
- Promote safety initiatives in the identified precincts among the various communities and interventionists;
- Monitor and identify illegal traders;
- Fulfil tourism ambassadorial roles; and
- Participate in blitz raids in the MBDA mandate areas (in conjunction with law enforcement authorities).

The programme introduced 63 trained and accredited security officers for random and routine foot patrols as well as criminal apprehension and on-site detention (to facilitate arrests through law-enforcement agents). Five vehicle units were introduced, including two K9 reaction retrofitted vehicles for random and routine patrols and rapid response, eight trained dogs for criminal apprehension, patrolling, narcotics detection, officer protection, tracking and on-site

3.2.1 Operations

The MBDA still maintains its completed projects and assets in its mandate areas such as the Port Elizabeth and Uitenhage CBD's and other projects in designated tourism precincts. In embracing its new role and function, the MBDA has embraced this aspect, to provide maintenance of assets, infrastructure and other operational initiatives, including security, cleaning, regulation and management of informal trading, and the maintenance of its key projects.

This is an accepted approach in urban development, which puts the basics in place and ensures that regenerated and revived destinations are protected against future urban decay. This in turn helps the Agency to ensure that private and public sector investments are protected, that investor confidence is maintained and that the quality of life and the environment around venues and facilities are preserved and protected.

In the 2017/18 financial year, the MBDA continued to implement programmes which included:

- Security top-up services in addition to the municipality's services in the Port Elizabeth CBD in the form of a private security company;
- Provision of cleansing top-up services in addition to the municipality's services in the CBDs of Port Elizabeth and Uitenhage;
- Regulation and management of informal trading in the CBDs of Port Elizabeth and Uitenhage;
- General maintenance of all MBDA completed projects both in Port Elizabeth and Uitenhage CBDs, including plumbing, electricity, masonry, painting and steel work;
- Helping communities within MBDA mandated areas, as well as outside, with the establishment of Special Rating Areas;
- Introduction of a Mobile Parking Meter Plan encompassing 1 329 meters in certain areas of the Port Elizabeth CBD;
- Provision of maintenance, upkeep and security in the Uitenhage Science and Technology Centre which was recently transferred to the MBDA by the NMBM; and
- The operationalisation, upkeep, maintenance and

detention (to facilitate arrests through law-enforcement agents), and six reaction officers for rapid response. Three roving information kiosks were also introduced. The introduction of the business forum chat group saw Metro Security guards working even harder than before. In fact, it yielded a minimum of two apprehensions per day.

The sad news is that at the end of this private security service contract on 31 August 2018, this service will not be renewed as the municipality sees it as a duplication of services. This comes at a time when the MBDA has been given the task of area management for the area abutted by Strand Street, Russell Road, Rink Street and Brickmakers kloof/Lower Valley Road. It is anticipated that there will be a huge gap in terms of security for the CBD and Central, with only a few members from the Metro Police/NMBM Security Services patrolling.

3.2.3 Informal trade regulation

Informal street trading is often associated with visual unpleasantness, littering, obstruction, crime, unhygienic surroundings and infrastructural decay. However, informal trade is the livelihood of many individuals, households and communities living on the periphery of society and in the shadow of the formal economy. With this understanding in mind, the MBDA is committed to creating appropriate spaces where vendors can trade to earn a living.

In the period under review, the MBDA's approach and work has solicited strong and positive endorsement from establishments such as the Nelson Mandela University's Faculty of Law which highlighted the way the MBDA regulates and manages informal trading in the CBD of Port Elizabeth to ensure fairness and transparency.

In a bid to ensure that informal traders tap into economic opportunities in the Uitenhage area, the MBDA created the Uitenhage CBD Uncedo Taxi Rank. During the period under review, 25 trolleys, which will be used to provide after-hours storage for the vendors, were procured and branded. These trolleys will be handed over to informal traders in the new financial year.

Due to several businesses closing in Govan Mbeki Avenue and the perceived notion that the area is unsafe, the MBDA together with the NMBM, organised businesses, and other relevant stakeholders, have embarked on hosting dialogues, public participation sessions, and studies to determine the cause of the perceived exodus. We will also challenge each other to find new and innovative ways to attract people and tourists to the city centre.

3.2.4 Special rating areas

A special rating area (SRA) is an area in which property owners agree to pay a small additional amount in rates. These

funds are then used to provide extra security and cleansing services. This allows property values to be maintained and/or improved and occupants to be safeguarded.

The MBDA has embarked on introducing SRAs in a bid to continue promoting economic development in areas prone to urban decay. Based on international best practices, the Metro's first SRA was established in Richmond Hill in the 2014/15 financial year.

Richmond Hill is one of the Metro's oldest suburbs and has seen significant redevelopment over the last five years. Driven exclusively by private investment, with the institutional support of the MBDA, small-scale urban renewal has occurred which has seen the introduction of a number of new businesses into the area – particularly restaurants – around Stanley Street. The introduction of these restaurants to the area has also helped to stimulate the redevelopment of the surrounding residential area. Local residents have made a number of improvements to their properties, which have led to a corresponding increase in property values.

In the period under review, the MBDA can report that based on empirical observations the SRA is doing well with a visible improvement on maintenance and improvements to properties, a reduction in crime, and a more aesthetic setting through litter removal.

This has encouraged the Central community with the help of the MBDA to embark on the process of establishing their own SRA. To date several public participation meetings have been held and the proposed area boundary has been agreed upon.

Through commitment by some property/business owners an interim committee was elected to drive this process and engage all the relevant municipal/government authorities to ensure the establishment of their own SRA.

Currently they are busy with the consenting process and have also created their own website where all their information is posted and where consenting can be done.

This process has been delayed due to most property owners not residing in Central, but the MBDA continues to work with the relevant stakeholders to see this initiative through. The MBDA has committed to assist with logistics/resources that would contribute to realising the Central SRA.

Furthermore, the success of the SRA model has resulted in home owners and property investors in Mount Croix, Walmer Heights and Walmer Links starting applications for SRAs, with the help of the MBDA.



3.2.5 Mobile parking meters

This initiative could not be continued, since the NMBM Traffic Department has been mandated to roll out the project. Since the MBDA is charged with the area management of the CBD and Central, the agency will nonetheless continue to ensure that public parking spaces are utilised effectively and efficiently, and that revenue is generated out of this public resource.

3.2.6 Final remarks

In the 2017/18 financial year, excellent strides were made to proactively maintain current projects, and to implement support mechanisms that both complement and supplement the work of the parent municipality. The MBDA is agile and strategically positioned to manage and maintain various operational programmes that are directly and indirectly linked to its mandate. It is positioned as an implementation agent of projects improving investment, aestheticism, tourism and city security and safety, which improve existing and new/alternative income streams for the city. This work is likely to escalate in the coming financial years.

3. MARKETING AND COMMUNICATIONS

The marketing and communications department is responsible for the provision of marketing, communications, events and corporate social investment services to relevant internal and external stakeholders.

3.3.1 Front of house

The team is continuously looking at various ways to manage and improve the front of house operation, which includes the reception and meeting facilities. We recently piloted a new call management system that channeled calls to specific departments, freeing up reception to deal with walk-in visitors. A decision has since been taken to put the system on hold due to some shortcomings identified. We are planning to introduce a new visitor feedback system via touch screen technology (tablets) as well as traditional suggestion boxes at key points of service.

3.3.2 The Tramways Events Centre

The team has worked hard at establishing the Tramways as an ideal venue for bespoke events. Demand for the venue is driven

through visitor experience, which means those who attend events here return to book themselves. The diversity of events is also welcomed with the Tramways Events Centre hosting weddings, fashion expos, youth talks, training workshops, motor vehicle launches, markets, high teas and many more.

3.3.3 The Campanile

This is the second facility that is operated and promoted by the Marketing team. Operations at the Campanile include the provision of tour guide services, complemented by tourism ambassadors. A brochure marketing the Campanile has been produced and distributed in partnership with Nelson Mandela Bay Tourism. The mandate to operate the Campanile from the NMBM expired at the end of June 2018.

3.3.4 Implementation of Special Projects

E-Mobility project

The eMobility project is a national initiative run by our local Nelson Mandela University aimed at preparing South Africa for future mobility trends. The MBDA was invited to this project by the Nelson Mandela University and the Nelson Mandela Bay Business Chamber, whom initially aimed at facilitating an international event. Since then the team has agreed to focus on three key initiatives.

The three main initiatives that are underway include:

1. Mobility month conference at Nelson Mandela University in October;
2. The Sasol Solar Challenge on 24 September; and
3. MBDA Tuk-Tuk conversion to battery- and solar-powered units.

- **Mobility Month planned for October 2018**

This initiative is earmarked for October 2018 during SA's Transport Month. Nelson Mandela University will host major speakers around electric vehicle development and research. On the periphery, the MBDA and the Business Chamber will host various public exhibitions with electric vehicles, e-bikes, Segway's and other items. Planning for this exhibition reached 70% during the current year in review.

- **Sasol Solar Challenge – Nelson Mandela Bay**

This event is part of a national tour featuring a fleet of local and international solar powered "race cars". The cars will arrive in Port



Elizabeth on 24 September and leave on 25 September. Planning for this exhibition reached 70% during the current year in review.

- **Tuk-Tuk conversion and charging station**

The MBDA through a renewed MOU with the Nelson Mandela University is about to launch the converted and branded electric powered Tuk-Tuk as a catalytic project to stimulate buy-in and adoption of alternative mobility platforms. These units, when completed, will be deployed for tourism ambassadorial services, NMB Science Centre outreach programmes and other initiatives that build on the SMART City agenda.

- **Advanced Manufacturing / Composites cluster**

The marketing department, in partnership with the NMB Science Centre and NMB Stadium team, is collaborating with a Nelson Mandela Bay Composites Cluster-led event planned for South Africa in November. The African Advanced Manufacturing and Composite Show is an offshoot of a similar initiative hosted in Paris annually.

Some of the leading alternative materials and composites industry leaders will be in South Africa to share best practice, as well as seek investment partnerships. More details to follow. Planning for this exhibition reached 60% during the current year in review.

3.3.5 Corporate Social Investment

The MBDA facilitates support for deserving community-led initiatives through a board-approved CSI policy. The Agency's management team is tasked through this policy to oversee its implementation and support of many non-profit initiatives. Most of beneficiary organizations are based in the townships of the Bay spanning from Early Child Development Centers to Sports Development initiatives. The assistance provided usually transcends the financial arrangement and often leads to capacity building, mentoring and facilitating additional partnerships with the private sector. To date an amount of R7 000 000 has been disbursed to various causes.



3.3.6 Media Management

The MBDA has for a long time received a more than average slice of media coverage when compared to other development agencies, especially those based in the Eastern Cape. There are many reasons that contribute to this - including the MBDA management's accessibility to the media, a proactive approach, the leadership role the MBDA has in the sphere of urban renewal, a small media base in the Eastern Cape and many other reasons. Year-on-year the value of coverage had increased significantly, even when volume has dropped.

Clip count - number of mentions during the year in review

Overall clip count for the MBDA decreased between 1 July 2017 to 30 June 2018 compared to 1 July 2016 to 30 June 2017 by 50 mentions or as a difference of 6%. 1 July 2017 to 30 June 2018's individual service result shows that print has decreased by 30 (11%) clippings to 253, online is down by 10 (2%) to 418, radio is down by 12 (8%) to 148, and television increased by 2

20%) to 12. The total combined clip count for 1 July 2017 to 30 June 2018 was 819, slightly down on the previous year of 868.

Advertising Value Equivalent (Media worth)

The period 1 July 2017 to 30 June 2018's individual service result shows that the MBDA's print Advertising Value Equivalent (AVE) has increased by R214 004 (3%) to R6 916 947, online is up by R2 348 627 (24%) to R12 259 800, radio is up by R55 387 (5%) to R1 168 049, and television increased by R17 347 (3%) to R608 253. The total combined AVE for 1 July 2017 to 30 June 2018 was R20 953 049, up on the previous year of R18 317 685.

The R20-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.



Infographic indicating the media coverage profile and associated dominant word themes



Word Cloud



CLIP COUNT
819



PRINT
286



ONLINE
328



BROADCAST
434

3.4. Nelson Mandela Bay Stadium

This report will highlight the Nelson Mandela Bay Stadium's new strategic foundation, illustrated through its performance for the period under review. The Stadium's performance is measured through outputs determined by an annual planning process, which sets targets for the year. The Nelson Mandela Bay Stadium is continuing to raise the bar with new events and initiatives, leveraging the city's most iconic real-estate asset as a flagship multi-purpose indoor and outdoor venue.

While the facility remains rooted in sport, it continues to focus

on staying the preferred and go-to destination for sport, arts, culture, recreational events and conferences in NMB. During the review period, stadium management forged a new vision for the largest real estate asset in the city – to transform it into a working investment on behalf ratepayers and residents of NMB.

The Nelson Mandela Bay Stadium's core focus is to position itself as a multipurpose stadium capable of offering a one-stop shop – generating sales opportunities for the business to grow through various income streams.

3.4.1. 2017/18 Events

Mandela Bay Development Agency - Stadium				
Nelson Mandela Bay Stadium Events History - 2017				
Event Name	Event Type	Event Date	Attendance	Organiser
Southern Kings vs Toyota Cheetahs	Rugby	13 January 2018	6 711	Southern Kings
Chippa United vs Bidvest Wits	Soccer	14 January 2018	6105	Chippa United FC
Chippa United vs Golden Arrows	Soccer	21 January 2018	3933	Chippa United FC
Chippa United vs Orlando Pirates	Soccer	04 February 2018	4030	Chippa United FC
Southern Kings vs Dragons	Rugby	02 March 2018	4574	Southern Kings
NMB Mountain Bike Challenge	Cycling	04 March 2018	No headcount	NMB Stadium
Southern Kings vs Benetton	Rugby	24 March 2018	4193	Southern Kings
Presenter Search on 3	Auditions	25 March 2018	No headcount	Cardova
Kaizer Chiefs vs Baroka FC	Soccer	31 March 2018	8844	PSL-Nedbank QF
Southern Kings vs Cardiff Blues	Rugby	14 April 2018	3796	Southern Kings
Chippa United vs Ajax Cape Town	Soccer	15 April 2018	3316	Chippa United FC
Spar Trade Show	Trade Show/Exhibition	19 April 2018	No headcount	Spar
Southern Kings vs Toyota Cheetahs	Rugby	28 April 2018	4179	Southern Kings
			74056	

Mandela Bay Development Agency - Stadium				
Nelson Mandela Bay Stadium Events History - 2017				
Chippa United vs Baroka FC	Soccer	07 February 2017	3095	CUFC
Southern Kings vs SWD Eagles (friendly)	Rugby	11 February 2017	743	Kings
Southern Kings vs Jaguares	Rugby	25 February 2017	2226	Kings
Working World Expo	Exhibition	28 Feb-02 March 2017	No headcount	Inkanyezi
Southern Kings vs Stormers	Rugby	11 March 2017	9938	Kings
Chippa United vs Witbank Spurs (Nedbank 32)	Soccer	15 March 2017	1073	PSL
Southern Kings vs Lions	Rugby	25 March 2017	4733	Kings
Chippa United vs Polokwane City (Nedbank 16)	Soccer	08 April 2017	1922	PSL
Chippa United vs Polokwane City	Soccer	11 April 2017	2590	CUFC
Chippa United vs Polokwane City (Nedbank 8)	Soccer	22 April 2017	2819	PSL
Chippa United vs Maritzburg United	Soccer	25 April 2017	2963	CUFC
Southern Kings vs Melbourne Rebels	Rugby	29 April 2017	4434	Kings
Southern Kings vs Sharks	Rugby	13 May 2017	15258	Kings
Chippa United vs Supersport United	Soccer	17 May 2017	7658	CUFC
Southern Kings vs Brumbies	Rugby	20 May 2017	16 455	Kings
Business Night Relay	Relay	30 May 2017	No headcount	ZSports
Business Night Replay	Relay	27 June 2017	No headcount	ZSports
Southern Kings vs Cheetahs	Rugby	14 July 2017	10 053	Kings
Business Night Relay	Relay	25 July 2017	No headcount	ZSports
SA vs Argentina	Rugby	19 August 2017	42 513	SARU
Chippa United vs Amazulu	Soccer	22 August 2017	1400	Chippa United
Chippa United vs Baroka FC	Soccer	12 September 2017	6299	Chippa
Southern Kings vs Leinster	PRO 14 - Rugby	16 September 2017	3011	Kings
Southern Kings vs Zebre	PRO14 Rugby	23 September 2017	4062	Kings
Chippa United vs Bloem Celtic	Soccer	24 September 2017	5282	Chippa United
Chippa United vs Maritzburg United	Soccer	18 October 2017	3189	Chippa United
Night Club		07 October 2017		
Jehova's Witness		20-22nd October 2017	18 484	
Color Run	Relay	29 October 2017	4000	ZSports
TKO Quarter Final: Chippa United vs Chiefs	Soccer	05 November 2017	32 726	PSL/Telkom
Chippa United vs Sundowns	Soccer	25 November 2017	17 789	
Kings vs Scarlets	Rugby	26 November 2017	3619	
Kings vs Edinburgh	Rugby	01 December 2017	3600	
Chippa United vs Kaizer Chiefs	Soccer	06 December 2017	14 997	
Chippa United vs Polokwane	Soccer	16 December 2017	1910	
Ebubeleni Music Festival	Concerts	30 December 2017	17 632	
			266 473	

3.4.2 Recruitment process

The Nelson Mandela Bay Stadium implemented structural changes due to its new business strategy. The changes were based on operational requirements necessary to deliver the NMB Stadium's new mandate, while eliminating duplication or inefficiencies and aligning outcomes, policies, and regulatory approaches. The realignment of the organisational structure was also necessitated by the change in management of the NMB Stadium from a private sector operator to the MBDA. When the MBDA took charge of the operations the agency offered staff members (then working for the private operator) twelve-month temporary employment contracts (effective from 01 July 2017, ending 30 June 2018) pending the approval (from the MBDA Board) of the new appropriate organisational structure and operational requirements.

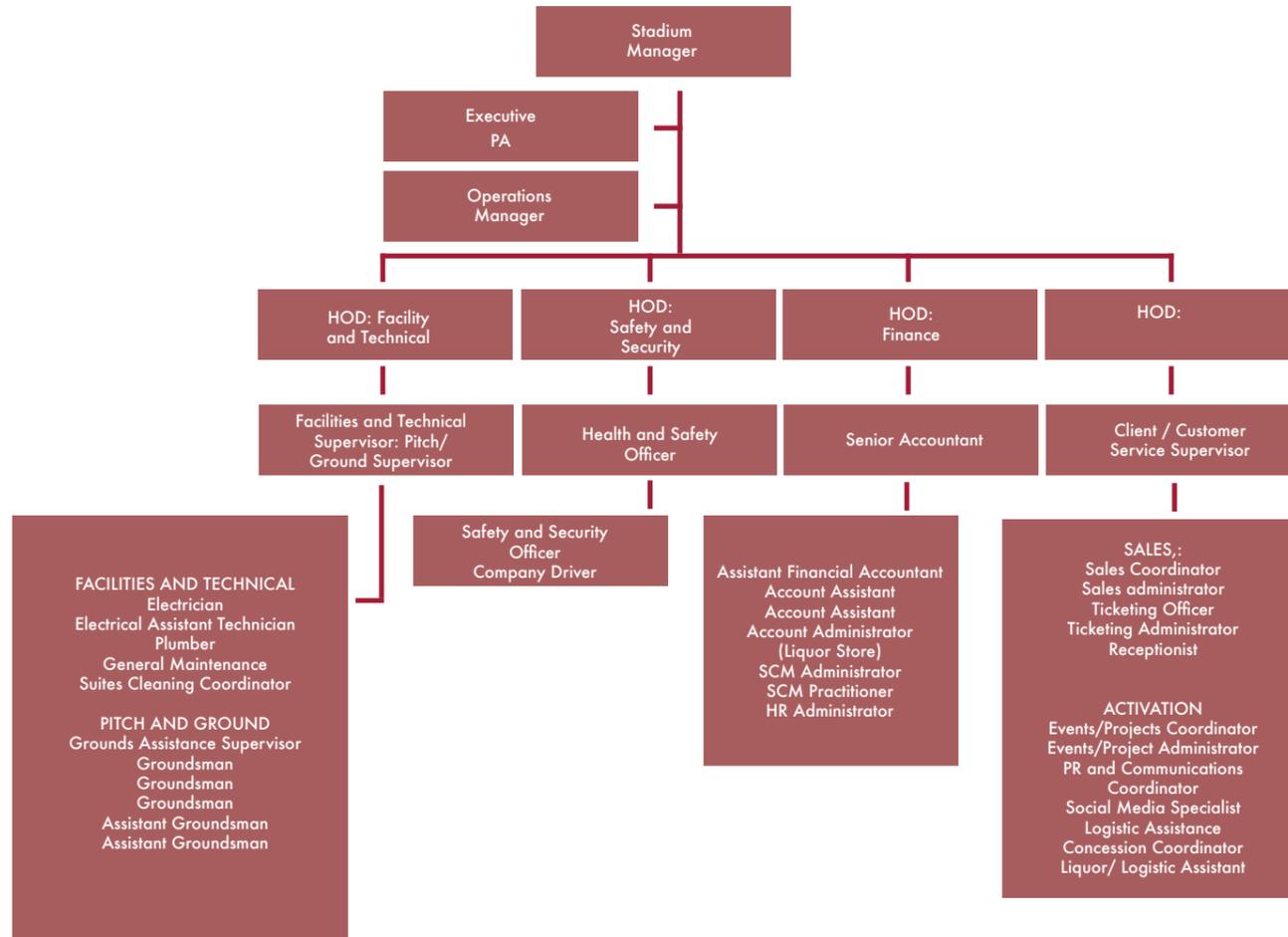
The new operational model for the stadium for 2018 has the following divisions:

1. Finance
2. Technical and Facility
3. Commercial
4. Safety

The Food and Beverage division is no longer operational, and some of these responsibilities have been assumed by the Commercial division. The new model outsources the catering aspects of the business – this is expected to significantly reduce various cost margins.



NMB Stadium Organisational Structure:



3.4.3 Service Level Agreement

With the current mandate in place, the MBDA continues to engage with the NMBM to gain approval on the Service Level Agreement and long-term vision of the Nelson Mandela Bay Stadium by Council and other relevant stakeholders.

3.4.4 Operational Focus

The NMB Stadium's medium-term goal is to create an environment where the stadium becomes a focal point and desired destination for new and exciting events. To achieve this goal, Stadium management plans to form strategic partnerships that enhance the stadium brand, inspire innovation, and create unique opportunities to grow the value asset.

The Nelson Mandela Bay Stadium is almost ten years old and

infrastructural and technical maintenance have become imperative. The following items are due for upgrades and/or repair:

- Big Screen
- CCTV Cameras
- Roof Panels
- Pitch Repair (including B- and C-fields)
- Corrosion

Temporary measures have been executed resulting in some budgetary relief. The above-mentioned fields due for an upgrade will be concluded in the next financial year 2019/2020.

3.4.5 Stadium Projects

Innovation has a significant impact on an organisation's competitive advantage, and the NMB Stadium's aim is to enhance the fan experience through product innovations.

Green hub

Stadium management, in partnership with The Waste Trade Company (TWTC), will develop a community recycling Hub at the Nelson Mandela Bay Stadium in Port Elizabeth.

The Mission of The Green Hub is to create value for all stakeholders by:

- Educating the community about good environmental practice;
- Promoting recycling to ensure a safe and healthy environment for the NMB Stadium, surrounding industry and communities; and
- Create a safe opportunity for the community to better their environment.

This project will serve as a vehicle for the NMB Stadium to connect with surrounding stakeholders by:

- Implementing a self-sustainable recycling hub that creates value for the community;
- Offering a safe recycling hub for community members to make use of; and
- Providing a platform for community upliftment by cultivating relationships between the NMB Stadium and industry.



Museum

The Nelson Mandela Bay Stadium has appointed SVA International to assist with the architectural design and implementation of a brand-new Sports Museum to be housed in the existing stadium. The role of the museum will be to collect sport, recreational, art and cultural objects and materials which have historical importance; preserve and present these to the public for the purpose of education and enjoyment.

There is a strong, positive emotional attachment to museums – particularly younger generations who see them as entertaining, interactive and educational. The area to be developed into the new Museum is an existing event space, located on the 5th floor of the stadium's North wing.

Museum Timeline:

Phase 1 - Securing of Service Providers	30 June 2018
Phase 2 – Design	31 July 2018
Phase 3 – Building and Installation	30 October 2018
Phase 4 – Procuring memorabilia	30 November 2018
Phase 5 – Completion	06 January 2019





3.4.6 Notable success stories

The Nelson Mandela Bay Stadium has experienced an exciting year with several new sport, recreational, art and cultural events added to the stadium's calendar for the first time. These events include the hosting of the Color Run, hosting a successful music festival: Ebubeleni, as well as the introduction of stadium-owned events like the Mountain Bike Challenge, Russia in 90 minutes: Watch Party, and NMB Stadium Night Club. Infrastructural developments for the year include the NMB Stadium's reception area and the launch of a new stadium website.

3.4.7 Future developments and exciting events

The Nelson Mandela Bay Stadium has the ability and proven track record to attract leading domestic and international events to Port Elizabeth. A key focus of development in the future will be the stadium precinct. Pending the outcomes of future feasibility and environmental impact assessment studies, the precinct development will include an office and retail complex, boutique hotel on the lakeside, as well as a high-performance sports centre and team headquarters next to the precinct B- and C-fields.

- **Event Day App**

As part of turning fans into customers by positioning the Nelson Mandela Bay Stadium as the epitome of convenience and the ultimate entertainment facility, the stadium management plans to launch a stadium Event Day App.

The App will be beneficial to spectators as it will assist them with:

- Directions around the stadium precinct
- Player stats and information
- Ticket Sales/Purchases
- Seat Upgrades
- Fan Engagement

This innovation will impact the stadium's value proposition to its stakeholders by having increased customer appeal – and it is envisaged that it will increase the stadium's revenue accordingly.

- **PSL Fixtures**

Chippa United kicked-off the Premier Soccer League with a home fixture against Orlando Pirates on 8 August 2018. This was only the beginning of an action-packed upcoming soccer season as months of planning and lobbying for top flight football in the city bears fruit. The NMB Stadium is also expected to host the Telkom Cup final in December.

- **PRO14 Tournament and Rugby Test Match**

The rugby calendar is set to be a hive of activity from August 2018 through to April 2019. The NMB Stadium is gearing up for a promising feast of rugby as we prepare to once again host the PRO14 tournament and the major international test between South Africa and Australia scheduled for 29 September 2018.

- **African Advanced Manufacturing and Composite Show**

From 7 to 10 November the Nelson Mandela Bay Stadium will host the African Advanced Manufacturing and Composite Show (AAM&CS) – a first of its kind on the African continent. The AAM&CS is anticipated to be Africa's most comprehensive, dynamic trading and networking show for technology, products and services in Advanced Manufacturing.

3.4.8 Final remarks

The MBDA believes that collective efforts can ensure that the NMB 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.

A new 5-year plan will be developed to align the NMB Stadium



with global trends and standards. The main aim of the plan is to enhance the fan experience through technological and product innovations, allowing the facility to remain competitive. Support from the NMBM, as well as the private sector, will be required.

5. Nelson Mandela Bay Science & Technology Centre

Following the dissolution of the Uitenhage Despatch Development Initiative (UDDI), the NMBM mandated the MBDA to take over the Science Centre operations. The year 2017/18 has been a challenging year for the Science Centre with its transitioning into the new entity.

The primary objective of the Science Centre is to provide access to Science, Technology, Engineering and Mathematics (STEM) focusing on the poorly-resourced schools around the Uitenhage and Despatch area.

The Science Centre has 4 key fundamental goals:

- To expose learners to career opportunities in STEM;
- To provide educational support programmes focusing on STEM to teachers and learners;
- To identify and nurture poorly-resourced schools in the region;
- To be a centre where the community - both adults and children alike - can explore, experience and learn about STEM in an interactive and exciting way.

The Centre's programmes consist of science awareness programmes and educational support programmes which complement formal teaching and learning of STEM. The programmes include Outreach Programmes, Holiday Programmes, Science Centre Tours, Curriculum Support Programmes and Career support programmes.

3.5.1 Key Highlights for 2017/2018:

- A total of 872 learners, 20 educators and 286 community members were reached during National Science Week which was held on from 7 to 11 August 2017.
- The Centre successfully hosted "Africa Code" which was aimed at teaching learners how to code and expose them to the different careers which exist within this field. 153 learners participated in the programme.
- The Centre had 6 027 visitors over the period under review.
- 1 922 learners were reached through the Outreach programme.
- The Centre partnered with the Eskom Expo for Young Scientists and provided training to 31 learners (from poorly resourced schools) in preparation for the Eskom Expo for Young Scientists competition.
- 143 local Grade 12 learners were sent to an Open Day through the Career Support Programme.
- In partnership with the Department of Science & Technology (DST)'s Youth into Science Programme, five graduates were provided with professional work experience and coaching in preparation for the next step in their careers.



04

SECTION

ORGANISATIONAL DEVELOPMENT PERFORMANCE



The MBDA's organisational performance is managed by reporting and accounting to the NMBM performance management unit. This reporting includes quarterly target reports along with a portfolio of evidence. As can be ascertained from the above report, performance on our projects was not optimal. This was largely due to four key performance indicators being deleted from the Annual Performance Plan during the year due to various challenges being faced on the projects and activities in question.

Delivery Budget Implementation Plan for 2017/18.

The MBDA Annual Performance Report tabled separately in the pack, reports on the Agency's annual performance for the 2016/17 period against quarterly targets for its institutional key performance indicators.

It must be further noted that only the Agency's institutional key performance indicators are reflected in the report, as these also formed part of the NMBM's Service

01 HUMAN RESOURCES

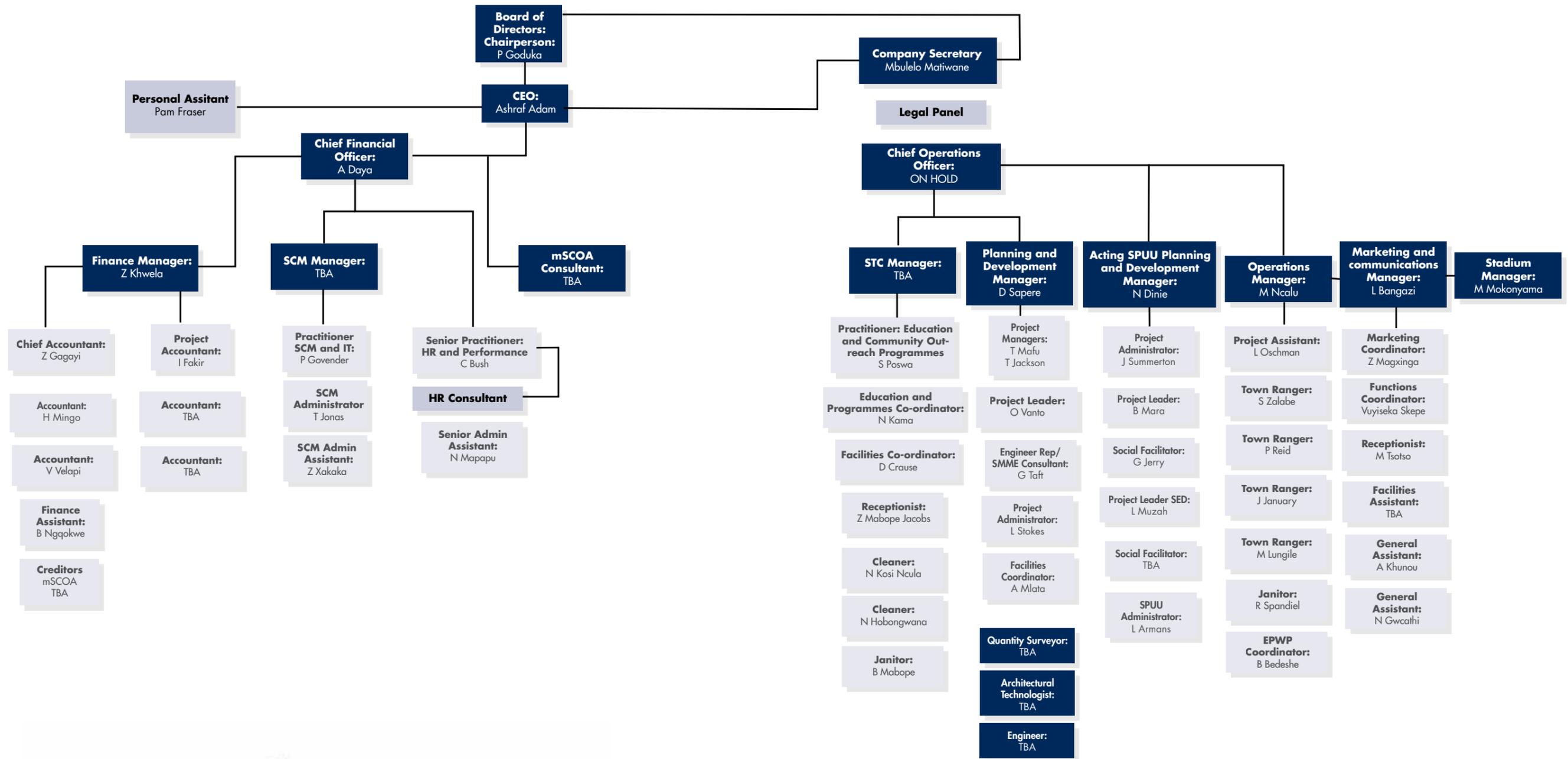
During the 2017/18 period, the MBDA staff complement as of 30 June 2018, and as per employment equity principles, is reflected in diagram 6 below:

Occupational Levels	Male				Female				Foreign National		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management (TASK 23-26)		0	0	0	0	0	0	0	0	0	0
Senior Management (TASK 18-22)	1	0	2	0	0	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management*(TASK 14-17)	5	1	0	3	0	2	0	1	0	0	12
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (TASK 9-13)	5	4	2	4	10	5	1	0	0	0	31
Semi-skilled and discretionary decision making (TASK 4-8)	8	5	0	0	10	5	0	1	0	0	29
Unskilled and defined decision making (TASK 1-3)	8	2	0	0	10	1	0	0	0	0	21
TOTAL EMPLOYEES											
TOTAL PERMANENT											
TEMPORARY EMPLOYEES											
GRAND TOTAL	27	12	4	7	30	13	1	2	0	0	96



02 ORGANISATIONAL STRUCTURE

The MBDA staff organogram as of 30 June 2018 is reflected in diagram 7 below.



Section 01: Introduction & organisational overview

Section 02: Governance

Section 03: Service delivery performance

Section 04: Organisational Development Performance

Section 05: Audit report

Section 06: Annual financial statements



Audit Committee's Chairperson report

The purpose of this report is to present the Audit Committee's progress to date in carrying out its oversight responsibilities, including oversight for the statutory audit process for the financial year ended 30 June 2018.

Terms of reference

The mandate of the Audit Committee is legislated in terms of section 166 of the Municipal Finance Management Act, 2003 (MFMA) which requires the Audit Committee to advise the Accounting Officer and Board on matters relating to: Internal financial control and internal audits; risk management; adequacy, reliability and accuracy of financial reporting and information; accounting policies; performance management and evaluation; effective governance; compliance with the MFMA, the Annual Division of Revenue Act (DORA) and any other applicable legislation and / or policies and

any other issues referred to it by the municipal entity. The MFMA also requires the Audit Committee to review the annual financial statements, respond to the council of the parent municipality and the board of directors on matters raised by the Auditor General of South Africa (AGSA) and carry out investigations into the financial affairs of the municipal entity.

Composition of the Audit Committee and attendance

The Audit Committee comprises five independent members. The Accounting Officer, Internal Audit (of the parent municipality) and the AGSA have standing invitations to all committee meetings. An independent member chairs the committee. Both the internal and external auditors have unrestricted access to the Audit Committee. During the year ending 30 June 2018, the Audit Committee held meetings comprising of 4 ordinary meetings and 1 special meeting.

Name of members	Appointed	Total number of meetings 2017 - 2018	Number of meetings attended 2017 - 2018
Michelle Wait	26 September 201	5	5
Greg Billson	9 June 2017	5	4
Stephen Nel	2007	5	3
Nevel Smith	26 September 2016	5	5
Hubert Fischat	26 September 2016	5	5

Dates are as follows:

30 August 2017	Quarterly
21 November 2017	Quarterly
19 January 2018	Special
19 February 2018	Quarterly
18 May 2018	Quarterly

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDITS

The Internal Audit unit is a shared service from the parent municipality. A separate internal audit plan was prepared for the MBDA towards the end of the 2017/18 financial year. Up until that point, it was incorporated into that of the parent municipality. The Audit Committee recommended that the Internal Audit unit prepares a separate risk-based audit plan for the MBDA and considers the appropriate timing for each planned project. This was effectively done during May 2018.

The following internal audit projects were completed during the year under review:

- Performance management system audits: 4th quarter 2017/18
- Controls review and follow up review: Project management
- Controls review and follow up review: Cash Management – NMBM Stadium
- Controls review and follow up review: Interim financial statements at 31 March 2018

- Review of Annual financial statements for the year ended 30 June 2018

The below internal audit project was still in progress:

- Controls review and follow up review: Supply chain management

In addition, the following documents were reviewed by Internal Audit and approved by the Audit Committee during the 2017/18 year:

- Audit Committee Charter

Internal audit action plans were not adequately monitored by management to address the findings raised and this should be implemented immediately.

External audit action plans were monitored by management and reported on quarterly to the Audit Committee.

The Internal Audit and Audit Committee reviewed the annual financial statements prior to submission to the AGSA. There were many changes suggested, however, it must be noted that we were unable to check if all the required changes were adequately addressed as a result of timing of the meeting in relation to submission to AGSA.

The AGSA presented the audit report to the Audit Committee as unqualified, with compliance findings. The Audit Committee concurs with the conclusion of the AGSA on the annual financial statements.

Risk management

The Audit Committee recommended that the entity incorporates its risk management processes with that of the parent municipality. This was implemented during the year under review and thus the same risk assessment process is now followed by the MBDA as that of the parent municipality. The strategic risk register was updated during the year and is now monitored on a quarterly basis as part of the risk management process and presented to the Risk Committee of the parent municipality as well as the MBDA's Audit Committee.

The appointment of a new Chief Executive Officer on 1 February 2018 has created stability within the entity. It must also be noted that the service level agreement for managing the NMB stadium had still not been finalised by 30 June 2018.

Financial reporting

There were material adjustments made to the annual financial statements submitted to the AGSA. This was mainly due to the annual financial statements not being prepared timeously to allow for enough reviews to be done. The audit committee concurs with the AGSA audit opinion. Performance management and evaluation The performance management system remains good with no findings reported by the AGSA. It must however be noted that many planned projects were not completed during the year under review, resulting in a huge grant underspend.

Effective governance

The lack of policies and procedures at the NMB stadium as well as outdated policies and procedures at MBDA is an area of concern and which requires urgent attention.

Compliance

During the year under review management starting using a tool to monitor compliance with MFMA, HR and performance management. This is reported on quarterly to the Audit Committee with no material findings noted.

Conclusion

Significant progress was made during the financial year in addressing internal audit and risk management weaknesses. Senior management should continually promote a culture in which administrative controls are constantly improved upon and where evidence of accountability and consequence management remains a key focus.

Michelle Wait

Chairperson: Audit Committee



SECTION B: 2017/18 PERFORMANCE PLAN (MANDELA BAY DEVELOPMENT AGENCY)

KEY PERFORMANCE AREA (KPA)	IDP PILLAR	KPI NO	KEY PERFORMANCE INDICATOR	TARGET - QUARTER ENDING 30 SEPTEMBER 2017	TARGET - QUARTER ENDING 31 DECEMBER 2018	TARGET - QUARTER ENDING 31 MARCH 2018	TARGET - QUARTER ENDING 30 JUNE 2018			
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	1.	% completion of Fleming Street and North Union Street Upgrade (Baakens Valley Precinct)	15%	23%	30%	55%	60%	95%	95%
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	2.	% completion of planning and regulatory approvals for the Baakens Pedestrian Bridge construction	10%	25%	25%	36%	75%	70%	100%
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	3.	% completion of St Peters environmental Rehabilitation (Baakens Valley Precinct)	Scope of work finalised and tender prepared	In Progress	Preferred Contractor identified	In progress (tender adjudicated)	50%	5%	80%
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	4.	% completion of South End mixed use precinct development (Baakens Valley Precinct)	Conceptual precinct plan in place and public participation commenced	In Progress	Town Planner appointed	Target not met (Consultant appointed)	Environmental Basic Assessment and Rezoning Processes commenced. Tender for the upgrade of Ellis Street Houses awarded.	Target not met (Tender awarded)	40%
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	5.	% completion of Telkom Park/ Boel Erasmus Stadium demolition	Environmental Impact Assessment (EIA) basic assessment submitted to DEAT and "Heritage Impact Assessment (HIA) Intent to Develop" submitted to the Heritage Association	Target not met	Tender document prepared	Tender evaluated	Tender advertised	Tender advertised	30%
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	6.	% completion of the Nelson Mandela Bay Metropolitan Stadium Precinct Plan development	Consultant appointed	Consultant appointed	10%	10%	30%	In progress	100%
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	7.	% completion of Helenvale precinct areas upgrade	70%	70%	100% construction of 3 Pedestrian walkways	80%	Revised Approach for Completion of Capital Project - SMME contracting model for balance of work	Revised Scope of Works in place	100% construction of 3 Pedestrian
			Tender Specification drafted	Target not met	5%	Contract terminated	Approval of Tender Specification SPUJ Helenvale Safer Schools - KIW Non Objection (Revised Scope of Work)	Target not met	15% construction of sportfield (Implementation in progress)	
			Tender Specification drafted	Target not met	5%	Contract terminated	Approval of Tender Specification SPUJ Helenvale Safer Schools - KIW Non Objection (Revised Scope of Work)	Target not met	15% construction of physical infrastructure and 3 school sportfields (Implementation in Progress)	
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	8.	% completion of the Singaphi Street / Red Location precinct development	80%	100%	85%	100%	90%	100%	95% (PHASE 3)
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	9.	Finalising conditional assessment and construction tender processes for the upgrade of Uitenhage Rail Shed (Phase 1)	Approval to develop the Uitenhage Rail Shed precinct obtained from the Municipality	Target not met	RFP for Professional team prepared	Professional team appointed and the Rail Shed condition assessment completed	Condition assessment prepared	Target not met	Condition assessment prepared
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	10.	% completion of the Singaphi Street sidewalks construction	Tender document prepared	In Progress	Contractor appointed	Target not met (tender document prepared)	50%	Target not met	95% (Phase 3A)
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	11.	% completion of New Brighton swimming pool development	Current professional contract terminated	Target not met	New Tender documents prepared	In progress (Consultant appointed)	20%	Target not met	50%
KPA 1: BASIC SERVICE DELIVERY	PILLAR 2: THE OPPORTUNITY CITY	12.	% completion of Schauderville / Karsten Recreational Park development	Tender specification drafted	Target not met	Consultant Tender advertised	Target not met	Contractor Appointment; Site Establishment	Target not met (Contractor Appointment)	15%

ACTUAL - QUARTER ENDING 30 JUNE 2018	COMMENTS	2017/18 ANNUAL TARGET	BUDGET INFORMATION			RECOMMENDED PORTFOLIO OF EVIDENCE		RECOMMENDED INTERPRETATION OF RATING SCALE	WEIGHTING	TOTAL
			VOTE NUMBER / PROJECT ID	DESCRIPTION	BUDGET (RAND AMOUNT)					
100%	100% Complete	95%	7154	Fleming / North Union Streets / Lower Valley Rd project (V. MINJ)	14 801 362	Site minutes Progress reports	DS	5: Above 97% 4: Above 95% up to 97% 3: 95% 2: Below 95% down to 24% 1: Below 24%	6%	73%
100%	100% Complete	100%	7153	Baakens River Pedestrian Bridge project	1 649 920	Consultant progress reports	DS	5: Planning and regulatory approvals completed by December 2017 4: Planning and regulatory approvals completed by March 2018 3: 100% 2: Below 100% down to 25% 1: Below 25%	6%	
70%	The tender documents were based on a particular material that increased the tender amount. A process of negotiations was followed, a revised tender amount was agreed upon in February 2018. The revised tender amount and evaluation report needed to go back to the adjudication committee for approval. After approval of the report, we had to wait 14 days for objections on the appointed tenderer. The contractor commenced on site and left structural engineer had to revise the timber boardwalk drawings, the details and the specifications to suit the new approved material after commencement.	80%	6390	St Peters Property Rehabilitation project	6 000 000	Appointment letter Site minutes Progress reports	DS	5: Above 95% 4: Above 80% up to 95% 3: 80% 2: Below 80% down to 20% 1: Below 20%	6%	
Target not met	The target has not been met. The Ellis Street Project was cancelled due to invalidity of lease agreements, properties not listed on the NMBMM asset register, high value expenditure on the properties for rectification works. Cancellation letter issued to contractor. South End Mixed Use: Meeting commenced with NMBMM authorities for cooperation between NEMA & SPLUMA process. Identification of noga areas identified. Preparation of public participation process has started.	40% (Phase 1)	6725	South End Mixed Use Project	10 000 000	Contractor cancellation letter, progress reports, Meeting minutes with authorities. Consultants presentation.	DS	5: Above 85% 4: Above 70% up to 85% 3: 70% (Phase 1) 2: Below 70% down to 18% 1: Below 18%	6%	
36%	Contractor has been appointed, Demolition permit received, Notice of Construction works received, Health and safety file approved. Inaugural meeting held, site handed over and first site meeting held. The overall tender process was fast tracked against the original program to run in parallel with all the other approval processes.	30%	4799	Demolition of Telkom Park Stadium	5 000 000	Contractor appointment letter, Demolition permit, Notice of Construction, Inaugural meeting minutes, site meeting register.	DS	5: Above 45% 4: Above 30% up to 45% 3: 30% 2: Below 30% down to 8% 1: Below 8%	6%	
100%	The plan was submitted in the last quarter. It just need to be tabled and discussed at board level before it get passed to NMBM.	100%	4720/320	NMBM Stadium Precinct Study	1 000 000	Progress reports Appointment Letter Stadium Precinct Plan	MMOKONYAMA	5: Precinct plan completed by December 2017 4: Precinct plan completed by March 2018 3: 100% 2: Below 100% down to 25% 1: Below 25%	6%	
80%	Revised Date: 30 September 2018. Delays in financial approvals. Request for variations to find the total cost remaining for the completion of the Pedestrian Sidewalks 3 School-to-home routes. Due to ensuring that all administrative & compliance matters in terms of SCM is obtained, this for the appointment of all the service providers, consultants and contractors for the scope of work. All the approvals and appointments for the scope of work to complete the Pedestrian Walkways under direct award via Counterfunding has been finalised. Appointment letters issued. Concurrent appointment for Electrical Engineers and Electrical Contractor has been finalised to commence Pedestrian Streetlighting project on the site-ready pedestrian walkways for Streetlighting electricalification. All onsite work planned to be completed and September 2018.	100% construction of 3 Pedestrian walkways	6715	SPUJ Helenvale - sidewalks upgrade	5 400 000	Site minutes Progress reports; Completion certificate	ND	5: Pedestrian walkway constructed by December 2017 4: Pedestrian walkway constructed by May 2018 3: 100% 2: Below 100% down to 25% 1: Below 25%	4%	
Target not met	100% Planning Phase Completion. 0% Construction/ Implementation Phase - Not commenced yet. The implementation is subject to KIW (The German Development Bank) approving the SPUJ Helenvale Extension Phase. The scope of work has been revised from an initial. The previous Contract was terminated by the Principal Contractor due to unsafe working conditions. The scope of work was revised and expanded based on additional needs identified by the Helenvale Community. The revised scope therefore includes the upgrading of the Soccer & Rugby Pitches, Change Rooms, Parking, Clear up fencing & moving of the set of floodlights. This rescope of work has been submitted to KIW (The German Development Bank) for non-objection. Awaiting approval in order to commence the SCM process. Although KIW (The German Development Bank) extension of partnership is not finalised, all planning was accelerated and its process of being expedited/ finalised. It must be noted that KIW NMBM processes has a dual SCM compliance process timeline.	15% construction of sportfield (Implementation in progress)	6716	SPUJ Helenvale - sportfield upgrade	4 800 000	Site minutes Progress reports	ND	5: Above 65% 4: Above 50% up to 65% 3: 50% 2: Below 50% down to 13% 1: Below 13%	4%	
Target not met	100% Planning Phase Completion. 0% Construction/ Implementation Phase - Not commenced yet. The implementation is subject to KIW (The German Development Bank) approving the SPUJ Helenvale Extension Phase. The scope of work has been revised from an initial single package Capex Project, to multi-packaged projects to provide more opportunity for local SMME's/EME's to participate in the open tender process & to accelerate once work on site commences. The project is currently awaiting non-objection from KIW (The German Development Bank).	15% construction of physical infrastructure and 3 school sportfields (Implementation in Progress)	6717/000	SPUJ Helenvale - Safer schools	2 000 000	Site minutes Progress reports	ND	5: Above 65% 4: Above 50% up to 65% 3: 50% 2: Below 50% down to 13% 1: Below 13%	4%	
100%	Project achieved Practical Completion. Retention for Phase 3 and close out for the will be concluded in December 2018.	95% (Phase 3)	6818	Singaphi Road Project Phase 3	9 750 299	Site minutes Progress reports Completion certificate	ND	5: Above 97% : Above 95% up to 97% 3: 95% 2: Below 95% down to 24% 1: Below 24%	5%	
Target not met	Conditional assessment not commenced due to a Formal objection received against the tender process, preferred bidder condition has been placed on hold. Internal condition analysis done by MBDA.	Preferred contractor identified	6826	Uitenhage Rail Shed (Phase 1)	2 000 000	Draft appointment letter, Objection letters, Internal draft condition analysis report.	DS	5: Construction commenced 4: Contractor appointed 3: Preferred contractor identified by 30 June 2018 2: Bid evaluation completed but no preferred contractor identified 1: Bid evaluation not completed	5%	
Target not met	Contractor was appointed on the 25 June 2018 and 14 day non objection period needs to lapse. Site will be occupied by latest 9 July 2018.	5% (Phase 3A)	6818	Singaphi Road Phase 3A Project	4 000 000	Tender documents Advertisement Request For Proposal Site minutes Progress reports	DS	5: Above 97% 4: Above 95% up to 97% 3: 95% (Phase 3A) 2: Below 95% down to 24% 1: Below 24%	5%	
30%	Initially it was agreed that a new consultant will be procured to project manage the project. This was later changed and a decision was made to continue with RMA architects. The appointment letter was sent in March 2018 and the site was handed over to the contractor on the 9th of April 2018. Quarterly targets for the project reflected that a new consultant will be procured, the targets on the KPI spreadsheet were invalid based on the decisions taken. If taking	50%	6817	New Brighton Swimming Pool project	10 000 000	Mediation minutes Tender adverts Appointment letters Progress reports Site meeting minutes	DS	5: Above 65% 4: Above 50% up to 65% 3: 50% 2: Below 50% down to 13% 1: Below 13%	5%	
28%	28% Achieved - Contractor Appointed & Site Established. Groundbreaking Ceremony held. Mayor officially with CIs and Community members declared the development launched. CLO (Community Liaison Appointed). SMME's contractors appointed and SMME Mentor/Coach appointed to oversee SMME development programme in Schauderville.	15%	7152	Korsten / Schauderville Recreational Park Project	12 000 000	Site minutes Progress reports	ND	5: Above 75% 4: Above 60% up to 75% 3: 60% 2: Below 60% down to 23% 1: Below 23%	5%	

05

SECTION
AUDIT REPORT



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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Mandela Bay Development Agency set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets and cash flow statement, and the 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 Mandela Bay Development Agency as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of 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) and the Companies Act, 2008 (Act No. 71 of 2008) (Companies Act).

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 the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and 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 code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Prior period error

7. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2018

Other matter

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

Unaudited disclosure note

9. In terms of section 125(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 the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Companies Act, 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.
11. In preparing the financial statements, the accounting officer is responsible for assessing the Mandela Bay Development Agency'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 or to cease operations, or has no realistic alternative but to do so.

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

12. 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.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. 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 key performance areas presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. 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.

16. 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 key performance area presented in the annual performance report of the municipal entity for the year ended 30 June 2018:

Key performance area	Pages in the annual performance report
Basic service delivery	2 – 4

17. I performed procedures to determine whether the reported performance information 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.

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for Basic Service Delivery key performance area.

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and explanations provided for the under or overachievement of a number of targets.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of key performance area 1 – basic service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

22. 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.

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

Annual financial statements, performance and annual reports

24. 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, commitments and related parties identified by the auditors in the submitted financial statement were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.

Other information

26. 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 the selected key performance area presented in the annual performance report that have been specifically reported in this auditor's report.

27. 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.

28. 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 area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. I did not receive the other information prior to the date of this auditor's report. When I do receive 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 to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

30. 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

31. Leadership did not ensure that an appropriate accounting system and effective controls enabled financial statements that were free from material misstatements. Action plans were not implemented in time to prevent such misstatements.

Financial and performance management

32. Management did not develop adequate record keeping mechanisms and daily and monthly controls to ensure that the data used to prepare the financial statements was accurate and complete, this resulted in the misstatements identified by the auditors. Furthermore, management reviews to identify errors were limited.

Other reports

33. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

34. A forensic investigation is underway on supply chain deviations for the Nelson Mandela Bay Stadium.

AUDITOR-GENERAL

East London
30 November 2018



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 area 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 accounting officer
 - conclude on the appropriateness of 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 Mandela Bay Development Agency's 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.

Communication with those charged with governance

3. I communicate with the accounting authority 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 authority 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.

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SECTION
ANNUAL FINANCIAL STATEMENTS



DIRECTORS' Responsibilities and Approval

The Directors have pleasure in submitting their report for the entity, which forms part of the annual financial statements of the Non Profit Company for the period ended 30 June 2018.

Establishment

The Mandela Bay Development Agency (MBDA) was formed in 2004 with its initial objective being the urban regeneration of the Central Business District (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 includes township areas. The MBDA has over the past 12 months undergone a challenging transition period that has seen the strategic direction of the organization being reviewed with a view to becoming a forward looking agency dealing with the complexities that are associated with development work.

The Mandela Bay Development Agency (MBDA) was mandated by the Nelson Mandela Bay Metropolitan Municipality (NMBM) as a trans-disciplinary implementing agent for programmes, projects and events which have a number of 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 the successful implementation.
- To deliver catalytic programmes, special defined projects and events.

Over the past fourteen years, the MBDA has implemented a number of urban renewal projects, precinct upgrades, security and cleansing programmes as well as other strategic assignments that are collectively changing the face of Nelson Mandela Bay 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 also 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 entity has received conditional grants during the period under review from the NMBM for urban regeneration projects, operational expenses and property, plant and equipment in terms of the budget submitted to them. 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

The entity complied with all the relevant sections of the Companies Act 71 of 2008, the Companies Amendment Act 3 of 2011, the Local Government:

- Municipal Finance Management Act 56 of 2003, and the Local Government: Municipal Systems Act 32 of 2000.

Financial results

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

- statement of financial position;
- statement of financial performance;
- statement of Changes in Net Assets
- 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 as well as improved alignment with para 79 and 96 of GRAP 1.

Key activities

In Progress / Completed Projects

During the period under review the Agency completed the Flemming Square/ North Union Street Upgrade project which forms part of the Vuyisile Mini Square Node. Singaphi Rd Phase 2 development was also completed and work has commenced with Phase 3 which relates predominantly to sidewalks construction. This project is expected to become a gateway to the Red Location Museum with the precinct becoming a vibrant arts, cultural and tourism node. The Helenvale SPUU foreign donor funded projects continued to encounter serious challenges and delays during the financial period due to gang violence and community strife and dissatisfaction with the process involved in the way the contracts were awarded. Discussions between the agency, NMBM and funder KfW Bank have led to the SPUU programme deadline being extended to November 2019 with counter-funding for the programme also committed to by the NMBM. The upgrade of the Neave St Park in Schauderville has commenced with the project anticipated to be completed during the 2018/19 period. Similarly the New Brighton Swimming Pool construction has also commenced after much delay and will also be completed during 2018/19. The delays in obtaining the necessary regulatory permissions for the Boet Erasmus Stadium were finally resolved with the project commencing in June 2018 and the total demolition of this catalytic municipal asset is expected to be completed by the end of 2018. During the 2017/18 period, activities at the NMB Stadium included hosting of PSL and Pro 14 Rugby matches as a professional soccer and rugby franchise are anchor tenants at the facility. A rugby international test between South Africa and Argentina was also successfully hosted in September 2017. It must also be noted that the operating costs for the Stadium have reduced since the MBDA has taken over the operations mainly due to private operator fees no longer being incurred to manage the facility. The MBDA and Stadium have during 2017/18 both undergone a major organisational review resulting in a new organogram being approved by the Board and which is in the process of being capacitated in term of the requisite skills levels required in meeting the organisation's mandate and strategic objectives.

New Projects

New projects commenced during the 2017/18 financial period include the rehabilitation of the St Peters property site and which will be completed in 2018/19. Design planning and regulatory approvals for the Baakens River Pedestrian Bridget are well advanced with the actual construction tender planned to be advertised in early 2018/19 period. The rectification of the Ellis Street homes in the Baakens Valley was awarded but the project has experienced problems in that these properties are not listed on the NMBM asset register and the lease agreements entered into with the tenants are considered invalid and are presently under review by the municipality. This has resulted in the project being halted. In addition to its operating activities the Stadium introduced a Green Hub recycling concept during 2017/18 where a facility is planned to be built for key stakeholders to be able to utilise.

Future Projects

During 2018/19 the Agency plans to commence the construction of the Baakens River Pedestrian Bridge which will form a key linkage between the inner city / CBD and the Baakens Valley precinct. With the extension of the Helenvale SPUU programme imminent it is expected that the remaining key projects relating to Safer Schools, Parks, Sportfields, Security Lighting and various community mobilisation and development initiatives will be undertaken in 2018/19. A conditional assessment has been undertaken of the Uitenhage Railshed that is adjacent to the Science Centre and the redevelopment of the shed relating to creating a facility for a potential state tenant is also planned to commence in 2018/19. The Bayworld project has not gathered the required momentum during the period under review and there are new plans in place to accelerate this process towards redeveloping the existing facility into a brand new state of the art edutainment facility that will have the potential to become a major tourist attraction as well as add to the development of an Oceans Economy in the region. This however can only be finalised once various key stakeholders have met and a meeting between the Eastern Cape provincial government, NMBM and the MBDA is in the process of being set up where a plan of action will be agreed upon and the necessary planning processes implemented. Refurbishments to the existing Govan Mbeki Avenue Upgrade project are in the process of being planned with the necessary interventions planned to commence during 2018/19. During 2018/19 the focus for the Stadium will shift towards making the facility more sustainable with a view to generating more revenue to subsidise the operating costs which are substantial. A planned sports museum is also planned to commence during 2018/19.



MANDELA BAY DEVELOPMENT AGENCY NPC DIRECTORS' REPORT

Directors

Non-executive directors of the company as at 30 June 2018 were:

Mputumi William Goduka (Chairperson)
Kasaven Govender
Adrian John Faulkner Gardiner
Renganayagee Kisten
Bongani Gxilishe
Rajesh Dana
Sithole Mabi Mbanga
Masalamani Odayar
Khulile Vuyisile Nzo (Resigned 06 April 2018)

Senior Management

An acting Chief Executive Officer was in place for seven months of the financial year and a permanent Chief Executive Officer was appointed in February 2018.

During the period under review three of the six senior managers in the agency completed the minimum finance competency level requirements for senior officials within the entity. 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 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

MANDELA BAY DEVELOPMENT AGENCY NPC ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

MANDELA BAY DEVELOPMENT AGENCY NPC
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Statement of Financial Position

Figures in Rand	Notes	2018	2017
			Restated
Assets			
Current Assets			
Cash and cash equivalents	1	39,393,139	58,876,992
Receivables from exchange transactions	2	61,245,525	25,447,297
Receivables from non-exchange transactions	3	3,453,392	14,210
Inventory	4	524,188	528,442
Non-Current Assets			
Intangible Assets	5	51,157	35,991
Property, Plant & Equipment	6	6,919,515	7,343,975
Heritage Assets	7	250,500	250,500
Total Assets		111,837,416	92,497,407
Liabilities			
Current Liabilities			
Payables from exchange transactions	8	34,514,525	15,227,271
Payables from non-exchange transactions	9	145,579	90,050
Provisions	10	1,275,029	1,794,709
Unspent grants	11	64,062,012	65,085,777
VAT Payable	12	1,216,650	727,149
Non-current Liabilities			
Payables from exchange transactions	8	1,494,290	1,335,967
Total Liabilities		102,708,085	84,260,923
Net Assets		9,129,331	8,236,485
Accumulated surplus		9,129,331	8,236,485
Total Net Assets		9,129,331	8,236,485

MANDELA BAY DEVELOPMENT AGENCY NPC
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Statement of Financial Performance

			Restated
Revenue			
Revenue from exchange transactions			
Government grants and subsidies		32,875,511	35,579,932
Other Revenue		29,658,923	34,599,511
		3,216,588	980,421
Revenue from non-exchange transactions			
Government grants and subsidies		100,849,831	72,945,514
Other Revenue		93,710,329	62,368,847
		7,139,502	10,576,667
Total Revenue	13	133,725,342	108,525,446
Other income			
Finance Income	14	3,598,420	3,403,132
Sundry Income		2,328,084	2,387,959
		1,270,336	1,015,173
Total Income		137,323,762	111,928,578
Expenditure			
Employee Related costs	15	-21,296,632	-15,986,709
Remuneration of Directors	16	586,500	-636,500
Depreciation and Amortisation	6/5	-720,684	-698,808
Debt Impairment	2	-55,340	-65,069
Contracted Services	17	-17,119,093	-17,219,239
Capital projects costs	18	-31,459,983	-36,732,185
Other Operating costs	19	-66,323,499	-40,056,224
Total Expenditure		-136,388,730	-111,394,735
Operating Surplus		935,032	533,843
Profit/(Loss) on sale of assets	6	-42,186	-133,930
Surplus before taxation		892,846	399,912
Taxation (exempt)		-	-
Surplus for the year		892,846	399,912



MANDELA BAY DEVELOPMENT AGENCY NPC
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Statement of Changes in Net Assets

Figures in Rand	Notes	Contribution from Shareholder	Accumulated surplus	Total Net Assets
Balance at 01 July 2016		-	7,836,573	7,836,573
Surplus for the year		-	-191,204	-191,204
Change in accounting policy	27		593,578	593,578
Correction of an error	28		-2,461	-2,461
Balance at 01 July 2017 as restated				
		-	8,236,485	8,236,485
Surplus for the year		-	892,846	892,846
Balance at 30 June 2018		-	9,129,331	9,129,331

MANDELA BAY DEVELOPMENT AGENCY NPC
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Cash Flow Statement

Figures in Rand	Notes	2018	2017
		Restated	
Cash flows from operating activities			
Receipts			
Government Grants		121,632,625	120,946,719
Interest received		2,492,966	2,394,726
Other Revenue		23,603,385	20,378,772
Payments			
Suppliers		-133,398,464	-96,419,837
Employees costs		-33,460,790	-21,887,503
Net cash from/(used) operating activities	20	-19,130,278	25,412,877
Cash flows from investing activities			
Purchase of Property, plant and equipment	6	-326,090	-636,339
Proceeds from sale of property, plant and equipment	6	22,714	-
Purchase of intangible assets	5	-50,200	-
Net cash flows from investing activities		-353,576	-636,339
Cash flows from financing activities			
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-19,483,853	24,776,538
Cash and cash equivalents at the beginning of the year		58,876,992	34,100,454
Cash/cash equivalents at the year end	1	39,393,139	58,876,992



Statement of Comparison of Budget and Actual Amounts - MBDA

Budget on Accrual Basis						
Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual amounts on a comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Government grants and subsidies	36,599,921	37,760,172	74,360,093	29,658,923	-44,701,170	Note 35 - A
Other Revenue	-	-	-	3,216,588	3,216,588	Note 35 - B
Total Revenue from exchange transactions	36,599,921	37,760,172	74,360,093	32,875,511	-41,484,582	
Revenue from non-exchange transactions						
Government grants and subsidies	92,090,870	-24,185,829	67,905,041	54,136,608	-13,768,433	Note 35 - C
Other Revenue	3,900,000	7,200,000	11,100,000	7,139,502	-3,960,498	Note 35 - D
Total Revenue from non-exchange transactions	95,990,870	-16,985,829	79,005,041	61,276,110	-17,728,931	
Total Revenue	132,590,791	20,774,343	153,365,134	94,151,621	-59,213,513	
Other income						
Sundry Income	200,000	-	200,000	2,328,084	2,128,084	
Finance Income	2,000,000	-	2,000,000	1,270,336	-729,664	
Total Income	134,790,791	20,774,343	155,565,134	97,750,041	-57,815,093	
Expenditure						
Employee Related costs	-21,495,000	-429,488	-21,924,488	-21,296,632	-627,856	Note 35 - E
Remuneration of Directors	-500,000	-500,000	-1,000,000	586,500	-1,586,500	
Depreciation and Amortisation	-	-761,080	-761,080	-720,684	-40,396	
Finance costs	-228,091	228,091	0	-	0	
Debt Impairment	-	-200,000	-200,000	-55,340	-144,660	
Contracted Services	-21,927,067	-	-21,927,067	-17,119,093	-4,807,974	Note 35 - F
Capital projects costs	-36,599,921	-37,760,172	-74,360,093	-31,459,983	-42,900,110	Note 35 - G
Other Operating costs	-17,028,811	-18,363,595	-35,392,406	-26,749,778	-8,642,628	Note 35 - H
Total Expenditure	-97,778,890	-57,786,244	-155,565,134	-96,815,009	58,750,125	
Operating Surplus	37,011,901	-37,011,901	0	935,032	935,032	
Profit/(Loss) on sale of assets	-	-	-	-42,186	-42,186	
Surplus before taxation	37,011,901	-37,011,901	-	892,846	892,846	
Taxation (exempt)	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	37,011,901	-37,011,901	-	892,846	892,846	

Statement of Comparison of Budget and Actual Amounts - NMB Stadium

Budget on Accrual Basis						
Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual amounts on a comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of Goods and Rendering of Services	10,800,000	4,000,000	14,800,000	10,154,305	4,645,695	Note 35 - I
Total Revenue from exchange transactions	10,800,000	4,000,000	14,800,000	10,154,305	4,645,695	
Revenue from non-exchange transactions						
Government grants and subsidies	32,669,610	8,168,930	40,838,540	39,573,722	-1,264,818	Note 35 - J
Total Revenue from non-exchange transactions	32,669,610	8,168,930	40,838,540	39,573,722	-1,264,818	
Total Income	43,469,610	12,168,930	55,638,540	49,728,027	5,910,513	
Expenditure						
Employee Related costs	16,488,000	-	16,488,000	13,808,074	2,679,926	
Contracted Services	14,236,640	4,000,000	18,236,640	14,723,848	3,512,792	
Other Operating costs	12,744,970	8,168,930	20,913,900	21,196,105	-282,205	
Total Expenditure	43,469,610	12,168,930	55,638,540	49,728,027	5,910,513	Note 35 - K
Surplus before taxation	-	-	-	-	-	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	-	-	

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 off setting 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.

Accounting Policies

1. Presentation of Annual Financial Statements

1.2.3 Use of Estimates and judgements (continued)

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 12 June 2018 NMBM Council adopted the 2018/19 to 2020/21 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.

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.

Accounting Policies

1. Presentation of Annual Financial Statements

1.9 Recovery of Unauthorised, Irregular, Fruitless & Wasteful Expenditure

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

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:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- 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:

- 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 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.



Accounting Policies

1. Presentation of Annual Financial Statements

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

Accounting Policies

1. Presentation of Annual Financial Statements

1.13 Property, Plant and Equipment (continued)

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 & 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.

Accounting Policies

1. Presentation of Annual Financial Statements

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:

- The technical feasibility of completing the intangible asset so it will be available for use or resale;
- Its intention to complete the intangible asset and use it or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits or service potential;
- The availability of technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 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.

Accounting Policies

1. Presentation of Annual Financial Statements

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 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 social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- 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.

Accounting Policies

1. Presentation of Annual Financial Statements

Subsequent Measurement of financial assets and financial liabilities

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

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

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

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

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

Financial assets measured at cost:

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

Accounting Policies

1. Presentation of Annual Financial Statements

1.17 Financial Instruments (continued)

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 expires, 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.

Accounting Policies

1. Presentation of Annual Financial Statements

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.

Accounting Policies

1. Presentation of Annual Financial Statements

1.20 Derecognition of financial assets and liabilities (continued)

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

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

Accounting Policies

1. Presentation of 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.

Accounting Policies

1. Presentation of Annual Financial Statements

1.23 Revenue (continued)

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 its parent municipality NMBM to act as its agent in the management of the NMB Stadium operations. As part of its 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 28 and 29 to the Annual Financial Statements.

1.28 Taxation

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

Accounting Policies

1. Presentation of Annual Financial Statements

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.

Accounting Policies

1. Presentation of Annual Financial Statements

1.30 Employee benefits

Recognition and measurement

Short term employee benefits

Remuneration to employees is recognised as an expense in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs.

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

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

Short term compensated absences

The expected cost of compensated absences is recognised as follows:

Accumulating compensated absence:

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

Non-accumulating absences:

When absences occur.

Leave pay accrual

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

Bonus incentive and performance related payments

The 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.

Accounting Policies

1. Presentation of Annual Financial Statements

1.31 Impairment of Non-Cash-Generating Assets (continued)

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,

Accounting Policies

1. Presentation of Annual Financial Statements

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.

1.34 Impairment (continued)

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.

Accounting Policies

1. Presentation of Annual Financial Statements

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 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	No effective date gazetted to date
GRAP 35 Standard of GRAP on Consolidated Financial Statements	No effective date gazetted to date
GRAP 36 Standard of GRAP on Investments in Associates and Joint Ventures	No effective date gazetted to date
GRAP 37 Standard of GRAP on Joint Arrangements	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.

1.35 Statements in issue but not yet adopted (continued)

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.

Accounting Policies

1. Presentation of Annual Financial Statements

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:

- 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
- 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	Effective date not yet determined
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

MANDELA BAY DEVELOPMENT AGENCY NPC
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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
1. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	26,901	476
Bank Balances	2,297,170	5,791,458
Short-term Deposits	37,110,494	51,289,791
Main Bank Account	-41,426	1,795,267
	39,393,139	58,876,992
Current assets	39,393,139	58,876,992
Current liabilities	-	-
	39,393,139	58,876,992

Cash on hand consists of petty cash.

The entity had the following bank accounts

Account number /description	Cashbook			Bank Account		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Account Number - 1084853833 (Nedbank, PE) - Primary Account	-41,426	1,795,267	3,648,537	-41,426	1,795,267	3,648,537
Account Number - 1084866064 (Nedbank, PE)	210,578	811,600	2,101	210,578	811,600	2,101
Account Number - 1084866110 (Nedbank, PE)	-	555	-37	-	555	-37
Account Number - 1106700856 (Nedbank, PE)	2,196	3,638,041	917,152	2,196	3,638,041	917,152
Account Number - 037881142189 (Nedbank, PE)	18,824	-	-	18,824	-	-
Account Number - 1140185322 (Nedbank, PE)	2,084,397	1,341,262	-	2,084,397	1,341,262	-
Account Number - 788114218 (Nedbank, PE)	-	-	-	-	-	-
Account Number - 037881116285 (Nedbank, PE)	37,091,670	46,756,535	-	37,091,670	46,756,535	-
Account Number - X021906134 (RMB, PE)	-	4,533,256	29,211,400	-	4,533,256	29,211,400
	39,366,238	58,876,516	33,779,153	39,366,238	58,876,516	33,779,153

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

Cash and Cash Equivalents	39,393,139	58,876,992
Current Accounts and cash on hand	2,282,645	7,587,201
Call Account Balances	37,110,494	51,289,791

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

MANDELA BAY DEVELOPMENT AGENCY NPC
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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
2. Receivables from exchange transactions		
Trade Debtors - MBDA	8,484,678	7,607,858
Trade Debtors - NMB Stadium	42,789,070	957,658
Provision for Bad debts	-248,494	-213,830
Interest Receivable	111,651	213,854
Sub Lease Rental	387,591	221,480
Nelson Mandela Bay Stadium Loan Account	9,721,030	16,660,277
	61,245,525	25,447,297

Trade debtors: Ageing - MBDA

Current (0 - 30 days)	7,804,684	5,737,173
31 - 60 days	72,177	81,434
61 - 90 days	21,601	4,770
Over 90 days	586,216	1,784,481
	8,484,678	7,607,858

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

Deposits	2,100	14,210
	2,100	14,210
Transfer from Unspent grants - KfW Grants	3,451,292	-
	3,453,392	14,210

4. Inventory

Food and Beverage	499,095	515,296
Diesel	25,093	18,750
	524,188	534,046
Less: Provision for Obsolete Stock	-	-5,604
	524,188	528,442

4.1 Inventory items on hand at year end (in quantities)

Food and Beverage (units)	96,204	102,306
Diesel (litres)	1,664	1,500

None of the inventory has been pledged as security.



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5. Intangible Assets

	2,018			2,017		
	Cost	Accumulated Amortisation	Carrying Value	Cost	Accumulated Amortisation	Carrying Value
Computer Software	377,218	-326,061	51,157	327,018	-291,026	35,992

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

Reconciliation of intangible assets - 2017

	Cost				Accumulated Amortisation			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortisation	Closing Balance	Carrying Value
Computer Software	327,018	-	-	327,018	-238,440	-52,586	-291,026	35,992

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.

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6. Property, Plant & Equipment

	2018			2017		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Computer Equipment	1,050,860	-582,142	468,718	1,025,398	-616,044	409,354
Office Equipment	1,170,334	-442,713	727,621	1,199,543	-298,292	901,251
Furniture & Fittings	405,451	-174,811	230,640	383,082	-173,904	209,179
Motor Vehicles	657,367	-479,848	177,519	657,367	-387,807	269,560
Containers	62,120	-26,912	35,209	62,120	-23,448	38,672
Land*	4,649,358	-	4,649,358	4,649,358	-	4,649,358
Leasehold Improvements	1,180,753	-550,303	630,450	1,180,753	-314,151	866,602
	9,176,242	-2,256,727	6,919,515	9,157,621	-1,813,645	7,343,976

Reconciliation of property, plant and equipment - 2018

	Cost				Accumulated Depreciation				
	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	-0	-479,848	177,519
Containers	62,120	-	-	62,120	-23,448	-3,463	-0	-26,912	35,209
Land*	4,649,358	-	-	4,649,358	-	-	-	-	4,649,358
Leasehold Improvements	1,180,753	-0	-	1,180,753	-314,151	-236,152	0	-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

Reconciliation of property, plant and equipment - 2017

	Cost				Accumulated Depreciation				
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposal	Closing Balance	Carrying Value
Computer Equipment	915,465	121,984	-12,051	1,025,398	-485,987	-135,560	5,503	-616,044	409,354
Office Equipment	932,988	270,372	-3,817	1,199,542	-153,561	-150,652	5,922	-298,292	901,251
Furniture & Fittings	456,689	234,366	-307,973	383,082	-331,059	-22,082	179,238	-173,903	209,179
Motor Vehicles	657,367	-	-	657,367	-288,876	-99,112	181	-387,807	269,560
Containers	62,120	-	-	62,120	-19,044	-3,213	-1,191	-23,448	38,672
Land*	4,649,358	-	-	4,649,358	-	-	-	-	4,649,358
Leasehold Improvements	1,180,752	-	-	1,180,752	-78,717	-236,150	716	-314,151	866,602
	8,854,739	626,721	-323,841	9,157,619	-1,357,245	-646,769	190,370	-1,813,645	7,343,975

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



MANDELA BAY DEVELOPMENT AGENCY NPC
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Notes to the Annual Financial Statements

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7. Heritage Assets

	2018			2017		
	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 - 2018

	Cost				Accumulated Depreciation			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortisation	Closing Balance	Carrying Value
Heritage Assets	250,500	-	0	250,500	-	-	250,500	250,500
	250,500	-	-	250,500	-	-	250,500	250,500

Reconciliation of heritage assets - 2017

	Cost				Accumulated Depreciation			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortisation	Closing Balance	Carrying Value
Heritage Assets	250,500	-	-	250,500	-	0	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.

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2018

2017

8. Payables from exchange transactions

Restated

Trade Creditors - MBDA	10,819,504	6,605,659
Trade Creditors - NMBM Stadium	10,031,422	6,001,851
Employee costs - 13th Cheque accrual	332,456	274,755
Accrued expenses	798,467	448,503
Deferred Income	1,125,382	1,125,382
Contractor Retentions	1,766,814	1,126,624
NMBM Revenue due for surrender	11,134,769	980,463
	36,008,815	16,563,238
Current liabilities	34,514,525	15,227,271
Non-current liabilities	1,494,290	1,335,967
	36,008,815	16,563,238

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

Deposits	145,579	90,050
	145,579	90,050
Current liabilities	145,579	90,050
Non-current liabilities	-	-
	145,579	90,050

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



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10. Provisions

Reconciliation of provision - 2018

	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	-
Other	-	-	-	-
	1,794,709	1,967,266	-2,486,947	1,275,028

Reconciliation of provision - 2017

	Restated Opening Balance	Additions	Utilised during the year	Total
Workmen's Compensation	41,800	43,376	-59,500	25,675
Performance Bonuses	670,830	401,741	-670,830	401,741
Leave Pay	469,376	419,659	-158,242	730,793
Directors Fees	-	636,500	-	636,500
Other	-	-	-	-
	1,182,006	1,501,275	-888,572	1,794,709

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.

Directors' Fees - An amount for Directors' Fees was provided for in the prior year pending a decision on the payment of fees to Directors.

11. Unspent grants

	Opening Balance	Grants for the year	Recognised as Revenue the year	Total
2018				
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

MANDELA BAY DEVELOPMENT AGENCY NPC
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Notes to the Annual Financial Statements

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	Opening Balance	Grants for the year	Recognised as Revenue the year	Total
2017				
National Lotteries Board (NLB)	89,648	-	-49,980	39,668
Eastern Cape Development Corporation (ECDC)	32,054	-	-	32,054
HURP/SPUU (KfW Funded)	-176,192	10,081,662	-8,989,053	916,417
SAASTA	-	-	-	-
Industrial Development Corporation	1,959,049	-	-	1,959,049
Nelson Mandela Bay Municipality (NMBM)	48,970,328	91,820,628	-78,652,367	62,138,589
Total	50,874,887	101,902,290	-87,691,400	65,085,777

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

12. VAT Payable

VAT Payable	1,216,650	727,149
	1,216,650	727,149

VAT Payable relates to amount outstanding to SARS for Value Added Tax.



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Figures in Rand	2018	2017
13. Revenue		
Government grants & subsidies - NMBM Operating Grants	54,136,608	43,715,514
Government grants & subsidies - NMBM Capital Grants	29,658,923	34,599,511
Government grants & subsidies - National Lottery Fund Receipts	39,668	49,980
Government grants & subsidies - NMBM Stadium Operating Grant	39,573,721	18,653,333
Government grants & subsidies - SAASTA Grants	268,024	-
Other Revenue - KfW Capital grant	2,062,250	2,640,278
Other Revenue - KfW Operational	4,769,560	7,886,409
Other Revenue - Stadium Liquor Income	3,216,588	980,421
	133,725,342	108,525,446
The amount included in revenue arising from exchanges of goods or services are as follows:		
Government grants & subsidies - NMBM Capital Grants	29,658,923	34,599,511
Other Revenue - Stadium Liquor Income	3,216,588	980,421
	32,875,511	35,579,932
Government grants & 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.		
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:		
Government grants & subsidies - NMBM Operating Grants	54,136,608	43,715,514
Government grants & subsidies - National Lottery Fund Receipts	39,668	49,980
Government grants & subsidies - NMBM Stadium Operating Grant	39,573,721	18,653,333
Government grants & subsidies - SAASTA	268,024	-
Other Revenue - KfW Capital grant	2,062,250	2,640,278
Other Revenue - KfW Operational	4,769,560	7,886,409
	100,849,831	72,945,514
Government grants & subsidies		
This relates to funding received mainly from the parent municipality for the operational costs of the MBDA. These are classified as non-exchange transactions.		
Other Revenue - KfW		
This relates to funding received for the SPUU program 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		
Finance Income		
Interest Received	2,328,084	2,387,959
Sundry Income		
Lease Rental Income	166,110	166,110
Tender fee income	96,278	77,506
Kiosk Rentals	61,776	76,761
Helenvale Resource Centre Income	31,666	183,551
Public Toilet Fees	25,677	27,095
Tramways Event Space Rental	663,924	384,768
Discount Received	26,225	-
Science Centre Entrance Fees	48,970	-
Other	149,709	99,383
	1,270,336	1,015,173
	3,598,420	3,403,132

MANDELA BAY DEVELOPMENT AGENCY NPC
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Figures in Rand	2018	2017			
15. Employee Related costs		Restated			
Salaries and Wages	16,079,187	11,796,148			
Social Contributions	3,795,946	2,753,879			
Car allowances	92,000	87,000			
Long Service Bonus	38,573	7,842			
Performance bonus	401,742	670,830			
Leave Pay	237,752	233,869			
Annual Bonus	651,431	437,141			
	21,296,632	15,986,709			
Included in the employee costs are the following key management positions:					
2018	Annual Remuneration including social contributions	Car allowance	Performance Bonus	Acting Allowance	Total
Chief Executive Officer (Appointed February 2018)***	862,661	20,000	-	-	882,661
Chief Financial Officer	1,162,431	26,000	101,795	-	1,290,225
Planning & Development Manager (Inner City) *	1,139,164	26,000	97,651	-	1,262,815
Stadium Manager	1,057,333	26,000	-	122,636	1,205,969
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	98,000	401,742	232,772	8,012,995



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15. Employee Related costs (continued)

2017 - Restated	Annual Remuneration including social contributions	Car allowance	Performance Bonus	Acting Allowance/ Gratuity Payment	Total
Chief Executive Officer (resigned January 2017) **	946,246	35,000	186,530	1,374,500	2,542,276
Chief Financial Officer	993,946	24,000	122,667	234,010	1,374,623
Planning & Development Manager (Inner City)	952,500	24,000	108,742	-	1,085,242
Operations Manager	624,639	-	66,698	-	691,337
Planning & Development Manager (Townships)	461,007	-	93,581	-	554,588
Marketing and Communications Manager	833,123	-	92,612	-	925,735
Stadium Manager	165,896	4,000	-	-	169,896
	4,977,357	87,000	670,830	1,608,510	7,343,697

* Included in the amount for annual remuneration is a long-service bonus of R26 486

** The previous CEO received a Gratuity Payment of R 1 374 500 in 2016/17 Financial Year

*** - The current CEO was previously acting in the position under a secondment agreement for which an amount was paid to the seconding organisation

No termination benefits have been paid during the year

16. Remuneration of Directors

	2018	2017
	Directors Fees Expenditure	Directors Fees Provision
Mputumi William Goduka (Chairperson)	20,000	-
Kasaven Govender	-	-
Adrian John Faulkner Gardiner	-	-
Renganayagee Kisten	7,500	-
Khulile Vuyisile Nzo (Resigned 06 April 2018)	-	-
Bongani Gxilishe	-	-
Rajesh Dana	-	-
Sithole Mabi Mbanga	-	-
Masalamani Odayar	22,500	-
	50,000	-
Directors Fees Provision	(636,500)	636,500
Total	(586,500)	636,500

The Directors of the MBDA did not receive remuneration in the past. A decision on paying Directors fees was approved by Council on the 24 May 2018.

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17. Contracted Services

IT Support & Computer Costs	720,335	376,293
Equipment Lease & Rentals	125,042	78,623
Security costs	8,419,524	8,509,378
Office Decor & Fittings	20,376	22,074
Cleansing Costs	4,435,173	4,472,780
Facilities Maintenance Costs	3,398,643	3,760,091
	17,119,093	17,219,239

18. Capital projects costs

MBDA Projects	31,459,983	36,732,185
	31,459,983	36,732,185

18.1 Capital Programme

Baakens River Valley Programme	17,313,709	10,249,481
CBD Port Elizabeth Programme	390,496	12,001,726
Helenvale SPUU FDFP Programme	2,308,147	2,640,278
Korsten / Schauderville Programme	1,822,468	522,586
New Brighton / Red Location Precinct Programme	9,578,255	11,318,114
	31,413,075	36,732,185



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Figures in Rand	2018	2017
19. Other Operating costs		
Advertising and Media Placement	543,694	588,970
Arts, Culture & Heritage activation	1,498,265	1,141,412
Athenaeum Club Operating Costs	52,100	308,568
Audit fees	937,082	892,786
Bank Charges	15,434	11,995
Corporate Social Investment	741,544	778,610
Directors Expenses	220,253	304,349
Education & Training	223,952	166,905
Electricity, Water & Rates	522,589	247,604
Entertainment	29,626	64,914
EPWP Expenses	58,250	274,578
Helenvale Resource Centre Operating Costs	1,584,838	1,390,820
Insurance	143,969	97,712
Innovation / 4th Industrial Revolution projects	208,500	-
Legal Fees	837,477	462,375
Marketing & Communications	4,097,522	4,317,894
Motor Vehicle Expenses	65,745	66,412
National Lottery Grant Funded Costs	39,668	49,980
NMBM Counter Funding for KfW SPUU Programme	319,985	-
NMBM Stadium Expenditure	19.1	19.1
NMBM Stadium Liquor Expenditure	39,573,721	18,653,333
Office Cleaning & Safety	1,871,748	386,843
Postage & Courier	221,594	122,929
Printing & Stationery	12,858	12,620
Printing & Stationery	172,633	156,448
Professional & Consultant Fees	1,666,842	425,229
Recruitment Costs	285,869	54,655
Refreshments	62,713	78,772
Rental	1,000	1,000
Repairs & Maintenance	1,577,536	103,505
Seminars, think tanks and conferences	315,218	-
SPUU Helenvale Projects Expenses	5,185,714	2,807,444
SPPU Consultants Expenses	-678,843	5,078,966
Staff Welfare	20,222	13,088
Strategic Spatial and Feasibility Studies	531,272	242,790
Subscriptions & Membership fees	37,125	72,606
Sundry Expenses	162,766	29,763
Telephone & Fax	119,905	248,442
Demolition of Telkom Park Stadium Project Costs	2,467,544	-
Travel & Accommodation	575,567	401,912
	66,323,499	40,056,224
19.1 NMBM Stadium Expenditure by nature		
Employee Related costs	13,808,074	7,016,508
Contracted Services	14,723,848	6,971,807
Other Operating costs	21,196,105	5,645,481
	49,728,027	19,633,796
Less: NMBM Revenue funded expenditure	-10,154,306	-980,463
Total	39,573,721	18,653,333

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Figures in Rand	2018	2017
20. Net cash flows from operating activities		Restated
Surplus/ (deficit)	892,846	399,912
Adjustments for:		
Loss on disposal of property, plant and equipment	42,186	133,930
Depreciation	720,684	698,808
Interest accrued	-	6,767
Increase in provisions for doubtful debts	-	25,421
Changes in working capital:		
Increase/(Decrease) in provisions	-519,681	835,587
Increase/(Decrease) in Payables from exchange transactions	19,445,577	6,711,438
Increase/(Decrease) in Unspent Conditional Grants	-1,023,765	14,034,699
Increase/(Decrease) in Payables from non-exchange transactions	55,529	-392,522
Decrease /(Increase) in Receivables from exchange transactions	-35,798,228	296,889
Decrease /(Increase) in Receivables from non-exchange transactions	-3,439,182	-
Increase/(Decrease) in VAT	489,501	3,201,635
Decrease /(Increase) in Deposits	-	-11,246
Decrease /(Increase) in Inventory	4,254	-528,442
	-19,130,278	25,412,877
21. Auditor's Fees		
External audit fees	937,082	892,786
	937,082	892,786



Notes to the Annual Financial Statements

Figures in Rand	2018	2017
22. Commitments		Restated
Approved and contracted for:		
Capital expenditure	42,123,567	37,697,459
	<u>42,123,567</u>	<u>37,697,459</u>
Approved and not yet contracted for:		
Capital expenditure	5,704,029	-
	<u>5,704,029</u>	<u>-</u>
Total commitments	<u><u>47,827,596</u></u>	<u><u>37,697,459</u></u>
Operating leases - as lessee (expense)		
- within one year	101,136	94,003
- within two to five years	69,193	169,329
- above five years	1,000	2,000
	<u>171,329</u>	<u>265,333</u>
Operating leases - as lessor (income)		
- within one year	166,110	166,110
- within two to five years	276,850	442,961
- above five years	-	-
	<u>442,961</u>	<u>609,071</u>
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		
23. Contingent Liabilities		
Contingent liabilities	<u>100,000</u>	<u>-</u>
Nature of contingent liability		
Civil claim for vehicle damage on MBDA project	100,000	-
Labour claim for reinstatement of employees	-	-
	<u>100,000</u>	<u>-</u>

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Figures in Rand	2018	2017		
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.				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2018				
Payables from exchange transactions	34,514,525	1,494,290	-	-
Payables from non-exchange transactions	145,579	-	-	-
At 30 June 2017				
Payables from exchange transactions	15,227,271	1,335,967	-	-
Payables from non-exchange transactions	90,050	-	-	-
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 2018	30 June 2017	Restated
Cash and cash equivalents		39,393,139	58,876,992	58,876,992
Receivables from exchange transactions		61,245,525	25,447,297	25,447,297
(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.				
25. Going Concern				
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of 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.				
26. Events after the reporting date				
Following an organisational review commissioned by the Board of Directors, a revised organisational structure has been approved for implementation effective 01 July 2018.				
Subsequent to year-end R127 192 of the Fruitless and Wasteful Expenditure balance was written-off, and R1 232 648 of the irregular expenditure balance was condoned by the Board of Directors.				

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27. Changes in Accounting Policies

27.1 Changes in classification

During the year, the entity changed its accounting policies as noted on page 1 in the directors' report.

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 position;
- (b) statement of financial performance;
- (c) statement of Changes in Net Assets
- (d) 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 Statement of Comparison of Budget and Actual Amounts is does not reflect comparative figures and as such is not affected by the change in accounting policy. However 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 Position	Balance as previously Reported	Change in accounting policy		Restated Balance
		New Classification	Reclassified Amount	
Current Assets	83,886,478		-83,886,478	Current Assets 84,866,942
Receivables from Exchange Transactions	24,466,833	Receivables from exchange transactions	-24,466,833	Receivables from exchange transactions 25,447,297
VAT	-	Receivables from exchange transactions	-	Receivables from non-exchange transactions 14,210
Deposits	14,210	Receivables from non-exchange transactions	-14,210	Cash and cash equivalents 58,876,992
Cash and Cash Equivalents	58,876,992	Cash and cash equivalents	-58,876,992	Inventory 528,442
Inventory	528,442	Inventory	-528,442	
Non-current Assets	7,632,928		-7,632,928	Non-current Assets 7,630,466
Property, Plant & Equipment	7,346,436	Property, Plant & Equipment	-7,346,436	Property, Plant & Equipment 7,343,975
Intangible Assets	35,992	Intangible Assets	-35,992	Intangible Assets 35,991
Heritage Assets	250,500	Heritage Assets	-250,500	Heritage Assets 250,500
Total Assets	91,519,406		-91,519,406	Total Assets 92,497,407

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27. Changes in Accounting Policies (continued)
Statement of Financial Position

Statement of Financial Position	Balance as previously Reported	Change in accounting policy		Restated Balance
		New Classification	Reclassified Amount	
Current Liabilities	81,944,493		81,944,493	Current Liabilities 82,924,956
Payables from Exchange Transactions	14,151,610	Payables from exchange transactions	14,151,610	Payables from exchange transactions (i) 15,227,271
Provisions	1,063,917	Provisions	1,063,917	Payables from non-exchange transactions (i) 90,050
VAT	727,149	VAT Payable	727,149	VAT Payable 727,149
Unspent Conditional Grants	65,085,778	Unspent grants	65,085,778	Provisions (i) 1,794,709
Current Portion Deferred Income	236,150	Payables from exchange transactions	236,150	Unspent grants 65,085,777
Current portion of Construction Contract Retention Creditors	679,889	Payables from exchange transactions	679,889	
Non-current Liabilities	1,335,967		1,335,967	Non-current Liabilities 1,335,967
Construction Contract Retention Creditors	446,735	Payables from exchange transactions	446,735	Payables from exchange transactions 1,335,967
Deferred Income	889,232	Payables from exchange transactions	889,232	Payables from non-exchange transactions -
Total Liabilities	83,280,460		83,280,460	Total Liabilities 84,260,923
Net Assets				Net Assets 8,236,485
Accumulated surplus	8,238,946	Accumulated surplus	8,238,946	Accumulated surplus 8,236,485
Total Net Assets and Liabilities	91,519,406	Total Net Assets	91,519,406	Total Net Assets 8,236,485

(i) In addition to the reclassifications above, a correction of error has been processed, please refer to note 28 for details.

Note: The above changes in classifications have no impact on the underlying transactions and on the previously stated amounts for line items. As such the above is presented to reflect the impact of the new classification on the statement as previously presented. The above presentation provides better information in order to reflect the full impact of the change and to aid comparative information



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27. Changes in Accounting Policies (continued)

Statement of Financial Performance	Balance as previously Reported	Change in accounting policy		Restated Balance
		New Classification	Reclassified Amount	
Revenue from Exchange Transactions	38,220,210		-38,220,210	
- NMBM Capital Expenditure Grants	34,599,511	Government grants and subsidies	-34,599,511	Government grants and subsidies
- National Lotteries Board Grants	-	Government grants and subsidies	-	Other Revenue from exchange transactions
- KfW Bank Capital Grants	2,640,278	Other Revenue from non-exchange transactions	-2,640,278	Other Revenue from exchange transactions
- Stadium Liquor Income	980,421	Other Revenue from exchange transactions	-980,421	
Revenue from non Exchange Transactions	72,859,306		-72,859,306	
- Industrial Development Corporation Grants	-	Government grants and subsidies	-	Government grants and subsidies
- Nelson Mandela Bay Municipality Grants	43,715,514	Government grants and subsidies	-43,715,514	Other Revenue from non-exchange transactions
- Department of Arts and Culture Grants	-	Government grants and subsidies	-	
- NMBM Stadium Operating Grant	18,653,333	Government grants and subsidies	-18,653,333	
- Eastern Cape Development Corporation Grants	-	Government grants and subsidies	-	
- KfW Bank Operating Grants	7,886,409	Other Revenue from non-exchange transactions	-7,886,409	
- National Lotteries Board Grants	49,980	Government grants and subsidies	-49,980	
- Lease Rental Income	166,110	Sundry Income	-166,110	
- Interest Received	2,387,959	Finance Income	-2,387,959	
Total Revenue	111,079,515		-111,079,516	Total Revenue
Other income				3,403,132
Other Income	849,062	Sundry Income	-849,062	Sundry Income
				Finance Income
				1,015,173
Total Income	111,928,578		-111,928,578	Total Income
				111,928,578

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27. Changes in Accounting Policies (continued)
Statement of Financial Performance

Statement of Financial Performance	Balance as previously Reported	Change in accounting policy		Restated Balance
		New Classification	Reclassified Amount	
Expenditure	111,526,204		111,526,204	Expenditure
Advertising & Media	588,970	Other Operating costs	588,970	Employee Related costs
Audit Fees	892,786	Other Operating costs	892,786	Remuneration of Directors (ii)
Arts, Culture & Heritage Activation	1,141,412	Other Operating costs	1,141,412	Depreciation and Amortisation
Athenaeum Building Operating Costs	308,568	Other Operating costs	308,568	Finance costs
Bad Debts	39,648	Debt Impairment	39,648	Debt Impairment
Bank Charges	11,995	Other Operating costs	11,995	Contracted Services
Capital Projects Cost	36,732,185	Capital projects costs	36,732,185	Capital projects costs
CBD Facilities	3,760,091	Contracted Services	3,760,091	Other Operating costs
Cleaning & Safety	122,929	Other Operating costs	122,929	Total Expenditure
Cleansing Plan Project	4,472,780	Contracted Services	4,472,780	
Consumables	-	Other Operating costs	-	Operating Surplus
Course Fees, Education & Training	166,905	Other Operating costs	166,905	Profit/Loss on sale of assets
Depreciation and amortisation	698,808	Depreciation and Amortisation	698,808	
Directors' Fees & Expenses	940,849	Remuneration of Directors	940,849	
Donations & Social Responsibility	778,610	Other Operating costs	778,610	
ECDC Project Expenses	-	Other Operating costs	-	
Electricity, Water & Rates	247,604	Other Operating costs	247,604	
Employee Related Costs	15,986,709	Employee Related costs	15,986,709	
Entertainment	64,914	Other Operating costs	64,914	
EPWP Projects	274,578	Other Operating costs	274,578	
Operating Leases & Rentals	78,623	Contracted Services	78,623	
Helenvale Urban Renewal Program	-	Other Operating costs	-	
Helenvale Resource Centre Operating Costs	1,390,820	Other Operating costs	1,390,820	
Insurance	97,712	Other Operating costs	97,712	
Interest Paid	-	Other Operating costs	-	
IT Support Costs & Computer Expenses	376,294	Contracted Services	376,294	
Legal Fees	462,375	Other Operating costs	462,375	
Stadium Liquor Expenditure	386,843	Other Operating costs	386,843	
Loss on disposal of Property, Plant and Equipment	131,469	Profit/Loss on sale of assets	131,469	
Motor Vehicle expenses	66,412	Other Operating costs	66,412	
National Lotteries Board Expenses	49,980	Other Operating costs	49,980	
Nelson Mandela Bay Stadium Expenditure	18,653,333	Other Operating costs	18,653,333	
Office Decor & Fittings	22,074	Contracted Services	22,074	



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27. Changes in Accounting Policies (continued)

Statement of Financial Performance

	Balance as previously Reported	Change in accounting policy		Restated Balance
		New Classification	Reclassified Amount	
Office Relocation costs	-	Other Operating costs	-	
Office Rentals	1,000	Other Operating costs	1,000	
Postage & Courier	12,620	Other Operating costs	12,620	
Printing & Stationery	156,448	Other Operating costs	156,448	
Professional & Consultant Fees	425,229	Other Operating costs	425,229	
Provision for Doubtful Debts	25,421	Debt Impairment	25,421	
Public Relations & Marketing	4,317,894	Other Operating costs	4,317,894	
Recruitment Costs	54,655	Other Operating costs	54,655	
Refreshments	78,772	Other Operating costs	78,772	
Repairs & Maintenance	103,505	Other Operating costs	103,505	
Security Plan Project	7,983,129	Contracted Services	7,983,129	
SPUU Consultants Expenses	5,078,966	Other Operating costs	5,078,966	
SPUU Helenvale Projects Expenses	2,807,444	Other Operating costs	2,807,444	
Staff Welfare	13,088	Other Operating costs	13,088	
Strategic Spatial Framework Studies	242,790	Other Operating costs	242,790	
Subscriptions	72,606	Other Operating costs	72,606	
Sundry Expenses	29,763	Other Operating costs	29,763	
Telephone & Fax	248,442	Other Operating costs	248,442	
Tramways Building Security	526,249	Contracted Services	526,249	
Travel & Accommodation	401,912	Other Operating costs	401,912	
Surplus for the year	402,374		-402,374	Surplus before taxation 399,912
				Taxation -
				Surplus for the year 399,912

(ii) The figure for *Directors Fees & Expenses of R940 849* has been separated. Directors Fees have been reclassified to *Remuneration of Directors* at R636 500 and Directors Expenses have been reclassified to *Other Operating costs* at R304 349 to make up the previously stated total.
 Note: The above changes in classifications have no impact on the underlying transactions and on the previously stated amounts for line items. As such the above is presented to reflect the impact of the new classification on the statement as previously presented. The above presentation provides better information in order to reflect the full impact of the change and to aid comparative information.

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27. Changes in Accounting Policies (continued)

Statement of Changes in Net Assets

	Balance as previously Reported	Change in accounting policy		Restated Balance
		New Classification	Reclassified Amount	
		Error	-2,462	
Stadium Liquor Sales Surplus - Surplus for the year	593,578	Accumulated Surplus	593,578	Accumulated Surplus 399,912
Accumulated Surplus - Surplus for the year	-191,204	Accumulated Surplus	-191,204	

Note: The above changes in classifications have no impact on the underlying transactions and on the previously stated amounts for line items. As such the above is presented to reflect the impact of the new classification on the statement as previously presented. The above presentation provides better information in order to reflect the full impact of the change and to aid comparative information. This should be read together with note 28.

Cash Flow Statement

Cash flows from operating activities

Gross cash receipts from Nelson Mandela Bay Municipality

	Balance as previously Reported	Change in accounting policy		Restated Balance
		New Classification	Reclassified Amount	
Gross cash receipts from Nelson Mandela Bay Municipality	120,946,719	Government Grants	-120,946,719	Cash flows from operating activities
Gross cash receipts from KfW, ECDC and others	20,378,772	Government Grants - Suppliers	-20,378,772	Receipts
Cash paid to suppliers and employees	-118,307,340	- Employees costs	118,307,340	Government Grants 120,946,719
Cash utilised in operations	23,018,151		-23,018,151	Other Revenue 20,378,772
Interest received	2,394,726	Interest received	-2,394,726	Interest received 2,394,726
Interest paid	-	Finance charges	-	Other Revenue 20,378,772
				Payments
				Suppliers (iii) - 96,419,837
				Employees costs (iii) - 21,887,503
				Finance charges -
				Dividends paid -
Net cash from operating activities	25,412,878		-25,412,878	Net cash from/(used) operating activities 25,412,877

Net cash from operating activities



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27. Changes in Accounting Policies (continued)

Cash Flow Statement	Balance as previously Reported	Change in accounting policy		Restated Balance
		New Classification	Reclassified Amount	
Cash flows from investing activities				Cash flows from investing activities
Proceeds from sale of property, plant and equipment	-	Purchase of Property, plant and equipment	-	Purchase of Property, plant and equipment
Purchase of property, plant and equipment	-636,339	Purchase of Property, plant and equipment	636,339	Proceeds from sale of property, plant and equipment
Purchase of intangible assets	-	Purchase of intangible assets	-	Purchase of intangible assets
Net cash flows from investing activities	-636,339		636,339	Net cash flows from investing activities
				Cash flows from financing activities
				Movement in project
				Net cash flows from financing activities
Net decrease in cash and cash equivalents	24,776,538	Net increase/(decrease) in cash and cash equivalents	-24,776,538	Net increase/(decrease) in cash and cash equivalents
Cash and cash equivalents at the beginning of the year	34,100,454	Cash and cash equivalents at the beginning of the year	-34,100,454	Cash and cash equivalents at the beginning of the year
Cash and cash equivalents at the end of the year	58,876,992	Cash/cash equivalents at the year end	-58,876,992	Cash/cash equivalents at the year end

(iii) The figure for Cash paid to suppliers and employees of R 118 307 340 has been separated. This line items has been reclassified to payments to Suppliers at R102 320 631 and Employee costs at R 15 986 709 to make up the previously stated total.

Note: The above changes in classifications have no impact on the underlying transactions and on the previously stated amounts for line items. As such the above is presented to reflect the impact of the new classification on the statement as previously presented. The above presentation provides better information in order to reflect the full impact of the change and to aid comparative information.

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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 Provision

Amounts relating to leave accruals and deposits received were incorrectly classified as Payables from Exchange Transactions although the timing of such liabilities were uncertain at year-end. Leave Accruals are only payable when employees leave, an uncertain event at year end. Thus leave accruals met the definition of Provisions on the basis of uncertain timing at the prior year end. Deposits received from customers were incorrectly classified as Payables from exchange transactions although these relate to non-exchange transactions.

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

Statement of Financial Position	Balance as previously Reported	Correction of error Restatement Amount	Change in Accounting Policy Restatement Amount	Restated Balance
Payables from Exchange Transactions	14,151,610	159,621	916,039	Payables from exchange transactions (i)
- Leave Accrual		-730,792		15,227,271
- Deposits Received		-90,050		Payables from non-exchange transactions
- Other (see 28.7)		980,463		90,050
Provisions	1,063,917	730,792		Provisions
- Leave Accrual		730,792		1,794,709

(i) Other restatements to the figure for Payables from Exchange Transactions are due to the change in accounting policy on note 27 above. This was previously reflected as separate line items for the current portions of Deferred Income and Construction Contract Retention Creditors at R236 150 and R679 889 respectively. This makes up the R961 040 total.



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28.2 Related Parties

During the prior year the entity incorrectly disclosed the following entities as related parties:

- Industrial Development Corporation (Funder)
- National Lotteries Board (Funder)
- Eastern Cape Development Corporation (Funder)
- Department of Arts and Culture (Funder)
- KfW Bank (Funder)

The above entities are not part of the same economic entity as the entity, and as such do not meet the definition of related parties per GRAP 20.

Providers of finance above did not exercise significant control as the proportion of the budget funded by them was insignificant relative to the MBDA's total budget.

Further the amount for transactions with related parties for Nelson Mandela Bay Municipality related to cash amounts received instead of the amount for income received.

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
Amounts included in Receivables from Exchange Transactions/(Payables from Exchange Transactions) regarding related parties			
Nelson Mandela Bay Municipality	22,252,115	-	22,252,115
Eastern Cape Development Corporation	698,350	-698,350	-
	<u>22,950,465</u>	<u>-698,350</u>	<u>22,252,115</u>
Amounts included in unspent conditional grants regarding related parties			
Nelson Mandela Bay Municipality	-62,138,589	-	-62,138,589
KfW	-916,418	916,418	-
Industrial Development Corporation	-1,959,049	1,959,049	-
Eastern Cape Development Corporation	-32,054	32,054	-
National Lotteries Board	-39,668	39,668	-
	<u>-65,085,778</u>	<u>2,947,189</u>	<u>-62,138,589</u>
Amounts Received from transactions regarding related party			
Nelson Mandela Bay Municipality	120,946,719	-120,946,719	-
KfW	10,081,662	-10,081,662	-
Eastern Cape Development Corporation	369,547	-369,547	-
Industrial Development Corporation	-	-	-
	<u>131,397,928</u>	<u>-131,397,928</u>	<u>-</u>
Income from related parties*			
Nelson Mandela Bay Metropolitan Municipality	-	96,968,359	96,968,359
	-	96,968,359	96,968,359

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28.3 Employee Costs (Key Management Personnel)

During the previous financial year, the disclose of key management personnel incorrectly disclosed the amount for the provision for Performance Bonus instead of the actual amount paid to key management during the financial year. In addition the performance bonus relating to the previous CEO had not been disclosed.

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
Performance Bonus			
Chief Executive Officer (resigned January 2017)	-	186,530	186,530
Chief Financial Officer	101,795	20,872	122,667
Planning & Development Manager (Inner City)	97,651	11,091	108,742
Operations Manager	62,464	4,234	66,698
Planning & Development Manager (Townships)	56,667	36,914	93,581
Marketing and Communications Manager	83,166	9,446	92,612
	<u>401,743</u>	<u>269,087</u>	<u>670,830</u>

Further the amount paid for the secondment of the previously Acting CEO was incorrectly disclosed as remuneration paid to Key management personnel. No remuneration was paid by the entity and only a secondment fee was paid to the seconding employer organisation, which does not amount to remuneration per para 20 of GRAP 20.

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
Annual Remuneration			
Acting Chief Executive Officer (Commenced 22 May 2017)	173,333	-173,333	-
	<u>173,333</u>	<u>-173,333</u>	<u>-</u>
Annual Remuneration including social contributions			



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28.4 Irregular Expenditure

During the financial year certain irregular expenditure was discovered relating to expenditure for which no deviations were approved. A portion of this expenditure took place during the prior 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	-	205,792	205,792
	<u>-</u>	<u>205,792</u>	<u>205,792</u>

28.5 Deviations from Supply Chain Management Processes

During the financial year it was discovered that certain deviations were not stated at the correct amount during the prior 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
Categories of deviation as per Regulation 36 of the MFMA			
Regulation 36 (1)(a)(i) : In the case of an emergency	533,148	-134,854	398,294
Regulation 36 (1)(a)(ii) : Goods or services are produced or available from a single provider	483,006	336,359	819,365
Regulation 36 (1)(a)(v) : Exceptional case where it is impractical or impossible to follow the official procurement processes	318,481	6,756,033	7,074,514
	<u>1,334,635</u>	<u>6,957,539</u>	<u>8,292,174</u>

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28.6 Additional Disclosures in terms of the MFMA

During the previous financial year the contribution to medical aid and VAT were not included in the MFMA disclosures. 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
Medical Aid			
Current year fee	-	1,085,436	1,085,436
Amount paid - current year	-	-1,085,436	-1,085,436
	<u>-</u>	<u>-</u>	<u>-</u>
VAT			
VAT receivable	-	1,825,091	1,825,091
VAT payable	-	-2,552,240	-2,552,240
	<u>-</u>	<u>-727,149</u>	<u>-727,149</u>

28.7 Amounts for surrender to NMBM

The MBDA acts as an agent for revenue collected at the stadium, however the amount owing in the prior financial year was erroneously omitted from disclosure as a related party balance, and this was also not accrued for in the books of the MBDA.

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
Payables to related parties			
Nelson Mandela Bay Metropolitan Municipality	-	980,463	980,463
	<u>-</u>	<u>980,463</u>	<u>980,463</u>
Statement of Financial Position			
		Change in Accounting Policy Restatement Amount	Restated Balance
Payables from Exchange Transactions	14,151,610	159,621	916,039
- Trade Creditors - NMBM Stadium		980,463	
- Other (see Note 28.1)		-820,842	
Receivables from exchange transactions	24,466,833	980,463	
- Nelson Mandela Bay Stadium Loan Account		980,463	



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28.8 Property, Plant and Equipment

During the current year's verification of assets differences were discovered between the fixed assets register and the general ledger. Certain of these amounts impact on the prior year balances and thus have to be adjusted for.

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

	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance
Statement of Financial Position			
Property, Plant & Equipment	7,346,436	-2,461	7,343,975
Loss on disposal of Property, Plant and Equipment		-2,461	
Statement of Financial Performance			
Loss on disposal of Property, Plant and Equipment	-131,469	-2,461	-133,930

28.9 Commitments

During the financial year, it was discovered that the opening balance for the disclosure of commitments was misstated. A summary of the effect of the correction of error is presented below:

	Balance as previously Reported	Correction of error Restatement Amount	Restated Balance
Notes to the Annual Financial Statements			
Commitments - Capital	23,130,609	14,566,850	37,697,459
Commitments - Leases (As Lessee)	547,167	-281,834	265,333
Commitments - Leases (As Lessor)	830,551	-221,480	609,071

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29. Fruitless and wasteful Expenditure

Opening Balance	866,743	3,743
Incurred during the year	136,191	866,743
Condoned by the Board	-	-3,743
Closing Balance	1,002,934	866,743

Analysis of Current Year's Fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	Amount
SARS late payment penalty	Under investigation	111,058
SARS late payment Interest	Under investigation	6,549
Cancellation of tender	Under investigation	9,584
Cancellation of contract	Under investigation	9,000
		136,191

Please refer to Note 26 for additional details.

30. Irregular Expenditure

		Restated
Opening Balance	205,792	-
Incurred during the year	3,773,815	205,792
Condoned by the Board	-1,374,796	-
Closing Balance	2,604,811	205,792

Analysis of Current Year's irregular expenditure

Incident	Disciplinary steps taken/criminal proceedings	Amount
Deviations not approved by the Accounting Officer	Condoned	1,374,796
Deviations not approved by the Accounting Officer	Under investigation	1,002,177
Payment after end of contract	Under investigation	24,679
Payments made to suppliers not on accredited database	Under investigation	1,057,244
Award to persons in service of the state (consultant)	Under investigation	199,500
No supply chain process followed	Under investigation	97,964
process	Under investigation	17,455
		3,773,815

Please refer to Note 26 for additional details.



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31. Related Parties		
Relationships		
Controlling entity	Nelson Mandela Bay Metropolitan Municipality	
Other members of the group	None	
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
	Khulile Vuyisile Nzo (Resigned 06 April 2018)	Non-Executive Director
Members of key management		
	Chief Executive Officer (Acting before February 2018):	Mr Ashraf Adam
	Chief Financial Officer:	Mr Ashwin Daya
	Planning and Development Manager -Inner City:	Ms Dorelle Sapere
	Planning and Development Manager - Townships (Resigned):	Ms Rene Uren
	Operations Manager:	Mr Mcebisi Ncalu
	Marketing and Communications Manager:	Mr Luvuyo Bangazi
	Planning and Development Manager - Townships (Acting):	Ms Nafeesa Dinie
	Stadium Manager:	Mr Mpho Mokonyane
	Science Centre Manager (Resigned):	Ms Zimasa Nyingwa
	Company Secretary:	Mr Mbulelo Matiwane
	Science Centre Manager (Acting):	Ms Singathwa Poswa
		Restated
Related party balances	2018	2017
Receivables from related parties		
Nelson Mandela Bay Metropolitan Municipality	49,190,781	22,252,115
Payables to related parties		
Nelson Mandela Bay Metropolitan Municipality	11,148,454	980,463
Unspent grants from related parties		
Nelson Mandela Bay Metropolitan Municipality	61,792,733	62,138,589
Income from related parties*		
Nelson Mandela Bay Metropolitan Municipality	123,369,252	96,968,359
Payments made to related parties		
Nelson Mandela Bay Metropolitan Municipality	810,726	67,023

* - In the prior year the entity had presented cash transactions with the related parties, in the current year, this has been changed to income amount to be more consistent with the accrual basis of accounting upon which these financial statements are based

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

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32. Additional Disclosures in terms of the MFMA		
		Restated
Audit Fees		
Current year fee	937,082	892,786
Amount paid - current year	<u>-937,082</u>	<u>-892,786</u>
	<u>-</u>	<u>-</u>
PAYE, SDL and UIF		
Current year fee	6,528,145	3,403,066
Amount paid - current year	<u>-6,528,145</u>	<u>-3,403,066</u>
	<u>-</u>	<u>-</u>
A penalty and interest was levied for a late payment for 1 month		
Pension Deductions		
Current year fee	2,191,325	1,471,428
Amount paid - current year	<u>-2,191,325</u>	<u>-1,471,428</u>
	<u>-</u>	<u>-</u>
Medical Aid		
Current year fee	1,751,820	1,085,436
Amount paid - current year	<u>-1,590,612</u>	<u>-1,085,436</u>
	<u>161,208</u>	<u>-</u>
VAT		
VAT receivable	932,288	1,825,091
VAT payable	<u>-2,611,483</u>	<u>-2,552,240</u>
	<u>-1,679,195</u>	<u>-727,149</u>

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



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Figures in Rand	2018		2017	
33. Deviations from Supply Chain Management Processes				Restated 2017
	No of instances		No of instances	
Categories of deviation as per Regulation 36 of the MFMA				
Regulation 36 (1)(a)(i) : In the case of an emergency	6	112,996	29	398,294
Regulation 36 (1)(a)(ii) : Goods or services are produced or available from a single provider	36	810,671	19	819,365
Regulation 36 (1)(a)(iii) : Acquisition of special works of art or historical objects where specifications are difficult to compile	-	-	-	-
Regulation 36 (1)(a)(v) : Exceptional case where it is impractical or impossible to follow the official procurement	113	5,078,581	5	7,074,514
Regulation 36 (1)(b) : Ratification any minor breaches of the procurement processes	-	-	-	-
	155	6,002,247	53	8,292,174

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

Name of bidder	Capacity in which that person is in the service of the state	Amount of the award
Route2 EC*	Director's parent is a Councillor at Overstrand Municipality	R950/h
		-

* Amount limited to below R200 000 incl VAT

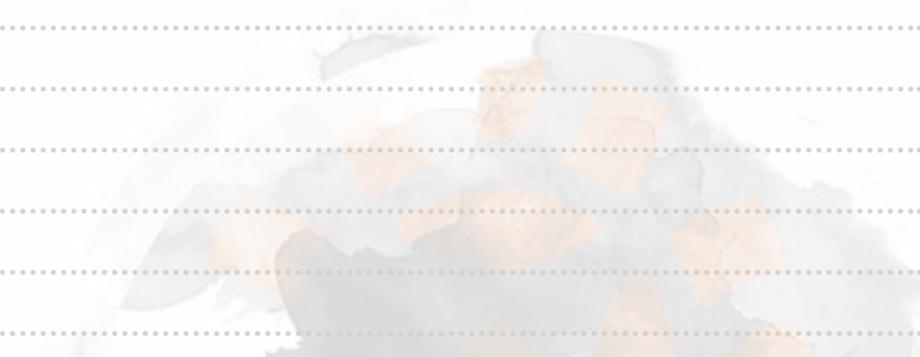
35. Budget Differences

Material differences between budget and actual amounts - MBDA

- A -The variance is due to low expenditure on capital projects
- B - Stadium Liquor income does not form part of the MBDA budget
- C -This is due to suspension of the KfW programme and reduced spending of the operating budget
- D - Progress in capital projects for SPUU has been halted due to ongoing violence in Helenvale
- E - The spending is in line with budget, except for the impact of resignations during the year
- F - This is due to budget savings on security and cleansing amongst others
- G - Due to the low expenditure on capital projects
- H - This is due budget savings on professional costs and the demolition of Telkom Park Stadium amongst others

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

- I - Stadium had less events than anticipated
- J - Grant for expenditure is paid by the parent municipality
- K - Stadium had less events than anticipated





mandela bay
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